

“PROUD TO BE A MARKET LEADER”

INTERVIEW WITH ULRICH KORFF, CHAIRMAN OF THE EXECUTIVE BOARD OF FJH AG

Mr. Korff, what have you achieved since taking up your position at FJH?

Korff: The new Executive Board’s most important achievement has been turning the boat around and leading FJH AG back into calmer waters. Individual measures included successfully adapting the cost structure to levels of turnover, ensuring the entire organisation developed a clearer customer and market focus and establishing new structures to strengthen sales. We also opened FJH up to cooperation agreements with strong partners such as IBM, facilitating access to new customer groups and opening up new opportunities. In summary, then, we have overcome inherited problems and repositioned FJH as a market leader.

Do you see yourself as a rescuer?

Korff: I wouldn’t label myself as such because a rescue package is only part of our task. But it’s true: We have pushed through a consistent, drastic recovery programme for FJH and turned the Company around. However, the next phases are just as crucial. We have ensured survival and are now using our new structures to consolidate our competitive position. Here, too, we have seen our first signs of success and can now concentrate on growth.

What do you mean by new structures?

Korff: After conducting the necessary in-depth review of all departments for potential savings and cost reductions we decided on a corporate structure that reflects the needs of an evolving market and therefore considers the needs of our customers. Overall, our staff cuts and strict cost management measures have saved over 30 million Euro. These measures have given us the necessary efficient, lean structure and equipped us for the future. In some areas we are exploring totally new paths in our bid to give the Company the market positioning it deserves.

The new paths...

Korff: ... involve establishing a managed sales structure, a totally new concept for FJH. And crucially, we have instigated a badly needed “cultural change” away from a quasi monopolistic supplier of products towards a modern, customer-focussed service provider.

Insurance companies, your main customers, are themselves undergoing a process of consolidation. How deeply is this affecting FJH?

Korff: It is having a favourable effect and by adopting the right approach we can benefit greatly from this unavoidable process. Alongside human resources, IT is a prime target when insurance companies need to make savings. This always means streamlining and systematising processes and may even involve wholesale outsourcing of entire components. With our expert knowledge of our customers’ core processes and components we are ideally placed to provide quality, sustained assistance in their cost-cutting endeavours. What’s more, FJH’s extensive experience with the migration of complex data stocks helps companies with speedy, calculable implementation of their objectives, many of which are highly ambitious in terms of time and quality.

Which market segments does FJH address within the insurance sector and how do you qualify market shares?

Korff: In Germany, we mainly address the very attractive submarket of pension providers. It is an extremely interesting, lucrative submarket, not only in terms of insurers but also in terms of new suppliers such as banks and investment companies entering this segment.

Currently, the market for life insurance products in particular is comparatively sluggish. By contrast, private and company pension provision is gaining increasing significance as an addition to statutory provision. To what extent do FJH’s business prospects depend on these developments?

Korff: For centuries, life insurance has been a key form of insurance for German families and this will continue to apply in the short-term despite the Retirement Incomes Act or other political decisions taken in the short-term. In future, however, products will be subject to significantly shorter change cycles. Suppliers will have to develop products even more quickly and introduce innovations to reflect both changing trends and also changes in the competitive environment. This is not an abstract forecast. Our customers are already facing specific demands in 2007 and 2008. To respond to these changing requirements, suppliers need the right partners for product development and especially IT

implementation and administration. This is precisely what we offer our customers with Life Factory®. In future, more users than ever before will use the complex features offered by Life Factory® to improve their long-term competitive position.

What degree of flexibility and investment security do FJH products offer?

Korff: FJH products are especially beneficial to clients as they face ever faster evolution of products. They avoid the need for repeated purchases of new software, for example to cope with the current general trend towards hybrid products. With Life Factory® we make full provision for this. Our products therefore offer very high levels of investment security and put us some way ahead of the competition.

But the competition won't stand still. What is FJH doing to maintain its high quality standards and technological edge with products?

Korff: Research, research, research. But not as an end in itself – we make sure it is practice-oriented and linked to customer projects, bringing measurable benefits for our customers. We therefore base our research on market requirements, using the foresightedness of a service provider.

Foresightedness means ...

Korff: ... keeping our finger on our customers' pulse. We offer what customers need right now and will also need in the future. Our developments must always be one step ahead and take future requirements into account.

What's in the pipeline in terms of anticipating customer needs?

Korff: Further development of Life Factory® way beyond its traditional areas of application, for example. The insurance and banking sectors are increasingly fusing together as one supplier of pension provision services. Allianz has recently confirmed this trend by acquiring Dresdner Bank. Some insurers cooperate closely with banks on the sales and product fronts and this has already led to significant



Ulrich Korff

developments within classical life insurance. Mindful of this, we are developing our flagship product Life Factory® beyond the attractive features it already offers and turning it into an Asset Factory. We have already made good progress. In the medium-term, we expect a noticeable increase in orders from this enhancement of our core product. We believe this will also enable us to address other groups of customers apart from just the insurance sector.

Do you mean banks?

Korff: Yes, we expect to acquire banks or similar institutes as customers in the medium term. That will really open up significant volumes of business and put us some considerable way ahead of the competition.

Where is FJH placed in terms of competition?

Korff: We are clearly the leading company within our market and set the benchmarks in our sector.

FJH has recently announced various orders from abroad? How do you view international business?

Korff: We are currently focussing activities on German-speaking countries. For the medium-term, we believe Central and Eastern Europe offers major potential for expansion given the rapid rates of growth in these economies. As you know, we already have a foot in the door in Russia. We are very much a European company and will make the most of any promising opportunities offered in Europe.

The industry is undergoing a process of consolidation. Does FJH have the critical mass to survive in the market?

Korff: With turnover of 51 million Euro, FJH is excellently positioned as market leader and is able to drive the concentration process rather than being driven. So it is up to us to examine opportunities and grasp them conscientiously if synergies arise offering useful enhancements for both products and services and benefits for our customers.

Moving on to turnover and profit, what targets have you set yourself for the current fiscal year?

Korff: Over the medium-term, we aim to grow by 6 to 8 % and achieve satisfactory levels of earnings before taxes and interest.

Looking further ahead, where do you see FJH?

Korff: We will use all our strength and endeavours to ensure FJH represents an excellent investment for our shareholders.

Your shareholders haven't exactly enjoyed good times lately. What can you offer them along the way?

Korff: The Company's recent development was admittedly very unsatisfactory for shareholders. In this respect, it is at least good that FJH share prices have made pleasing progress since we embarked on our restructuring programme in May 2005. If we continue to make progress we will convince our shareholders that FJH offers a better future and hope they will maintain their loyalty to us as we enjoy measurable success.