Annual Report 2012

COR & FJA

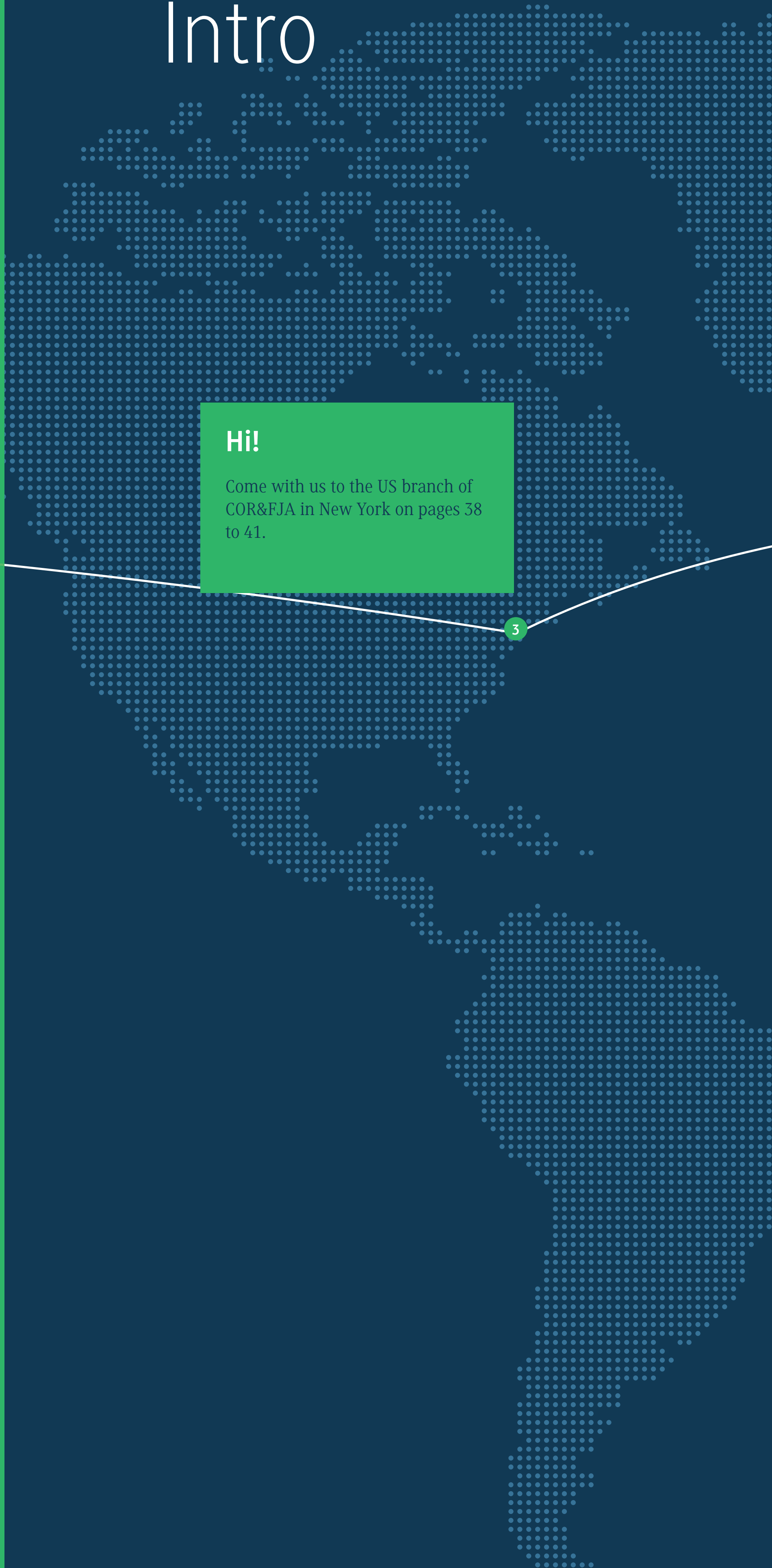
Consolidated key ratios pursuant to IFRS

in million euros	2012	2011	2010
Turnover	136.7	135.2	116.2
EBIT	-19.3	1.9	2.7
EBITDA	-9.1	6.7	7.4
EBT	-20.3	-0.4	5.5
Annual net profit / loss	-24.6	-1.3	6.3
Earnings per share in euros	-0.59	-0.05	0.16
Balance sheet total	106.0	130.0	112.2
Equity	50.0	76.3	75.6
Liquid funds	11.3	15.4	15.3
Cash flow from operating activities	-1.5	-7.3	1.9
Investments	1.9	8.2	4.5

COR & FJA

Inhalt

Intro



Hi!

Come with us to the US branch of COR&FJA in New York on pages 38 to 41.

Focus on international market potential

COR&FJA currently occupies a clear strategic position with regard to international market requirements. The model includes, on the one hand, enhancing the software solutions offered by the company, which were adjusted to local requirements in the course of executing assigned international customer projects.

But it also includes the company's international branches, which, not least from a selling point of view, constitute an important component of its planned internationalisation. We would therefore like to give you a more detailed view of several COR&FJA Group sites in words and images in this annual report.

The Board

Members of the Management Board

Rolf Zielke
MEMBER OF THE MANAGEMENT BOARD

Life, P&C and National Market

Dr Christian Hofer
CHAIRMAN OF THE MANAGEMENT BOARD

International Markets, Nearshore and Central Functions

Volker Weimer
MEMBER OF THE MANAGEMENT BOARD

Banking, Non-Life and IT-Services

Letter from the Management Board

Dear shareholders, customers, business associates and colleagues,

The 2012 financial results of COR&FJA AG were unfortunately the worst in the company's long history. With EBITDA of -9.1 million euros and a result for the period of -24.6 million euros, we clearly failed to meet the earnings targets we had set ourselves and announced at the start of 2012. By contrast, total turnover was 136.7 million euros, which was only slightly less than expected.

Reasons for the 2012 results

One of our few sales successes of 2012 was acquiring DEVK Versicherungen as a new customer. They awarded us a contract in February 2012 to introduce our COR.FJA Life Factory policy management system, and together we have already successfully passed the first project milestones.

In other respects, the 2012 financial year was not entirely satisfactory in terms of sales. A number of contracts in the Insurance and Banking segments, which had initially appeared to be promising, failed to materialise. This has caused us to experience again the effect of the crisis on the international financial markets, which has been continuing since 2008 – although not the effect we had been expecting. Insurance companies and banks did continue to ask us to supply IT solutions made necessary by new regulatory requirements in 2012, resulting in stable ongoing business from our existing customers. However, a degree of reluctance to make major new investments was noticed among our customers.

This reserve explains in part why our total turnover figure was slightly lower than expected. Another reason was that an ongoing major project in our Insurance segment had to be terminated unexpectedly.

In addition to this, a number of special issues placed a considerable burden on the company's earnings. For instance, the unplanned termination of the major project mentioned above imposed one-off costs amounting to around 6.0 million euros and contributed significantly to receivables write-offs totalling 8.7 million euros.

In addition, the changeover at the head of the Management Board at the end of January 2013 entailed a switch to much more conservative evaluation criteria, which have been used as the basis for the current year-end audit. For this reason, as part of the impairment test involved in the year-end audit, the entire goodwill value of our subsidiary COR&FJA Metris (3.4 million euros), and part of the goodwill value of our subsidiaries Wagner & Kunz Aktuare and plenum (0.3 million euros and 1.3 million euros respectively) were also written down (unscheduled amortisation). It was these numerous special issues in particular that brought about the unusually poor financial result in 2012.

This unsatisfactory financial situation and the absence of any announcements of successes in the 2012 financial year naturally caused the company's share price to suffer. This is something we cannot and will not accept in the long term: our shareholders are entitled to expect a satisfactory return for the trust they place in us by investing in our company. Now it is up to us to kick-start a sustained strengthening of the share price through healthy financial growth.

Measures to improve the situation

At the end of January 2013 the previous chairman, Ulrich Wörner, resigned from his position as a member of the Management Board and Chairman with immediate effect because of a difference of opinion about the company's fundamental business policy. The Supervisory Board subsequently appointed me to the Management Board and to the position of Chairman with effect from 1 February 2013. I will perform this function for a transitional period of 15 months, during which I will help the Supervisory Board to find a permanent successor for Ulrich Wörner.

Since the merger in 2009, the COR&FJA Group has only rarely managed to meet the high expectations held in many different quarters. And these developments, which were unsatisfactory for everyone involved, eventually led to the 2012 financial statement now before us. I therefore – in agreement with the Supervisory Board – see my main task as Chairman is to redefine the COR&FJA Group's organisational structure and strategy.

COR&FJA has already responded to the unsatisfactory financial developments by setting up a cost-reduction programme during the last financial year. Most of the effects should start to become apparent in 2013 and contribute considerably to improving the company's cost and earnings situation. The Management Board is continuing with this programme, which consists of two main aspects:

Firstly, we have already reduced and will continue to reduce a large proportion of the work purchased to date from external IT service providers. This is possible because we have cut back on the previous high level of product investments in the preparation of new product offerings that could not be placed on the market successfully. Secondly, we intend to carry out a thorough audit of our overhead costs, including management and sales, as well as our administrative areas. In these areas too, we are expecting cost-saving effects.

As well as implementing the cost reduction programme, however, we will carry out a strategic realignment as a matter of priority. In connection with this, we are going to subject every part of the company that generates little or no income to a critical analysis. Thoroughness and prudence will, however, take precedence over speed and knee-jerk reactions when it comes to taking the far-reaching decisions that are needed. Our plans provide for appropriate restructuring measures. We foresee the course being set for this realignment by the middle of 2013 and will notify all COR&FJA stakeholders in good time.

The Management Board has already decided that there will be a clear focus on the company's core business in future – i.e. on the development and distribution of standard software for the life insurance and banking markets. In addition, we will put the brakes on the strong inorganic growth of the past. Finally, we plan to tap into market potential outside the German-speaking world by taking up a clear strategic position in terms of international market requirements. We have therefore taken the opportunity in this annual report to present a selection of the COR&FJA Group's international locations in words and images.

Outlook for the 2013 financial year

Having managed to eliminate several major sources of loss in the 2012 financial statement, the Management Board is cautiously optimistic about the current financial year. In view of today's market and sales situation, we are expecting total turnover of around 139.0 million euros in 2013 and earnings before interest, taxes, depreciation and amortisation (EBITDA) of about 5.0 million euros. We are expecting turnover and earnings to grow over the coming years.

As well as looking after our existing customers and acquiring new clients, our further development work during the current financial year will involve optimising and completing our product range in the Insurance and Banking segment, focusing on technical and specialist aspects. Expanding the COR.FJA Life Factory policy management system based on modern Java JEE architecture continues to be a key project in our Insurance segment. This project is a direct response to the exacting requirements of the life insurance industry in terms of customising and process and product flexibility.

In view of current market requirements we are firmly convinced that we are on the right path with our primary core products in the Life Insurance segment. This is also confirmed by a survey conducted by a leading research company in August 2012 of the market for European policy management systems for life insurance companies, of which our solutions were once again a part. And, as in previous years, it described us as holding a leading market position.

Our main focus in the banking product segment is on developing the COR.FJA Banking Suite into one of the leading standard full banking systems on the market. As well as the ongoing adaptations in response to regulatory requirements and market situations, we are concentrating in particular on the continual technical optimisation of the various components and on consolidating the products within our CORBAS banking platform.

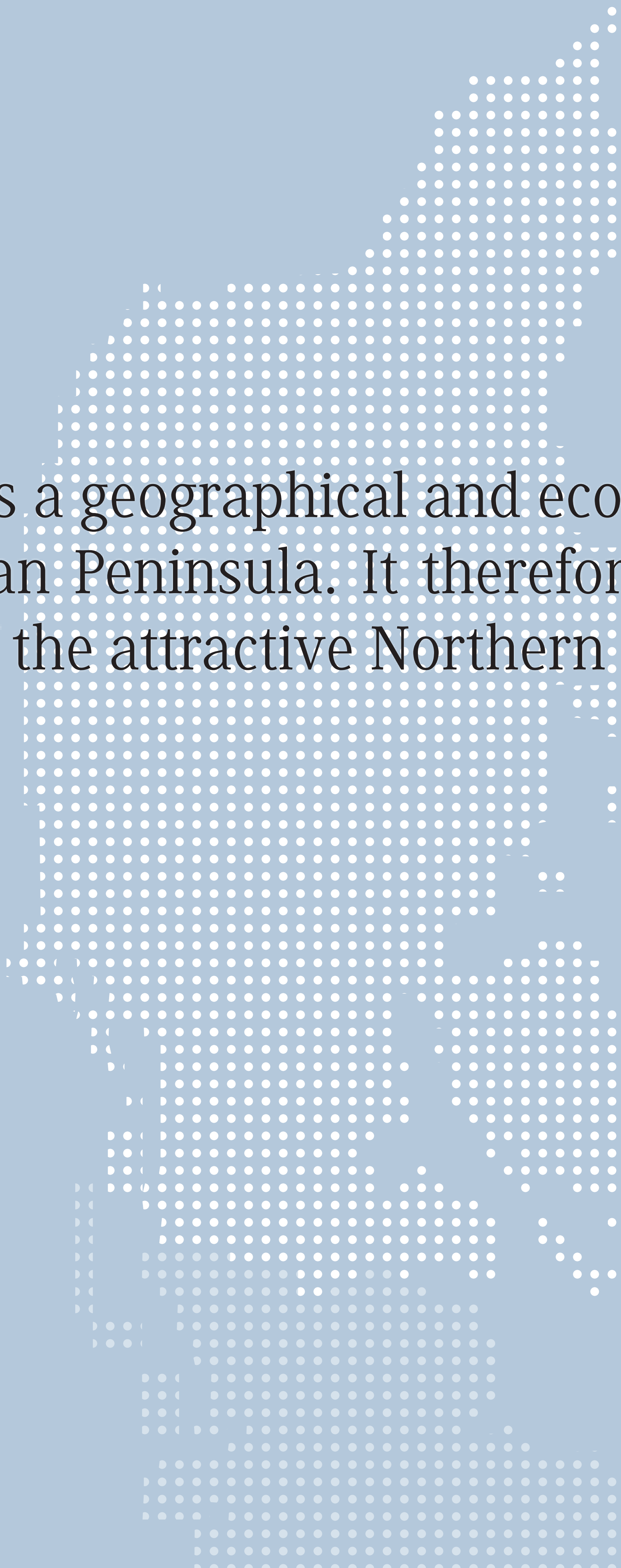
COR&FJA employees are a key component in our efforts to return to the path of success. In the 2012 financial year they once again did an excellent job in a difficult market situation. The Management Board would like to express its thanks and recognition to the entire workforce.

In all sincerity I would finally like to ask you, our shareholders, customers, business partners and colleagues, place the necessary trust in me and in my two fellow board members as we tackle the decisions that lie ahead.

With its core products and its motivated, highly qualified employees, COR&FJA is in an outstanding competitive position. This company is capable of much more than it has demonstrated in the past. It is now up to us to furnish the proof.

Kind regards,

Dr Christian Hofer
CHAIRMAN OF THE MANAGEMENT BOARD



Denmark forms a geographical and eco
the Scandinavian Peninsula. It therefor
development of the attractive Northern

nomic link between Central Europe and
re plays a key role for COR&FJA in the
European markets.

Hvis du tager ud at fiske, så glem ikke nettet.*

COR&FJA has had its own sales subsidiary in **Copenhagen,** the cultural and economic centre of Denmark, since 2011. Situated centrally within a major urban conglomeration of nearly 1.5 million inhabitants, Copenhagen is one of Northern Europe's major cities and a hub in Scandinavia. This is where COR&FJA handles all sales prospects and supports its existing clients, especially in the insurance sector, for instance letpension in Denmark, Frende Forsikring in Norway and SEB in Sweden.

*Don't go fishing without a net.

COR&FJA Group

Sophisticated IT system solutions and services for insurance companies, banks and company pension schemes

The COR&FJA Group is one of the leading software and consulting companies for the international financial services industry, focusing on insurance companies, banks and providers of company pension schemes. The solutions range from the development and implementation of standard software and the provision of extensive consultancy services to taking over IT operations (Application Service Providing).

With decades of market experience and a committed team of highly qualified specialists, COR&FJA supports its customers with holistic, modern, tested state-of-the-art solutions. The software architecture used is component-based and service-oriented. A unique combination of specialist knowledge, process skills and IT expertise makes COR&FJA a one-stop shop for solutions to complicated problems. 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 has a strong market position in Europe. In the Banking segment, COR&FJA is among the leading providers on the German market for mortgage lending institutions as well as automotive-financing and private banks.

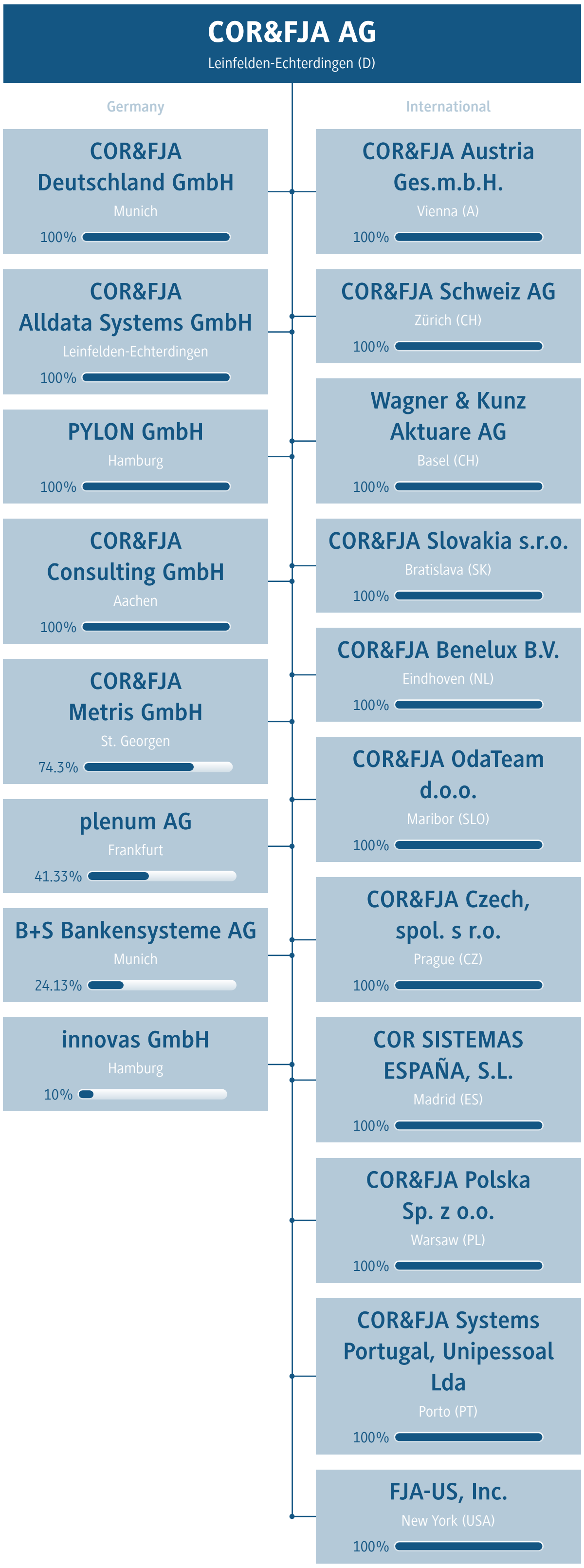
With its modern, flexible, reliable IT solutions, COR&FJA provides its customers with considerable time savings and cost benefits, thereby enabling them to strengthen their competitive position. Because the solutions are systematically tailored to the requirements of a service-oriented architecture, COR&FJA's software can be integrated or upgraded quickly.

The standard software always supports multiple clients, currencies and languages and can, therefore, be rapidly and flexibly deployed, even in an international context. Today, COR&FJA's solutions are already in use in more than 30 countries, including the US and Australia. This product range is supplemented by consulting services, especially in the fields of process design and management.

COR&FJA sees itself as a partner for insurance companies and banks. Up-to-the-minute further development of its products and services is focused strictly on customers' needs and the requirements of the market, in order to guarantee the value of these solutions well into the future.

Structure/ Locations

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 the Netherlands, Denmark, Austria, Switzerland, Slovakia, Slovenia, Poland, the Czech Republic, Portugal, Spain and the US, currently employs nearly 1,200 staff.



The COR&FJA solutions portfolio: standard software that offers flexibility and cost benefits for a competitive edge

COR&FJA provides a wide range of powerful, state-of-the-art, flexible standard software, designed primarily for insurance companies and banks, which also includes consulting services.

If necessary, COR&FJA can also provide its high-quality standard software solutions and services via an ASP model (Application Service Providing), whereby the company takes care of the installation, configuration, maintenance, updating, ongoing development and support, and is responsible for security, back-up and recovery. This enables our customers to benefit from the specialisation and technical quality of the IT solutions on offer and to gain financial flexibility by avoiding large investments in IT infrastructure and software licences.

Insurance companies

Today, insurance companies are exposed more than ever to increasing costs and competitive pressure. Demand for a high level of customer service and attractive prices, the challenge of coping with new statutory requirements as well as the necessity of launching new products on the market quickly and cost-effectively mean insurance companies are facing new challenges all the time. Efficient policy management is therefore a particularly important strategic success factor, requiring cost-effective, yet flexible solutions applicable across different sectors.

COR&FJA's solutions portfolio consists of numerous upgradable standard software components. The high configurability, use of a product server and modern, service-oriented technology mean adjustments can be made rapidly to products and processes, enabling us to react promptly to customer requirements and changes in the market.

The individual components fully represent the relevant insurance company business processes and can either be combined to meet customer-specific needs or used as stand-alone services. The spectrum ranges from front-end functions such as handling enquiries and risk assessment to contract management, commission management and collection. Additional COR&FJA modules, individual add-ons or software components from third parties can be 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 main 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. As the system is based on modern, service-oriented architecture (SOA) 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 in particular meets the needs of insurance companies looking for a streamlined, cost-effective management system which covers the core functions of insurance companies and can be implemented very flexibly. The system enables new products to be rapidly developed and launched, and supports multiple clients, languages and currencies.

FJA
Product Machine

Software for product development, introduction and maintenance

The FJA Product Machine enables insurers to centralise all of their product-relevant information, product rules, legal requirements and marketing necessities. This enables insurers to create, test and market new insurance products even more flexibly. This enables insurers to create, test and market new insurance products even more flexibly. The result is that health insurers can be more responsive to market trends and depict products with a high time to market.

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 ZfA*

COR.FJA TaxConnect supports the legally required processes and premium data messages to the ZfA. The system brings the relevant data from the participant systems together in a database of their own, thereby making cross-component data viewing and management possible.

*German central allowance authority for pension assets [Zentrale Zulagenstelle für Altersvermögen]

COR.FJA
Zulagen-verwaltung

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

Broker portal for mapping sales channels and back office processes

COR.FJA's Sales & Service System offers insurers a web-based service platform that supports and enables end-to-end processing of all sales and business processes. Starting with fast and easy-to-use customer research, the solution provides customer-related information, transactions and canvassing data. The system can be installed quickly and economically on the basis of a standardised customising process.

COR.FJA
Office

Business transaction management and processing of documentation

COR.FJA Office provides functions (capture, distribution, processing and archiving of data) that are required for convenient, paper-saving processing. COR.FJA Office can be used as an intelligent front office for processing, in conjunction both with the leading archive and document management systems, and with corresponding Enterprise Content Management solutions.

COR.FJA
Pension

Service portal for time value accounts and company pension plans

The COR.FJA Pension System is a solution for looking after and managing company time value accounts and contribution-based company pension plans for corporate clients, banks, insurance companies and occupational pension institutions. COR&FJA offers a service that includes both the administration of accounts and contracts as well as the provision of a computer centre and productive operations. Administrative processing is carried out as a web application via the COR.FJA Pension service portal.

COR.FJA
iLIS

Standard software for central management for actuarial calculations

COR.FJA iLIS is a standard software package for the central management of all data required for actuarial calculations. It ensures that all data is up-to-date, of high quality and audit-proof, and that it incorporates the GDV standard model. COR.FJA iLIS also controls processes by activating adjacent systems and supplying them with the required input data. This makes it possible to significantly improve and optimise the efficiency and quality of the processes involved in actuarial calculations and financial reporting.

COR.FJA
ClustRed

Solution for compressing large insurance portfolios

Variations can be calculated simply and efficiently with different compression ratios using the standard software COR.FJA ClustRed (Cluster Reduction) in order to optimise the compression ratio given a specified quality. This enables projection calculations and stochastic analyses to be carried out efficiently, irrespective of the actual size of the portfolio, yet nevertheless delivering reliable projections with significantly better runtimes.

openClaims

Web-based standard software for product-driven settlement

n the field of claims management, openClaims provides insurance companies with a platform that supports internal processes as well as the processing of claims by field representatives. Each module on the openClaims platform can be used on its own. The individual modules also fit seamlessly together, enabling a high savings potential throughout the entire process.

Insurance consulting

Drawing on our extensive technical and sector know-how, COR&FJA supports insurance companies in the conceptual planning and successful implementation of their projects, even independently of the product range. Our consultancy services cover product strategy, development and implementation, risk management and portfolio migration. Furthermore, we also offer detailed specialist advice on actuarial and business-case related matters.

Banks

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

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

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

CORBAS International Business

Solution for handling documentary transactions

CORBAS International Business is the multilingual multiple-client solution for efficient handling of international and documentary payments and trading in foreign currencies and metals.

CORBAS Payments

Central payment settlement

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

CORBAS ReCon

Risk-appropriate general bank management software

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

CORBAS Tax

Software solutions for calculating capital gains tax

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

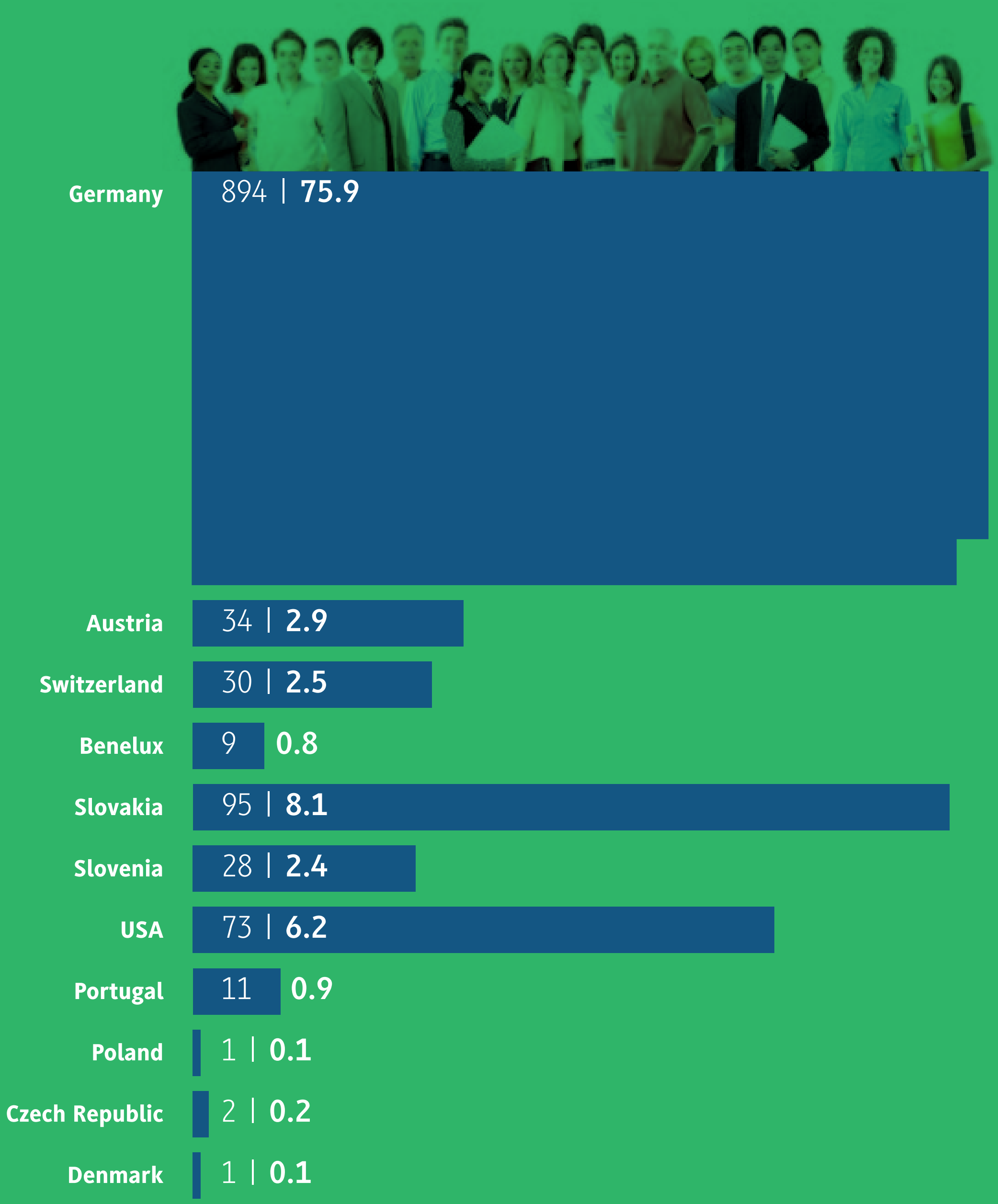
Bank Consulting

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

Employees

On 31 December 2012, a total of 1,178 people were permanent employees of the COR&FJA Group[1]. This slight increase stems largely from the strategic development and expansion of COR&FJA's international activities and locations.

Number of employees | **in per cent %**



Total 1,178 | **100**

1 31 December 2011: 1,174 permanent employees

Vacancies

At present, the company has just under 30 vacancies (March 2013) for both graduates and experienced professionals. In order to maintain its position in the continuing stiff competition for highly qualified employees, COR&FJA is also taking advantage of the networks and know-how of employees within the sector. Personal recommendations by the company's own employees frequently prove successful since they have the best knowledge of the working environment, the type of work involved and the requirements. In addition, the Internet is by far the most important source of job applications for the company. Of the more than 1,100 applications received in 2012, over 50 per cent came from this source. Accordingly, the Internet is of strategic significance in acquiring new employees, and will continue to be a key recruitment tool in the future.

University relations

The area of university relations is another important long-term recruitment channel. Again in 2012, the company strove to raise its own profile at those universities that are of interest to COR&FJA and to raise the appeal of the company to promising graduates. It attended recruitment events at selected universities and, in cooperation with external partners, uploaded its first interactive webinar on an actuarial subject for this target group, which can be viewed at any time. In this way, COR&FJA can approach and integrate young talented people while they are still studying, bringing the latest know-how from the universities directly into the company. At the same time, COR&FJA can position itself, especially through expert lectures at the universities, as an attractive employer for junior staff and talented graduates. In view of the general demographic trend, COR&FJA will continue to intensify these activities and to focus even more on younger target groups. Examples from the recent past include invitations for schoolchildren to visit its premises, and supporting employees involved in the MINT (mathematics, IT, natural sciences and technology) Initiative.

Dual vocational education

At its registered office in Stuttgart, COR&FJA takes part in the dual vocational education system. During the past business year, it successfully continued its partnership with the business information systems course at the Baden-Württemberg Cooperative State University (DHBW). By offering two industry-orientated specialisation pathways, the company is preparing students for various career profiles in the banking and insurance industry. COR&FJA will continue to invest in the training of young employees in the future.

Further professional training

In the area of further professional training for employees, COR&FJA is supporting staff who are training to be DAV actuaries at the Deutsche Aktuarakademie (DAV – the German actuarial academy) while working. The company is paying their course fees and giving them time off to attend lectures.

Welcome Day

For some time now, COR&FJA has been organising a Welcome Day for all new employees. With the participation of the Management Board, Human Resources Department, works council representatives and, in particular, specialists from the operational areas, the company presents its strategic focus and targets in its various business segments. In addition, the new employees can get to know one another in a relaxed atmosphere, identify common ground and begin to build up contacts with new colleagues from other areas.

Onboarding

In 2011, COR&FJA launched a new induction programme (Onboarding), which was developed in-house, and ran it for the first time for nearly 20 young employees. The target of the Onboarding Programme is to support new colleagues when they commence work at COR&FJA. In the meantime, this programme is being actively discussed at universities, career fairs and in interviews with young job applicants, where it is regularly met with great interest.

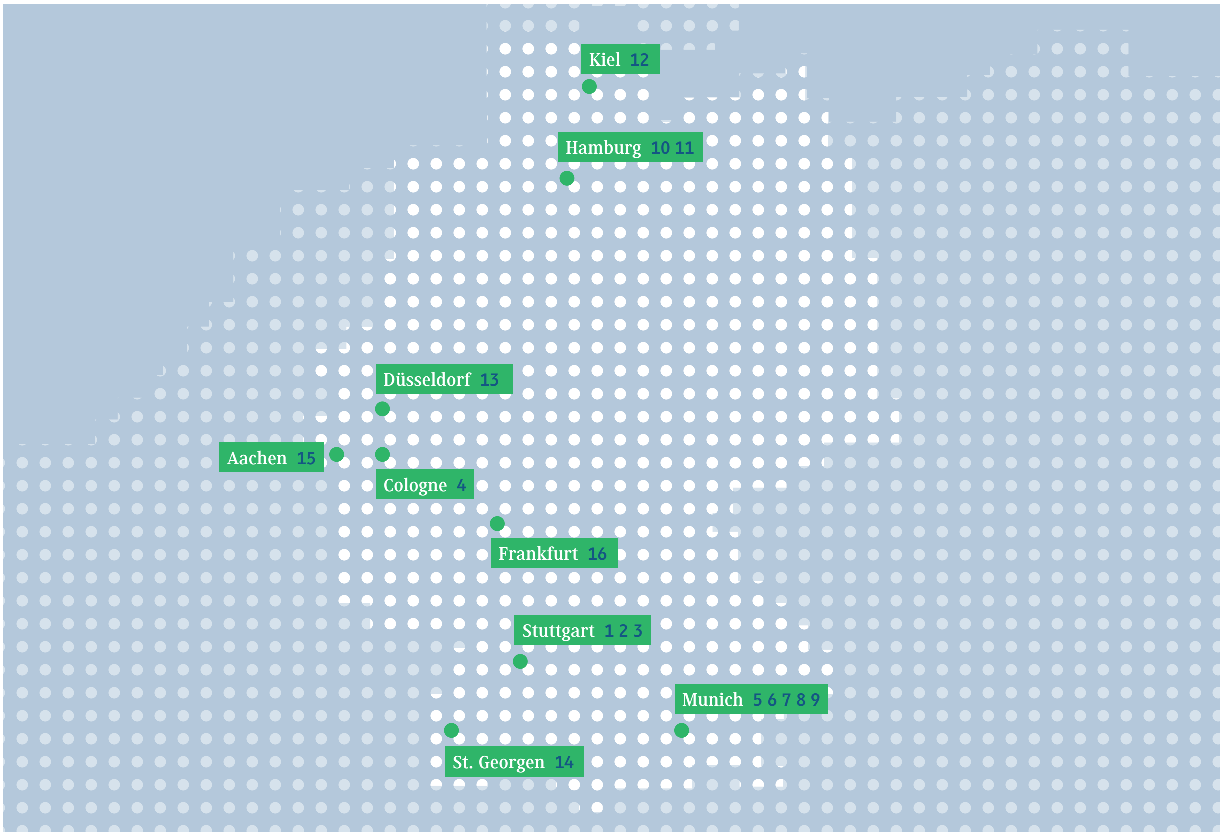
The focus of the modules, which are scheduled over several days, is on early networking, improving the quality of the knowledge transfer from existing staff to the new employees, and the consistency and comparability of the communicated knowledge base across all sectors. In addition, the programme establishes a positive sense of belonging, thereby promoting the early integration of new employees.

Electronic Personnel Record

One of the key themes in the Human Resources Department in 2012 was the company-wide introduction of the Electronic Personnel Record, which will replace the previous paper personnel record. Irrespective of their current location, this gives employees and executive staff fast access to the records they need. Furthermore, the payroll process was outsourced to the service provider msg systems AG. Concentrating on a standardised technical solution made it possible to improve the quality of the data and the quality and effectiveness of the corresponding processes significantly.

Branches

Germany



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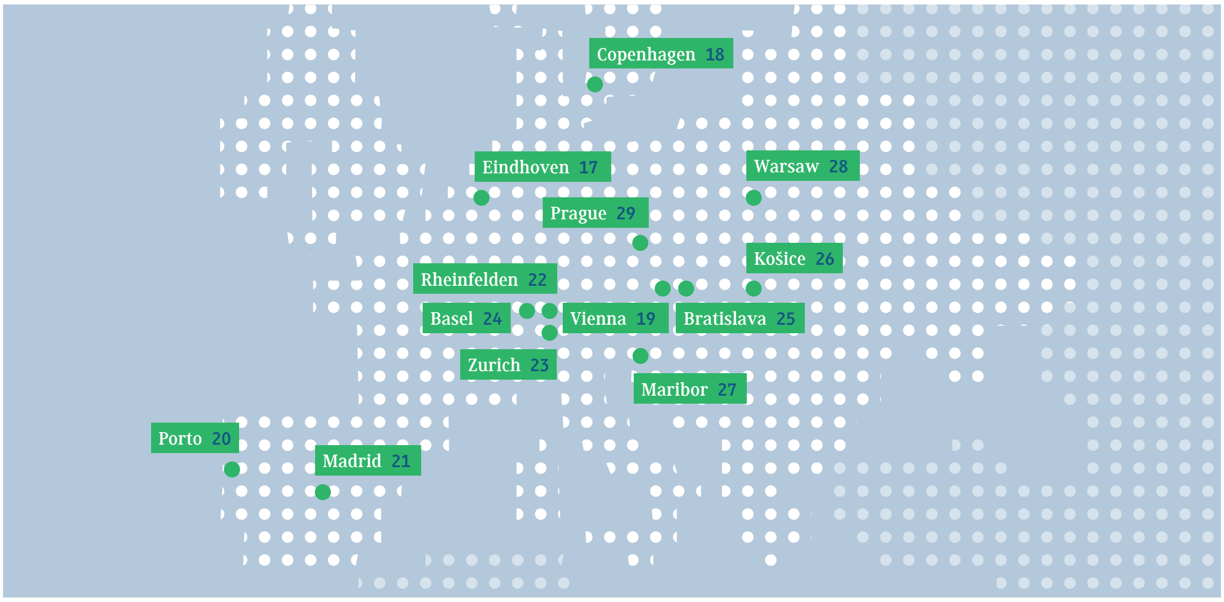

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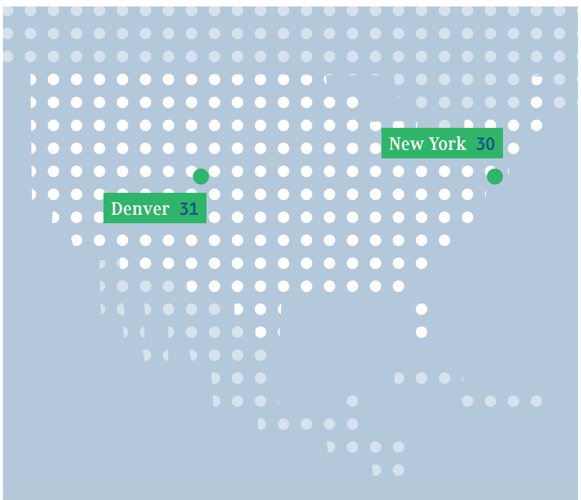

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Due to their large numbers of internatio
Benelux states **Belgium,** the **Netherlan**
extremely valuable target for COR&FJA.

nal financial service providers, the three
ds and **Luxembourg** have long been an

Een goed begin is het halve werk.*

COR&FJA set up a Dutch subsidiary in 2007 and did not take long to attract its first Benelux clients: ABN AMRO and DBV. COR&FJA activities have been coordinated from **Eindhoven** in the Netherlands since 2011, a town not far from the Belgian border. This also includes the current project with its latest client, Cooperatie DELA. In addition, a total of nine employees regularly provide support during the implementation and maintenance of projects in the Insurance segment. Moreover, future prospects are good, as numerous international insurance groups are showing great interest in modern, competitive insurance platforms for their Benelux operations.

*A good start is half the work.

The Supervisory Board

Report by the Supervisory Board

Dear shareholders,

The Supervisory Board diligently performed the duties incumbent on it according to the law, company statutes and Rules of Procedure in the 2012 financial year, and monitored the activities of the Management Board in managing the company, guiding it in an advisory capacity. It scrutinised the operational and strategic performance of COR&FJA AG in detail and, at each meeting, compared the company's actual business performance against its business targets. The reasons behind any divergences and their possible knock-on effects on the company's short, medium and long-term plans were also discussed.

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 possible cooperative ventures and investments. The situation in new and existing foreign markets in which COR&FJA operates was also discussed regularly.

Cooperation between Supervisory Board and Management Board

The Management Board notified the Supervisory Board regarding all company-related issues. The meetings of the Supervisory Board were shaped by very in-depth and frank exchanges of opinions and constructive 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 provided with detailed documents by the Management Board prior to the meetings. In these documents, the Management Board generally provided the Supervisory Board with monthly details of the main financial figures. It submitted the 3-month, 6-month and 9-month report and draft annual report in good time. Deviations from planning were explained to the Supervisory Board in detail by the Management Board. 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.

Activities of the Supervisory Board in 2012

During the period under review, the Supervisory Board convened for a total of nine Supervisory Board meetings. To enable the board members to prepare for the meetings, the Management Board generally 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 30 January 2012, the Management and Supervisory Boards discussed the budget plans for 2012 and subsequent years in detail. Further central topics at the meeting included a report on the business situation in the individual divisions, a discussion on the Management Board's short and longer-term objectives as well as changes to responsibilities within the company's management divisions.

At the meeting held on 19 April 2012, the Management Board presented the status of a current M&A project; the further strategy planned here was then discussed in great detail.

At the accounts meeting on 27 April 2012, the Supervisory Board and the auditor jointly discussed the annual financial statements and consolidated financial statements as well as the condensed management report and Group management report for the 2011 financial year. Furthermore, the Management Board presented the current business situation in the individual business areas as well as the company's future strategy in the Non-Life Insurance segment.

During the meeting on 8 May 2012, the Management Board presented its product and service strategy in some of the company's central areas. In addition, the planned termination of Klaus Hackbarth's Management Board contract, to take effect with close of business on 30 June 2012, as well as the resultant new responsibilities within the full Management Board were discussed and the corresponding resolutions were adopted. A further topic was the presentation and approval of the agenda for the Annual General Meeting 2012.

A Supervisory Board meeting took place after the Annual General Meeting on 26 June 2012 in which, apart from the current business and financial situation of the Group, the future composition of the committees as well as the development of COR&FJA's investments were discussed.

On 21 September 2012, the general business and financial situation as well as, in particular, the planned programme for reducing the Group's costs were discussed. In addition, the Management Board gave the Supervisory Board a detailed report on the current status of a large-scale project.

At the Supervisory Board meeting on 16 November 2012, the central themes were the current economic development of the Group as well as the status of COR&FJA's main sales projects.

On 11 December 2012, the Supervisory Board and the Management Board discussed, among other things, the current business situation and planning for 2013 as well as the draft for the Declaration of Compliance with the German Corporate Governance Code.

In a meeting of the Supervisory Board, convened at short notice on 14 December 2012, the Supervisory Board discussed a letter it received from the executive staff on current developments in the company, the status of the programme to reduce costs as well as the economic success of various individual areas of the company.

The work of the committees

To enable it to perform its functions efficiently, the Supervisory Board set up two committees whose task it is to prepare in detail the topics that are to be discussed and decided upon at the plenary session. They are the Audit Committee and the Personnel Committee. Dr Klaus J. Weschenfelder was the Chairman of the Audit Committee until he retired from the Supervisory Board on 26 June 2012. Johann Zehetmaier was elected as Chairman of the Audit Committee during its first meeting after the Annual General Meeting 2012. Professor Dr Elmar Helten is the Chairman of the Personnel Committee. The Supervisory Board was regularly informed by the committees concerning the topics and results of their discussions at the subsequent Supervisory Board meeting.

The Audit Committee met on a total of six occasions during the period under review:

Discussions at the first meeting on 30 January 2012 focussed on the risk management system and the development of a financial participation.

On 19 April 2012, the Audit Committee and the auditor discussed the upcoming company and consolidated financial statements for 2011 as well as the future course of the audit and particular areas of emphasis.

In the meeting on 27 April 2012, the Audit Committee discussed the final 2011 annual financial statements and consolidated financial statements with the auditor. Two divisional managers also presented the technical and functional architecture of one of COR&FJA's new products to the Audit Committee.

On 25 June 2012, the latest development and project status of COR&FJA's non-life insurance solution was presented to the Audit Committee.

On 21 September 2012, the Audit Committee first elected a Committee Chairman. Two divisional managers subsequently gave an in-depth presentation of the controlling and reporting systems as well as the company's enhanced reporting system.

During the last meeting held on 11 December 2012, the Audit Committee again focused on the presentation and discussion of the controlling and reporting systems as well as the company's enhanced reporting system.

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

On 30 January 2012, the Personnel Committee discussed the upcoming harmonisation of payroll accounting on a standardised technical basis as well as current developments in the field of university relations with the responsible division manager.

At the meeting on 26 April 2012, the Committee discussed in particular COR&FJA's management divisions could possibly be shaped in the future as well as the targets achieved by the Management Board during the past business year.

On 25 June 2012, the Personnel Committee discussed the termination of Klaus Hackbarth's Management Board contract as well as the planned changes in Milenko Radic's area of responsibility.

The current and future organisational direction as well as staff policies regarding the company's international activities were discussed at the meeting on 21 September 2012.

On 11 December 2012, the Human Resources Manager presented what she regarded as the most important aspects of the already-implemented cost-saving programme.

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 which is published on the company's website in connection with the Declaration on Corporate Governance. 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 2012 and made permanently accessible on the company's website.

There were no cases during the 2012 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. Three Supervisory Board meetings are planned for the current 2013 financial year and the forthcoming Annual General Meeting was scheduled to be held on 25 June 2013.

Audit of the 2012 financial statements and consolidated financial statements

The ordinary Annual General Meeting held on 26 June 2012 appointed kleeberg audit GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditor for the 2012 financial year. The Audit Committee discussed the 2012 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 statement of financial position, were also discussed at length with the auditor.

The 2012 financial statements and consolidated financial statements and the condensed management report and Group management report have been examined by the auditor 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 30 April 2013 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 2012 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. Upon conclusion of its final examination, the Supervisory Board had no objections to raise regarding the statement of the Management Board at the end of the report concerning relations with affiliated companies.

Changes to the Supervisory Board and Management Board

Klaus Hackbarth retired from the Management Board of COR&FJA AG with effect from close of business on 30 June 2012.

Furthermore, Supervisory Board members Professor Dr Christian Hipp and Dr Klaus J. Weschenfelder resigned as members of the Supervisory Board, with effect from the end of the Annual General Meeting on 26 June 2012. Dr Christian Hofer and Johann Zehetmaier were elected as new members of the Supervisory Board at the Annual General Meeting on 26 June 2012.

Significant events after the balance sheet date

Milenko Radic resigned from the Management Board of COR&FJA effective from the end of 9 January 2013.

On 31 January 2013, the former Chairman of the Management Board, Ulrich Wörner, resigned from his positions as a member of the Management Board and as Chairman of the Management Board with immediate effect owing to differences of opinion regarding corporate policy. Also on 31 January 2013, the Supervisory Board member Dr Christian Hofer was appointed as a member of the Management Board and Chairman thereof, effective from the beginning of 1 February 2013, after he had resigned from his post as a member of the company's Supervisory Board on 31 January 2013 with immediate effect. Dr Christian Hofer was appointed for 15 months, in other words until the end of 30 April 2014. The intention is to find a permanent replacement for Ulrich Wörner during this transitional period.

The Supervisory Board would like to thank Ulrich Wörner for his many years of service and his commitment to COR&FJA AG as well as for his cooperation, which was carried out on a basis of mutual trust, and wishes him all the best for his future. The same applies for Klaus Hackbarth and Milenko Radic, who retired from the Management Board, as well as for the former members of the Supervisory Board, Professor Dr Christian Hipp and Dr Klaus J. Weschenfelder.

The Supervisory Board would like to extend its gratitude to all employees of the companies in the COR&FJA Group for their personal commitment and performance in a difficult business environment during 2012.

Leinfelden-Echterdingen, 30 April 2013

For the Supervisory Board

Prof. Dr Elmar Helten
CHAIRMAN OF THE SUPERVISORY BOARD

COR&FJA has been a successful player in
market opportunities that have arisen fr
the US are now creating additional busi
marketplace.

n the **US** market for many years. The new
rom the aggressive healthcare reform in
iness potential for this rapidly changing

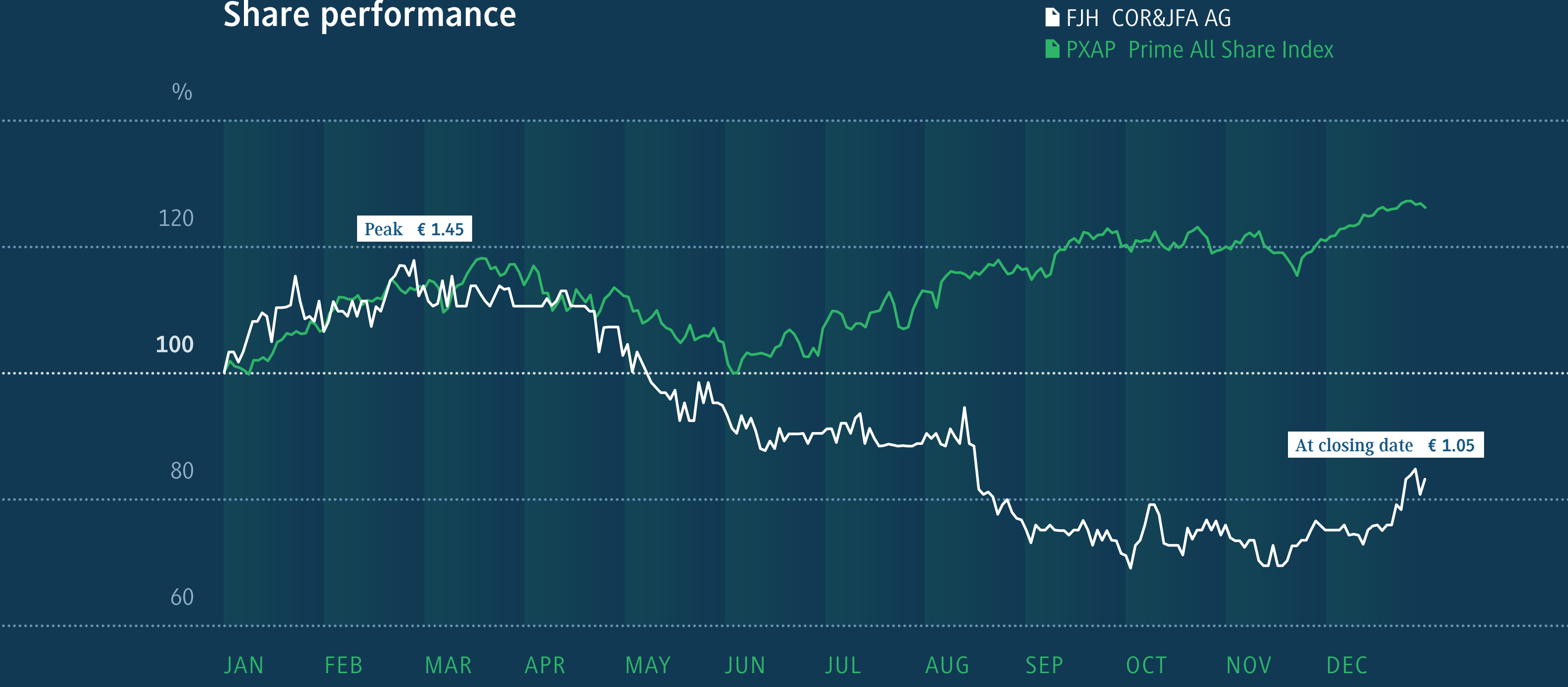
You can’t climb the ladder of success with your hands in your pockets.

Since 1998, COR&FJA has been successfully represented with its own subsidiary in this very important global financial centre. Today COR&FJA’s US hub is located in **New York City** with a workforce of over 70 team members. Forming part of COR&FJA’s US subsidiary, this is the base from which they serve the North American insurance market, promoting the Unified Product Platform based on their own Product Machine software. Where product management is concerned, the Unified Product Platform is the quintessential software offering for product development in the US. COR&FJA is now a leading player in the US market, serving the principal insurance carriers in North America.

The share

Share price development, key ratios and shareholder structure

Share performance



Key figures

	2012	2011
Earnings per share in euros	**-0.59**	-0.05
Highest annual price in euros	**1.45**	2.10
Year-end closing price in euros	**1.05**	1.28
Market capitalisation in million euros	**44.94**	54.79
Total number of shares in millions (shares)	**42.80**	42.80

2012 was an extremely turbulent year on the stock exchange, and the markets were affected by political events to a very unusual extent. After a positive first quarter came clear signs of an economic slowdown and recession from both the USA and the eurozone. The euro crisis raised its head again as well, and speculations about a euro-critical election result in Greece and the change of government in France undid most of the gains from the start of the year. It was only the European Central Bank's announcement half-way through the year of an offer of unlimited bond-buying to rescue the euro that calmed the stock markets and led to clear upwards trends.

The DAX, Germany's leading stock market index, was also very volatile, fluctuating in the first six months between 6,076 points at the start of the year, an interim high of 7,158 points on 16 March and an annual low of 5,969 points at the beginning of June. In the second half of the year, there was a clear upwards trend and the DAX ended the year up by nearly 29 per cent, at 7,612 points. Prime All Share, the relevant industry index for COR&FJA, ended the year at 2,853 points, which also represented a growth of almost 29 per cent over the year.

COR&FJA shares had a generally unsatisfactory year in 2012. After a positive start with an annual high of 1.45 euros on 8 March, the share price fell noticeably in the weeks following publication of the 2011 results and did not stabilise until the beginning of June, when it settled at just over 1.10 euros. The share price came under pressure again following the adjustment of our forecast figures on 10 August, and reached its lowest rate of 0.87 euros on 27 September and 15 November. The value of the COR&FJA share at the end of the year was 1.05 euros, which was nearly 18 per cent lower than the previous year. The benchmark index, the Technology All Share, registered an increase of more than 16 per cent over the same period.

Investor relations activities

In the 2012 financial year, COR&FJA informed all institutional investors, analysts and representatives of business publications and private shareholders promptly and in detail about the company's commercial position. The main focus here was on press and ad-hoc publications and the published annual and quarterly reports. The research reports published regularly by DZ Bank and Warburg Research were another important source of information for anyone interested in COR&FJA and its shares.

Another important instrument for keeping financial analysts and fund managers informed were the roadshows that COR&FJA held in 2012. In this context, the company once again presented itself at the German Equity Forum in Frankfurt am Main, the country's most important investors' conference. In addition, the Management Board explained the company's fundamental strategic orientation and commercial development to all interested investors in one-on-one meetings and teleconferences.

COR&FJA saw its share price fall in the 2012 financial year. Like many other small shares, the COR&FJA share found it difficult not to be affected by the fluctuations on the international financial markets, and it was also affected by the company's unsatisfactory performance, particularly in the second half of the year. Despite the large number of investor relations activities, it was difficult to counteract this trend. Nevertheless, COR&FJA will continue to try to win the trust of investors through regular, transparent communications targeted at the capital markets.

Shareholding structure[2]

Master data

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

2 31 December 2012

Due to its economic calibre and its large
for COR&FJA among the emerging Cen
markets that have, so far, been rather di

52° 13´20.88˝ N
20° 58´47.90˝ E

COR&FJA Polska Sp. z o.o.
Al. Jerozolimskie 96
Warsaw

e population, **Poland** is an ideal location
ntral and Eastern European countries –
ifficult to access.

*The early bird catches the worm.

Kto rano wstaje, temu Pan Bóg daje.*

As the economic centre of Poland, **Warsaw** is also the biggest centre for the service sector. Many foreign investors are using the city on the Vistula as a launching pad for business throughout Central and Eastern Europe. By running its own sales and consultancy office since 2012, COR&FJA is now represented in Warsaw and thus also in the relevant regional markets. COR&FJA's clients include the Gothaer Insurance Company, the Skandia Insurance Company and the PolishRe Reinsurance Company, while further promising sales and consultancy projects are in the pipeline.

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 2012 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 2012.

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.

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 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.

A number of international sites have been established in Europe over the past few years as part of the company's scheduled further development,. The main emphasis of these most recent activities has been on opening up the Scandinavian, Eastern and South-eastern European markets. 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, Wiesbaden, Hamburg, Hilden, Kiel, Cologne and St. Georgen. COR&FJA is also represented in Vienna (Austria), Basel, Rheinfelden and Zurich (Switzerland), Eindhoven (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

Having grown by 3.9 per cent in 2011 and even by 5.1 per cent in 2010, in 2012 financial year the global economy saw its growth rate decline to just 3.25 per cent. As in the previous years, the developing and newly industrialised countries made a substantial contribution to global economic development, this time with a growth rate of 5.25 per cent. Among the newly industrialised countries, the 'BRIC' states (Brazil, Russia, India and China) have again been particularly significant, even though their pace of expansion has slowed down. Notable economic growth was achieved in particular by China with 7.5 per cent (2011: 9.2 per cent), India with 5.0 per cent (2011: 7.0 per cent) and Brazil with 2.0 per cent (2011: 2.7 per cent). In most of the industrial countries economic development remained muted in 2012, with the growth rate of 1.4 per cent almost unchanged from its previous year's low level (2011: 1.5 per cent).

Economic development in the European Union (EU) was extremely difficult in 2012, with almost half of the member countries in recession. As a result, the EU's real gross domestic product dropped slightly by 0.25 per cent. Within the EU there was a pronounced North-South divide as far as the economic trend was concerned, with the southern European economies of Spain, Italy, Portugal and Greece in particular mired in what was at times a very severe recession. Of the major European economies, Germany came closest to being able to assert itself. However, even the German economy grew by only a modest 0.9 per cent in 2012, considerably below its previous year's level (2011: 3.0 per cent). The decline in demand from the crisis-hit countries in the Eurozone was particularly damaging for the export-oriented German economy and led to an increasingly subdued business setting. In contrast, though, private households in Germany remained fairly confident and the employment market, with an unemployment rate below 7.0 per cent, again proved to be an anchor of stability for the economy.

The general economic conditions for European insurance companies remained difficult in 2012. The persistently low interest rates and the imminent, but not yet precisely scheduled, introduction of Solvency II are fundamental challenges for the insurance sector, which, thanks not least to these developments, continues to be shaped by consolidations and business process optimisations. In this context, the fierce competition on the German insurance market is also generally being encouraged by the increasing intertwining of the national insurance markets. As before, however, the direct insurance markets – as opposed to reinsurance and except for individual market segments such as industrial insurance – are predominantly national markets due to their respective legal, social and cultural particularities and will remain so in the future. The global interdependence is most readily reflected in the cross-border business conducted through subsidiaries, in the establishment of cross-border regional or global insurance groups and in the increasing international division of labour within these groups.

The coherence between IT and business success is becoming increasingly obvious in view of the intensive 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 (DHP), variable annuities or iCPPIs (individual Constant Proportion Portfolio Insurance). 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.

In the context of the worsening sovereign debt crisis and the further weakening of global economic growth in 2012, the commercial environment in the banking market deteriorated significantly again in 2012, leading to a persistently high level of competitive pressure. This is augmented by the continuing high pressure to comply with regulatory requirements, with Basel III and its new capital and liquidity rules, currently being introduced, and the IFRS accounting guidelines in particular setting the terms of the discussions. For financial institutions, all this is resulting in increasing pressure to consolidate and optimise their costs. Consequently, many banks are still making intensive efforts to install innovative process-supporting workplace systems, to achieve a lasting optimisation of efficiency and costs and, in particular, to reorganise comprehensively or even replace their existing core banking systems.

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 still 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 well positioned in the German market for full banking systems for private banks.

The Consulting segment is currently developing general business potential as a result of the change processes mentioned above, which are already in place and are gaining momentum for insurance companies and banks alike. For the time being this will not be affected by the contrary trend towards the reduction of external consulting capacity on cost grounds; the latter is restricted primarily to consulting services which are less specialised and easier to integrate.

Accordingly, the main focuses of COR&FJA AG's consulting services, especially in the Insurance segment, concentrate on the areas of actuarial consulting and business-process and migration consulting – and thereby on thematic areas, which are aimed at increasing market shares on the one hand and optimising the cost ratio of COR&FJA's customers on the other.

In 2012, 84.6 per cent of the Group's turnover were generated in Germany and 15.4 per cent in foreign markets. The COR&FJA Group's declared objective is to further increase the proportion of sales 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. In addition, the product-independent consulting spectrum for customers in German-speaking countries was expanded as early as 2011 with the Swiss consulting firm Wagner & Kunz Aktuare AG (WKA).

From its location in Austria among other places, COR&FJA is cultivating the Central and Eastern European markets which are continuing to follow a dynamic trend. Many life insurance companies have established themselves in Central and Eastern Europe. These companies are not only facing pressure to automate as a result of the continuous growth in the number of their contract portfolios, they are also becoming increasingly exposed to the regulatory pressure that prevails in Western Europe due to their increasing closeness to that region. The fact that German-language insurers, in particular, are expanding into these attractive markets means that several commercial opportunities is opening up for COR&FJA there.

The development of the insurance market in the CIS countries remains difficult to assess. Generally speaking, though, COR&FJA is now well represented in many Central and Eastern European markets with its two products COR.FJA Life and COR.FJA Symass.

Another attractive market in Europe is Benelux, where COR&FJA's standard software solutions deliver important added value and are consequently attracting considerable interest among the international insurance companies based there. The same principle applies to the northern European markets, which COR&FJA looks after from its base in Copenhagen, Denmark.

The Iberian Peninsula remains a market with interesting perspectives for COR&FJA, for with a population of almost 60 million it constitutes one of the biggest markets in Europe.

Despite increasingly fierce competition and growing cost pressures facing the insurance companies there and the mandatory regulatory regime which prevails there, no locally-based standard software provider has ever ventured into the Spanish market. COR&FJA cultivates both the Spanish and the Portuguese markets locally with its own branch office in each country.

COR&FJA still has a highly successful presence on the US market too, with the FJA Product Machine from the Group company FJA-US, Inc. Thanks to COR&FJA's extensive product portfolio in the health insurance segment, the company is anticipating additional business potential, particularly as a result of the long-term health reform adopted by the US government in the spring of 2010.

The consequences of the financial markets crisis left their mark on COR&FJA in the 2012 financial year. Many of its customers postponed decision-making process until late in the year or even cancelled approved budgets for the development of new software solutions. This meant that a number of seemingly secure projects failed to come to fruition in the financial year ended. This applies to COR&FJA's Insurance and Banking segments in equal measure.

Despite this difficult market environment, COR&FJA again achieved a number of sales successes in the 2012 financial year: At the beginning of February, another renowned insurance company, DEVK Versicherungen, based in Cologne, opted for our policy management system COR.FJA Life Factory. DEVK will be using the solution in future as their central platform to introduce modern life-insurance products and to consolidate their present IT platforms in the life-insurance field.

In mid-2012, the COR&FJA Group's US subsidiary, FJA-US, Inc., announced that it had gained a major and renowned new customer in the health insurance segment. Equipped with the FJA Product Machine, including the product management component and further add-on components, in future the company in question will be relying on the leading product management system for health insurers on its home market.

In the first quarter of 2012, COR&FJA announced the successful conclusion of a cooperation agreement with the Frankfurt-based dwpbank pertaining to all aspects of the new US tax law FATCA. As part of this cooperation, the range of services offered by dwpbank, with its experience in the field of US tax legislation, should be combined with COR&FJA's software products to produce an all-inclusive service spectrum.

Basically, the pleasingly stable level of business from COR&FJA's existing customers again resulted in many follow-up orders in 2012, thereby compensating at least partly for the relatively weaker new business of the company.

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 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 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.

Management and monitoring

As at 31 December 2012, COR&FJA AG's Management Board consisted of Ulrich Wörner (Chairman), Milenko Radic, Volker Weimer and Rolf Zielke. Klaus Hackbarth resigned from the Management Board of COR&FJA AG effective from the end of business of 30 June 2012.

As at 31 December 2012, the Supervisory Board comprised six members who had been elected by the shareholders at the Annual General Meetings of 28 July 2009 and 26 June 2012 up until the end of the ordinary Annual General Meeting in 2013: Prof. Dr Elmar Helten (Chairman), Klaus Kuhnle (Vice-Chairman), Dr Christian Hofer, Thomas Nievergelt, Dr Jens Seehusen and Johann Zehetmaier. The former Supervisory Board members Prof. Dr Christian Hipp and Dr Klaus J. Weschenfelder resigned from their Supervisory Board posts effective from the end of the ordinary Annual General Meeting of 26 June 2012. Dr Christian Hofer and Johann Zehetmaier were elected to the Supervisory Board for the first time and elected as their successors by the Annual General Meeting held on 26 June 2012.

On 31 January 2013, Dr Christian Hofer resigned from his post as a member of COR&FJA AG's Supervisory Board for a compelling reason with immediate effect. The compelling reason for his resignation without prior notice was that the Chairman of COR&FJA AG's Management Board up until that point (Ulrich Wörner) had resigned from his posts as member and Chairman of the Management Board with immediate effect on 31 January 2013. At the request of the Supervisory Board, Dr Christian Hofer declared his willingness to step down from his post as member of the Supervisory Board effective from 31 January 2013 and to assume the Chairmanship of the Management Board of COR&FJA AG as from 1 February 2013. Consequently, Dr Christian Hofer was appointed both as a Management Board member and as Chairman of the Management Board of COR&FJA AG effective as from 1 February 2013. The appointment was made for 15 months, in other words until the end of business of 30 April 2014.

Furthermore, Milenko Radic resigned from the Management Board of COR&FJA effective from the end of business of 9 January 2013, his employment contract having come to an end.

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 EBITDA. 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. In August 2012, the two solutions were again included in a market survey of European life insurance policy management systems conducted by a leading research company, where – as in the preceding years – they achieved impressive results. 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) COR.FJA iLIS (central management of actuarial calculations) and COR.FJA ClustRed (consolidation of large insurance portfolios). To these can be added the service portal COR.FJA Pension for time value accounts and company pensions, as well as the various components of the openClaims platform in the field of claims processing. In addition, COR&FJA offers a broad spectrum of consulting and services ranging from software implementation to portfolio migration (in the Migration segment) and actuarial advice.

The products in the Banking segment are bundled on the central COR.FJA Banking Suite (CORBAS) platform. COR&FJA is able to offer 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 and is now offering customers its own range of products and services relating to 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.

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. The COR&FJA Group therefore attaches a great deal of importance to its cooperation with customers in the user groups and expert panels as well as with partners (IBM, for example) in relation to its most important 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 2012 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

In COR&FJA's Insurance division, the current release 4.10 of the policy management system COR.FJA Life Factory (LF) was issued to existing customers on schedule in May 2012. In addition, close collaboration with two major customers produced a new component for collective policy management, which has been enhanced significantly in functional terms and is compatible with the current LF release. It is now being offered to other customers as an additional product on the market. In the course of the year, more prospective buyers, some of them with their own policy management systems, subsequently declared their general interest in this solution. The new standard collective management component provides insurance companies whose main focus is on company pension schemes and collective business with a much higher level of automation and hence improved cost efficiency.

One of the major activities in 2012 on the premises of all existing LF customers who manage their own tariff schemes with LF was the reorganisation and introduction of the unisex tariffs as at 21 December 2012. Based on the functionalities of the release 4.10, implementation on the respective customers' premises was effected punctually and successfully. As an additional measure, reorganisation guarantees were also conceived and developed during this process.

The plans and coordinating activities for the upcoming release 4.11 were adopted jointly with existing customers within the framework of the User Group meeting in October 2012, and should be implemented by the beginning of the second quarter of 2013. This release will again be characterised by numerous regulatory requirements and, for many companies, a resultant reform of the classic tariff spectrum.

The technical improvement of LF based on state-of-the-art JEE technology, starting with the LF JEE Contract component, continues progressing on schedule. Development of our LF JEE Product commenced in the first quarter of 2012 and is running parallel to the completion of JEE Contract. The objective of LF is still to maintain its platform independence. At Provinzial Rheinland, the upgrade to phase 1 of LF JEE is already underway and scheduled to be introduced at the end of the second quarter of 2013. COR&FJA is still registering a great deal of interest in this new technology platform among insurance companies.

As part of the cooperation with IBM, LF JEE will be integrated as effectively as possible with the existing IBM technologies so that a solution proposal can be made to the joint customer with minimised integration risks. The main focus of COR&FJA's attention is the retention of its own solutions' independence from specific platforms. In the course of this development work a diversity of technical aspects are being tracked intensively, including the porting on Websphere 8 and Websphere 8.5, the integration of Websphere Batch with the large-scale data processing of LF JEE as well as performance and load tests on different IBM platforms. Intense work is currently being put into an integration with the Websphere portal technology and set-up and also testing and certification of an LF JEE PureSystems installation.

In the LF installation project at Cologne-based DEVK Versicherungen, phase 1 was completed successfully after a project duration of less than a year with the integration of the policy management system into the DEVK system and implementation of the new unisex tariff generation by the end of the year. Since the beginning of 2013, all of the new business from the unisex tariff generation has been handled through LF. This milestone is all the more remarkable as the LF system installation was partly accompanied by the first-time installation of relevant peripheral systems, and consequently the complexity of the project as a whole was increased still further. In addition, relevant parts of the tariff generations from TG 2005 have already been implemented in LF as well, thereby satisfying the conditions for a successful first migration tranche in March 2013. All in all, COR&FJA and DEVK have succeeded in their joint endeavour to install LF within short project cycles in this extremely complex and highly deadline-driven project.

Three well-known German insurers – including two from the top ten on the German market – are currently carrying out extended preliminary studies to ascertain LF's suitability as a central life insurance platform. With the initial deliberations having been completed in 2012, COR&FJA expects the companies to make their decisions by mid-2013.

The release 3.14.1 of the policy management system COR.FJA Life was completed on schedule and passed on to the appropriate customer projects in the second quarter of 2012. The third and fourth quarters of 2012 saw themes and the scope of their content defined and further coordination with the customers for the current release 3.15 dealt with. This release is scheduled for delivery to customers projects from April 2013. Within the annual cycle, there are plans to deliver the follow-up version 3.16 to customers at the start of 2014.

In the course of the company's cooperation with IBM, COR.FJA Life has undergone adjustment since October 2012, with the result that in addition to Oracle, DB2 is now also supported on the database side. The final tests, which are also scheduled for completion at the end of the month of April 2013, are currently being conducted. This means that it will also be possible to run COR.FJA Life 4 under DB2 in the future.

In view of the specific COR.FJA Life product spectrum, a customer operating in the German-speaking environment has opted to deploy this policy management system in the future. The turnover volume represented by this order is in the lower single-digit million euro range; the project might also encompass migration of the previous system. COR&FJA is expecting this customer relationship to produce further orders of an appropriate magnitude over the next few years.

Also in 2012, the current 3.14 release of COR.FJA Life, which includes a number of important customer-specific requirements, went live on schedule and without any major problems on the premises of the existing customers R+V Luxemburg and AXA Pensionskasse Pro bAV.

In August 2012, COR&FJA AG announced that it had agreed on a collaboration with AktuInf GmbH to define the 'Facharchitektur Leben 2020' (FAL 2020) project. The objective is to offer life insurance companies an orientation and action framework for the current challenges and the upcoming changes over the next few years. COR&FJA also offers this framework for action within the scope of its product-independent consulting activities.

The underlying thought processes were initially prompted by topics such as Solvency II, the current low interest rate phase and its effects on the life insurance products, the challenge of coping with the steadily growing number of regulatory frameworks, the strengthening of consumer protection, and adjustments to changed consumer behaviour. In the years to come, all of these factors will shape and change both the existing product environment and the former life-insurance business model in a lasting manner. Put in specific terms, the spectrum offered by the two collaboration partners comprises functional and management consulting services, conceptual blueprints and – by way of the consistent, parallel development of COR&FJA's market-leading standard software solutions – partial solutions and service-oriented software components in state-of-the-art JEE technology.

The enhancement process for COR.FJA P&C, the policy management system for non-life insurance, was continued in the first half of 2012.

The web-based broker portal COR.FJA Sales & Service System went live successfully in October 2012. Around 600 brokers are going to use the system as part of their cooperation with the COR&FJA customer Nationale Suisse Deutschland (NAD). The solution, which is called 'Suisse Net', supports all of the significant sales processes: tariff structure, offer, application for the commercial non-life insurance products and car insurance in the private customer segment, customer administration including customer profile, portfolio information including export functionalities (data on contracts, claims and collection), notices of claims, inquiries and messages, reports and correspondence.

Over the next few months, the broker portal will be enhanced with further releases within the scope of the project with COR&FJA at Nationale Suisse Deutschland, as well as with insurance products in the private customer segment, including joint residential building insurance, joint householders' insurance, private accident insurance and glass insurance. Additional functionalities desired by customers will make a significant contribution to the portal's further development.

In the first half of 2012, COR&FJA OdaTeam upgraded the proven reinsurance component for passive reinsurance business and made it available for a customer installation. In addition, the Slovenian company Modra Versicherung has opted for COR.FJA Symass in its group accident insurance division. In connection with this, the product was enhanced with a web interface and went live at the end of December 2012. In the course of 2012, COR&FJA OdaTeam assumed full responsibility for the technical improvement of the COR.FJA TaxConnect software solution, which is well established on the German market.

The new standard software COR.FJA iLIS for the centralised and automatic provision of financial reporting applications was enhanced as planned in the last financial year and, together with the existing customers, gradually adapted to new requirements. The main focal points in this process were the requirements in relation to Solvency II, while the spectrum previously planned is going to be expanded at the customers' request by an add-on for the low-cost and automatic calculation of a Solvency II standard model (with no further projection tools and straight from the portfolio). The add-on will be available in mid-2013 – in time for its application for Solvency II.

The approach behind COR.FJA iLIS to strive for an automatic and service-oriented networking of the operational and planning systems on the basis of modern standard technologies is meeting with a highly positive reaction on the markets. The 1.0 release will be available and marketable around mid-2013. As an open application that can also be used by companies without COR&FJA policy management systems, COR.FJA iLIS offers standard interfaces to the commonly-used projection tools (e.g. the market-leading application Prophet).

Release 3.8 of COR.FJA Zulagenverwaltung (a system for managing Riester-backed contracts) was issued to customers on schedule in June 2012, with the most significant new features relating to the EU Tax Recovery Directive and to pension rights adjustment. The work on release 3.9 was also completed successfully, and this version was available to customers in November 2012. More new customers were again won for COR.FJA Zulagenverwaltung in 2012. This gave a further boost to COR.FJA Zulagenverwaltung's market leadership.

The development work on release 3.6 of the COR.FJA RAN pension accounting and documentation system is progressing as scheduled and should be completed during the fourth quarter of 2012. The release incorporates the new requirements specified by the Central Allowance Office for Pension Assets (ZfA) and a number of functional upgrades and improvements agreed with customers. In view of the steadily increasing number of annuity policies on the books of life insurance companies, the business potential offered by the COR.FJA RAN standard software solution continues to be substantial. In March 2013, Provinzial Rheinland became the first customer to go live with the accounting system from COR.FJA RAN with great success.

Release 1.3 of the COR.FJA TaxConnect standard software package was rolled out to customers at the end of 2012 and incorporated the statutory amendments ('Procedures for reporting to the fiscal authorities' – MeFin). More than 30 customers (including health insurance providers) now rely on this standard software for the electronic and highly automated transfer of premium data to the ZfA. The system collates the relevant data from the participating systems into a proprietary database, which allows the data to be studied and managed across all modules.

In the Cross Components division, version 1.3 of COR.FJA Office, a standard software product for automated business transaction control and document processing, was rolled out in pilot operations in the second quarter of 2012, as part of a project at a Swiss insurance company, and went live during the further course of the year. The customer uses COR.FJA Office as its central transaction and order processing system.

The basic, unenhanced COR.FJA Office system already offers all front-end functionalities for administering, controlling and providing transactions as well as administering and accessing all of the documents and electronic files required for processing business transactions. COR.FJA Office has been used successfully for some considerable time by many of COR&FJA's existing customers.

In COR&FJA's Migration division, several migrations were again carried out successfully and on schedule in 2012 and licences for the software tool COR.FJA MigSys were placed in the German market. The beginning of the fourth quarter saw the launch of another major migration project in which not only the COR&FJA process model, but also the licensed products COR.FJA MigSys and COR.FJA MigArchiv are used. The company is also involved in a number of promising canvassing processes for concrete migration projects on the premises of renowned life insurers.

Numerous projects to link CORBAS ReCon (Reporting & Controlling) with ABACUS/DaVinci for existing COR&FJA customers in the Banking division were carried out successfully in the 2012 financial year, and several are already working with the new application in parallel operations. This means that for these customers, COR&FJA will have achieved full compliance with all regulatory reporting requirements on schedule, while simultaneously laying the foundations for the fulfilment of upcoming requirements such as Basel III and the Europeanisation of reporting procedures. At the same time, CORBAS ReCon has successfully positioned itself for COR&FJA's customers as a standard product for covering all the requirements relating to reporting under supervisory law.

In this context, we are planning to enter into a partnership agreement with BearingPoint – the company that manufactures ABACUS/DaVinci – to expand our sound and constructive collaboration and establish CORBAS ReCon as the comprehensive platform for modern bank controlling in the medium term. As COR&FJA is expecting further regulatory requirements and – as a result – additional reporting obligations to be introduced as a consequence of the persistent financial crisis, the company regards itself to be particularly well positioned in this segment with its CORBAS ReCon product and is anticipating a positive response from the market.

With a view to the new liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) indicators, which are subject to statutory reporting requirements, COR&FJA's existing RiskEngine (to determine and standardise cash flows) was integrated into CORBAS ReCon and has been used since the start of 2013.

After the development of the initial version of the integration framework TopDesk had been completed successfully in the first quarter of 2012, COR&FJA registered an high level of demand for the solution during the remainder of the financial year. By the end of 2012, all of COR&FJA's existing customers were using the test version of TopDesk, and the final roll-out at banks is scheduled for 2013. TopDesk as a central component of the COR.FJA Banking Suite (CORBAS) will be going live, thereby enabling even better integration and a broader range of options with the core modules offered in the COR.FJA Banking Suite (CORBAS). With the communication platform TopDesk, all core banking processes for lending and deposit business can be controlled centrally and handled in an integrated process featuring the new front end.

In the context of the planned introduction of the US tax reporting system FATCA (Foreign Account Tax Compliance Act) for European financial services companies, COR&FJA presented the standard software prototype CORBAS FATCA to existing customers and potential customers alike within the framework of a road show in the first quarter of 2012, and generated a great deal of interest in the process. In connection with this the company also agreed to collaborate with Frankfurt-based dwpbank to pursue the objective of offering banks and insurance companies an efficient solution for FATCA implementation. In doing so, they combined dwpbank's service spectrum and its long experience in the field of US taxes with COR&FJA's software products to form a comprehensive all-round solution that covers the entire FATCA value chain. The products and services offered by COR&FJA in this context are available to potential customers in both the Banking and Insurance divisions. In the further course of 2012, several existing customers opted for the first components of this new COR&FJA software solution.

In 2012, COR&FJA concluded an agreement with the Swiss software company Business-DNA Solutions (formerly pulinco engineering) on a partnership covering all aspects of the 'TopEase' platform for documenting, visualising and monitoring a corporate architecture (processes, organisation and application) for financial services providers. With the support of this business engineering tool, a comprehensive model of important processes within a bank was able to be depicted successfully; the tool now serves as an integral element in the development of software components throughout the value chain for financial service providers. The objective of this collaboration is to advance vigorously the existing support given to workflow processes so that in future, automatic and manual processes can be better defined and integrated into an overall process model.

In the first quarter of 2012, COR&FJA's extensive services made a successful contribution to the respective annual financial statements of its two existing customers Honda Bank and MCE Bank (Mitsubishi Corporation Europe Bank). Also in the first quarter, BMW Bank placed an order with COR&FJA for the realisation of the first project phase in SEPA (Single Euro Payments Area) and was assigned to provide extensive consulting services by a renowned German financial services provider.

At the end of the second quarter of 2012, yet another bank client of an existing COR&FJA customer was successfully and punctually migrated to the CORBAS MBS core banking system, which the customer has been using for years. Almost all of this existing customer's subsidiaries now work with the COR.FJA Banking Suite (CORBAS). What is so remarkable in this instance is that the customer is using both the CORBAS MBS core banking system for retail banking, private banking and sales finance, and CORBAS HYP, which is a core banking system for mortgage lending institutions.

Demand in the payment transactions sector as a result of the changeover of payment transactions within Germany to the SEPA standard was very high in 2012. COR&FJA also attracted a great deal of interest both in product business and in the consulting segment.

Within the framework of a large-scale sales project at the premises of Honda Bank, the feasibility analysis was completed successfully in 2012 and the main project was launched on the basis of a letter of intent (LoI) for future cooperation. The cooperation was not announced officially until the end of the reporting period, and the press release to that effect was published at the beginning of February 2013. COR&FJA is going to replace the existing system with CORBAS during the course of 2013 while migrating Honda Bank's entire policy portfolio to the new solution. In the course of the installation project, all of Honda Bank's existing peripheral systems will be connected with CORBAS and their SEPA compliance and all of the other regulatory requirements of automotive finance companies will be taken into account.

In the fourth quarter of 2012, a letter of intent (LoI) was agreed with another potential new customer. Further progress was made with the negotiations on a ten-year service agreement and an additional maintenance agreement. COR&FJA anticipates that the contract will be concluded in the first half of 2013.

In the 2012 financial year, the expert panels convened according to schedule for regular specialist discussions on the upcoming implementation themes with the existing COR&FJA customers in the Banking division; in the process, the most important customer requirements were given priority. COR&FJA was frequently able to convert the recommendations into specific products, and has already received orders for them. In parallel, the Banking division is pressing ahead with numerous sales processes and is generating a great deal of interest in the solutions it is offering.

The COR&FJA Group's R&D expenditure totalled 16.230 million euros in 2012 (previous year: 19.270 million euros). 882,000 euros of the Group's development expenditure (previous year: 1.470 million euros) were capitalised in connection with a number of COR&FJA software components. Detailed information on this subject can be found under Item VII ('Notes to the income statement') in the notes to the consolidated financial statements.

Employees

On 31 December 2012, 1,178 permanently employed salaried personnel were employed within the COR&FJA Group (compared with 1,174 on 31 December 2011).

This slight increase stems largely from the strategic development and expansion of COR&FJA's international activities and business locations.

At its registered office in Leinfelden-Echterdingen, COR&FJA takes part in the dual vocational education system. During the past business year, it successfully continued its partnership with the business information systems course at the Baden-Württemberg Cooperative State University (DHBW). In the area of further professional training for employees, moreover, COR&FJA is supporting staff who are training to be DAV actuaries at the Deutsche Aktuarakademie (DAV – the German actuarial academy) alongside their regular work.

For some time now, COR&FJA has been organising a Welcome Day for all new employees. With the participation of the Management Board, Human Resources Department, works council representatives and, in particular, specialists from the operational areas, the company presents its strategic focus and targets in its various business segments.

As early as 2011, COR&FJA launched a new induction programme (Onboarding), which was developed in-house, and ran it for the first time for nearly 20 young employees. The target of the Onboarding Programme is to support new colleagues when they commence work at COR&FJA. In the meantime, this programme is being actively discussed at universities, career fairs and in interviews with young job applicants, where it is regularly met with great interest.

One of the key themes in the Human Resources Department in 2012 was the company-wide introduction of the Electronic Personnel Record, which will replace the previous paper personnel record. Irrespective of their current location, this gives employees and executive staff fast access to the records they need. Furthermore, the payroll process was outsourced to the service provider msg systems AG.

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 2012, 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 2012, 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 2012 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	49.1%

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.

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.

Compensation agreements concluded with the members of the Management Board or with employees in the event of a takeover bid

As at 31 December 2012, there were no agreements with the serving members of the Management Board or with employees on the subject of compensation or other payments by the company in the event of a takeover bid.

Other legal and economic factors

Shareholders' rights and duties

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

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

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

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

Composition of the Supervisory Board

Under the company statutes, 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 are elected for the period ending upon conclusion of the Annual General Meeting that 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. The Annual General Meeting may, however, also resolve to give members a shorter period of office. Resolutions of the Supervisory Board – except for the adoption and amendment of the Supervisory Board's rules of procedure, which must be passed unanimously – require a majority of the votes cast, if nothing to the contrary is provided for by law. If the vote is tied – also in elections – the Chairman, or in his absence the Deputy Chairman, shall have the casting vote.

Basic features of the remuneration system

Management Board's remuneration

Within the context of the Act on the Appropriateness of Management Board Remuneration (VorstAG), which came into force in 2009, and the German Corporate Governance Code, the Supervisory Board decided to introduce a new system of remuneration for members of the Management Board on 1 July 2010. The Annual General Meeting of 17 August 2010 adopted the new system. It provided for the establishment of Group turnover and Group EBTA ('EBTA') as the control ratio for calculating the short-term (bonus) and long-term variable remuneration components (Long-Term Incentive, LTI) for the Management Board. The abbreviation EBTA refers to the sum total of earnings before income taxes plus the amortisation of the intangible assets identified in the course of the merger of COR AG Financial Technologies, which were not included in the accounts (software, contract portfolio, customer relationships).

Deviating from the above, the Supervisory Board based the control ratio for calculating the short-term and long-term variable remuneration components for the Management Board not only on the Group turnover, but also on the Group EBT* ('EBT*') for the 2011 financial year, and on both the Group turnover and the Group EBITDA ('EBITDA') for the 2012 financial year. EBT* refers to earnings before taxes for the shares in plenum AG, COR&FJA Metris GmbH as well as the effect on earnings from the shares in B+S Banksysteme Aktiengesellschaft. EBITDA refers to earnings before interest, taxes, depreciation on tangible assets and depreciation on intangible assets.

With regard to the system of remuneration, the Supervisory Board adheres to the stipulations of the VorstAG and the German Corporate Governance Code, and takes the total remuneration of the Management Board's members into account so as to reasonably reflect their responsibilities and performance as well as the Company's situation. The remuneration structure is geared to sustainable corporate development, which is why the long-term variable component of remuneration is founded on an assessment basis extending over several years. All variable remuneration components are subject to a cap, or to the possibility of a cap in the event of extraordinary developments.

The 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. The members of the Management Board are also covered by accident insurance and by the D&O insurance policy concluded by the company. Ultimately, the company pays each of the Management Board's members 50 per cent of the respective maximum premiums for the statutory pension, unemployment, healthcare and nursing care insurance and 100 per cent of the respective maximum premiums for voluntary membership of the employers' liability insurance association. 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 remuneration system, the annual bonus is linked to Group turnover ('turnover') and Group earnings (2010: Group EBTA; 2011: Group EBT*; and 2012: Group EBITDA). The annual short-term variable remuneration components for the Management Board's members are determined by the extent to which the Group turnover target and the Group earnings target agreed with the respective Management Board members at the beginning of each and every financial year has been achieved. The short-term variable remuneration is between 0 and 200 per cent of the short-term variable salary component agreed for a target attainment of 100 per cent in relation to both the Group turnover and the Group earnings. The short-term variable bonus is payable immediately after adoption of the annual financial statements and, if the respective appointment is terminated during the year, is granted in proportion to its length.

LTI as long-term variable remuneration component

In the remuneration model, the LTI is a long-term, performance-based plan. The plan's assessment basis consists of Group turnover and average Group earnings (2010: Group EBTA; 2011: Group EBT*; and 2012: Group EBITDA) over a period of three years. The LTI is granted in tranches which revolve annually, with each tranche having a term of three years. The long-term variable remuneration is between 0 and 200 per cent of the long-term salary component agreed for a target attainment of 100 per cent in relation to both Group turnover and Group earnings. The long-term variable bonus for a performance period is payable at the end of the month in which the consolidated financial statements for the third financial year of the performance period are adopted. An advance payment of 50 per cent of the respective basic amounts is made at the end of the month in which the consolidated financial statements for the first or second financial year respectively of the performance period is adopted. If the advance 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.

All of the employment contracts of the Management Board members serving in the reporting year 2012 corresponded to the remuneration system described above.

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 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 Remuneration Act (VorstOG)

The remuneration of the Management Board, active in the 2012 financial year was 2.280 million euros (2011: 1.927 million euros). The remuneration was allocated as follows:

	31.12.2012	31.12.2011
in thousand euros		
Short-term remuneration	1,645	1,790
Remuneration arising from the termination of employment relationship	483	0
Advance on LTI	152	137
Total	**2,280**	**1,927**

Remuneration for former members of the Management Board in 2012 amounted to 55,000 euros (previous year: 68,000 euros).

Pension provisions for former members of the Management Board offset against plan assets amounted to 747,000 euros on 31 December 2012 (previous year: 455,000 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:

Management Board	Fixed yearly remuneration	Other remuneration	Remuneration arising from the termination of employment relationship	Short-term variable remuneration	Advance on LTI	Total
in thousand euros						
Ulrich Wörner	448	18	0	22	53	541
Klaus Hackbarth	161	17	483	16	0	677
Milenko Radic	280	25	0	14	33	352
Volker Weimer	280	30	0	14	33	357
Rolf Zielke	280	26	0	14	33	353
Total	**1,449**	**116**	**483**	**80**	**152**	**2,280**

In 2012 financial year, a total of 4,000 euros was entered against costs for the Management Board's long-term variable remuneration (long-term incentive, LTI). As at 31 December 2012, Management Board entitlements amount to 129,000 euros from long-term incentive (LTI). These Management Board claims are offset by advances from the company amounting to 251,000 euros. For that reason, a receivable amounting to 122,000 euros is reported under receivables and other assets as at 31 December 2012.

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 in the financial year ended amounted to 136.7 million euros, which is 1.5 million euros higher than the figure for the 2011 financial year and corresponds to 1.1 per cent growth in turnover (previous year: 2.5 per cent). No companies were acquired in the 2012 financial year, which meant that the Group's organic growth remained at around its previous year's level. Product-based turnover, in particular, took a steep upward turn during the financial year ended. Licence revenue in the year ended amounted to 10.9 million euros, or 8.0 per cent of aggregate turnover. Maintenance turnover was stabilised at its high level of the previous year. It decreased by an insignificant 0.2 million euros to 26.1 million euros, thereby accounting for 19.1 per cent of aggregate turnover. Other turnover consists primarily of computing centre services and hardware deliveries. These rose slightly by 0.1 million euros to 4.2 million euros and accounted for 3.1 per cent of aggregate turnover. The proportion of service revenue in 2012 posted a sharp increase of 13.9 million euros and now accounts for 69.7 per cent (previous year: 61.8 per cent) of turnover, or 95.1 million euros in absolute terms.

Turnover generated by the msg Group amounted to 0.4 million euros in the financial year ended.

As for the regional breakdown of turnover, the aggregate figure for Germany in 2012 was 115.7 million euros and the total generated in other countries was 21.0 million euros. In the 2012 financial year, COR&FJA Systems GmbH was merged into COR&FJA Deutschland GmbH, resulting in an increase of 38.0 million euros in COR&FJA Deutschland GmbH's turnover to 76.3 million euros. At the same time, work was begun on the liquidation of the companies COR Pension Management GmbH, COR bAV Services GmbH and FJA bAV Service GmbH in the 2012 financial year.

Alldata Systems GmbH reported external turnover to the tune of 11.9 million euros for the 2012 financial year (previous year: 12.9 million euros). External turnover for PYLON GmbH followed a similar trend and currently amounts to 1.3 million euros (previous year: 1.2 million euros). COR&FJA Consulting GmbH was able to increase its external turnover from the prior-year figure of 20,000 euros to its current 1.5 million euros – due to the fact that the company commenced full business operations during 2011. COR&FJA Metris GmbH contributed external turnover of 2.4 million euros (previous year: 3.9 million euros) to Group turnover.

Turnover generated by the plenum subgroup was reported for the year as a whole for the first time in 2012 financial year and amounted to 13.1 million euros (previous year: 11.5 million euros).

The COR&FJA Group achieved its most significant increase in turnover in Austria, where its turnover increased by 1.8 million euros (97.5 per cent) to 3.8 million euros. The foreign subsidiary opened in Poland in February 2012 generated turnover of 117,000 euros during the year. The Slovenian subsidiary, on the other hand, had to endure a decline of 9,000 euros in its turnover (-1.1 per cent). In the financial year ended the Slovakian branch generated its first external turnover, which totalled 28,000 euros. The US subsidiary, too, developed positively, increasing its turnover by 2.9 million euros (22.9 per cent) to 11.2 million euros. Turnover in Switzerland remained almost constant at 4.7 million euros (previous year: 4.8 million euros). Turnover in the Benelux countries, too, was constant at 0.3 million euros.

Development of earnings

In the financial year ended, development work for new software was capitalised in the amount of 0.8 million euros, which represents a decrease of 0.6 million euros. The position of other operational turnover (3.8 million euros) essentially includes earnings from the use-driven write-back of provisions and income from sub-letting office space (1.1 million euros).

The aggregate costs in the 2012 financial year totalled 151.0 million euros, an increase of 17.0 million euros over the previous year.

At 11.5 per cent (or 18.8 million euros), services and goods procured accounted for a large proportion of the total costs. 13.0 million of the 18.8 million euros that they generated are attributable to services rendered by external personnel. As a result, these costs were reduced by 0.7 million euros in the financial year ended. They cover special requirements and capacity bottlenecks, which were only required temporarily and helped to facilitate the variabilisation of total costs. In addition, 2.7 million euros were spent on external computing centre services and hardware intended for resale and are reflected in the budget in the amount of 1.4 million euros. In this area, COR&FJA is avoiding the innovation risk associated with investing in its own computing centres and purchases these services mainly from external sources. At 65.4 per cent, personnel costs accounted for the largest proportion of total costs. The average number of 1,194 employees during the year (previous year: 1,136) resulted in an increase of 3.9 per cent in personnel costs (previous year: increase of 0.7 per cent). Overall, the capacity-driven proportion of total costs (personnel expenses and purchased services) decreased from 81.9 per cent to 77.8 per cent.

The proportion of total costs represented by other operating expenses increased to 22.2 per cent during the 2012 financial year (previous year: 18.1 per cent) and amounted to 33.4 million euros. In contrast to the previous year, expenses for office space increased only slightly by 0.1 million euros. All in all, the proportion of total costs accounted for by office space was 5.7 per cent (previous year: 6.1 per cent), a disproportionately low figure compared with total costs. The second-largest cost pool comprised travel expenses associated with consulting services, which amounted to 4.7 million euros and thereby remained stable compared with the previous year. The proportion of aggregate turnover attributable to these expenses at 3.4 per cent has remained at the prior-year level. Consulting, accounting and Supervisory Board expenses also posted a slight increase, rising by 0.3 million euros compared with the 2011 financial year. Their share of total costs, however, remained almost constant at 1.7 per cent (previous year: 1.6 per cent).

The clear increase in other operating expenses is mainly due to writedowns of receivables amounting to 8.7 million euros. One of the reasons for this is the unscheduled termination of a major project that had been underway in the Insurance segment. Following a change in the framework conditions of this project, the project partners were unable to reach a consensus about the conditions for the project to continue. In addition, overall adjustments had to be made to a number of projects.

Total depreciation and amortisation rose by 5.3 million euros to 10.1 million euros. During the course of the impairment test, the recoverability of acquired goodwill was assessed at the end of the year. This assessment indicated that a partial amount of goodwill of the plenum subsidiary of 1.3 million euros as well as parts of goodwill of the WKA subsidiary amounting to 0.3 million euros had to be written off. This was accompanied by unplanned depreciation of the entire goodwill of the COR&FJA Metris subsidiary in the amount of 3.4 million euros.

Depreciation of intangible assets, which had been identified in the purchase price allocation of acquired companies, dropped by 0.8 million euros to 1.5 million euros. Other depreciation of property, plant and equipment and intangible assets rose in comparison by 1.2 million euros to 3.7 million euros.

Overall, the operating result amounted to -19.2 million euros (previous year: 1.9 million euros).

At 0.2 million euros, interest earnings remained at around their previous year's level (0.3 million euros). The interest expenses of 1.1 million euros were 0.1 million euros higher than in the previous year. The netted interest expenses increased year-on-year by 0.2 million euros to 0.9 million euros.

The share price trend of B+S Banksysteme Aktiengesellschaft had a negative impact on income from participating interests in 2012 of -0.1 million euros. At 0.1 million euros, dividends from innovas GmbH, in which COR&FJA AG holds 10 per cent, had a positive effect on income from participating interests.

Group earnings before income taxes (EBT) amounted to -20.3 million euros in the 2012 financial year (previous year: -418,000 euros).

For the 2012 financial year, the tax result identifies expenses of -4.3 million euros in comparison to tax expenses of -0.9 million euros in the previous year. In consequence of the difficult market environment and a consequential change to assumptions a period of only three years was taken into consideration for deferred tax assets, in comparison to the five-year period stipulated in 2011. This led to reduction in deferred taxes on loss carryforwards of 3.8 million euros and expenses amounting -4.5 million euros. The formation of deferred taxes to differences in valuation between the tax balance sheet and the IFRS balance sheet produced deferred tax income amounting to 1.0 million euros (previous year: tax income of 0.6 million euros). Current income tax expenses have decreased in comparison to the previous year by 0.1 million euros to 0.8 million euros (previous year: 0.9 million euros). Tax refunds of 0.4 million euros from previous years are taken into account in tax expenditure.

The result for the 2012 financial year totalled -24.6 million euros (previous year: -1.3 million euros). Earnings per share in 2012 amounted to -0.59 euros (diluted and undiluted), compared with -0.05 euros in 2011.

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 79.4 million euros, the Life Insurance segment accounted for 58.1 per cent of the total turnover and achieved an EBITDA of 18.9 million euros before the allocation of 12.8 million euros in sales and administrative overheads. Before allocation, operative EBITDA amounts to 23.9 million euros and relates to segment turnover. After allocation as well as the deduction of amortisation expenses of 4.8 million euros and interest expenses amounting to 0.6 million euros, EBT is at 0.8 million euros. EBT includes impairments on goodwill of plenum AG of 1.3 million euros and on WKA AG amounting to 0.3 million euros. EBT return related to segment turnover is 1.0 per cent.

Generating 27.4 million euros, the Non-Life Insurance segment accounted for 20.1 per cent of the total turnover and achieved an EBITDA of -8.9 million euros before the allocation of 4.4 million euros in sales and administrative overheads. Operative EBITDA return before allocation accounts for -32.5 per cent and relates to segment turnover. After allocation as well as the deduction of amortisation and depreciation expenses of 4.6 million euros and interest expenses amounting to 0.4 million euros, EBT is reported at -18.3 million euros. EBT includes capitalisation of software development services in the amount of 0.5 million euros as well as impairments on goodwill of COR&FJA Metris GmbH of 3.4 million euros. Furthermore this segment includes impairments on self-developed software of 0.7 million euros. EBT return related to segment turnover amounts to -66.7 per cent.

Generating 29.9 million euros, the Banking segment accounted for 21.9 per cent of the total turnover and achieved an EBITDA of 1.4 million euros before the allocation of 3.3 million euros in sales and administrative overheads. Operative EBITDA return before allocation accounts for 4.7 per cent and relates to segment turnover. After allocation as well as the deduction of amortisation and depreciation expenses of 0.7 million euros and interest expenses of -0.2 million euros, EBT is reported at -2.8 million euros. EBT includes the capitalisation of software development services of 0.4 million euros as well as impairments from the revaluation of shares in B+S Banksysteme Aktiengesellschaft amounting to 0.2 million euros. EBT return relating to segment turnover amounts to -9.4 per cent.

The allocated sales and administrative overheads account for 14.0 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 (2012: 8.2 per cent of external Group turnover; previous year:

6.4 per cent), 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 (previous year: 3.5 per cent) of external Group turnover was generated in Switzerland and charged in Swiss francs, with personnel from Germany again being employed in providing the services.

Aside from that, some 88.3 per cent of turnover was generated in the euro zone (previous year: 90.1 per cent), primarily in Germany, and settled in euros. For that reason, the overall foreign currency risk in the Group must be classified as manageable.

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 segment.

Due to closing-date-related factors, liquid funds decreased by 4.1 million euros and amounted to 11.3 million euros as at 31 December 2012.

COR&FJA generated a negative operative cash flow of -1.5 million euros in the 2012 financial year (previous year: -7.3 million euros). The company closed the financial year ended with an aggregate negative result of -20.3 million euros before income taxes. When transactions with no effect on profit and loss totalling 10.0 million euros which resulted primarily from depreciation and amortisation are included, the operating cash flow before the change in current assets totalled -10.0 million euros. The operating cash flow of -1.5 million euros is affected considerably by the change in trade receivables; the change amounted to 8.1 million euros. All in all the change in net current assets came to 8.7 million euros.

In contrast to 2011, COR&FJA did not invest in the acquisition of any companies in 2012. In the previous year, 4.8 million euros were invested in acquiring companies. In 2012, cashflow from investment activity amounted to a total of -1.7 million euros (previous year: -8.1 million euros). Of this figure -0.9 million euros (previous year: -1.6 million euros) were attributable to self-developed software and -0.9 million euros (previous year: -1.8 million euros) to the acquisition of property, plant and equipment.

Cash flow from financing activity, too, changed significantly compared with the previous year. While it was used mainly to finance acquisitions in the previous year, and why current financial liabilities rose by 12.8 million euros, its use in 2012 was devoted mainly to the payment of interest amounting to 1.1 million euros. In addition, loans totalling 0.5 million euros were repaid and a hire-purchase arrangement was concluded in the same amount of 0.5 million euros. As a result, the COR&FJA Group's cash and cash equivalents dropped by 4.1 million euros to 11.3 million euros.

The Group's assets position

Asset structure analysis

The equity ratio for the Group as at 31 December 2012 has taken a sharp downward turn to 47.1 per cent (previous year: 58.7 per cent); equity is reported at 50.0 million euros (previous year: 76.3 million euros). As at 31 December 2012 the balance sheet total of the Group was down by 24.0 million euros, which is equivalent to a drop of 18.5 per cent to 106.0 million euros (in comparison to 130.0 million euros as at 31 December 2011).

Current assets decreased by 11.5 million euros to 52.0 million euros in the financial year ended (previous year: 63.5 million euros). This negative development was attributable primarily to the decrease of 8.0 million euros in trade receivables, taking them to 37.0 million euros, and a meltdown of 4.0 million euros in cash and cash equivalents which reduced their total to 11.3 million euros. There is also a slight contrary trend, however, namely an increase in inventories from 0.3 million euros in 2011 to 0.5 million euros in 2012.

As a part of this development, PoC receivables posted a particularly severe decline of 11.0 million euros, which resulted from, among other things, the derecognition of PoC receivables within the framework of a large-scale project. There were also adjustments for further business transactions in the Insurance and Banking segments. As a result of correspondingly higher advance payments, current income tax claims increased by 0.4 million euros to 1.2 million euros. This figure includes tax refunds for the 2008 financial year amounting to 0.4 million euros.

Non-current assets decreased by 13.8 million euros to 52.7 million euros (previous year: 66.5 million euros). One significant factor in this downward trend was the goodwill amortisation of 5.0 million euros on 25.7 million euros. In the process, the goodwill of COR&FJA Metris GmbH was written off in its entirety, while the goodwill of plenum AG and WKA AG were written down proportionately. Another important factor was the decrease of 4.5 million euros in deferred tax assets on loss carryforwards amounting to 3.8 million euros (previous year: deferred tax assets on loss carryforwards amounting to 8.3 million euros). Other non-current financial assets decreased by 0.1 million euros to 0.2 million euros in 2012.

On the liabilities side, equity has gone down by 26.4 million euros due to the loss sustained in this reporting year. In comparison to the balance sheet date of the previous year, equity ratio fell as at 31 December 2012 to 47.1 per cent (as at 31 December 2011: 58.7 per cent). The considerably lower equity ratio is mainly due to the contraction of the statement of financial position, and specifically because of a decline caused by impairments on goodwill (-5.1 million euros), the reduction in trade receivables (-8.0 million euros), a decrease in cash and cash equivalents (-4.1 million euros) as well as a decline in deferred tax assets (-3.7 million euros).

Long-term liabilities rose by 3.0 million euros. This is due to the rise in pension provisions also comprising 3.0 million euros. Long-term financial liabilities increased by 0.6 million euros (previous year: 0 million euros). All in all long-term liabilities in 2012 comprise 17.4 per cent of the balance sheet total, compared with 11.9 per cent in the previous year.

Short-term liabilities decreased slightly by 0.6 million euros to 37.5 million euros. Financial liabilities as well as trade payables were reduced by 0.8 million euros and 0.9 million euros respectively. The rise in other short-term liabilities of 1.3 million euros lessened the previously described positive effect. Overall, the ratio of liabilities to the balance sheet total improved slightly from 41.3 per cent, in 2011, to 52.8 per cent. The ratio of current assets to short-term liabilities (operating capital, working capital ratio) comprises 138.3 per cent in 2012 and has thus deteriorated in comparison with 166.3 per cent in the previous year.

Although the 2012 financial year was a very difficult one, the Management Board of COR&FJA AG is assuming that the earnings, financial and assets position has stabilised. The COR&FJA AG Management Board is also confident that the turnaround will be completed in 2013.

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

Income position

Compared with the previous year, turnover increased from 16.0 million euros to 19.0 million euros. This was due primarily to an increase of 1.9 million euros in the turnover generated by external customers outside of the COR&FJA Group. Within this turnover, licence revenue declined by 1.2 million euros and services revenue increased by 2.9 million euros, a development that can be attributed primarily to the customer agreement with ERGO Versicherungsgruppe. Turnover at the Group companies has also developed positively, increasing by 1.0 million euros. Other operating earnings, too, developed positively, increasing by 74.0 per cent to 0.6 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. The costs of licences and capacity purchased outside of the Group, for example, amounted to 8.2 million euros; in the previous year these had totalled 5.1 million euros. One positive development is that outsourced services were reduced to almost zero in 2012. These were services provided by external personnel who were also involved in fulfilling customer orders.

At 6.8 million euros, personnel expenses were 1.9 million euros higher than their previous year's level. This increase resulted from a diversity of severance payments and the reclassifications that were carried out; as a result of the latter, individual departmental heads from other Group companies were reallocated under COR&FJA AG.

The depreciation and amortisation item remained unchanged at 0.6 million euros expenses in the financial year ended.

Other operating expenses, including the amortisation of financial investments, increased by 6.1 million euros to 13.0 million euros in the financial year ended. This resulted in particular from loans payable by COR&FJA Metris GmbH, whose valuation had to be adjusted by 1.2 million euros within the framework of a debt waiver. The value of the claims against the newly-established subsidiaries in Poland, the Benelux countries, Spain and Portugal and against Swiss-based WKA also had to be adjusted. In addition, the carrying amounts of the shares in the companies COR&FJA Metris GmbH, plenum AG and WKA AG were amortised with the aggregate amount of 3.5 million euros.

As COR&FJA AG is the principal tenant in many of the Group's buildings, these costs – as well as other costs – are charged on to the subsidiaries in the course of the Group allocations.

In the 2011 financial year, investment income of 1.9 million euros still flowed into the company. In 2012, the corresponding amount consisted solely of a dividend distribution of

81,000 euros by innovas GmbH. The closed profit and loss transfer agreements resulted in a negative contribution to earnings in the amount of 0.6 million euros. In addition, losses of 15.0 million euros from the 2012 financial year were assumed by way of the loss transfer declarations made to subsidiaries.

The net interest result for COR&FJA AG amounted to a total of -444,000 euros (previous year: -327,000 euros), which represents a deterioration of 117,000 euros. This is largely due to greater use of lines of credit.

COR&FJA AG generated a net loss under the German Commercial Code (HGB) amounting to 23.5 million euros overall for the 2012 financial year, following a net loss of 8.2 million euros in 2011.

Financial and assets position

The sharp decrease of 5.1 million euros in fixed assets to 72.0 million euros resulted primarily from the amortisation of financial assets amounting to 4.5 million euros on 70.5 million euros as a result of the reduction in the investment book values of the shares in the companies, COR&FJA Metris GmbH, plenum AG and WKA AG. Property, plant and equipment recorded a slight decline of 0.5 million euros to 1.4 million euros. Loans to affiliated companies decreased as well, amounting to 6.0 million euros as at 31 December 2012 (previous year: 7.0 million euros).

COR&FJA AG's current assets decreased substantially by 2.5 million euros to 8.1 million euros in the financial year ended. Other assets recorded a slight decrease of 0.4 million euros and now amount to 0.9 million euros.

Despite the increase of 1.9 million euros in external turnover, trade receivables remained at their previous year's level of 2.5 million euros. Trade payables on the other hand dropped by 185,000 euros to 196,000 euros.

Receivables from affiliated companies posted a negative trend, with a decrease of 1.4 million euros almost halving their total to 1.7 million euros. Liabilities to affiliated companies, on the other hand, increased by 16.8 million euros to 30.5 million euros as a result of the loss transfer declarations made to subsidiaries.

Liquid funds decreased by 0.6 million euros to close the year with a balance of 2.8 million euros. Conversely, liabilities to banks remained stubbornly high on the reporting date at 13.8 million euros (previous year: 13.1 million euros). These liabilities to banks were the result of the acquisitions and the foundation of new companies in the last financial year.

Other liabilities decreased by 0.4 million euros to 1.3 million euros, a development which is attributable almost entirely to the decrease in value-added tax payable. Provisions, on the other hand, increased by 0.4 million euros in all due to closing-date-related factors, mainly as a result of the increase in provisions for outstanding bills.

The balance sheet total as at 31 December 2012 amounted to 82.5 million euros (previous year: 88.7 million euros).

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. Almost all of the subsidiaries will break even in 2013, with the result that COR&FJA AG will no longer be burdened by a negative earnings contribution.

Events after the reporting period

Disclosure of particularly significant transactions

Following the end of the reporting period (31 December 2012), the following transactions of particular significance took place:

Milenko Radic resigned from the Management Board of COR&FJA effective from the end of 9 January 2013.

On 31 January 2013, the former Chairman of the Management Board, Ulrich Wörner, resigned from his positions as a member of the Management Board and as Chairman of the Management Board with immediate effect owing to differences of opinion regarding corporate policy. Also on 31 January 2013, the Supervisory Board member Dr Christian Hofer was appointed as a member of the Management Board and Chairman thereof, effective from the beginning of 1 February 2013, after he had resigned from his post as a member of the company's Supervisory Board on 31 January 2013 with immediate effect. Dr Christian Hofer was appointed for 15 months, in other words until the end of 30 April 2014. The intention is to find a permanent replacement for Ulrich Wörner during this transitional period.

On the basis of the facts outlined in 'VIII. Notes to the statement of financial position, 1. Pending Litigation' in the notes to the consolidated financial statements concerning 'Bonus claims for employees for the 2010 financial year', a court settlement at the Munich Labour Court was agreed on 23 April 2013 between COR&FJA Deutschland GmbH and the General Works Council. This has resulted in 65 per cent of the variable remuneration for 2010 still owed being paid out to those employees who were employed by COR&FJA Deutschland GmbH at that point in time and who were included in the scope of application of the respective Group-wide labour-management agreement.

On 24 April 2013, employees of COR&FJA Metris GmbH were informed that the personnel capacities of this subsidiary will be adjusted to its economic situation and that involuntary redundancies will have to be made.

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 earnings, financial and assets 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 earnings, financial and assets 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.

One of the Management Board's most important tasks in the overall management of the Group is 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 monitor and deal with 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 2012, 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 earnings, financial and assets 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

During the past two financial years, COR&FJA has broadened its own performance spectrum and intensified its international activities. 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. In addition, the leadership guidelines for the executive staff are designed to strengthen the 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.

In the meantime, a decision has been made in the lower court at Stuttgart Regional Court (Landgericht) to the effect that as per the judgment of 16 October 2012, the motions of all claimants were disallowed in their entirety. As a result, COR&FJA AG prevailed in the court of first instance. COR&FJA AG must merely pay the court costs and the outlays and remuneration of the outside shareholders' representative.

The appeal lodged by a claimant against the judgment by the lower court at Stuttgart Regional Court was withdrawn. The company believes that a positive outcome in these legal proceedings is overwhelmingly probable.

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 and face risks from fluctuations in cash flow. 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 20.500 million euros. Of this sum, 14.244 million euros were being utilised as at the reporting date. Some of the credit agreements are subject to financial covenant rules. Despite non-compliance with these rules, the Management Board expects discussions with banks, which have already been embarked upon, to conclude positively for the company with the result that liquidity will be secured for 2013 financial year.

In the past 2012 financial year, income was achieved from debt waivers from certain financing creditors in the amount of 277,000 euros. In the previous year, there were no loan defaults or breaches of contract (such as the suspension of redemption or interest payments), nor did the company realise any income from writing off financial liabilities.

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. In spite of the backdrop of the development of its business in the 2012 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) and the Corporate Governance Report

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. In connection with the declaration on corporate governance pursuant to Section 289a, German Commercial Code (HGB), COR&FJA also publishes the Corporate Governance Report, which can be seen on the COR&FJA 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

With almost 1,200 employees at sites in Germany, the Netherlands, Denmark, Austria, Switzerland, Slovakia, Slovenia, Poland, the Czech Republic, Portugal, Spain and the USA, COR&FJA is now well-positioned in the field of software and consulting services for financial services providers. COR&FJA's extensive spectrum both for insurance companies and for private and regional banks, automotive finance companies, mortgage lending institutions and financial groups is providing the company with good market opportunities and a strong competitive position.

In addition, COR&FJA is still striving to gradually expand the proportion of its business accounted for by international activities. As well as enjoying a leading market position in German-speaking countries, COR&FJA's software is deployed worldwide. Users in more than 30 countries, including the USA and Australia, are already using the company's solutions. In this strategic undertaking, COR&FJA puts its faith in collaborations, partnerships, targeted investments in companies, and a local presence in the countries in question. Experience shows that the selective presence of COR&FJA in the respective foreign markets is a substantial success factor when it comes to winning new customers in the future. In addition, the company can discern a trend in which Group companies want to put the solutions implemented for one region at the disposal of other Group companies in other countries. This, too, is advancing the ongoing internationalisation of COR&FJA as a service provider for its customers.

Benelux remains an interesting and promising market in this context and COR&FJA already provides support for a renowned customer there, the Dutch company Cooperatie DELA. Another similarly promising market is Scandinavia, where COR&FJA already has several existing customers from the insurance sphere, for example the Danish company letpension, Frende Forsikring from Norway and the Swedish firm SEB.

The Austrian market is another important building block in the Group's international activities, and it is from Vienna that the selling and marketing of numerous COR&FJA products, as well as the targeted consulting of insurance companies and banks on a variety of subjects, is carried out. On the Swiss market, too, COR&FJA is broadly positioned with a number of offices and can see good prospects for the further expansion of its business.

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.

On the high-potential US market, COR&FJA is investigating the extent to which its own product portfolio can be used even more effectively there. Basically, the long-term reform of the US healthcare system, which is currently underway, offers additional business potential.

With the previous 2012 financial year having been less than satisfactory in sales and marketing terms, COR&FJA is experiencing a revival in demand for the products it offers in most of its sales segments in the current 2013 financial year, i.e. from insurance companies in Germany as well as other countries in equal measure. This is due not least to the planned introduction of new mandatory requirements in relation to risk management – under the headings Solvency II und MaRisk – as well as the implementation of Basel III, with new regulatory requirements on bank liquidity and bank leverage, and the IFRS guidelines on the preparation of the statement of financial position. These are necessitating new solutions in the financial services providers' IT landscapes. In this context, COR&FJA is also expecting further regulation throughout the financial services sector as a direct consequence of the persistent financial crisis. The imposition of such regulatory standards will necessitate major adjustments to the solutions currently in use and further intensify the trend towards the use of standard software. This means that the use of versatile, cost-effective standard software is going to become increasingly attractive throughout the financial services sector.

The German market will remain relatively dynamic this year and probably for several years to come because of the numerous changes in legislation and their resultant implementation by insurance companies. The trend towards internationalisation and consolidation, and towards international IT harmonisation, remains intact. In view of the universally observed efforts of insurance companies to cut costs and increase their efficiency, the link between modern and flexible IT and corporate success is becoming increasingly clear. At the same time, the market continues to move away from conventional endowment policies towards dynamic hybrid products (DHP), variable annuities and iCPPI (Individual Constant Proportion Portfolio Insurance). Private pension insurance is also continuing to gain in importance. The constantly low level of guaranteed interest offered by life insurers, which considerably reduces the attractiveness of the traditional life insurance policy, is substantially increasing the pressure to develop innovative new financial products and is placing new demands on the software solutions and the IT deployed within the companies. The establishment of service-oriented architectures (SOA) for prompt support of modified business models and high system versatility for the rapid introduction of innovative products are factors crucial to the success of the companies in question. Based on this assumption, COR&FJA is expecting insurance companies to be generally interested in its software solutions in the current year.

In the current financial year, the banking market will again be shaped by the implementation of Basel III and the IFRS guidelines on the preparation of the statement of financial position. In addition, many financial institutions are investigating the possibility of introducing innovative, process-supported workplace systems, sustainably optimising efficiency and costs and, in particular, considering the complete reorganisation or replacement of their current core banking systems. The consequence of the above is that COR&FJA's strategic orientation, namely to offer the market a functionally complete and modular performance spectrum in the form of the COR.FJA Banking Suite (CORBAS), continues to be noted with interest by the banks.

Further development of products and services

As well as cultivating our existing customers and winning new ones, we are pressing ahead with the further technical and functional optimisation and completion of our broad product range in both the Insurance and Banking segments. This will enable COR&FJA to reduce the high levels of internal investment already made in creating new product offers – which were not able to be positioned on the market successfully – even further in the current year and next year and, in this way, achieve a targeted reduction of the comparatively high costs incurred for the freelance employees hired during the high-investment phase.

Another crucial project in the Insurance segment is the further development of the policy management system, COR.FJA Life Factory, on the basis of modern Java JEE architecture. This year, around 6,000 person days in development capacity will be earmarked for this purpose. In this way, COR&FJA is responding directly to the stringent requirements of the life-insurance industry with regard to customising and process and product flexibility; COR&FJA would like to make further inroads into this customer segment in Germany and broaden the foundation for its intended international growth.

In parallel, the further expansion of product-independent consulting activities is an essential development component for the Insurance division in 2013. COR&FJA is assuming that the positive trend in this area in 2011 and 2012 can be continued and is putting its faith in the – compared with other consulting firms – unique selling point of being able to transform tried-and-tested solutions from the COR&FJA product area into solutions for non-product customers more economically than their respective competitors.

The primary objective in the Banking segment is to enhance the COR.FJA Banking Suite (CORBAS) and make it the leading standard full-banking system in Germany. Apart from continuous adjustments aimed at compliance with regulatory requirements and conditions in the markets, this includes, in particular, the continuous technical optimisation of the respective components and the consolidation of the product range within the COR.FJA Banking Suite (CORBAS). This work will also require further investment amounting to 1,500 person days during 2013.

In addition to these ongoing enhancements of its central products and services, the Management Board is pressing ahead emphatically with the COR&FJA Group's strategic realignment. The basic intention is that in the future, there should be a clear focus on the Group's genuine core business, i.e. the development and sale of standard software for the life insurance and banking markets. COR&FJA is also going to reduce significantly the strong anorganic growth that took place in recent years. The company is planning to carry out the relevant restructuring measures and to set the course for this realignment by the middle of the year and then announce them to the capital market in good time.

In view of the current market and sales situation, COR&FJA is expecting to generate turnover of roughly 139.0 million euros and an operating result before depreciation (earnings before interest, taxes, depreciation and amortisation [EBITDA]) of about 5.0 million euros in the current 2013 financial year. At present, COR&FJA cannot see any significant changes in its target markets and is therefore assuming that turnover and earnings will show a positive trend over the next few years. The company is expecting turnover to increase by around one to three per cent during the 2014 financial year and is also anticipating an increase in its EBITDA margin.

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, 24 April 2013

COR&FJA AG

Dr Christian Hofer
CHAIRMAN OF THE MANAGEMENT BOARD

Volker Weimer
MEMBER OF THE MANAGEMENT BOARD

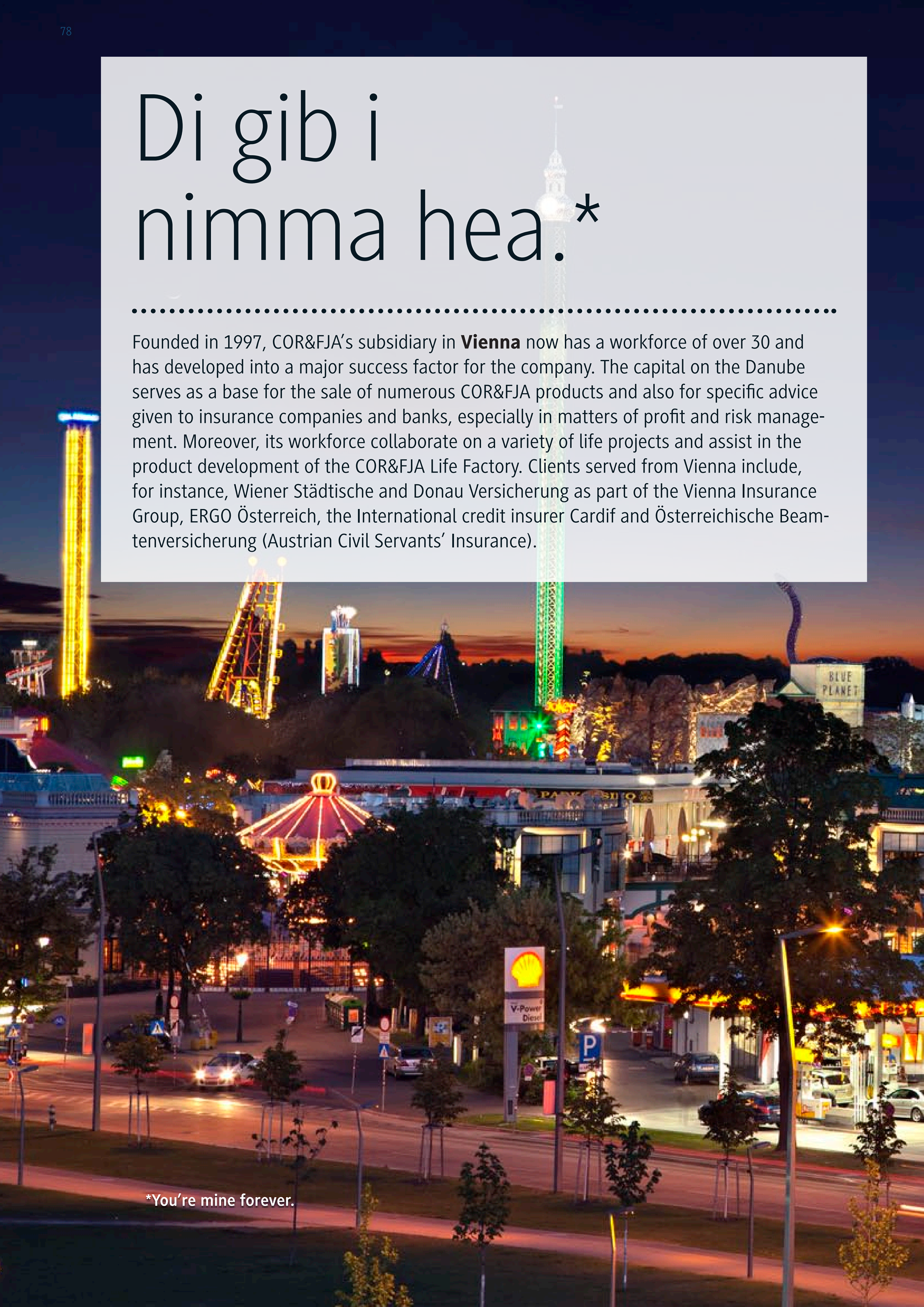
Rolf Zielke
MEMBER OF THE MANAGEMENT BOARD

Financial service providers in **Austria**
historical proximity to South-Eastern Eu
an ideal environment for development.

48° 11´21.87˝ N
16° 21´55.20˝ E

COR&FJA Austria Ges.m.b.H
Wiedner Hauptstraße 76/1/4
Vienna

benefit particularly from the country's
uropean countries, so that COR&FJA has



Di gib i nimma hea.*

Founded in 1997, COR&FJA's subsidiary in **Vienna** now has a workforce of over 30 and has developed into a major success factor for the company. The capital on the Danube serves as a base for the sale of numerous COR&FJA products and also for specific advice given to insurance companies and banks, especially in matters of profit and risk management. Moreover, its workforce collaborate on a variety of life projects and assist in the product development of the COR&FJA Life Factory. Clients served from Vienna include, for instance, Wiener Städtische and Donau Versicherung as part of the Vienna Insurance Group, ERGO Österreich, the International credit insurer Cardif and Österreichische Beamtenversicherung (Austrian Civil Servants' Insurance).

*You're mine forever.


LEKKERLAND

Consolidated Financial Statements

Consolidated income statement

	Marginal number	2012	2011
in euros			
Turnover	VII.1	136,680,349	135,191,887
Changes in inventory of finished and unfinished services		139,065	108,933
Capitalised own services for development	VII.2	881,499	1,470,320
Other operating income	VII.5	3,793,740	3,410,253
Cost of purchased services	VII.3	-18,755,326	-19,162,657
Personnel expenses	VII.4	-98,517,703	-90,215,177
Other operating expenses	VII.6	-33,343,410	-24,131,078
Depreciation of property, plant and equipment and amortisation of intangible assets	VII.7	-10,135,610	-4,815,043
Operating result		**-19,257,397**	**1,857,438**
Interest income	VII.8	196,823	257,850
Interest expenses	VII.8	-1,128,005	-952,209
Income from participating interests	VII. 9	-128,933	-1,581,418
Earnings before income taxes		**-20,317,512**	**-418,339**
Taxes on income and revenues	VII.10	-4,251,489	-891,888
Net income for the period		**-24,569,001**	**-1,310,227**
Of which:			
Shareholders of the parent company		-24,216,041	-2,186,796
Non-controlling shares		-352,960	876,569
Consolidated earnings		**-24,569,001**	**-1,310,227**
Earnings per share (undiluted)	X.	-0.59	-0.05
Earnings per share (diluted)	X.	-0.59	-0.05
Shares in circulation on average (undiluted/diluted)		40,895,861	40,895,861

Consolidated statement of comprehensive income

in euros	2012	2011
Net income for the period	**-24,569,001**	**-1,310,227**
Profits and losses from currency conversions of foreign subsidiaries	16,999	324,683
Actuarial profits and losses from performance-oriented plans, before taxes	-2,811,305	679,408
Deferred taxes related to actuarial profits and losses from performance-oriented plans	826,704	-204,211
Profits/losses from the revaluation of available-for-sale financial assets, before taxes	209,784	0
Deferred taxes related to profits/ losses from the revaluation of available-for-sale financial assets	-44,325	0
Amounts recognised in the income statement for available-for-sale financial assets, before taxes	0	59,939
Deferred taxes on amounts recognised in the income statement for available-for-sale financial assets	0	-12,665
Revenues and expenses directly included in equity	**-1,802,144**	**847,154**
Total earnings	**-26,371,144**	**-463,073**
Of which profits/losses that are attributable to shareholders of the parent company	-26,018,184	-1,339,642
Of which profits/losses that are attributable to non-controlling shares	**-352,960**	**876,569**

Consolidated statement of financial position

Assets	Marginal number	31.12.2012	31.12.2011
in euros			
Current assets			
Cash and cash equivalents	VIII.1	11,338,478	15,435,014
Securities	VIII.2	4,271	4,097
Trade receivables	VIII.3	37,089,731	45,078,465
Invoiced receivables		23,177,887	20,158,015
PoC receivables		13,911,844	24,920,450
Receivables from affiliated companies	VIII.4	32,285	195,732
Inventories	VIII.5	567,451	346,030
Ongoing income tax claims	VIII.6	1,240,012	843,101
Other financial receivables	VIII.7	757,672	683,262
Other short-term assets	VIII.8	926,356	936,607
Short-term assets, total		**51,956,256**	**63,522,308**
Non-current assets			
Goodwill	VIII.9	25,731,233	30,779,276
Other intangible assets	VIII.9	11,517,026	13,882,973
Property, plant and equipment	VIII.10	3,904,247	4,930,708
Financial investments	VIII.11	4,686,117	4,686,366
Deferred tax claims	VIII.12	7,062,661	10,768,666
Ongoing income tax claims	VIII.6	893,630	1,070,534
Other financial receivables	VIII.13	200,675	347,509
Long-term assets, total		**53,995,589**	**66,466,032**
Assets, total		**105,951,845**	**129,988,340**

Equity and liabilities	Marginal number	31.12.2012	31.12.2011
in euros			
Current liabilities			
Financial liabilities	VIII.14	14,895,738	15,730,365
Trade payables	VIII.15	3,381,587	4,312,235
Amounts owed to affiliated companies	VIII.4	486,629	571,539
Current income tax liabilities	VIII.16	112,863	575,430
Other provisions	VIII.17	2,685,601	2,055,633
Other current liabilities	VIII.18	4,168,767	2,856,889
Other financial liabilities	VIII.19	11,833,377	12,102,355
Short-term liabilities, total		**37,564,562**	**38,204,446**
Non-current liabilities			
Financial liabilities	VIII.14	584,731	0
Other provisions	VIII.17	579,303	451,950
Other financial liabilities	VIII.19	712,697	498,640
Deferred tax liabilities	VIII.12	7,086,510	8,084,067
Pension provisions	VIII.20	9,472,206	6,436,360
Other long-term liabilities	VIII.18	0	5,441
Long-term liabilities, total		**18,435,447**	**15,476,458**
Liabilities, total		**56,000,009**	**53,680,904**
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	33,601,050
Group retained income	VIII.23	-26,309,685	-257,714
Shareholdings shareholders parent company		**48,187,226**	**74,239,197**
Minority interests	VIII.24	1,764,610	2,068,239
Equity total		**49,951,836**	**76,307,436**
Equity and liabilities, total		**105,951,845**	**129,988,340**

Consolidated cash-flow statement

in euros	2012	2011
Net income for the period	-24,569,001	-1,310,227
Income taxes	4,251,489	891,889
Earnings before income taxes	**-20,317,512**	**-418,339**
Adjustments for the transfer of earnings to the cash flow from operational activities		
Depreciation of property, plant and equipment and amortisation of intangible assets	10,135,610	4,815,043
Earnings from disposal of tangible assets	18,805	12,614
Depreciation of financial assets	209,784	2,157,786
Earnings from disposal of financial investments	-4,519	0
Other expenses / income with no impact on earnings	39,753	19,116
Change in provisions for pensions recognised in profit or loss	224,541	172,129
Interest income	-196,823	-257,850
Interest expenses	1,128,005	952,209
Income taxes paid less reimbursed payments	-1,402,473	-1,032,514
Change in		
Trade receivables	8,112,689	-11,702,308
Inventories	-221,420	455,157
Other assets / other financial receivables / ongoing income tax claims	77,985	739,869
Other reserves	762,235	-1,221,387
Trade payables	-1,016,890	-642,385
Other debts / financial liabilities	992,263	-1,364,570
Cash flow from operating activity[1]	**-1,457,967**	**-7,315,430**

	2012	2011
in euros		
Cash flow from investment activity		
Investments in tangible assets	-863,727	-1,759,134
Investments in intangible assets	-882,138	-1,547,313
Incoming payments from disposal of tangible assets	84,692	60,671
Purchase of securities	0	-2,098
Cash inflow from disposal of intangible assets	3	0
Cash inflow from disposal of financial investments	450	0
Cash outflows from the acquisition of subsidiaries	0	-4,797,342
Cash outflows from the acquisition of non-controlling shares in consolidated companies	-79,369	-70,000
Cash flow from investment activity	**-1,740,089**	**-8,115,216**
Cash flow from financing activity		
Repayment of short-term financial liabilities	-557,627	-836,790
Assumption of short-term financial liabilities	0	12,820,276
Assumption of long-term financial liabilities	584,731	0
Interest received	196,823	257,850
Interest paid	-1,128,005	-952,209
Cash flow from financing activity	**-904,078**	**11,289,127**
Changes due to the exchange rate with no impact on earnings	**5,598**	**286,772**
Change in cash funds	**-4,096,536**	**-3,854,747**
Cash funds at the start of the reporting period	**15,435,014**	**15,348,737**
Addition of cash and cash equivalents due to change in consolidation group	**0**	**3,941,024**
Cash funds at the end of the reporting period*	**11,338,478**	**15,435,014**
* of which freely available	6,728,720	11,410,356

[1] see Notes IX.

Consolidated statement of changes in equity

	Subscribed capital	Capital reserve		
			Currency compensation item	
in euros				
Paragraph VIII	21	22	23	23
As at 01.01.2011	**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**	
Total earnings	**0**	**0**	**-16,999**	
Additions in non-controlling shares	0	0	0	
Other changes	0	0	0	
As at 31.12.2012	**40,895,861**	**33,601,050**	**3,271,439**	

Group retained income		Equity accounted for by the owners of the parent company	Non-controlling shares	Total equity
Net investment	Other			
	23		24	
-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**
0	**-26,001,185**	**-26,018,184**	**-352,960**	**-26,371,144**
0	-33,787	-33,787	-41,295	-75,082
0	0	0	90,626	90,626
-2,336,578	**-27,244,545**	**48,187,226**	**1,764,610**	**49,951,836**

Notes to the consolidated financial statements

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. 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 2012, 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 2012 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 24 April 2013. 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 at 31 December 2012. The consolidated financial statement is published in the 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 24 April 2013.

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

In the 2012 financial year, the financial statements were based on the IFRS which are mandatory for financial years which begin on or after 1 January 2012. New standards, amendments to standards, and interpretations that must be applied for the first time for financial years ending 31 December 2012 are as follows:

- Amendment to IFRS 7 ('Financial Instruments: Disclosures – Transfer of Financial Assets'), mandatory application for financial years starting on or after 1 July 2011,
- Amendment to IAS 12 ('Income taxes – Deferred Taxes: Realisation of Underlying Assets'), mandatory application for financial years starting on or after 1 January 2012,
- Amendments to IFRS 1 ('First-time Adoption of International Financial Reporting Standards'), mandatory application for fiscal years starting on or after 1 July 2011,
- Amendment to IAS 19 ('Employee Benefits'), mandatory application for financial years starting on or after 1 January 2013; in this case, early application as from 1 January 2012.

The amendment to IFRS 7 imposes quantitative and qualitative requirements on transfers of financial assets where the transferred assets are charged off completely or the transferring company retains a sustained commitment. The purpose of this is to offer the users a means of obtaining better insight into such transactions (e.g. securitisations) and to portray the potential effects of retained risks on the transferring company. Furthermore, the new version of the standard also demands additional disclosures if an unreasonably high proportion of such transactions are carried out just before the cut-off date. Application of the standard results in augmented disclosures in the financial statements. 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 amendment to IAS 12 clarifies the nature of realisation to be assumed for certain types of assets. This is important in cases where the consequences in tax terms vary according to the nature of realisation. The amendment essentially refers to the calculation of deferred taxes for properties held as financial investments, which are measured at fair value in accordance with IAS 40. 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 amendment to IFRS 1 was extended to include an exemption ruling in the event of severe hyperinflation, which offers companies that were exposed to severe hyperinflation and subsequently wish to resume presentation of financial statements that comply with IFRS requirements, or those wishing to draw up financial statements that comply with IFRS requirements for the first time, a means of reporting assets and liabilities measured at fair value in the IFRS opening balance sheet instead of the acquisition costs and production costs. In addition to this, fixed dates for application of exceptions and exemption rulings relating to financial assets and liabilities were eliminated. 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 International Accounting Standards Board (IASB) has significantly revised IAS 19. Although it is only mandatory to apply these changes to financial years starting on or after 1 January 2013, the COR&FJA Group has applied them in advance. The changes that were made lead to the discontinuation of existing options when entering actuarial gains and losses. Further changes affect the recording of past service costs and the depiction of net interest income for performance-oriented defined benefit pension plans as well as the distinction between remuneration arising from the termination of the employment relationship and other remuneration for employees. The elimination of the so-called corridor method is irrelevant for the COR&FJA Group, because, in accordance with the valid standard, actuarial gains and losses are already entered in full and, within equity, with absolutely no impact on earnings. Due to the comparatively low plan assets, the amount and depiction of the net interest income for defined benefit pension plans do not have a significant effect on the depiction of the assets, financial and earnings position and cash flow of the COR&FJA Group. The early application of the amended IAS 19 did not lead to any adjustments in the previous periods.

With the exception of the changes in IAS 19, the following standards, amendments and interpretations, which were published and must be applied on or after 1 January 2013 were not applied before they became mandatory:

- Amendments to IFRS 1 ('First-time Adoption of International Financial Reporting Standards'), mandatory application for fiscal years starting on or after 1 January 2013,
- Amendment to IFRS 7 ('Financial Instruments'), mandatory application for financial years starting on or after 1 January 2013,
- 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 2014,
- IFRS 11 ('Joint Arrangements'), mandatory application for financial years starting on or after 1 January 2014,
- IFRS 12 ('Disclosures about commitments to other companies'), mandatory application for financial years starting on or after 1 January 2014,
- IFRS 13 ('Measuring the fair value'), mandatory application for financially years starting on or after 1 January 2013,
- Amendment to IAS 1 ('Presentation of Financial Statements'), mandatory application for the financial years starting on or after 1 July 2012,
- IAS 27 ('Separate Financial Statements'), mandatory application for financial years starting or after 1 January 2014,
- IAS 28 ('Shares in associated companies and joint ventures'), mandatory application for financial years starting on or after 1 January 2014,
- 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,
- Improvements to IFRS 2009 up to 2011, 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

With the exception of the premature application of the changes in IAS 19, the COR&FJA Group did not apply any amendments to the accounting and valuation methods in the 2012 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 reference systems and the specialist concept) to be recognised, the following conditions must generally be fulfilled cumulatively:

1. A contract has come into being with legal effect – 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 shown in the statement of financial position only if the COR&FJA Group is a contracting party in the regulations for the financial asset in question. Financial assets are not removed from the accounts until either the right to cash flows from a financial asset expires or such rights are transferred to a third party. In the event of a transfer, the criteria of IAS 39 regarding the transfer of risks and potential rewards associated with the ownership of the financial asset, in particular, must be fulfilled.

When first recorded, financial assets are measured at fair value. The fair values shown in the statement of financial position generally correspond to the market prices of the financial assets. If these prices cannot be ascertained directly, they are calculated using acknowledged valuation methods and with recourse to current market parameters. For their subsequent valuations, the financial assets are classified in the following categories: 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale financial assets' and 'loans and receivables'. All of the financial assets for which there have been purchases and sales customary on the market are accounted for as 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, in accordance with IAS 39, categorised as either 'available for sale', held to maturity' or 'held for trading'. The securities categorised as 'available for sale' are measured at fair value when being valued for the first time and subsequently as 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 statement of income.

The **trade receivables** and other **financial receivables**, apart from derivative financial instruments, shown primarily comprise receivables and loans originated by the company. They are categorised accordingly as 'loans and receivables' and are measured at fair value upon acquisition and at amortised cost in subsequent valuations. If the net present value of the expected future cash flows from the receivables or the other assets is lower than the amortised cost as 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 accounted for at fair value and categorised as 'available for sale'. In their subsequent valuation, these must therefore be shown at face value, with unrealised gains and losses being recorded separately under equity, taking account of deferred taxes, with no effect on income until their realisation. If the financial investments are in equity instruments for which no prices are listed on an active market and no fair value can be determined reliably, they are measured at acquisition cost. If there are any objective indications that the net present value of the estimated cash flows is lower than the carrying amount, valuation allowances are carried out with effect on income.

The COR&FJA Group utilises the possibility of **designating financial assets as measured at fair value through profit or loss when they are shown for the first time**.

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

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 as from the time the software becomes usable over a useful life which corresponds to the planned product life cycle. Development projects which are not yet completed and activated are subjected to an annual impairment test. Research costs, and development costs not eligible for capitalisation, are posted to expenses within personnel and other operational expenses when they arise.

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

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. Due to the difficult market environment and a consequential change in assumptions, a period of only three years has been taken into consideration for deferred tax assets, whereas a period of five years was stipulated in 2011. The deferred taxes are determined on the basis of the tax rates which apply or are expected as per the current legal position in the individual countries at the time of realisation. The impact of changes in tax rates on deferred taxes will be posted through profit and loss when the change in the law comes into force.

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

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

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

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

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

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

The **other provisions** take account of all discernible risks and uncertain obligations in the extent to which they are likely to occur. The amounts stated constitute the best possible estimations of expenses which are necessary to fulfil the current obligation as 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 known on the reporting date are taken into account but also the expected future increases in pensions, wages and salaries, with prudent estimates of the relevant influencing factors. The calculation is carried out on the basis of actuarial reports and reflecting biometric assumptions. 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. The previous record of the anticipated returns on the plan assets and the calculation of the interest expenses on the performance-oriented defined benefit obligation will be replaced in future by entering the net interest costs. 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 statements 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.

The 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 2012, the following companies were fully consolidated in the Group headed by COR&FJA AG as the parent company:

Company	Share-holding 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 Pension Management GmbH, Leinfelden-Echterdingen (Germany) [1 4]	100	(COR Pension)
COR&FJA Slovakia s.r.o., Bratislava (Slovakia) [3]	100	(COR&FJA Slovakia)
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 Consulting GmbH, Aachen (Germany) [2]	100	(COR&FJA Consulting)
COR bAV Services GmbH, Leinfelden-Echterdingen (Germany)	100	(COR bAV)
COR&FJA Alldata Systems GmbH, Leinfelden-Echterdingen (Germany) [1]	100	(COR&FJA Alldata)
COR&FJA Benelux B.V., Amsterdam (Netherlands)	100	(COR&FJA Netherlands)
COR&FJA Metris GmbH, St. Georgen im Schwarzwald (Germany)	74.29	(COR&FJA Metris)
Wagner & Kunz Aktuare AG, Basel (Switzerland)	100	(WKA)
COR&FJA Systems Portugal, Unipessoal Lda, Porto (Portugal)	100	(COR&FJA Portugal)
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)	41.33	(plenum)
with the subsidiary		
plenum Customer Intelligence GmbH, Frankfurt (Germany) [6]	80	(pCI)
MANIC GmbH, Frankfurt (Germany) [6]	100	(Manic)
plenum Management Consulting GmbH, Frankfurt (Germany) [6]	100	(pMC)
plenum International Management Consulting GmbH, Frankfurt (Germany) [6]	100	(pIMC)
plenum FZ LLC, Dubai (UAE) [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 Consulting GmbH, Aachen, according to which the company must also assume losses.
[3] The participating interests in question are indirect. The shares are held by COR&FJA Deutschland GmbH, Munich.
[4] 40 per cent of the shares are held indirectly via COR&FJA Deutschland GmbH, Munich.
[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.

Pursuant to the merger agreement and the shareholders' decisions taken on 27 July 2012, COR&FJA Systems GmbH (transferring entity), Leinfelden-Echterdingen, has been merged with COR&FJA Deutschland GmbH (receiving entity), Munich, as per the entry in the respective commercial registers dated 4 September 2012 and with retroactive effect from 1 January 2012.

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	Share-holding	Abbreviations
	in %	
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)
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)

Company	Share-holding	Abbreviations
	in %	
plenum AG, Wiesbaden (Germany)	40.37	(plenum)
with the subsidiary		
plenum Customer Intelligence GmbH, Wiesbaden (Germany) [6]	80	(pCI)
MANIC GmbH, Mainz (Germany) [6]	100	(Manic)
plenum Management Consulting GmbH, Wiesbaden (Germany) [6]	100	(pMC)
plenum International Management Consulting GmbH, Wiesbaden (Germany) [6]	100	(pIMC)
plenum USA Inc., Naples (USA) [6]	51	(pUSA)
plenum FZ LLC, Dubai (UAE) [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 per cent of the shares are held indirectly via COR&FJA Systems GmbH, Leinfelden-Echterdingen.
[5] The participating interests in question are indirect. The shares are held by COR&FJA Deutschland GmbH, Munich.
[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, and COR&FJA Alldata 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 2012 financial year.

t 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:

A merger has been planned for 2013 between Sigma Sourcing AG (transferring entity), Zurich (Switzerland) and COR&FJA Schweiz AG (receiving entity), Zurich (Switzerland).

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.

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 further shares in 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.

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 at 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.

On 6 February 2012, COR&FJA AG purchased an additional 92,965 shares, equivalent to 0.96 per cent of plenum AG, thus increasing its stake in the company to 41.33 per cent. The purchase price amounted to 81,000 euros in cash. The book value in equity attributable to the additional shares purchased totalled 41,000 euros. The difference between the book value and the acquisition cost of 40,000 euros was posted as revenue reserves.

2. Founding of COR&FJA Systems Portugal, Unipessoal Lda

COR&FJA AG founded COR&FJA Systems Portugal, Unipessoal Lda, Porto (Portugal), based on the Articles of Agreement dated 6 February 2012. Initial capital amounts to 5,000 euros. COR&FJA AG holds 100.0 per cent of the shares; therefore, COR&FJA Systems Portugal, Unipessoal Lda was fully consolidated as a subsidiary from the date it was founded.

3. Purchase of further shares in COR bAV Services GmbH

On 26 September 2012, COR&FJA AG acquired a further 33.2 per cent in COR bAV Services GmbH, Leinfelden-Echterdingen, thereby increasing its share to 100.0 per cent. The purchase price of 750 euros was paid in cash. The carrying amount in equity for the additionally acquired shares was 8,000 euros. The difference between the carrying amount and the acquisition costs in the amount of 7,000 euros was entered under revenue reserves.

4. Deconsolidation of plenum USA Inc., Naples (USA)

Effective from 31 December 2012, the subsidiary plenum AG sold its 51 per cent share in the subsidiary, plenum USA Inc., Naples (USA). The sales price of 160,000 euros was paid in the form of consultation services on the part of the buyer, to be provided between 2013 and 2016. The carrying amount in equity for the shares sold was 159,000 euros. The difference between the carrying amount and the sales price in the amount of 1,000 euros was booked to other operating income.

5. Liquidation of FJA bAV Service GmbH, COR bAV Services GmbH and COR Pension Management GmbH

FJA bAV Service GmbH, COR bAV Services GmbH and COR Pension Management GmbH have been in liquidation since 1 January 2013; this will presumably be completed in 2014.

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	
	31.12.2012	**31.12.2011**	**2012**	**2011**
in euros				
1 USD	0.7579	0.7729	0.7623	0.7185
1 CHF	0.8283	0.8226	0.8271	0.8104
1 CZK	0.0398	–	0.0397	–
1 PLN	0.2455	–	0.2442	–

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. 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. In the Banking segment, COR&FJA is 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 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.

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

The COR&FJA Group gears 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 2012.

2012	External turnover	Intersegment turnover	Aggregate turnover	Earnings before taxes (EBT)	Number of employees
in thousand euros					
Life Insurance	79,369	17,854	97,223	788	733
Non-Life Insurance	27,426	4,669	32,095	-18,289	254
Banking	29,885	2,259	32,144	-2,817	191
Total	**136,680**	**24,782**	**161,462**	**-20,318**	**1,178**
Transfer	0	-24,782	-24,782	0	0
Overall Group	**136,680**	**0**	**136,680**	**-20,318**	**1,178**

2011	External turnover	Intersegment turnover	Aggregate turnover	Earnings before taxes (EBT)	Number of employees
in 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**

The Life Insurance segment includes impairments on goodwill of plenum AG amounting to 1.3 million euros and Wagner & Kunz Aktuare AG to the tune of 0.3 million euros.

The Non-Life Insurance segment includes capitalisation of software development services amounting to 0.5 million euros as well as impairments on goodwill of COR&FJA Metris GmbH amounting to 3.4 million euros. This segment also includes impairments on self-developed software amounting to 0.7 million euros.

The Banking segment includes the capitalisation of software development services amounting to 0.4 million euros as well as impairments from the revaluation of the shares in B+S Banksysteme Aktiengesellschaft to the tune of 0.2 million euros.

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:

	2012	2011
in thousand euros		
Services	96,440	83,487
Licences	10,693	21,327
Maintenance	25,666	26,255
Other income	3,881	4,122
Group turnover	**136,680**	**135,192**

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:

in thousand euros	2012	2011
Germany	115,682	118,594
USA	11,207	8,665
Switzerland	4,732	4,796
Austria	3,727	1,943
Slovenia	825	854
Benelux	390	340
Poland	117	0
Total	**136,680**	**135,192**

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

in thousand euros	2012	2011
Germany	41,725	47,975
Slovakia	187	242
USA	170	371
Austria	77	89
Switzerland	52	340
Slovenia	29	994
Benelux	7	11
Other	0	989
Total	**42,247**	**51,011**

In Germany, impairments on goodwill were recognised at 5.0 million euros. In addition, impairments on other intangible assets of 0.7 million euros were also recognised in Germany.

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 to 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, 25.425 million euros (previous year: 20.949 million euros) was realised using the PoC method in 2012.

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

in thousand euros	2012	2011
Turnover recognition (PoC) in the financial year	8,080	16,582
Recorded expenses in the financial year	6,214	13,783
Reported profit in the financial year	1,866	2,799

2. Capitalised own services for development

The Group's business activity encompasses the development of software products. The expenses incurred in connection with this are set off as expenses pursuant to IAS 38 up 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 0.882 million euros (previous year: 1.470 million euros) were capitalised through profit and loss in the 2012 financial year. The development of the following software solutions had to be capitalised:

Within the scope of the Banking software, services amounting to 0.4 million euros, assessed at production costs, were activated for an International Financial Reporting Standards (IFRS) module. Development of this software has not yet been completed.

Furthermore, services, assessed at production costs, which must be capitalized were provided in the amount of 0.4 million euros for various components in the claim management system. Basically, this concerned the Offline Client Project (0.282 million euros), Catalog Value (0.052 million euros) as well as MPSS Sales Cubes (0.062 million euros). With the exception of the Offline Client Project, development has been completed.

For the COR&FJA Product Manager – a solution for structuring insurance products in the non-life insurance environment – performances subject to capitalisation were rendered amounting to 0.081 million euros, measured by production costs. Development has been completed.

3. Cost of purchased services

in thousand euros	2012	2011
Freelance employees	14,669	15,363
Computing centre services	2,730	2,800
Purchased goods for resale and similar services	1,356	1,000
Total	**18,755**	**19,163**

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

4. Personnel expenses

in thousand euros	2012	2011
Wages and salaries	85,514	78,062
Social security contributions	12,573	11,321
Personnel expenses excluding pensions	98,087	89,383
Pension expenses	431	832
Total	**98,518**	**90,215**

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 5.930 million euros (previous year: 4.720 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

in thousand euros	2012	2011
Income from the reversal of other provisions and other liabilities	573	793
Use-related reversal of provisions	188	307
Use of company cars	508	480
Rental income	1,076	772
Income from compensation	6	8
Income from the reversal of valuation allowances for trade receivables	0	462
Income from write-ups on impaired other financial claims	0	96
Income from the disposal of impaired other financial claims	0	126
Income from the write-off of financial liabilities	277	0
Income from settlement payments by former members of management bodies	680	0
Other	486	366
Total	**3,794**	**3,410**

The use-driven reversal of provisions comprised the use of provisions which cannot be clearly allocated to individual expense items.

In the past 2012 financial year, income was generated from the write-off of financial liabilities (debt waivers) from certain financing creditors amounting to 0.277 million euros. On this subject, cf. the statements made in 'VIII. Notes to the statement of financial position, 14. Financial liabilities'.

The item 'Other' consists primarily of income relating to other periods and insurance compensation.

6. Other operating expenses

in thousand euros	2012	2011
Costs of business premises	8,604	8,490
Travel expenses	4,652	4,687
Consulting, accounting, Supervisory Board	2,567	2,254
Motor vehicle costs	1,520	1,253
IT expenses	1,658	1,206
Advertising expenses	872	1,061
Communication expenses	907	880
Lease costs	448	777
Staff recruitment	597	570
Ongoing training	418	460
Insurance companies	296	348
Voluntary social welfare expenses	432	318
Exchange losses	8	212
Project costs	445	181
Equalisation fee for the severely disabled	134	126
Fees, premiums	192	118
Bad debt losses	0	106
Valuation allowances on PoC receivables	8,709	0
Valuation allowances on invoiced receivables	60	0
Other	824	1,084
Total	**33,343**	**24,131**

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

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

in thousand euros	2012	2011
Audits of financial statements (including outlays)	261	243
Other certification and valuation services	0	0
Tax consulting services	0	0
Other services	0	0
Total	**261**	**243**

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

	2012	2011
in thousand euros		
Depreciation of property, plant and equipment and amortisation of intangible assets	4,412	4,815
Impairment costs of intangible assets	5,724	0
Total	**10,136**	**4,815**

Depreciation of property, plant and equipment and amortisation of intangible assets includes the depreciation of the intangible assets identified in the course of the merger with COR AG and amounting to the sum of 1.1 million euros (previous year: 2.1 million euros).

The impairment costs of intangible assets amounting to 5.724 million euros concern the goodwill impairment totalling 4.984 million euros and the impairment of other intangible assets amounting to 0.739 million euros. On this subject, cf. 'VIII. Notes to the statement of financial position, 9. Goodwill and other intangible assets'.

8. Net interest result

	2012	2011
in thousand euros		
Interest income	197	258
Interest expenses	-1,128	-952
Net interest result	**-931**	**-694**
Of which from financial instruments in the valuation categories:		
Loans and receivables	40	122
Financial assets held for sale	0	0
Financial liabilities measured at amortised cost	-676	-478
Hire-purchase liabilities	0	-17

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

	2012	2011
in thousand euros		
Valuation of B+S Banksysteme Aktiengesellschaft	-210	-1,757
Profit distributions from innovas GmbH	81	176
Total	**-129**	**-1,581**

Income from participating interests includes the difference between the fair value and the book value to the tune of 210,000 euros (previous year: 2.157 million plus charge-off of the recollateralisation formed in 2010 amounting to 400,000 euros) from the valuation of shares in B+S Banksysteme Aktiengesellschaft. With the share price declining in the course of the year, this sustained and significant reduction in value amounting to 210,000 euros was recorded under operating result of participating interests as at 30 June 2012. The share price rose again as at 31 December 2012. This increase in value amounting to 210,000 euros was recorded directly under equity with no effect on income in accordance with IAS 39 as no reliable distinction can be made between a discontinuation of the reason for an impairment of value and an original increase in value when it comes to equity instruments. In this respect, compare with the information given in 'VIII. Notes to the statement of financial position, 11. Financial investments'.

Furthermore, profit distributions by innovas GmbH amounting to 81,000 euros (previous year: 176,000 euros) have been taken into consideration.

10. Taxes on income and revenues

The tax expenses arise from the components listed below:

in thousand euros	2012	2011
Current income tax expenses		
Germany	-351	-242
Other countries	-373	-665
Total current income taxes	**-724**	**-907**
Deferred taxes from temporary differences	979	553
Deferred taxes on tax loss carryforwards	-4,506	-538
Total deferred income taxes	**-3,527**	**15**
Total	**-4,251**	**-892**

The actual tax expenses included income amounting to 412,000 euros (previous year: income of 147,000 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 2012, the COR&FJA Group had unutilise loss carryforwards amounting to 187.166 million euros (previous year: 188.910 million euros) for which deferred tax assets were formed to the extent that their realisability was guaranteed with a sufficient degree of certainty. Due to the difficult market environment and a consequential change in assumptions, a period of only three years has been taken into consideration for deferred tax assets, whereas a period of five years was stipulated in 2011. All in all, deferred tax assets were formed for loss carryforwards amounting to 11.182 million euros (previous year: 50.526 million euros).

The loss carryforwards with no time limit on their utilisation amount to 183.725 million euros (previous year: 155.357 million euros.

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

	2013	2014	2015 and later
in thousand euros			
Loss carryforwards	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 2.467 million euros (previous year: 2.210 million euros).

The actual tax expenses were reduced by 422,000 euros (previous year: 422,000 euros) thanks to the utilisation of tax loss carryforwards that were not yet capitalised and resulted from previous years.

Deferred tax income amounting to 1.169 million euros (previous year: 2.724 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 5.673 million euros (previous year: 2.387 million 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.

	2012	2011
in thousand euros		
Earnings before income taxes	-20,318	-418
Tax rate	30%	30%
Expected income taxes	**6,095**	**126**
Tax effects with regard to:		
Difference in tax rates	103	407
Amortisation of goodwill from capital consolidation due to impairment	-1,495	0
Tax-free income and tax additions and deductions	284	-160
Effect of tax losses	-452	-1,102
Taxes for previous years	-422	-147
Other	138	-16
Effective income taxes	**-4,251**	**-892**

Goodwill resulting from capital consolidation was adjusted by 4.985 million euros (previous year: 0 euros) in 2012 due to non-tax deductible impairment.

On this subject, cf. the explanations under 'VIII. Notes to the statement of financial position, 12. Deferred tax claims'.

VIII. Notes to the statement of financial position

1. Cash and cash equivalents

	31.12.2012	31.12.2011
in thousand euros		
Other collateralised fixed-term deposit accounts	4,610	4,025
Uncollateralised current accounts	6,728	11,410
Total	**11,338**	**15,435**

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 4.610 million euros (previous year: 4.025 million euros) are used as collateral for various sureties and financial liabilities. As at 31 December 2012, the uncollateralised cash and cash equivalents amount to 6.728 million euros (previous year: 11.410 million euros).

2. Securities

	31.12.2012	31.12.2011
in thousand euros		
Mittelschule und Tourismusfachschule Samedan AG (Samedan High School and College of Tourism), Samedan (Switzerland)	4	4
Total	**4**	**4**

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.

3. Trade receivables

	31.12.2012	31.12.2011
in thousand euros		
Invoiced receivables	23,178	20,158
PoC receivables	13,912	24,920
Total	**37,090**	**45,078**

The trade receivables fall due within one year.

Invoiced receivables	31.12.2012	31.12.2011
in thousand euros		
Gross value	**23,347**	**20,292**
Of which:		
impaired	169	134
Book value	**23,178**	**20,158**
Of which:		
Neither impaired nor overdue as on the reporting date	14,309	14,950
Not impaired and overdue in the following time bands as on the reporting date		
< 30 days	7,410	2,943
31 to 60 days	264	614
61 to 90 days	529	374
91 to 120 days	24	89
121 to 360 days	642	1,188

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:

	2012	2011
in thousand euros		
Valuation allowances as at 01.01.	**134**	**51**
Changes, consolidation group	0	571
Transfers	60	25
Consumption	-25	-51
Reversals	0	-462
Valuation allowances as at 31.12.	**169**	134

The full amount of the transfers, i.e. 60,000 euros (previous year: 25,000 euros), consumption, i.e. 25,000 euros (previous year: 51,000 euros), and reversals, i.e. 0 euros (previous year: 462,000 euros), relates to itemised valuation allowances.

The table below shows the cost of cancelling trade receivables, as well as the income from the receipt of cancelled receivables:

	2012	2011
in thousand euros		
Cost of cancelling receivables entirely	8,709	0
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:

2012	Orders under assets	Orders under liabilities	Total
in thousand euros			
Total amount of costs incurred and profits posted	21,292	2,132	**23,424**
Offset advance payments	-7,380	-3,163	**-10,543**
Total	**13,912**	**-1,031**	**12,881**

2011	Orders under assets	Orders under liabilities	Total
in 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**

In order to provide security for credit lines, receivables amounting to 15.711 million euros were assigned to financial institutions in the reporting year (previous year: 14.096 million euros).

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

	31.12.2012	31.12.2011
in thousand euros		
Receivables from affiliated companies	32	196
Amounts owed to affiliated companies	-487	-572

The receivables from affiliated companies in the reporting year, which totalled 32,000 euros, concern PiAL Consult GmbH, Hamburg, in the amount of 16,000 euros, msg Gillardon AG, Bretten, in the amount of 14,000 euros and msg systems GmbH, Brunn am Gebirge (Austria) in the amount of 2,000 euros.

In the previous year the balance also included receivables from msg services AG, Ismaning (194,000 euros) and innovas GmbH, Hamburg (2,000 euros). The receivables are due within one year.

Liabilities to affiliated companies amount to 487,000 euros and are owed to msg systems AG, Ismaning, in the amount of 91,000 euros (previous year: 197,000 euros), innovas GmbH, Hamburg in the amount of 184,000 euros (previous year: 136,000 euros), consulo GmbH, Hamburg, in the amount of 140,000 euros (previous year: 178,000 euros), msg services AG, Ismaning, in the amount of 72,000 euros (previous year: 25,000 euros). In addition to this, the balance for the previous year included liabilities owed to msg Gillardon AG, Bretten, in the amount of 34,000 euros and msg systems GmbH, Brunn am Gebirge, in the amount of 2,000 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 567,000 euros, relate to the region of Germany only (previous year: 346,000 euros). In the reporting period and in the same period the previous year, no impairments were reported as expenses.

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

No inventories providing security for liabilities were pledged.

6. Ongoing income tax claims

in thousand euros	31.12.2012	31.12.2011
Short-term	1,240	843
Long-term	894	1,071
Total	**2,134**	**1,914**

The current income tax claims consisted of advance payments and refund claims for corporation and trade tax amounting to 2.134 million euros (previous year: 1.914 million euros). The short-term portion of this was 1.240 million euros (previous year: 843,000 euros) and the long-term portion 894,000 euros (previous year: 1.071 million euros). The long-term portion relates to the long-term component of the capitalised corporation tax credit balance.

7. Other financial receivables (short-term)

in thousand euros	31.12.2012	31.12.2011
Loan, loans, mortgages	331	499
Purchase price plenum USA	160	0
Security deposits	101	90
Other	166	94
Total	**758**	**683**

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

8. Other short-term assets

in thousand euros	31.12.2012	31.12.2011
Value-added tax	119	111
Deferred items	386	431
Other	421	395
Total	**926**	**937**

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

2012	Goodwill	Other intangible assets: Development costs	Other intangible assets: Other	Total
in thousand euros				
Acquisition costs				
As at 01.01.2012	**37,361**	**3,161**	**22,156**	**62,678**
Additions	0	882	0	882
Disposals	0	0	-1,427	-1,427
Disposals in the consolidation group	-64	0	0	-64
Foreign currency differences	0	0	0	0
As at 31.12.2012	**37,297**	**4,043**	**20,729**	**62,069**
Depreciation and amortisation				
As at 01.01.2012	**6,582**	**1,125**	**10,309**	**18,016**
Additions	4,984	1,697	1,551	8,232
Disposals	0	0	-1,427	-1,427
Foreign currency differences	0	0	0	0
As at 31.12.2012	**11,566**	**2,822**	**10,433**	**24,821**
Book value as at 31.12.2012	**25,731**	**1,221**	**10,296**	**37,248**

2011	Goodwill	Other intangible assets: Development costs	Other intangible assets: Other	Total
in 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**

The research and development costs (personnel expenses and other operating expenses) that were recognised under expenses in 2012 amounted to 15.348 million euros (previous year: 17.800 million euros).

In addition, we refer to the Notes included in 'VII.2. Capitalised own services for development'.

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

In the reporting year there were changes of circumstance on account of which the individual book values can no longer be achieved with a self-developed software product. In the financial year ended, this led to unscheduled impairments amounting to 0.739 million euros on the other intangible assets.

Information on the other intangible assets in the previous year

In 2011, there were no events or changes of circumstance on account of which the individual book values could no longer be achieved. There were, therefore, no impairments on the other intangible assets.

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

in thousand euros	31.12.2012	31.12.2011
COR&FJA OdaTeam	952	952
COR&FJA Systems	–	18,191
COR&FJA Alldata Systems	2,835	2,835
COR&FJA Germany	19,536	1,345
FJA-US	81	81
PYLON	1,205	1,205
COR&FJA Metris	0	3,404
WKA	34	291
plenum	1,088	2,475
Total	**25,731**	**30,779**

For the verification of the valuation of goodwill, the book values of the goodwill are allocated to individual cash generating units. In accordance with the definition of the cash generating unit, the COR&FJA OdaTeam, COR&FJA Systems, COR&FJA Deutschland, FJA-US, PYLON, COR&FJA Metris, WKA and plenum business units within the COR&FJA Group are used as cash generating units. Due to the merger of COR&FJA Systems GmbH (transferring entity) with COR&FJA Deutschland GmbH (receiving entity) that took effect on 1 January 2012 (as described in 'III. Consolidation group, 1. Subsidiaries') COR&FJA Systems was not a cash generating unit in the year under review.

In accordance with its definition, the book values (net assets) of the individual cash generating units are subsequently checked at least once a year to establish whether any requirement for impairment exists. The achievable amount corresponding to the value in use that has been ascertained according to the 'discounted cash flow' method is thus compared with the book values. In addition, the COR&FJA Group also takes the relationship between market capitalisation and the book value into account when assessing whether there are indications that an asset might be impaired.

Information on the goodwill in the reporting year

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 2017, with subsequent transition to perpetuity. These plans use a planning horizon of five years. For the period of time thereafter ('perpetuity'), a growth rate of 1 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 8.50 per cent p.a. (previous year: 4.89 per cent p.a.) before tax. Sensitivity analyses revealed that an increase of more than 0.5 percentage points (previous year: 1.8 percentage points) in the capital cost rate leads to a valuation allowance requirement for goodwill.

As a result of the impairment tests, goodwill impairments totalling 4.984 million euros were carried out in the reporting year. Specifically, the goodwill related to COR&FJA Metris (3.405 million euros), WKA (0.256 million euros) and plenum (1.323 million euros). The reason for the impairments on goodwill was the lower operating results of the individual companies in comparison to the previous year.

Information on the goodwill in the previous year

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

10. Property, plant and equipment

2012	Buildings on third-party land	Hardware and software	Factory and office equipment	Total
in thousand euros				
Acquisition costs				
As at 01.01.2012	**5,108**	**10,275**	**5,699**	**21,082**
Additions	65	789	130	984
Disposals	-21	-1,013	-851	-1,885
Disposals in the consolidation group	0	-2	0	-2
Foreign currency differences	-9	-12	-6	-27
As at 31.12.2012	**5,143**	**10,037**	**4,972**	**20,152**
Depreciation and amortisation				
As at 01.01.2012	**3,709**	**7,945**	**4,497**	**16,151**
Additions	205	1,287	412	1,904
Disposals	-14	-1,007	-759	-1,780
Foreign currency differences	-9	-12	-6	-27
As at 31.12.2012	**3,891**	**8,213**	**4,144**	**16,248**
Book value as at 31.12.2012	**1,252**	**1,824**	**828**	**3,904**

In the 2012 financial year, the sum of 120,000 euros was accounted for by additions from finance leases which had no effect on liquidity.

2011	Buildings on third-party land	Hardware and software	Factory and office equipment	Total
in 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**

2011	Buildings on third-party land	Hardware and software	Factory and office equipment	Total
in thousand euros				
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**

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

	31.12.2012	31.12.2011
in thousand euros		
Shareholding, B+S Banksysteme Aktiengesellschaft	1,783	1,783
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	3
Total	**4,687**	**4,687**

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. The dramatic decline in the share price led to a reduction in value amounting to 2.098 million euros during the previous year. As at 31 December 2012, there was no change in the share price compared with the previous year's reporting date so that the fair price on the balance sheet date amounted to 1.783 million euros (previous year: 1.783 million euros). Compare with the information given in 'VII.9. Income from participating interests' for the changes in the share price in the course of the year.

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 earning value. There are no indications of impairment. In the 2012 financial year, COR&FJA AG collected dividend payouts from innovas GmbH amounting to 81,000 euros (previous year: 176,000 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 that took place on 19 October 2009 of the former COR AG with the former FJA AG – is considered the most senior parent company of COR&FJA AG, the shares are not posted as a consolidated shareholding in an affiliated company.

The shareholding in ARGE FJA KR BU-System, Munich, has not been consolidated. The COR&FJA Group does not have a decisive influence over ARGE FJA KR BU-System, as it does not have many opportunities to collaborate in the financial and business decision-making processes of this partly-owned subsidiary. The COR&FJA Group owns 50 per cent of the shares. ARGE's equity amounts to 133,000 euros as at 31 December 2012 (previous year: 116,000 euros). Its total assets amount to 180,000 euros (previous year 139,000 euros), while its total liabilities come to 47,000 euros (previous year: 23,000 euros). In the 2012 financial year, ARGE generated turnover of 82,000 euros (previous year: 91,000 euros) and earnings of 17,000 euros (previous year: 27,000 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.

The valuation allowances on the financial investments developed as follows:

in thousand euros	2012	2011
Valuation allowances as at 01.01.	**2,211**	**538**
Price differences	0	0
Transfers to the consolidation group	0	0
Transfers	0	2,098
Consumption	0	-425
Reversals	0	0
Valuation allowances as at 31.12.	**2,211**	**2,211**

12. Deferred tax claims and deferred tax liabilities

The deferred taxes were determined using the relevant country-specific tax rates that were between 19 per cent and 39.6 per cent (previous year: between 19 per cent and 41.1 per cent). Changes in tax rate that had already been decided upon as of the balance sheet date were taken into account when the deferred taxes were determined.

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 27.7 per cent and 33.0 per cent (previous year: between 27.8 per cent and 32.98 per cent).

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

	31.12.2012		31.12.2011	
in thousand euros	Assets	Liabilities	Assets	Liabilities
PoC receivables	0	3,140	5	3,478
Receivables and other current assets	7	54	45	48
Intangible assets	1,305	3,410	1,518	4,071
Goodwill	100	0	0	0
Financial assets	0	347	0	347
Property, plant and equipment	12	24	37	25
Other provisions	257	35	165	17

	31.12.2012		31.12.2011	
	Assets	Liabilities	Assets	Liabilities
in thousand euros				
Pension provisions	1,384	0	503	8
Other financial liabilities	152	9	30	90
Deferred revenue	23	68	139	0
Tax losses carried forward	3,823	0	8,327	0
Total	**7,063**	**7,087**	**10,769**	**8,084**

The deferred taxes that were recognised in shareholders' equity amount to 782,000 euros (previous year: -217,000 euros).

13. Other financial receivables (long-term)

	31.12.2012	31.12.2011
in thousand euros		
Total	**201**	**348**

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

	31.12.2012	31.12.2011
in thousand euros		
Short-term	14,895	15,730
Long-term	585	0
Total	**15,480**	**15,730**

Interest-bearing credit liabilities based on a contractual obligation to a third party are posted under financial liabilities. As at 31 December 2012, the COR&FJA Group had credit lines with three banks totalling 20.500 million euros at its disposal (previous year: 15.500 million euros). As at 31 December 2012, 14.244 million euros were utilised (previous year: 13.372 million euros). The credit lines have the following terms: 0.500 million euros (indefinite period), 10.000 million euros (until 30 April 2013) and 10.000 million euros (until 31 March 2014). Some of the credit agreements include financial covenant rules. Despite non-compliance with these rules, the Management Board expects discussions with banks, which have already been embarked upon, to conclude positively for the company with the result that liquidity will be secured for 2013 financial year.

In the past 2012 financial year, certain financing creditors waived debts to the amount of 0.277 million euros and new conditions were negotiated; in particular, interest rates and subordinated claims were agreed upon. The income from debt waivers was entered under other operating income; please refer to 'VII. Notes to the income statement, 5. Other operating income'.

Specifically, the financial liabilities were as follows:

Type	Credit currency	31.12.2012	31.12.2011	2012	2011
		in thousand euros		Interest rate p.a. in %	
Bank credit 1	euros	500	1,149	3.81	7.50
Bank credit 2	euros	6,599	4,923	3.71	4.25
Bank credit 3	euros	6,700	7,000	3.81	3.86
Bank credit 4	euros	20	0	6.39	–
Bank credit 5	euros	300	300	9.00	5.80
Bank credit 6	euros	0	261	–	5.37
Bank credit 7	euros	125	0	9.00	–
Loan employee 1	euros	101	101	6.00	6.00
Loan employee 2	euros	111	111	6.00	8.00 / 6.00
Loan employee 3	CHF	228	394	10.00	10.00
Dormant equity holdings 1	euros	0	328	–	8.00 / 6.00
Dormant equity holdings 2	euros	181	185	0.00	8.00 / 6.00
Dormant equity holdings 3	euros	74	353	6.00	8.00 / 6.00
Dormant equity holdings 4	euros	113	125	6.00	8.00 / 6.00
Investment company loan	euros	175	500	11.00	11.00
Loan other 1	euros	160	0	6.00	–
Loan other 2	euros	93	0	11.00	–
Total	**euros**	**15,480**	**15,730**	**–**	**–**

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

	TOTAL	CASH FLOWS 2013		CASH FLOWS 2014		CASH FLOWS 2015 – 2017	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
in thousand euros							
As at 31.12.2012							
Short-term	**14,895**	594	14,895	0	0	0	0
Long-term	**585**	11	0	11	206	12	379
Financial liabilities	**15,480**	**605**	**14,895**	**11**	**206**	**12**	**379**
As at 31.12.2011							
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 2.583 million euros and trade receivables totalling 15.711 million euros have been assigned. In addition, COR&FJA AG has assumed an absolute fixed liability guaranty in the amount of 860,000 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

	31.12.2012	31.12.2011
in thousand euros		
Short-term	113	575
Long-term	0	0
Total	**113**	**575**

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

17. Other provisions

	31.12.11	Foreign currency differences	Consump-tion	Reversal	Transfer	31.12.12
in thousand euros						
Guarantee payments	207	0	0	-19	21	209
Provision for project costs	0	0	0	0	5	5
Contingent losses	499	0	-103	-50	421	767
Expected incoming invoices	947	0	-508	-96	977	1,320
Other	854	-5	-429	-23	567	964
Other provisions	**2,507**	**-5**	**-1,040**	**-188**	**1,991**	**3,265**

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.

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		SHORT-TERM		TOTAL	
	2012	2011	2012	2011	2012	2011
in thousand euros						
Guarantee payments	0	0	209	207	209	207
Provision for project costs	0	0	5	0	5	0
Contingent losses	395	317	372	182	767	499
Expected incoming invoices	0	0	1,320	947	1,320	947
Other	184	135	780	719	964	854
Other provisions	**579**	**452**	**2,686**	**2,055**	**3,265**	**2,507**

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 3.056 million euros (previous year: 2.300 million euros) must be paid out in the short term within the scope of operating activity, with the exception of a sum amounting to 579,000 euros (previous year: 452,000 euros).

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

18. Other debts

	31.12.2012	31.12.2011
in thousand euros		
Tax liabilities	1,513	1,736
Payments received on account for customer orders	1,031	416
Deferred items	1,625	705
Other	0	5
Total	**4,169**	**2,862**

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:

	Total	Residual term of up to 1 year	Residual term of between 1 year and 5 years	Residual term of more than 5 years
in thousand euros				
31.12.2012				
Tax liabilities	1,513	1,513	0	0
Payments received on account for customer orders	1,031	1,031	0	0
Deferred items	1,625	1,625	0	0
Other debts	**4,169**	**4,169**	**0**	**0**
31.12.2011				
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**

19. Other financial liabilities

	31.12.2012	31.12.2011
in thousand euros		
Liabilities from the personnel and welfare area	10,074	11,770
Hire purchase liability	121	0
Other	2,351	831
Total	**12,546**	**12,601**

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

By means of contracts dated 22 October 2012, COR&FJA Deutschland GmbH concluded a sale and finance leaseback transaction for hardware with a lessor. COR&FJA Deutschland GmbH sold hardware to the lessor in return for a one-off payment (0.126 million euros). In a second step, the parties agreed on a hire-purchase arrangement for the transfer of a right of use for this hardware by the lessor (hirer) to COR&FJA Deutschland GmbH as hire purchaser in return for the payment of regular, recurring rental payments (2,807.63 euros) over a period of 48 months. As the main opportunities and risks associated with the asset remain with the COR&FJA Group, what has been created is a finance lease and/or hire-purchase liability. The hire-purchase liability is commensurate with the cash value of the minimum lease payments.

No security was provided for the fulfilment of the obligations arising from this hire-purchase agreement.

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:

in thousand euros	Total	Residual term of up to 1 year	Residual term of between 1 year and 5 years	Residual term of more than 5 years
31.12.2012				
Liabilities from the personnel and welfare area	10,074	9,452	622	0
Hire purchase liability	121	30	91	0
Other	2,351	2,351	0	0
Other financial liabilities	**12,546**	**11,833**	**713**	**0**
31.12.2011				
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**

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

	TOTAL	CASH FLOWS 2013		CASH FLOWS 2014		CASH FLOWS 2015 – 2017	
in thousand euros		Interest	Redemption	Interest	Redemption	Interest	Redemption
As at 31.12.2012							
Liabilities from the personnel and welfare area	**10,074**	0	9,452	0	0	0	622
Hire-purchase liabilities	**121**	4	30	3	31	1	60
Other	**2,351**	0	2,351	0	0	0	0
Other financial liabilities	**12,546**	**4**	**11,833**	**3**	**31**	**1**	**682**
As at 31.12.2011							
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**

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, 2012, 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:

2012	**COR&FJA AG**	**COR&FJA Germany**	**COR&FJA Alldata**	**COR&FJA Metris**	**plenum**
in % per year					
Actuarial interest rates	3.45	3.45	3.45	3.45	3.45
Projected increase in salaries	0.00	0.00	0.00	0.00	0.00
Rate of pension progression (civil service adjustment)	1.90	1.90	1.90	0.00	1.90 / 0.00

Sensitivity analyses have indicated that an increase or reduction in the weighted average costs of capital of more – or less – than 0.5 percentage points would require an adjustment of 0.8 million euros.

2011	**COR&FJA AG**	**COR&FJA Germany**	**COR&FJA Alldata**	**COR&FJA Systems**	**COR&FJA Metris**	**plenum**
in % 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

No allowance was made for the probability of fluctuation.

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

in thousand euros	2012	2011
Service cost	101	111
Net interest costs	427	370
Total expenses	**528**	**481**

Service cost is posted as part of personnel expenses. The net interest costs 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:

in thousand euros	31.12.2012	31.12.2011
Actuarial gains (+), losses (–)	**-2,676**	**136**

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 2013 financial year.

The actual returns on the plan assets are as follows:

in thousand euros	2012	2011
Actual returns on plan assets	**36**	**34**

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:

in thousand euros	2012	2011
Cash value of the benefit obligation as at 01.01.	8,367	7,383
Service cost	101	111
Interest charges on the project unit credit	453	414
Pension payments	-256	-233
Actuarial gain (-), loss (+)	2,822	-690
Changes in the consolidation group	0	1,382
Cash value of the benefit obligation as at 31.12.	**11,487**	**8,367**
Plan assets as at 01.01.	1,931	1,387
Counter guarantee insurance premiums	59	88
Anticipated returns on plan assets	26	44
Benefits paid	-11	-12
Actuarial gain (+), loss (-)	10	-11
Change in the consolidation group	0	435
Plan assets as at 31.12.	**2,015**	**1,931**
Net obligation	**9,472**	**6,436**

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:

in thousand euros	2012	2011
Net obligation at the beginning of the year	**6,436**	**5,996**
Net cost entered	528	481
Actuarial gain (-)/loss (+) shown directly under equity	2,812	-679
Employer's contributions	-59	-88
Benefits paid directly	-245	-221
Change in the consolidation group	0	947
Provisions as at 31.12.	**9,472**	**6,436**

Payments amounting to 302,000 euros are planned for the subsequent year (2013).

21. Subscribed capital

The subscribed capital as at 31 December 2012 after treasury shares had been taken into account totalled 40,895,861.00 euros (31 December 2011: 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 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.

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 1.7857 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: 0 euros) were entered as staff costs for 2012.

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 federal loans with a corresponding term, were used as a calculation basis. The evaluation was undertaken on the premise that none of the shares issued would lapse. Under IFRS 2, share option schemes with the fair value at the time of issue, distributed over the payment period, must be entered with an effect on expenditure with a counter-entry in nominal capital. The end of the payment period is determined in accordance with IFRS 2.15 by the time at which the nominal capital instruments are freely available or may be exercised. Staff costs of 0 euros (previous year: 19,000 euros) were entered for the 2012 financial year on the basis of the parameters listed.

22. Capital reserve

The capital reserve includes the amount accruing in excess of the nominal price when shares are issued. As per 31 December 2012, the capital reserve amounted to 33,601,049.76 euros (31 December 2011: 33,601,049.76 euros).

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 2012 financial year.

24. Minority interests

in thousand euros	2012	2011
As at 01.01.	2,068	3
Accrual to the consolidation group	91	1,240
Disposal	-41	-51
Proportion of result for the year	-353	876
As at 31.12.	**1,765**	**2,068**

25. Other financial obligations

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

	Total
in thousand euros	
31.12.2012	35,952
of which with a residual term	
up to 1 year	8,821
1 to 5 years	16,577
over 5 years	10,554
31.12.2011	**37,683**
of which with a residual term	
up to 1 year	7,236
1 to 5 years	17,225
over 5 years	13,222

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 10.573 million euros (previous year: 10.520 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 2012 under non-cancellable sub-tenancy agreements, is 3.577 million euros (previous year: 3.053 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'.

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

	Minimum leasing payments	Cash value of minimum leasing payments
in thousand euros		
31.12.2012	129	121
of which with a residual term		
up to 1 year	34	33
1 to 5 years	95	88
over 5 years	0	0
31.12.2011	**0**	**0**
of which with a residual term		
up to 1 year	0	0
1 to 5 years	0	0
over 5 years	0	0

Reconciliation of the sum of minimum leasing payments in the amount of 129,000 euros (previous year: 0 euros) with the cash value of 121,000 euros (previous year: 0 euros) took place by deducting the costs of finance or the interest element of 8,000 euros (previous year: 0 euros).

The principal leases are the following:

This hire-purchase agreement is a standardised sale and finance leaseback transaction in which the seller of the leased item is simultaneously the hire purchaser.

26. Contingencies and contingent liabilities

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. Warranty obligations were formed based on experience from the past and are included in other provisions. Please refer to 'VIII. Notes to the statement of financial position, 17. Other provisions'.

27. Pending litigation

The General Works Council is taking legal action with the aim of achieving higher bonus claims for employees for the 2010 financial year. The settlement negotiations undertaken by the company last year with the General Works Council did not bring about a result. As a consequence, court proceedings have been reactivated. A reserve has been formed in relation to this matter.

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. In the meantime, a decision has been made in the lower court at Stuttgart Regional Court (Landgericht) to the effect that as per the judgment of 16 October 2012, the motions of all claimants were disallowed in their entirety. As a result, COR&FJA AG prevailed in the court of first instance. COR&FJA AG must merely pay the court costs and the outlays and remuneration of the outside shareholders' representative. The appeal lodged by a claimant against the judgment by the lower court at Stuttgart Regional Court was withdrawn. For this, a provision was formed which is included in other provisions; please refer to 'VIII. Notes to the statement of financial position, 17. Other provisions'. The company considers it highly probable that the outcome of the proceedings will be positive.

28. 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 all the significant risks to which it is potentially exposed at an early stage 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.

One of the Management Board's most important tasks in the overall management of the Group is 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 monitor and deal with 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.

Credit risks (default risks)

Credit risk arises from deteriorating 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 60,000 euros (previous year: -437,000 euros). The costs for the full write-off of receivables amount to 0 euros (previous year: 0 euros). In contrast, receivables not yet invoiced, which occur in the context of the PoC assessment, amounting to 8.709 million euros (previous year: 0 euros) had to be derecognized in the 2012 financial year. 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 and face risks from fluctuations in cash flow. 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 20.500 million euros. Of this sum, 14.244 million euros were being utilised as at the reporting date.

In the past 2012 financial year, income was achieved from debt waivers from certain financing creditors in the amount of 277,000 euros. In the previous year, there were no loan defaults or breaches of contract (such as the suspension of redemption or interest payments), nor did the company realise any income from writing off financial liabilities.

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. As of the reporting date, the risk of fair values totalled 1.783 million euros. 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. A 10-percent drop in the share price could have an effect on the earnings or equity of the COR&FJA Group in the amount of 0.150 million euros, depending on whether the drop is significant or permanent. A 10-percent increase would only have an effect on the equity, but not on the earnings.

The COR&FJA Group is not exposed to other price risks (such as commodity prices).

Interest rate risks

Interest rate risks result from a fluctuation in the fair value or future cash flows of a financial instrument due to changes in market interest rates.

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 2012 would have been 15,000 euros lower (higher) (in the previous year, 15,000 euros lower (higher)) and the equity components would have been 15,000 euros lower (higher) (in the previous year, 15,000 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 2012 would have been 155,000 euros lower (higher) (in the previous year 133,000 euros lower (higher)) and the equity components would have been 155,000 euros lower (higher) (in the previous year 133,000 euros lower (higher)).

Foreign exchange risks

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is not exposed to any significant foreign exchange risks in its operating business. 88 per cent (previous year: 90 per cent) of its revenues are generated in eurozone countries, and the remainder in Switzerland, the USA, the United Kingdom and Australia. The foreign exchange risk on the asset side in relation to trade receivables comes from receivables not denominated in euros, accounting for 18 per cent (previous year: 14 per cent). In the case of trade accounts payable, foreign exchange risks occur in relation to the 2 per cent (previous year: 4 per cent) of accounts payable not denominated in euros. No other balance sheet items are affected by foreign exchange risks.

Information on risk concentration ('cluster risks')

The company does not have any dependencies on the procurement side. On the sales side, there tend to be concentrations of risk due to the geographic distribution of sales revenues: Germany accounts for an 81 per cent (previous year: 88 per cent) share of sales revenues.

Within trade receivables, there is no significant concentration on individual customers. In the year under review, the ten largest customers account for a 40 per cent share of turnover (previous year: 36 per cent) and a 54 per cent share of trade receivables (previous year: 37 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:

	Valuation category	Book value 31.12.2012	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		
in thousand euros							
Cash and cash equivalents	LaR	11,338	11,338	0	0	0	11,338
Securities	FAhft	4	4	0	0	0	4
Trade receivables	LaR	37,090	37,090	0	0	0	37,090
Receivables from affiliated companies	LaR	32	32	0	0	0	32
Financial investments	AfS	4,686	2,903	0	1,783	0	n.a.
Other financial receivables	LaR	958	958	0	0	0	958
Amounts owed to affiliated companies	FLAC	487	487	0	0	0	487
Trade payables	FLAC	3,382	3,382	0	0	0	3,382
Financial liabilities	FLAC	15,480	15,480	0	0	0	15,480
Other financial liabilities	FLAC	12,546	12,546	0	0	0	12,546
Including, on an aggregate basis, by valuation category							
Loans and receivables	LaR	49,418	49,418	0	0	0	49,418
Financial Assets Held for Trading	FAhft	4	4	0	0	0	4
Available-for-Sale Investments	AfS	4,686	2,903	0	1,783	0	n.a.
Liabilities Measured at Amortised Cost	FLAC	31,895	31,895	0	0	0	31,895

	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		
in thousand euros							
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

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.

	ASSETS		
	Financial assets held for trading	Available-for-sale investments	Derivative financial assets held for hedging purposes
in thousand euros			
31.12.2012			
Level 1	0	1,783	0
Level 2	0	0	0
Level 3	0	0	0
Total	**0**	**1,783**	**0**
31.12.2011			
Level 1	0	1,783	0
Level 2	0	0	0
Level 3	0	0	0
Total	**0**	**1,783**	**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.

An interest rate swap expiring in November 2012 was 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 7,000 euros (previous year: 10,000 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.

Net income by valuation category

2012	Valuation category	From interest/ investment income	From revaluation			From disposals	Net result
			At fair value	Foreign currency translation	Value adjustment		
in thousand euros							
Loans and receivables	LaR	40	0	0	-8,769	0	-8,729
Available-for-Sale Investments	AfS	-129	0	0	0	0	-129
Financial Liabilities Measured at Amortised Cost	FLAC	-476	0	0	277	0	-199
Hire-purchase liabilities	n.a.	0	0	0	0	0	0
Total		**-565**	**0**	**0**	**-8,492**	**0**	**-9,057**

2011	Valuation category	From interest/ investment income	From revaluation			From disposals	Net result
			At fair value	Foreign currency translation	Value adjustment		
in thousand euros							
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**

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. Investment income'.

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:

	31.12.2012	31.12.2011
in thousand euros		
Cash and cash equivalents	4,610	4,025
Trade receivables	15,711	14,096
Total	**20,321**	**18,121**

Overall, as at 31 December 2012, financial assets worth 20.321 million euros (previous year: 18.121 million euros) were furnished as collateral.

The book value of the financial assets pledged as collateral where the collateralised party is entitled to sell or repledge the assets is 15.711 million euros (previous year: 14.096 million euros).

Collateral is furnished to cover the following liabilities and contingent liabilities:

in thousand euros	31.12.2012	31.12.2011
Financial liabilities	14,244	14,072
Total	**14,244**	**14,072**

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 2012.

29. 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 per 31 December 2012 and 2011, respectively, no amendments were made to the objectives, guidelines and procedures for capital management.

The COR&FJA Group monitors its capital on the basis of the equity ratio. This quotient is calculated as equity to balance sheet total.

The equity ratios on 31 December 2012 and 31 December 2011 amounted to:

in euros	31.12.2012	31.12.2011
Equity	49,951,836	76,307,436
Statement of financial position, total	105,951,845	129,988,340
Equity ratio	**47%**	**59%**

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

IX. Notes to the cash flow statement

The capital flow statement displays the origin and use of payment flows in the 2012 and 2011 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 10.136 million euros (previous year: 4.815 million euros).

The additions resulting from changes in the consolidated group amount to 0 euros (previous year: 3.941 million euros).

X. Earnings per share

The **undiluted earnings per share** for the 2012 financial year amount to -0.59 euros (previous year: -0.05 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 2012 financial year amounted to 40,895,861 (previous year: 40,895,861 shares).

in euros	2012	2011
Consolidated earnings that are attributed to the parent company	-24,216,041	-2,186,796
Weighted number of shares issued	40,895,861	40,895,861
Total	**-0.59**	**-0.05**

The **diluted earnings per share** for the 2012 financial year amount to -0.59 euros (previous year: -0.05 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 share as at 31 December 2012 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. Subsidiaries' and 'VIII. Notes to 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.

With some of the customer projects (especially fixed-price projects) evaluation is carried out in accordance with the progress of the project (percentage-of-completion method). Using this method, the likely turnover, total cost of completing the project and the degree of completion must be estimated. Suppositions, estimations and uncertainties that are associated with the determination of the degree of completion have effects on the amount and temporal distribution of the achieved turnover and the expenses reported. The main assumptions are set out in the sections 'II. Accounting and valuation methods', 'VII. Notes to the income statement, 1. Turnover' as well as 'VIII. Notes to the statement of financial position, 3. Trade receivables'.

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. Due to the difficult market environment and a consequential change in assumptions, a period of only three years has been taken into consideration for deferred tax assets, whereas a period of five years was stipulated in 2011. 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.

In this new system, the Group turnover and Group EBTA ('EBTA') were to be used as the control ratio for calculating the short-term (bonus) and long-term variable remuneration components (long-term incentive, LTI) for the Management Board. 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).

Deviating from the above, the Supervisory Board based the control ratio for calculating the short-term and long-term variable remuneration components for the Management Board not only on the Group turnover, but also on the Group EBT* ('EBT*') for the 2011 financial year, and on both the Group turnover and the Group EBITDA ('EBITDA') for the 2012 financial year. EBT* refers to earnings before taxes for the shares in plenum AG, COR&FJA Metris GmbH as well as the effect on earnings from the shares in B+S Banksysteme Aktiengesellschaft. EBITDA refers to earnings before interest, taxes, depreciation on tangible assets and depreciation on intangible assets.

The employment contracts of the serving members of the Management Board in 2012, the year under review, were all in accordance with the remuneration system described below.

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.

Management Board's remuneration

The 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 as well as by the D&O insurance policy taken out by the company. Finally, the company pays the members of the Management Board 50 per cent of the highest contributions to social insurance (state pension, unemployment, health and long-term nursing care insurance) as well as 100 per cent of the highest contributions for voluntary membership in the employers' liability insurance association. 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 Group earnings (2010: Group EBTA, 2011: Group EBT* and 2012: Group EBITDA). The annual short-term variable remuneration component for the members of the Management Board is determined by the percentage attained of objectives for Group turnover and Group earnings agreed upon between the Supervisory Board and the respective member of the Management Board at the beginning of each financial year. Short-term variable remuneration represents between 0 per cent and 200 per cent of the agreed short-term variable proportion of remuneration for 100 per cent fulfilment of the objective in relation firstly to Group turnover and secondly to Group earnings. The short-term variable bonus is payable without undue delay after adoption of the annual financial statement; if the appointment is terminated during the year it is granted in proportion to the term of office.

LTI AS LONG-TERM VARIABLE REMUNERATION COMPONENT

In the remuneration model, the LTI is a long-term, performance-based plan. The plan's assessment basis consists of Group turnover and average Group earnings (2010: Group EBTA; 2011: Group EBT*; and 2012: Group EBITDA) over a period of three years. The LTI is granted in tranches which revolve annually, with each tranche having a term of three years. The long-term variable remuneration is between 0 and 200 per cent of the long-term salary component agreed for a target attainment of 100 per cent in relation to both Group turnover and Group earnings. The long-term variable bonus for a performance period is payable at the end of the month in which the consolidated financial statements for the third financial year of the performance period are adopted. An advance payment of 50 per cent of the respective basic amounts is made at the end of the month in which the consolidated financial statements for the first or second financial year respectively of the performance period is adopted. If the advance 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.

Management Board remuneration

The remuneration of the Management Board, active in the financial year is 2.280 million euros (previous year: 1.927 million euros). The remuneration is allocated as follows:

	2012	2011
in thousand euros		
Short-term remuneration payable to employees	1,645	1,790
Remuneration arising from the termination of employment relationship	483	0
Advance on LTI	152	137
Total	**2,280**	**1,927**

Remuneration for former members of the Management Board in 2012 amounted to 55,000 euros (previous year: 68,000 euros).

Pension provisions for former members of the Management Board offset against plan assets amounted to 747,000 euros on 31 December 2012 (previous year: 455,000 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:

Management Board	Fixed yearly remuneration	Other remuneration	Short-term variable remuneration	Remuneration arising from the termination of employment relationship	Advance on LTI	Total
in thousand euros						
Ulrich Wörner	448	18	22	0	53	**541**
Klaus Hackbarth	161	17	16	483	0	**677**
Milenko Radic	280	25	14	0	33	**352**
Volker Weimer	280	30	14	0	33	**357**
Rolf Zielke	280	26	14	0	33	**353**
Total	1,449	116	80	483	152	**2,280**

In the 2012 financial year, a total of 4,000 euros (previous year: 49,000 euros) was entered against costs for the Management Board's long-term variable remuneration (long-term incentive, LTI). As at 31 December 2012, there are Management Board entitlements amounting to 129,000 euros from the LTI. These Management Board claims are more than offset by advances from the company amounting to 251,000 euros. For this reason, a receivable amounting to 122,000 euros is shown under other current assets as at 31 December 2012.

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 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 149,000 euros (previous year: 184,000 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:

Supervisory Board	Fixed components	Performance-related components	Total
in thousand euros			
Prof. Dr Elmar Helten	37	0	**37**
Klaus Kuhnle	29	0	**29**
Prof. Dr Christian Hipp	12	0	**12**
Thomas Nievergelt	20	0	**20**
Johann Zehetmaier	10	0	**10**
Dr Christian Hofer	10	0	**10**
Dr Jens Seehusen	21	0	**21**
Dr Klaus J. Weschenfelder	10	0	**10**
Total	**149**	**0**	**149**

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 2012:

	Number of shares	Number of options
Management Board		
Ulrich Wörner	440,571	39,134
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
Thomas Nievergelt	152	0
Dr Jens Seehusen	0	0
Johann Zehetmaier	0	0
Dr Christian Hofer	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:

Associated companies 2012	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
in thousand euros				
a) msg systems AG, Ismaning	134	471	0	91
b) innovas GmbH, Hamburg	45	687	0	184
c) consulo GmbH, Hamburg	0	496	0	140
d) msg systems GmbH, Brunn am Gebirge, Austria	100	0	2	0
e) msgGillardon AG, Bretten	122	43	14	0
f) msg services AG, Ismaning	0	303	0	72
g) PiAL Consult GmbH, Hamburg	53	0	16	0

Associated companies 2011	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
in thousand euros				
a) msg systems AG, Ismaning	1,009	234	194	197
b) innovas GmbH, Hamburg	241	498	2	136
c) consulo GmbH, Hamburg	0	462	0	178
d) msg systems GmbH, Brunn am Gebirge, Austria	56	0	0	2
e) msgGillardon AG, Bretten	43	80	0	34
f) msg services AG, Ismaning	10	283	0	25
g) PiAL Consult GmbH, Hamburg	0	0	0	0

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

In the 2012 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, Munich

- Deputy Chairman of the Advisory Council 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 Advisory Council at Solutio AG, Grünwald

Mr Klaus Kuhnle, Deputy Chairman, management consultant, Grünwald

- Member of the Advisory Council of the Deutsche Gesellschaft für Personalführung e.V. (DGfP);
- Chairman of the Advisory Council at dmc digital media center GmbH, Stuttgart

Prof. Dr Christian Hipp, professor (em.), University of Karlsruhe, Karlsruhe (until 26 June 2012)

- Member of the Supervisory Board of the Kölner Pensionskasse VVaG, Cologne

Thomas Nievergelt, lic. iur., solicitor and notary, Samedan (Switzerland)

- Head of the municipal authority (executive president) of Samedan (Switzerland),
- President of the Board of Directors of Academia Engiadina AG, Samedan (Switzerland),
- Member of the Board of Directors of Roland Berger AG, Zurich (Switzerland),
- President of the Board of Directors COR&FJA Schweiz AG, Zurich (Switzerland),
- Vice President of the Board of Trustees at the Planta Foundation, Samedan (Switzerland),
- President of the Engadiner Lehrwerkstatt für Schreiner Foundation ('Training Workshop for Carpenters') in Samedan (Switzerland),
- 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 (until 26 June 2012)

Dr Christian Hofer, graduate mathematician (between 26 June 2012 and 31 January 2013)

- Chairman of the Supervisory Board of msg systems AG, Ismaning (until 31 January 2013),
- Member of the Supervisory Board of BRUDERHILFE Sachversicherung AG im Raum der Kirchen, Kassel,
- Member of the Supervisory Board of FAMILIENFÜRSORGE Lebensversicherung AG im Raum der Kirchen, Detmold,
- Member of the Supervisory Board of PAX-FAMILIENFÜRSORGE Krankenversicherung AG im Raum der Kirchen, Detmold,
- Member of the Supervisory Board of INSIDERS Technologies GmbH, Kaiserslautern,
- Managing Director of COR&FJA Deutschland GmbH, Munich (since 15 February 2013)

Johann Zehetmaier, Chairman of the Management Board of msg systems AG, Wartenberg (from 26 June 2012)

- Chairman of the Supervisory Board of msgGillardon AG, Bretten,
- Member of the Supervisory Board of msg services AG, Ismaning,
- Chairman of the Board of Directors of msg global solutions ag, Zurich (Switzerland),
- Chairman of the Board of Directors of Prevo-System AG, Basel (Switzerland),
- Member of the Board of Directors of finnova AG, Lenzburg (Switzerland),
- President of the Board of Directors at msg systems ag, Zurich (Switzerland),
- Member of the Supervisory Board of Plaut AG, Vienna (Austria)

The members of the Management Board are:

Dr Christian Hofer (direct overall responsibility for International Markets, Nearshore and Central Functions – Chairman), graduate mathematician, Munich (from 1 February 2013)

- Chairman of the Supervisory Board of msg systems AG, Ismaning (until 31 January 2013),
- Member of the Supervisory Board of BRUDERHILFE Sachversicherung AG im Raum der Kirchen, Kassel,
- Member of the Supervisory Board of FAMILIENFÜRSORGE Lebensversicherung AG im Raum der Kirchen, Detmold,
- Member of the Supervisory Board of PAX-FAMILIENFÜRSORGE Krankenversicherung AG im Raum der Kirchen, Detmold,
- Member of the Supervisory Board of INSIDERS Technologies GmbH, Kaiserslautern,
- Managing Director of COR&FJA Deutschland GmbH, Munich (since 15 February 2013)

Volker Weimer (direct overall responsibility for Banking, Non-Life and IT Services), graduate in business management/IT (ADP), Leinfelden-Echterdingen

- Managing Director of COR&FJA Deutschland GmbH, Munich,
- Managing Director of COR&FJA Alldata Systems GmbH, Leinfelden-Echterdingen,
- Managing Director of COR bAV Services GmbH, Leinfelden-Echterdingen (between 1 August 2012 and 31 December 2012),
- Liquidator of COR bAV Services GmbH, Leinfelden-Echterdingen (since 1 January 2013),
- Managing Director of COR Pension Management GmbH, Leinfelden-Echterdingen (between 5 July 2012 and 31 December 2012),
- Liquidator of COR Pension Management GmbH, Leinfelden-Echterdingen (since 1 January 2013)

Rolf Zielke (with direct overall responsibility for Life, P&C and National Market), Munich

- Managing Director of COR&FJA Deutschland GmbH, Munich,
- Managing Director of FJA bAV Service GmbH, Munich (until 31 December 2012),
- Liquidator of FJA bAV Service GmbH, Munich (since 1 January 2013),
- Managing Director of PYLON GmbH, Hamburg,
- Managing Director of COR&FJA Austria Ges.m.b.H., Vienna (Austria) (until 26 February 2013),
- Member of the Board of Directors of Sigma Sourcing AG, Zurich (Switzerland)

Ulrich Wörner (direct overall responsibility for Sales, Consulting and International – Chairman), graduate mathematician, Leinfelden-Echterdingen (until 31 January 2013)

- Managing Director of COR&FJA Deutschland GmbH, Munich (between 5 July 2012 and 14 February 2013),
- Member of the Board of Directors of COR&FJA Schweiz AG, Zurich (Switzerland) (until 14 February 2013),
- Member of the Board of Directors at FJA-US, Inc., New York (USA) (until 14 February 2013),
- Member of the Supervisory Board at plenum AG, Wiesbaden (until 18 February 2013),
- Member of the Board of Directors at Wagner & Kunz Aktuare AG, Basel (Switzerland) (until 14 February 2013),
- Managing Director of COR&FJA Metris GmbH, St. Georgen im Schwarzwald (between 5 July 2012 and 31 December 2012),
- Managing Director of COR&FJA Systems Portugal, Unipessoal Lda, Porto (Portugal) (between 6 February 2012 and 8 June 2012)

Klaus Hackbarth (direct overall responsibility for P&C, Legal, Cross Components and USA – Deputy Chairman), graduate in fiscal affairs (FH/University of Applied Science), Munich (until 30 June 2012)

- Managing Director of COR&FJA Deutschland GmbH, Munich (until 30 June 2012),
- Managing Director of FJA bAV Service GmbH, Munich (until 30 June 2012),
- Managing Director of PYLON GmbH, Hamburg (until 30 June 2012),
- Member of the Board of Directors of FJA-US, Inc., New York (USA) (until 30 June 2012),
- Chairman of the Board of Directors of Sigma Sourcing AG, Zurich (Switzerland)

Milenko Radic (with direct overall responsibility for Life & Insurance Suite, Nearshore, the Slovenian national subsidiary and Human Resources), graduate information systems specialist, Leinfelden-Echterdingen (until 9 January 2013)

- Managing Director of COR&FJA Deutschland GmbH, Munich (until 15 February 2013),
- Managing Director of COR&FJA Slovakia s.r.o., Bratislava (Slovakia),
- Managing Director of COR&FJA Systems Portugal, Unipessoal Lda, Porto (Portugal) (since 14 June 2012),
- Managing Director of COR&FJA Austria Ges.m.b.H., Vienna (Austria) (since 26 February 2013),
- Member of the Board of Directors at FJA-US, Inc., New York (USA) (since 30 June 2012),
- Managing Director of COR SISTEMAS ESPANA S.L., Madrid (Spain) (since 11 October 2012)

XIV. Declaration of Compliance with the German Code of Corporate Governance

In December 2012, 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 (http://cor.fja.com/en/investor-relations/corporate-governance/declarations-of-compliance.html).

XV. Events after the reporting date

Events after the balance sheet date and the date of release of the consolidated financial statement to the Supervisory Board by the Management Board, 24 April 2013, have been taken into account.

On 31 January 2013, the former Chairman of the Management Board, Ulrich Wörner, resigned from his positions as a member of the Management Board and as Chairman of the Management Board with immediate effect owing to differences of opinion regarding corporate policy. Also on 31 January 2013, the Supervisory Board member Dr Christian Hofer was appointed as a member of the Management Board and Chairman thereof, effective from the beginning of 1 February 2013, after he had resigned from his post as a member of the company's Supervisory Board on 31 January 2013 with immediate effect. Dr Christian Hofer was appointed for 15 months, in other words until the end of 30 April 2014. The intention is to find a permanent replacement for Ulrich Wörner during this transitional period.

On the basis of the facts outlined in 'VIII. Notes to the statement of financial position, 1. Pending litigation' in the notes to the consolidated financial statements concerning 'Bonus claims for employees for the 2010 financial year', a court settlement at the Munich Labour Court was agreed on 23 April 2013 between COR&FJA Deutschland GmbH and the General Works Council. This has resulted in 65 per cent of the variable remuneration for 2010 still owed being paid out to those employees who were employed by COR&FJA Deutschland GmbH at that point in time and who were included in the scope of application of the respective Group-wide labour-management agreement.

On 24 April 2013, employees of COR&FJA Metris GmbH were informed that the personnel capacities of this subsidiary will be adjusted to its economic situation and that involuntary redundancies will have to be made.

Audit Certificate

We have audited the consolidated financial statements prepared by COR&FJA AG, Leinfelden-Echterdingen, consisting of the statement of financial position, the income statement, statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes, as well as the condensed management report and Group management report of COR&FJA AG, for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the condensed management report and Group management report in accordance with IFRS, as applicable in the EU, and the regulations under German commercial law as per Section 315a, Para. 1 of the German Commercial Code (HGB) that apply supplementary to these, is the responsibility of the legal representatives of the company. Our task is to give an assessment of the consolidated financial statements and the condensed management report and Group management report on the basis of our audit.

We carried out our Group audit in accordance with Section 317, HGB in consideration of the auditing standards generally accepted in Germany, 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 statements 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 are determined, account is taken of knowledge about the business operations of the Group and the commercial and legal environment in which it operates, as well as expectations of possible errors. The effectiveness of the internal accounting control system and evidence of the amounts and disclosures in the consolidated financial statements and the condensed management report and Group management report are examined primarily on a sample basis within the framework of the audit. The audit includes an assessment of the financial statements of the companies included in the consolidated financial statements, the delimitation of the consolidated entity, the accounting and consolidation principles applied and the significant estimates made by the legal representatives, as well as an evaluation of the overall presentation of the consolidated financial statements and the condensed management report and Group management report. We believe that our audit provides a sufficiently sound basis for our assessment.

Our audit did not give rise to any objections.

In our estimation, based on the information gathered during the course of the audit, the consolidated financial statements comply with the IFRS, as applicable in the EU, and the regulations under German commercial law as per Section 315a, Para. 1 of the HGB that apply supplementary to these, and, in compliance with these regulations, communicate a true and accurate picture of the assets, financial and earnings position of the Group. The condensed management report and Group management report are consistent with the consolidated financial statements, communicate an accurate overall picture of the Group's situation and accurately describe the opportunities and risks of future development.

Munich, 26 April 2013

kleeberg audit GmbH
AUDITORS

Prechtl **Schmidt**
AUDITOR AUDITOR

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 conveys 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, 24 April 2013

Dr Christian Hofer
CHAIRMAN OF THE MANAGEMENT BOARD

Volker Weimer
MEMBER OF THE MANAGEMENT BOARD

Rolf Zielke
MEMBER OF THE MANAGEMENT BOARD

Financial calendar & Imprint

Financial calendar	
30 April 2013	Publication of company and consolidated financial statements for 2012
29 May 2013	Publication of report for 1st quarter of 2013
25 June 2013	Annual General Meeting 2013 in the Filderhalle, Leinfelden-Echterdingen
15 August 2013	Publication of report for 1st half-year 2013
8 November 2013	Publication of report for 1st–3rd quarters 2013
November 2013	Analysts' conference

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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.