

Letter to shareholders

3. Quarter of 2015



BEST ADVICE. BETTER TECHNOLOGY.



Dr. Sebastian Grabmaier
CEO

Ralph Konrad
CFO

Management Board letter to shareholders

DEAR SHAREHOLDERS, DEAR BUSINESS PARTNERS,

in the third quarter of 2015, the JDC Group took its first major steps towards implementing its future alignment:

Smart FinTech for advisors: JDC develops first AdvisorTech app – “allesmeins” – and sets launch date for January 2016

JDC has given the start signal for the newest innovation in the brokerage market – the “allesmeins” app combines the benefits of online-enhanced customer access and advisory processes with the established world of financial consulting. Following a trial phase in December 2015, “allesmeins” will be officially launched in January 2016.

Like with the newly founded FinTech startups' apps, brokerage customers will then be able to call up all their insurance contracts across all providers together with the corresponding contract documents on their smartphones or tablets and easily add or optimize contracts. However, there is one crucial difference to pure FinTech solutions – the individual insurance or investment broker with all of his or her advisory competence will still be available to customers even when they use “allesmeins”.

Via the latest chat and social media platforms, customers are never more than a click away from the support provided by their accustomed contact partner. Customers themselves can decide whether, how and when they contact their advisors. Rather than discussing their individual contract situations with newly established call centers or newly trained IT employees, however, they always have access to their accustomed advisor – the one they found their insurance and investment solutions with in the past as well.

This hybrid model of technology plus advice is also highly attractive to JDC brokers and financial advisors. Transferring further customer contracts to the apps creates a complete picture of individual customers' risk portfolios and subsequently of their asset situations. Not only that, newly transferred items will also provide brokers with additional ongoing supervisory compensation previously unavailable to them. Due to our hybrid model, the advisors affiliated to us are 100 percent on side. This means that we have ideal customer access to place the new technical opportunities with end customers. This way, we can ensure very rapid distribution of the app and – unlike at other FinTech providers – can do that without spending millions on radio, TV, and online adverts.

Another decisive benefit of “allesmeins” compared with other online offerings is that customers are not confronted with empty contract files once they have downloaded the app, but rather have all of the contract data managed for them at their JDC brokers available at no extra effort or cost. This way, we aim to ensure that customers do not just download the app onto their smartphones, but actually use it and add further contracts. We therefore expect to see a substantially higher conversion rate of downloads to active customers than is the case for pure FinTech solutions.

DMR Deutsche Makler Rente with highly promising target pipeline

Following the successful placement by our Jung, DMS & Cie. Pool GmbH subsidiary of a corporate bond with a volume of EUR 15 million, our M&A activities aimed at acquiring brokers' portfolios and companies are progressing at full speed. Via various existing brokers and management consultancies, we are currently assessing 19 different acquisition objects (targets) involving investment volumes of EUR 0.1 million to EUR 20 million. With an initial small-scale transaction worth EUR 0.6 million, we hope to provide initial “proof of concept” for the investment project in the weeks ahead already.

Exclusive JDC plus sales model rounds off JDC Group's partner offering

JDC's subsidiary Jung, DMS & Cie. AG is supplementing its business model with the innovative “JDC plus” sales concept. To date, pool partners of Jung, DMS & Cie. have always presented themselves to their customers under their own brands. Within the framework of an exclusive cooperation, advisors and brokers at the newly founded JDC plus GmbH will in future operate under the shared brand name of “JDC plus”. JDC plus will offer both central support and uniform sales promotion to contract partners bound by this exclusive arrangement.

In parallel with the well-known pool concept, which will remain the Group's key strategic pillar, a stand-alone and innovative sales unit is thus set to arise under the “JDC plus” brand. JDC plus advisors enjoy a combination of a comprehensive, first-class product range, one-stop personal sales support, a strong brand and the technical and organizational services offered by a modern pool. JDC plus will offer all communications channels, such as online services, end customer calculators and app-supported customer portals. With JDC plus, we thus offer a new home to independent sales professionals and sales units who not only expect state-of-the-art advisor technology and extensive product solutions, but are also looking for a shared brand name and uniform identity. To manage this new enterprise, JDC has attracted Ulf Fleischhacker, whose longstanding experience in financial and insurance sales should ensure that, by the end of 2016, Jung, DMS & Cie. achieves commission sales of at least four million euros a year with at least 150 JDC plus advisors.

Results for Third Quarter and First Nine Months of 2015

Even though underlying conditions remain difficult in the brokerage market, JDC Group AG managed to generate year-on-year growth in the third quarter and the first nine months. Product sales for the first nine months of 2015 grew by 9.7 percent from EUR 807 million in the previous year's period to EUR 885 million.

Compared with the overall market, this is an excellent result. Assets under administration at JDC Group AG also developed well. At 4.2 billion, this key figure was ahead of the previous year's figure of EUR 4.1 billion as of September 30, 2014.

Adjusted for revenues at compexx Finanz Gruppe, which was still included in five months of the previous year's period, nine-month revenues grew by 6.5 percent to EUR 55.6 million (9M 2014 excluding compexx: EUR 52.2 million). On a quarterly basis, revenues grew by 4.9% to EUR 18.6 million (Q3 2014: EUR 17.8 million).

Earnings before interest, taxes, depreciation and amortization (EBITDA) at continuing operations came to EUR 1,179k in the first nine months of the year, thus exceeding the previous year's figure by EUR 2,116k and – excluding compexx – by EUR 2,552k (9M 2014: EUR –937k; adjusted for compexx: EUR –1,373k). Third-quarter EBITDA rose by EUR –666k to EUR 157k (Q3 2014: EUR –509k).

Nine-month earnings before interest and taxes (EBIT) at continuing operations showed a significant year-on-year improvement of EUR 2,199k and – excluding compexx – of EUR 2,606k to EUR 10k (9M 2014: EUR –2,188k; adjusted for compexx: EUR –2,596k). Third-quarter EBIT rose by EUR 657k to EUR –252k (Q3 2014: EUR –909k).

JDC Group AG posted the following performance in its relevant key balance sheet figures. As of September 30, 2015, shareholders' equity amounted to EUR 25.7 million. The equity ratio thus came to 42.2 percent (December 31, 2014: EUR 26.4 million and 43.8 percent). Cash and cash equivalents rose to EUR 11.4 million (December 31, 2014: EUR 4.2 million).

THE INDIVIDUAL BUSINESS SEGMENTS PERFORMED AS FOLLOWS:

Broker Pools

The Brokers Pool business segment posted revenues of EUR 43.3 million for the first nine months of 2015, thus exceeding the figure for the previous year's period by 9.5 percent (previous year : EUR 39.5 million). At EUR 1.5 million, earnings before interest, taxes, depreciation and amortization (EBITDA) for the first nine months of 2015 rose significantly of the previous year's figure of EUR 0.4 million. Earnings before interest and taxes (EBIT) improved to EUR 1.1 million in the first nine months of 2015 (previous year: EUR –0.2 million).

Financial Consulting

Revenues in the Financial Consulting business segment for the first nine months of 2015 grew year-on-year by EUR 2.0 million to EUR 15.8 million (previous year adjusted: EUR 13.8 million). Nine-month earnings before interest, taxes, depreciation and amortization (EBITDA) in the Financial Consulting business segment improved to EUR 0.3 million (previous year: EUR –0.1 million). Earnings before interest and taxes (EBIT) improved to EUR 0.0 million in the first nine months of 2015 (previous year adjusted: EUR –0.5 million).

Outlook

Our assessment for the remainder of 2015 is consistent with that published in the half-year report: Given ongoing low interest rates, capital market volatility, and the erosion of consumer confidence in life insurance products, 2015 will remain challenging. We nevertheless continue to expect to see clearly noticeable year-end business and a continuation in our growth course. This will be driven in particular by our stable insurance business, as well as by growing sales with material assets in the form of direct investments and individual properties.

Due to the measures we are taking to optimize our business, our gross margin will improve further compared with 2014. For 2015 as a whole, JDC Group therefore continues to aim for EBITDA of up to EUR 2.0 million. EBIT should turn out positive at up to EUR 0.5 million. We are therefore well on course to reach our targets for the current year.

The profitability of JDC Group is set to rise from 2016 onwards. Given profitable growth at the FiNUM. Group and the three key growth drivers at the Jung, DMS & Cie. Group, namely AdvisorTech, portfolio acquisitions together with the new JDC plus sales model, and outsourcing services to smaller-scale and medium-sized sales operations and brokers, we are well positioned for the future.

Thanks to our employees and shareholders

Last, but by no means least, we would like to extend a very special thank you once again to the employees and sales partners of JDC Group AG and our subsidiaries. It is their commitment and motivation that form the basis for our success.

We would like to thank our shareholders, who have placed their trust in our business model and supported and confirmed the Management and Supervisory Boards in their work.

We would be delighted if you would continue to accompany us on our course.

Yours faithfully,



Dr. Sebastian Grabmaier



Ralph Konrad

Consolidated income statement

	Q3/2015 kEUR	Q3/2014 kEUR	01/01– 30/09/2015 kEUR	01/01– 30/09/2014 kEUR
1. Commission income	18,637	17,771	55,586	56,217
2. Capitalised services	132	149	468	361
3. Other operating income	527	621	2,642	2,033
4. Commission expenses	–14,327	–14,212	–41,917	–43,874
5. Personnel expenses	–2,913	–2,818	–8,890	–9,361
6. Depreciation and amortisation of tangible and intangible assets	–409	–400	–1,169	–1,251
7. Other operating expenses	–1,899	–2,020	–6,710	–6,314
8. Result from the valuation of companies at equity	0	0	0	0
9. Income from closed-end fund investments			0	0
10. Other interest and similar income	6	24	29	77
11. Depreciation of financial assets	0	0	0	0
12. Interest and similar expenses	–235	–96	–498	–428
13. Operating profit/loss	–481	–981	–459	–2,540
14. Income tax expenses	125	–8	–244	–220
15. Other tax expenses	–5	–1	–9	–5
16. Earnings from continuing operations after taxes	–361	–990	–712	–2,765
17. Earnings from discontinued operations after taxes	0	0	0	–2,674
18. Minority interests	0	0	0	–47
19. Net profit	–361	–990	–712	–5,486
20. Earnings per share	–0.03	–0.09	–0.07	–0.51
from continuing operations	–0.03	–0.09	–0.07	–0.26
from continuing and discontinued operations	–0.03	–0.09	–0.07	–0.51

Segment reporting

30 September 2015

	Broker Pools		Financial Consulting		
	30/09/2015 kEUR	30/09/2014 kEUR	30/09/2015 kEUR	30/09/2014 kEUR	
Segment income					
Commission income	43,255	39,497	15,801	17,738	
of which with other segments	3,610	157	0	1,020	
Total segment income	43,255	39,497	15,801	17,738	
Capitalised services	276	149	0	0	
Other income	1,461	1,862	1,347	700	
Segment expenses					
Commissions	-33,839	-31,718	-11,598	-12,799	
Personnel expenses	-5,643	-5,713	-1,951	-2,430	
Depreciation and amortisation	-434	-534	-336	-346	
Other	-3,981	-3,723	-3,263	-2,928	
Total segment expenses	-43,897	-41,688	-17,148	-18,503	
EBIT	1,095	-180	0	-65	
EBITDA	1,529	354	336	281	
Income from investments	0	0	0	0	
Other interest and similar income	473	988	153	334	
Yield on other securities	0	0	0	0	
Depreciation of financial assets	0	0	0	0	
Other interest and similar expenses	-339	-593	-829	-976	
Financial result	134	395	-676	-642	
Segment earnings before tax (EBT)	1,229	215	-676	-707	
Tax expenses	-209	-22	-94	-220	
Segment net profit from continuing operations	1,020	193	-770	-927	
Segment net profit from discontinued operations	0	0	0	0	
Minorities	0	0	0	-47	
Segment net profit after minority interests	1,020	193	-770	-974	

	Holding		Total reportable segments		Transfer		Total	
	30/09/2015 kEUR	30/09/2014 kEUR	30/09/2015 kEUR	30/09/2014 kEUR	30/09/2015 kEUR	30/09/2014 kEUR	30/09/2015 kEUR	30/09/2014 kEUR
	310	525	59,366	57,760	-3,780	-1,543	55,586	56,217
	160	366	3,770	1,543	-3,770	-1,543	0	0
	310	525	59,366	57,760	-3,780	-1,543	55,586	56,217
	192	212	468	361	0	0	468	361
	2,338	1,539	5,146	4,101	-2,504	-2,067	2,642	2,034
	3	-377	-45,434	-44,894	3,517	1,020	-41,917	-43,874
	-1,296	-1,218	-8,890	-9,361	0	0	-8,890	-9,361
	-399	-371	-1,169	-1,251	0	0	-1,169	-1,251
	-2,233	-2,253	-9,477	-8,904	2,767	2,590	-6,710	-6,314
	-3,925	-4,219	-64,970	-64,410	6,284	3,610	-58,686	-60,800
	-1,085	-1,943	10	-2,188	0	0	10	-2,188
	-686	-1,572	1,179	-937	0	0	1,179	-937
	0	0	0	0	0	0	0	0
	862	910	1,488	2,232	-1,459	-2,155	29	77
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	-789	-1,014	-1,957	-2,583	1,459	2,155	-498	-428
	73	-104	-469	-351	0	0	-469	-351
	-1,012	-2,047	-459	-2,539	0	0	-459	-2,539
	50	17	-253	-225	0	0	-253	-225
	-962	-2,030	-712	-2,764	0	0	-712	-2,764
	0	-2,674	0	-2,674	0	0	0	-2,674
	0	0	0	-47	0	0	0	-47
	-962	-4,704	-712	-5,485	0	0	-712	-5,485

Segment reporting

Quarters

	Broker Pools		Financial Consulting		
	Q3/2015 kEUR	Q3/2014 kEUR	Q3/2015 kEUR	Q3/2014 kEUR	
Segment income					
Commission income	13,855	12,810	5,131	4,811	
of which with other segments	415	157	0	562	
Total segment income	13,855	12,810	5,131	4,811	
Capitalised services	77	68	0	0	
Other income	490	669	67	108	
Segment expenses					
Commissions	-10,786	-10,377	-3,925	-3,429	
Personnel expenses	-1,805	-1,801	-694	-598	
Depreciation and amortisation	-150	-149	-118	-107	
Other	-1,320	-1,299	-805	-853	
Total segment expenses	-14,061	-13,626	-5,542	-4,987	
EBIT	361	-79	-344	-68	
EBITDA	511	70	-226	39	
Income from investments	0	0	0	0	
Other interest and similar income	183	340	50	110	
Yield on other securities	0	0	0	0	
Depreciation of financial assets	0	0	0	0	
Other interest and similar expenses	-223	-205	-279	-310	
Financial result	-40	135	-229	-200	
Segment earnings before tax (EBT)	321	56	-573	-268	
Tax expenses	82	-5	-12	-21	
Segment net profit from continuing operations	403	51	-585	-289	
Segment net profit from discontinued operations	0	0	0	0	
Minorities	0	0	0	0	
Segment net profit after minority interests	403	51	-585	-289	

Holding			Total reportable segments		Transfer		Total	
	Q3/2015 kEUR	Q3/2014 kEUR	Q3/2015 kEUR	Q3/2014 kEUR	Q3/2015 kEUR	Q3/2014 kEUR	Q3/2015 kEUR	Q3/2014 kEUR
	147	215	19,133	17,836	-496	-65	18,637	17,771
	87	277	502	996	-502	-996	0	0
	147	215	19,133	17,836	-496	-65	18,637	17,771
	55	81	132	149	0	0	132	149
	788	388	1,345	1,165	-818	-544	527	621
	0	-157	-14,711	-13,963	384	-249	-14,327	-14,212
	-414	-419	-2,913	-2,818	0	0	-2,913	-2,818
	-141	-144	-409	-400	0	0	-409	-400
	-704	-726	-2,829	-2,878	930	858	-1,899	-2,020
	-1,259	-1,446	-20,862	-20,059	1,314	609	-19,548	-19,450
	-269	-762	-252	-909	0	0	-252	-909
	-128	-618	157	-509	0	0	157	-509
	0	0	0	0	0	0	0	0
	316	334	549	784	-543	-760	6	24
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	-276	-341	-778	-856	543	760	-235	-96
	40	-7	-229	-72	0	0	-229	-72
	-229	-769	-481	-981	0	0	-481	-981
	50	17	120	-9	0	0	120	-9
	-179	-752	-361	-990	0	0	-361	-990
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	-179	-752	-361	-990	0	0	-361	-990

Consolidated Balance Sheet

Assets		
	30/09/2015 KEUR	31/12/2014 KEUR
Non-current assets		
Intangible assets	31,222	31,661
Fixed assets	410	455
Financial assets	148	45
	31,780	32,161
Deferred taxes	4,668	4,863
Long-term non-current assets		
Accounts receivable	760	742
Total non-current assets	37,208	37,766
Current assets		
Accounts receivable	8,146	11,901
Other assets	3,548	6,090
Other securities	0	0
Cash and cash equivalents	11,428	4,176
Deferred charges	611	403
Total current assets	23,733	22,570
Total assets	60,941	60,336

Liabilities

	30/09/2015 kEUR	31/12/2014 kEUR
Equity		
Subscribed capital	10,850	10,850
Capital reserves	40,686	40,686
Other retained earnings	266	283
Other equity components	-26,108	-25,413
Non-controlling interests	0	0
Total equity	25,694	26,406
Non-current liabilities		
Deferred taxes	1,356	1,454
Bond	13,037	0
Liabilities due to banks	0	7
Accounts payable	7,242	7,078
Other liabilities	1,678	3,054
Accruals	2,297	1,476
Total non-current liabilities	25,610	13,069
Current liabilities		
Accrued taxes	306	618
Liabilities due to banks	4	227
Accounts payable	5,089	11,291
Other liabilities	4,218	8,706
Deferred income	20	19
Total current liabilities	9,637	20,861
Total equity and liabilities	60,941	60,336

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The letter to shareholders of JDC Group AG is available in German and English. The German version is legally binding. The reports can be downloaded from the company's website: www.jdcgroup.de

We will provide you with additional information about JDC Group AG and its subsidiaries upon request.