Annual Report 2016

JDC GROUP

BEST ADVICE. BETTER TECHNOLOGY.

Inhalt

JDC Group
Leader in Advisortech.

The future of financial sales is personal and digital.

JDC GROUP

BEST ADVICE. BETTER TECHNOLOGY.

JDC Group AG

At a glance

P & L in kEUR*

	31/12/2016 kEUR	31/12/2015 kEUR	Changes compared to previous year in %
Revenues	78,052	75,700	3.1
Gross margin	25,319	22,512	12.5
Gross margin in %	32.4	29.7	9.1
Total operational costs	25,089	22,780	10.1
EBITDA	2,720	1,279	> 100
EBITDA margin in %	3.5	1.7	> 100
EBITDA adjusted**	3,220		
EBIT	230	–268	> 100
EBIT margin in %	0.3	–0.4	> 100
EBIT adjusted**	730		
Net profit	–1,214	–1,728	29.7
Number of shares in thousands (end of period)	11,935	10,850	10.0
Earnings per share in EUR	–0.11	–0.16	31.3

Cash flow/Balance in kEUR

	31/12/2016 kEUR	31/12/2015 kEUR	Changes compared to previous year in %
Cash flow from operating activities	1,218	–647	> 100
Total equity and liabilities	72,922	65,802	10.8
Equity	29,713	24,678	20.4
Equity ratio in %	40.7	37.5	8.6

Key Performance Indicators

	31/12/2016	31/12/2015	Changes compared to previous year in %
Number of customers (in thousands)	1,189	936	27.0
Assets under administration in EUR bn	4.5	4.3	4.7
Sales volume in EUR bn	1,382	1,323	4.5
Average number of employees	226	212	6.6

*from continuing operations; previous years figures partly adjusted

**adjusted by one-off projects costs related to portfolio aquisitions

JDC Group AG

Business units and brands

Advisortech	Advisory	Holding
Placement of financial products via financial intermediaries (independent financial advisers and brokers) to end-costumers and institutional customers Investment funds, closed-end-funds, insurances etc. Insurance comparison platform	Placement of financial products to end-customers Insurances, investment funds, financing etc.	Holding services Shared Service Center
Jung, DMS & Cie. AG Shareholding 100.0 %	**FiNUM.Private Finance AG, Vienna** Shareholding 100.0 %	**JDC Group AG**
JDC Geld.de GmbH Shareholding 100.0 %	**FiNUM.Private Finance AG, Berlin** Shareholding 100.0 %	
	FiNUM.Finanzhaus AG, Wiesbaden Shareholding 100.0 %	

About 16,000 Independent financial advisors ...

Diversified asset classes via different sales channels ...

With about 1,200,000 customers ...

Assets under administration of about EUR 4.5 BN ...

Total product sales in excess of EUR 1.4 BN 2016 ...

Highlights 2016

Fintech for advisors

In the spring JDC Group AG starts its first innovative customer app for a hybrid advisory model "allesmeins"

Portfolio Aquisitions

JDC Group subsidiary Jung, DMS & Cie. Pool GmbH acquires parts of the private client business from Aon, a leading global insurance broker

Expansion to eastern Europe

JDC Group starts expanding the successful Advisortech strategy to Austria, the Czech Repub-lic and Slovakia

Portfolio Aquisitions

JDC Group subsidiary Jung, DMS & Cie. Pool GmbH acquires insurance portfolio with 195,000 contracts

FiNUM Group growing

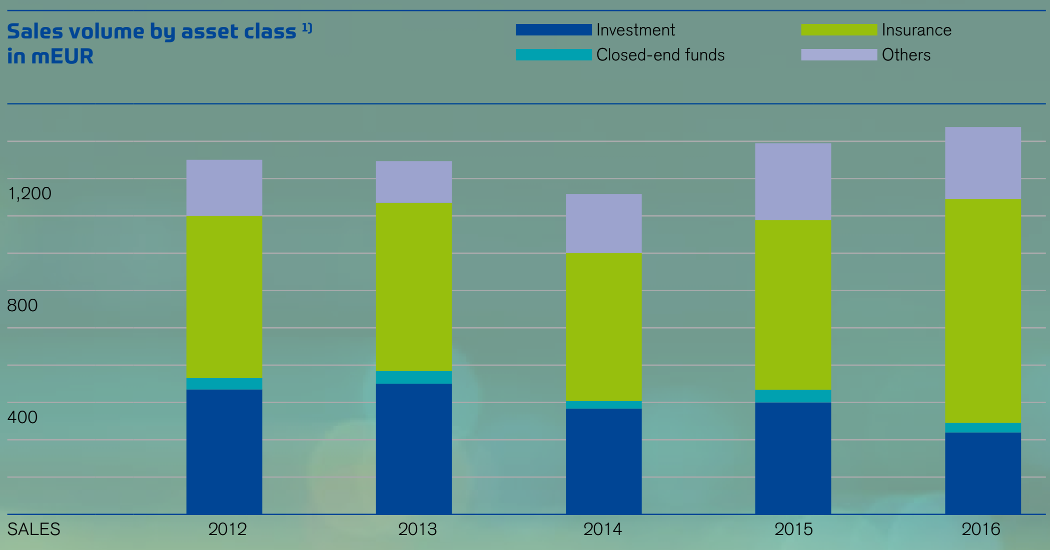
FiNUM Group works its way into the TOP 10 independent financial sales operations

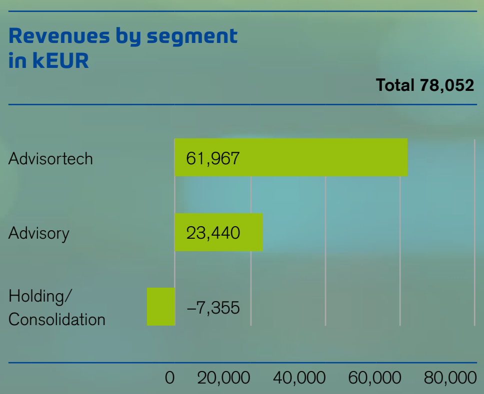
Cash Capital increase

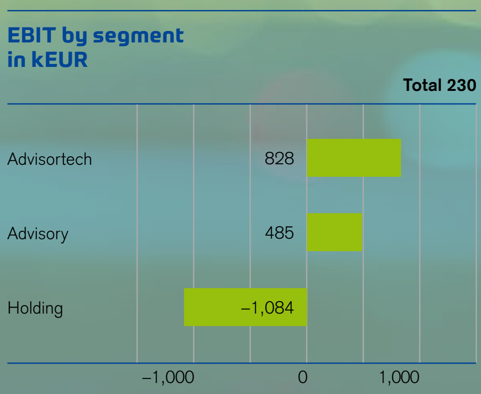
JDC Group AG successfully places a cash capital increase with institutional investors

Highlights 2016

[1] previous years figures adjusted







1) previous years figures adjusted

Highlights 2016

Advisortech – Technology plus advisory is the future

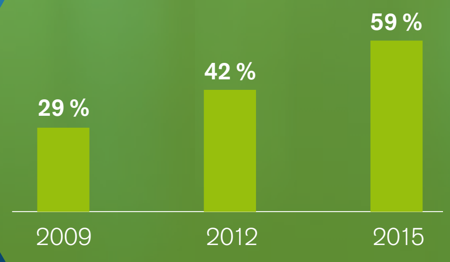
Nothing has been electrifying the distribution sector more lately than the subject of digitisation. After all, digitisation is more than just a buzzword. It is the future – including for the distribution market. JDC Group AG offers numerous tools and services, so that independent advisors and brokers can profit fully from the trend towards Advisortech – i.e. technology and advisory.

As an Advisortech pioneer, JDC Group AG concentrates on the combination of innovative financial technology and competent personal advice, because: hardly any contracts are concluded without the customer previously conducting research on the Internet.

Specifically, according to “ROPO Survey for Insurance Products in Germany”, which was conducted in autumn 2016 by the Gesellschaft für Konsumforschung (GfK), 84 percent of all contract conclusions are prepared via Internet research. For concluding contracts, the customers mainly continue to use the usual method via the usual broker: after all, 75 percent of all contracts are not concluded electronically.

ROPO customers

(Research online, Purchase offline)



Source: Customer Journey Insurance;
Source: GfK Crossmedia Link

GELD.de
Dein persönlicher Finanzoptimierer

Bewertungen: 1906
99.63%
zufriedene Kunden
4.54/5.0

Geld.de – more than just insurance comparison

With Geld.de, JDC Group AG has an excellent brand for the direct brokerage of financial products to end customers. Geld.de still stands for the brokerage of insurance products. In recent months, we have added electricity, gas, DSL and other products. In the future, the customer will find everything they care about when it comes to their money at Geld.de. Real estate, investments and other features are in the pipeline.

allesmeins

allesmeins: Full-information and advice – always and everywhere

With the “allesmeins” digital finance folder, the customers of our financial advisors always have all of their insurance policy and financial contracts up-to-date on their smartphone, including the respective policy and contract documentation. Customers who use “allesmeins” have approximately three times the contract density in comparison to the normal “analogue” JDC customers. A win-win situation for everyone: the customer is better informed, the advisor looks after significantly more contracts per customer and therefore earns considerably more commission and as a platform, JDC also earns on all contracts, policies and conclusions.


Ralph Konrad
CFO
Dr. Sebastian Grabmaier
CEO

Management board letter

DEAR SHAREHOLDERS, DEAR BUSINESS PARTNERS,

JDC Group AG successfully completed financial year 2016 and was able to more than double its earnings before interest, taxes and depreciation (EBITDA) in comparison to the previous year.

In the fourth quarter, our company was even able to achieve record results due to its strong operational business. The main driver of this development was the Advisortech business segment, where the Group has been successfully concluding acquisitions of insurance portfolios since mid-2016, as described below. The company has therefore been able to transfer highly profitable insurance portfolios to the JDC Group portfolio on attractive terms.

These were the main milestones of 2016:

SUCCESSFUL INTRODUCTION OF THE “ALLESMEINS” END CUSTOMER APP

The “allesmeins” app is a smartphone application that enables JDC broker end-users to manage and enhance their insurance portfolios on their smartphones in just a few simple steps and to optimise them through their usual financial adviser. More than 600 JDC brokers have been successfully trained in the first few months, and the first of these have started to market the app with their customers. Now that the usual teething problems have been rectified, we deem the sales launch to be a success. JDC Group AG has therefore finally entered the FinTech era operationally.

JDC GROUP AG ACQUIRES A LARGE INSURANCE PORTFOLIO WITH NEARLY 195,000 CUSTOMER CONTRACTS

In May 2016, JDC Group AG was able to report the acquisition of an insurance portfolio with nearly 195,000 customer contracts.

These customer policies are mainly in the areas of legal expense insurance, personal liability insurance, homeowners’ insurance and comprehensive household insurance. The portfolio transfers were successfully completed by the end of the third quarter of 2016, so that the planned sales revenue and EBITDA effects were partly reflected in the third quarter and fully reflected for the first time in the fourth quarter. The transaction was financed by the bond placed in June 2015 with a volume of EUR 15 million.

JDC GROUP AG ACQUIRES "GELD.DE", ONE OF THE LARGEST ONLINE COMPARISON PLATFORMS IN THE GERMAN INSURANCE MARKET

In May, JDC Group AG was also able to acquire the "Geld.de" online comparison platform from the Unister Group. This means that our company is taking the next logical step in the implementation of its Advisortech strategy by allowing its approximately 16,000 affiliated brokers and agents and around 1.2 million end customers access to innovative Fintech era applications. With www.geld.de, end-users can optimise their insurance portfolio by using the Internet portal to compare all major insurance products and categories. Then, in just a few clicks, they can get quotes for insurance and take out insurance online. An investment offer follows shortly thereafter. "Geld.de" is therefore an ideal complement to the "allesmeins" digital insurance directory.

JDC GROUP AG COMPLETES A CASH CAPITAL INCREASE AMOUNTING TO 10 PERCENT OF ITS SHARE CAPITAL

During the course of the successful placement of the capital increase in June 2016, JDC Group AG generated gross proceeds amounting to EUR 6.5 million. The share capital of JDC Group AG therefore increased by EUR 1,084,997 from EUR 10,849,974 to EUR 11,934,971 against cash contributions, subject to exclusion of existing shareholders' subscription rights. The proceeds from the transaction are intended to be used for financing further portfolio acquisitions and for the continued internal and external growth of JDC Group AG.

JDC PURCHASES PART OF THE RETAIL CLIENT BUSINESS OF LEADING GLOBAL INSURANCE AND REINSURANCE BROKER AON

Following the capital increase, JDC Group AG acquired a retail client insurance portfolio with approximately 20,000 contracts and a net annual premium of approximately EUR 8.5 million from Aon Deutschland, the leading global insurance and reinsurance broker. These customer policies are mainly in the areas of legal expense insurance, personal liability insurance, homeowners' insurance and comprehensive household insurance, i.e. categories with long holding periods and low termination rates.

JDC Group AG expects annual recurring commissions of around EUR 1.0 million from these contracts with excellent profitability for the company. The transfer of insurance policies took place in the third and fourth quarter of 2016 and the transaction began to have a positive effect on earnings in the third quarter of 2016.

JDC GROUP AG EXPANDS INTO AUSTRIA AND EASTERN EUROPE WITH A DIGITAL MODEL

At the end of 2016, JDC Group AG extended its business activity to the Czech Republic and Slovakia. By teaming up with the new key customer, Phoenix Strategic Investors in the Czech Republic, Slovakia and Austria, the Group expects to general additional sales revenue of approximately EUR 5 million in 2017. In 2017, our digital “allesmeins” end-customer app is also scheduled for launch in Austria and Eastern Europe.

Results of the financial year 2016

We are satisfied with our figures for the 2016 financial year. In spite of the still difficult underlying conditions, JDC Group AG was able to significantly improve all main key figures compared to the previous year:

Product sales of JDC Group AG developed well: In 2016, product sales increased further by 4.5 percent to EUR 1.382 billion compared to EUR 1.323 billion in the previous year.

JDC Group AG’s assets under administration also developed well to 4.5 billion and are around 5 percent above the previous year’s value of EUR 4.3 billion.

Revenues grew by 3.1 percent to EUR 78.1 million (2015: EUR 75.7 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) more than doubled from TEUR 1,279 in the previous year to TEUR 2,720. Earnings before interest and taxes (EBIT) also improved significantly year-on-year by TEUR 498 to TEUR 230 (previous year: TEUR –268). The consolidated earnings after taxes (EAT) of TEUR –1,214 were significantly ahead of the previous year’s figure of TEUR –1,728. As of 31 December 2016, shareholders’ equity amounted to EUR 29.7 million. The equity ratio therefore stood at 40.7 percent (31 December 2015: EUR 24.7 million and 37.5 percent).

THE DEVELOPMENT OF THE INDIVIDUAL BUSINESS SEGMENTS WAS AS FOLLOWS:

Advisortech

The Advisortech business segment achieved sales revenue of EUR 62.0 million and was therefore able to increase slightly again year-on-year (previous year: EUR 61.4 million). However, earnings before interest, taxes and depreciation (EBITDA) increased significantly. EBITDA increased by EUR 2.0 million to EUR 2.8 million and it almonst quadrupled (previous year: EUR 0.8 million). Earnings before interest and taxes (EBIT) were also significantly higher than the previous year, standing at EUR 0.8 million (previous year: EUR –0.3 million).

Advisory

In the Advisory business segment, sales revenues were also higher in comparison to the previous year. Sales revenue grew by 6.4 percent to EUR 23.4 million (previous year: EUR 22.0 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 1.0 million developed at a constant rate (previous year: EUR 1.1 million). Earnings Before Interest and Tax (EBIT) were also constant at EUR 0.5 million (previous year: EUR 0.6 million).

Outlook

Our estimate for the remainder of 2017 is very positive.

In 2017, we intend to continue to pursue the developments and strategies from 2016: the profitable integration of additional insurance and fund portfolios and the further establishment of our Fintech strategies — particularly by our new Managing Director, Stefan Bachmann, who was responsible for the "German Fintech Program" at Google. We are above all convinced that the newly acquired major customers will contribute to a significant increase in consolidated sales and earnings and that we will continue to attract major customers to JDC.

Unless there is a severe setback in the financial markets, we remain confident that we will achieve double-digit growth in 2017 and another significant improvement in earnings. Against this background, we are planning another doubling of EBITDA for our company in 2017 and therefore also significantly positive consolidated earnings after tax.

Thanks to our employees and shareholders

Finally, we would again like to express our heartfelt thanks to our staff, sales partners and subsidiaries, since our success is based on their commitment and motivation.

We would also like to thank our shareholders, who believe in our business model and lend their support and approval to our Management Board and Supervisory Board.

We would be very pleased to enjoy your continued support.

Your sincerely,

Dr. Sebastian Grabmaier

Ralph Konrad

The group

The group

Business concept and structure

JDC Group AG is a financial services company which advises customers and brokers financial products through its subsidiaries. These subsidiaries operate with their own strategies and under their own brands in Germany and Austria. They support more than 16,000 independent financial brokers, including around 3,900 tied intermediaries, and around 1.2 million end customers. JDC Group generates most of its revenues in the form of commission income from mediating financial products. Revenues from fee agreements (commission-free mediation), however, are also playing an increasingly major role.

With its integrated sales platform, JDC Group AG offers financial intermediaries and their end customers a broadly diversified product range covering asset classes such as investment funds and alternative investment funds (AIF), structured products, insurance, (construction) financing and real estate. JDC Group AG brokers and markets a total of around 12,000 products from more than 1,000 product companies. In the 2016 financial year, JDC Group AG generated record product sales of around EUR 1.4 billion. The volume of assets under administration came to around EUR 4.5 billion at the end of 2016.

In 2016, JDC Group AG continued to focus on its core businesses. Those involve brokering financial products via independent brokers (broker pool and technical platform – Jung, DMS & Cie. AG). This is undergoing a continuous process of digitisation. That is why JDC Group developed the digital finance manager app “allesmeins”. It also acquired the Geld.de online comparison platform. Another core area is the mediation of financial products through intermediaries (financial product sales – FiNUM.Private Finance AG and FiNUM.Finanzhaus AG). Both core areas are expected to continue growing organically.

Activities at JDC Group AG are broken down by target group and service and have been pooled into two sales business segments – “Advisortech”, “Advisory” – and a “Holding” segment since early 2016. In the existing business segments, the individual subsidiaries of JDC Group AG operate with a multi-brand strategy, i. e. the individual subsidiaries act with their own identities in their target markets and address their target groups with suitably customised marketing and sales strategies.

JDC GROUP
BEST ADVICE. BETTER TECHNOLOGY.

Advice on and mediation of financial products in return for commission from product providers or fees from the customers advised.

ADVISORTECH

Placement of financial products via financial intermediaries (independent financial advisers and brokers) to end-costumers pursuant to § 93 (HGB) as trade brokers

Investment funds, closed-end-funds, insurances etc.

Insurance comparison platform

JUNG, DMS & CIE. AKTIENGESELLSCHAFT

GELD.de Dein persönlicher Finanzoptimierer

ADVISORY

Mediation of financial products to end customers as sales representatives pursuant to § 84 (HGB).

Insurances, securitites, material values, financing

FiNUM. Private Finance

FiNUM. Finanzhaus

JDC Group AG and holding companies perform key management functions such as product procurement, finance, capital market communications, information technology and administration. Centralising these functions and activities enables JDC Group AG to exploit cost synergies.

Dr. Sebastian Grabmaier

“Digitalisation for the finance and insurance industry means, that our branch is fully concentrated to the needs and manners of the end customer. We can and will actively form this change of the amazonings.”

Business Units

ADVISORTECH – DIGITAL PLATFORM AND MEDIATION OF FINANCIAL PRODUCTS TO PRIVATE END CUSTOMERS THROUGH FINANCIAL INTERMEDIARIES

The company presents its "B2B" activities in its broker pool and platform business in its "Advisortech" business unit. The Advisortech business unit comprises the mediation of financial products to private end customers via financial intermediaries in the broker and liability umbrella sales channels. Within the context of a bancassurance concept, the product portfolio includes investment funds, closed-end funds, certificates, insurances (particularly life, occupational disability and heath insurances) and other products, such as construction financing or savings plans. The broad range offers around 12,000 products from more than 1,000 product companies.

Since early 2016, the JDC Group has been offering a digital financial manager in the segment. The **"allesmeins"** app gives end customers a quick overview of their entire insurance contracts with the relevant contract documentation. In contrast to conventional anonymous Fintech solutions, with allesmeins, customers can stay with their individual insurance and investment consultants with whom they have built a trusting relationship over years or even decades, so they can continue to draw on their specialised expertise.

In 2016, the JDC Group also acquired the Geld.de online comparison platform. With **Geld.de**, JDC Group AG has an excellent brand for direct mediation of financial products to end customers. Today, Geld.de still stands for the mediation of insurance products. In the past months, we have added electricity, gas, DSL and other products. Prospectively, the customer will find everything at Geld.de that he is concerned about when it comes to his money. Real estate, capital investments and other functions are in preparation.

JDC Group AG is a market leader in the broker pool with its subsidiary, **Jung, DMS & Cie. AG** (JDC), Munich. JDC is one of the highest-revenue broker pools in the German-speaking region. At its locations in Munich, Wiesbaden, Troisdorf and Vienna (Austria), JCD supports its customers, which include leading financial sales operations, in addition to a large number of individual brokers.

ADVISORY – INDEPENDENT PENSION AND INVESTMENT ADVISORY FOR PRIVATE CUSTOMERS

The company pools its “B2C” activities, i.e. advising on and selling financial products directly to end customers, in its “Advisory” business segment. These activities also comprise our shareholdings in **FiNUM.Private Finance AG** (FPF D), Berlin, **FiNUM.Private Finance AG** (FPF A), Vienna/Austria, and **FiNUM.Finanzhaus AG** (FFH), Wiesbaden.

FiNUM.Private Finance AG, Berlin, FiNUM.Private Finance AG, Wien and FiNUM.Finanzhaus AG act as independent financial and investment advisors for high-net-worth customers. FiNUM.Private Finance can look back on a track record of nearly 17 years in both countries and is currently represented by more than 230 experienced and registered advisors throughout Germany and Austria. These advisors provide a current total of more than 80,000 customers with integral and product-independent advice covering all financial matters and all asset classes. FiNUM.Finanzhaus AG supplements the other two FiNUM companies. It focuses on providing integral, product-independent advisory, which is backed up by scientific research. Furthermore, it is closely aligned to customer protection criteria and has its main focus in the insurance business.

HOLDING – ASSUMPTION OF CROSS-SEGMENTED FUNCTIONS FOR THE JDC GROUP

The Holding business unit comprises the JDC Group AG holding company. The holding provides diverse management functions for the Group.

History

2013

05/2013
Aragon AG successfully executes 9 million capital increase.

07/2013
Successful completion of Management buyout (MBO). Shareholding held by two Management Board members rises to 46 percent.

Hamburg businessman Jörn Reinecke becomes major shareholder and acquires 9 percent of Aragon's shares via his company Superior Finanz-beteiligungen GmbH.

08/2013
Aragon founds FiNUM.Finanzhaus AG as a financial planning advisory company for sophisticated private customers.

Aragon subsidiaries Jung, DMS & Cie. and FiNUM.Finanzhaus cooperate with DEFINO Deutsche Finanz-Norm. This cooperation enables affiliate partners to offer all-round customer advice based on scientific approach.

Anne Connelly, Marketing Director at Morningstar Europe, Jens Harig, CEO of Seven Principles AG and Hamburg-based auditor Emmerich Kretzenbacher are newly elected to the Supervisory Board of Aragon AG.

12/2013
More than 18,000 finance brokers and asset advisors now support around 975,000 end customers.

2014

06/2014
Aragon AG sells equity stake in compexx Finanz AG. Focus on core shareholdings: Jung, DMS & Cie. and FiNUM Group.

07/2014
Management buyout (MBO) at BIT AG. Aragon AG sells its shares to the Management Board of BIT. Streamlining process now complete.

08/2014
Share package held by AXA Lebensversicherung AG, at one time amounting to more than 25 percent of Aragon AG shares, is successfully replaced with institutional investors. New shareholder base reflects absolute product autonomy.

10/2014
Aragon AG in future to offer proprietary asset management solutions for securities-based pension provision. Strategic investment in asset manager BB Wertpapier-Verwaltungs-GmbH and resultant influence on product design and fee structure.

12/2014
Around 19,000 finance brokers and asset advisors support more than 916,000 end customers.

2015

05/2015
JDC Group subsidiary Jung, DMS & Cie. Pool GmbH places a corporate bond of 10.0 million.

06/2015
JDC Group subsidiary Jung, DMS & Cie. Pool GmbH stocks up corporate bond to 15.0 million.

07/2015
Aragon AG is renamed as JDC Group AG: "new" JDC Group to focus in future on its two sales subsidiaries Jung, DMS & Cie. and FiNUM and on offering Advisortech solutions for standalone financial sales operations.

10/2015
Smart fintech for advisors: launch of "allesmeins", JDC's Advisortech app. With this, JDC Group AG offers its first innovative customer app for its hybrid advisory model – technology PLUS advice.

12/2015
More than 16,000 finance brokers and asset advisors support more than 900,000 end customers.

2016

02/2016
JDC Group AG goes live with the "allesmeins" digital financial manager.

05/2016
JDC Group acquires an insurance portfolio with 195,000 contracts from a medium-sized broker.

05/2016
JDC Group acquires one of Germany's largest online insurance comparison platforms, Geld.de.

06/2016
JDC Group AG successfully places a cash capital increase with institutional investors.

11/2016
JDC Group expands to Austria and Eastern Europe with the "allesmeins" digital financial manager.

12/2016
More than 16,000 financial brokers and investment advisors support around 1,200,000 end customers.

Ralph Konrad

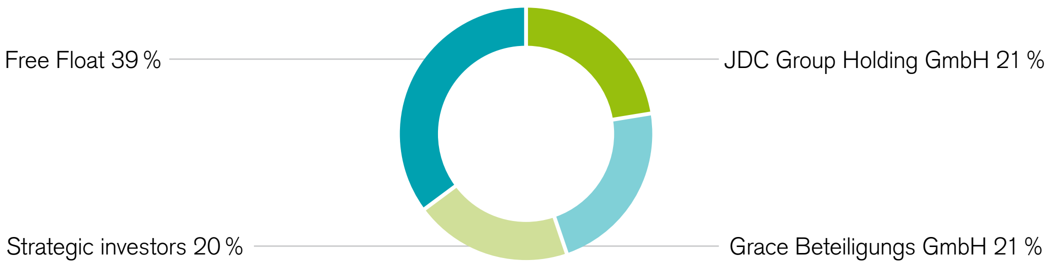
“The future is digital and personal. With our hybrid modell customers receive both: modern technique and easy access to their trusted advisor.”

Shareholder structure

The stable shareholder structure is still the basis for long-term and continuous growth of JDC Group AG and its subsidiaries.

The management members Dr. Sebastian Grabmaier (Grace Beteiligungs GmbH) and Ralph Konrad (Aragon Holding GmbH) each hold now 21 percent from JDC Group AG. Approximately 20 percent from JDC Group AG are held by strategic investors.

The current free float of 11,934,971 shares is approximately 39 percent.



Overall, JDC Group AG has subscribed capital represented by 11,934,971 shares with a market capitalisation of EUR 80 million*.

* Status April 26th 2017

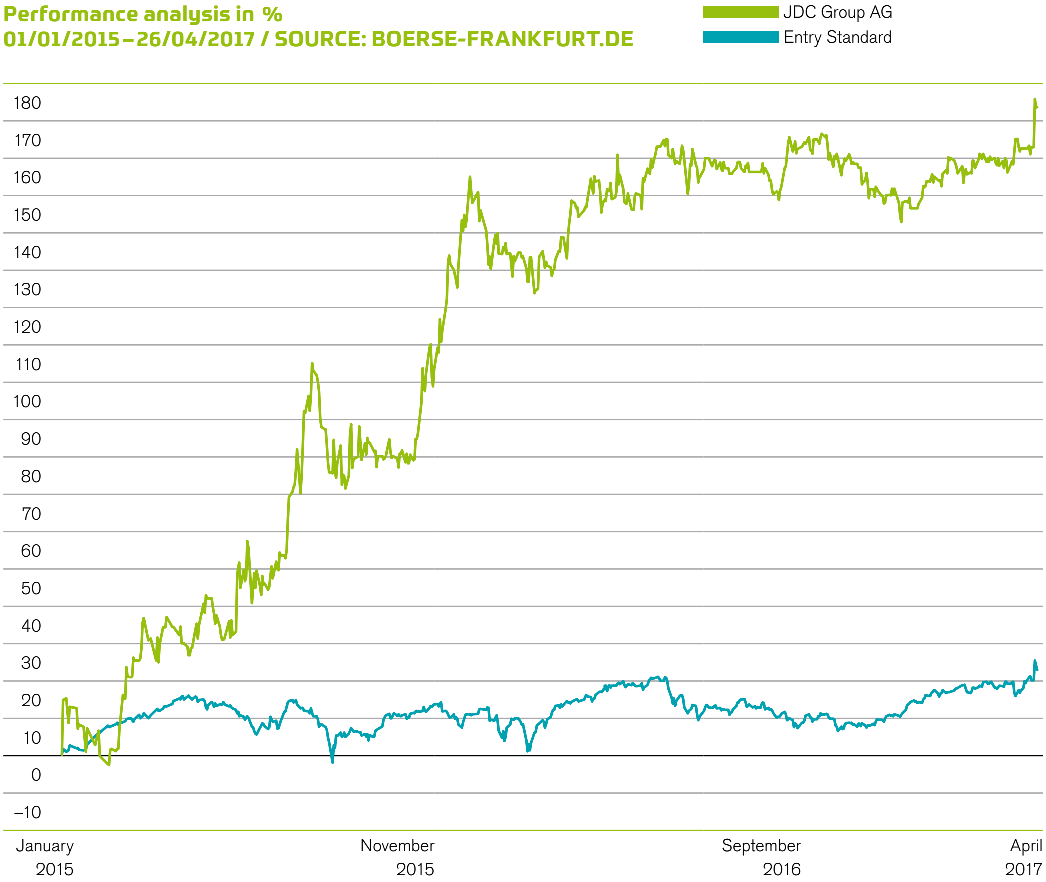
Share price performance

JDC Group AG's share price performance marks a steady upward trend in 2016. At year-end, the price of the share (EUR 5.42) improved by 5 percent in relation to the beginning of the year (EUR 5.16). In comparison to this, the Entry Standard comparative index remained virtually unchanged during the comparative period. The price performance is therefore slightly above that of the reference index.

The current share price is at EUR 6.70*. At present, the JDC Group share is continuing its performance from the past year. Therefore, the performance is presently harmonising with the Entry Standard index. However, we are optimistic that the price trend will move away positively from the index again in 2017.

From 3 April 2017, the JDC share is listed in the newly-created Scale stock exchange segment.

Performance analysis in %
01/01/2015–26/04/2017 / SOURCE: BOERSE-FRANKFURT.DE



* Status April 26th 2017

Group management report

Group management report

SITUATION OF THE GROUP

The Group's Business modell

JDC Group AG stands for modern financial advice and intelligent financial technology for advisors and customers. In the "Advisortech" business unit, we provide our customers and advisors with modern advisory and administration technology using the Jung, DMS & Cie. Group. While many sales and distribution partners perceive the technological transformation as a problem and the young fintech companies as the new competitors, we perceive the "technology" factor to be a great opportunity. Solutions from the "Advisortech" business unit will help advisors in the future to take even better care of their customers and generate increased sales as a result. In the "Advisory" segment, we broker financial products to private end customers via independent advisors, brokers and financial distributors using the FiNUM. Group. With over 16,000 connected sales partners, around 1.2 million end customers, a portfolio of more than EUR 4.5 billion and over EUR 1.4 billion in product sales each year, we are one of the market leaders in the German-speaking area.

With implementation of the pursued Fintech strategy in the segement Advisortech JDC Group acquired through a asset deal the online comparison plattform „Geld.de" in the business year 2016. Content of the „Geld.de" – purchase transaction with various affiliated companies of the Unister-group was besides the internet domain and the customer connections also make and technology.

The diagram on the next page shows the segment structure of JDC Group AG and the relevant subsidiaries.

Research and development

Jung, DMS & Cie. Group offers within the business unit „Advisortech" modern advisor and administration technologies for customers and advisors. In this context JDC Group runs the development of internally generated software solutions. In business year 2016 within this context kEUR 594 in own performance were activated. Futhermore we refer to the detailed explanations in the appendix of the consolidated financial statement.

The following diagram shows the segment structure of JDC Group AG and the relevant shareholdings:

Advisortech	Advisory	Holding
Jung, DMS & Cie. AG (100.0 %) * – Broker pool, primarily the brokering of financial products via intermediaries (IFSs, independent brokers etc.) – Investment funds, closed-end funds, insurance products – Currently about 16,000 brokers, thereof more than 3,900 tied agents (liability umbrella)	**FiNUM.Private Finance AG, Vienna** (100.0 %) * – Brokering of financial products to end customers – Life insurance policies, pension schemes, financing – Currently approx. 39 consultants	**JDC Group AG** – Holding activities – Shared Service Center
JDC Geld.de GmbH (100.0 %) * – Online insurance comparison portal – Property insurance	**FiNUM.Private Finance AG, Berlin** (100.0%) * – Brokering of financial products to end customers – Insurance, investment funds, closed-end funds, financing – Currently approx. 82 advisors	
	FiNUM.Finanzhaus AG, Wiesbaden (100.0%) * – Brokering of financial products to end customers – Insurance, investment funds, closed-end funds, financing – Currently approx. 109 consultants	

* Ownership interest held by JDC Group AG to 31 December 2016

ECONOMIC REPORT

Overall economic conditions [1)]

Global economic growth weakened slightly in 2016. On balance, the industrialised countries still profited from the low oil price and the expansionary monetary policy. Expressed in figures, this means that global economic growth in 2016 of 3.1 percent was 0.1 percent lower than in 2015. Growth in the euro zone fell to 1.7 percent after 2.0 percent in the previous year. In Germany, the economy grew to 1.9 percent after 1.7 percent in the previous year. As already in the previous year, the reason for this was strong domestic consumption.

1) Unless indicated otherwise, all data referred to in the following description of the overall economic conditions was taken from the accompanying materials of the press conference of the federal office of statistics from 12 January 2017 plus IWF statement in January 2017.

Sector-specific conditions

THE MARKET FOR INVESTMENT PRODUCTS [2)]

As of 31 December 2016, the German investment fund industry managed total assets of EUR 2,801 billion, equivalent to an increase of 7.7 percent in comparison to 31 December 2015.

As of 31 December 2016 (figures as of 31 December 2015 in brackets), EUR 915 billion (EUR 883 billion) was invested in retail funds and EUR 1,482 billion (EUR 1,339 billion) in special funds. EUR 403 billion (EUR 378 billion) was managed for institutional investors in assets outside of investment funds.

The fund volumes of the retail funds were allocated to individual asset classes as follows as of 31 December 2016 (figures as of 31 December 2015 in brackets):
- Equity funds: EUR 340.5 billion (EUR 322.8 billion)
- Bond funds: EUR 194.9 billion (EUR 190.9 billion)
- Money market funds: EUR 10.7 billion (EUR 12.3 billion)
- Open-ended real estate funds: EUR 87.7 billion (EUR 83.7 billion)
- Mixed and other funds: EUR 281.9 billion (EUR 273.4 billion)

Persistently low interest rates present challenges for many investors. This applies to all groups of investors, whether they are institutional investors, such as pension institutions and insurance companies, or private savers. Equity, bond and mixed funds in particular therefore reported strong growth in 2016.

For 2017, the Federal Government expects further increasing economic growth of 1.4 percent. The current trend in Germany shows stable private consumption and a strong labour market with the highest employment figures ever achieved. However, energy prices are rising and inflation is gaining momentum.

Despite all uncertainties surrounding the development of capital markets, the market for investment funds is expected to continue to offer a positive environment in 2017 in comparison to previous years.

THE MARKET FOR INSURANCE PRODUCTS [3)]

The insurance sector remains on its growth path in 2016. The industry expects an increase in premiums of at least one percent across all sectors. In indemnity and accident insurance, revenues grew by around 2 percent, while in life insurance, premiums fell by 0.5 percent compared to the strong previous year. In total, the insurers reported an increase of 0.2 percent to EUR 194.2 billion. The industry also expects moderate growth in 2017.

[2)] Unless indicated otherwise, all data referred to in the following description of the insurance market was taken from the website of the Gesamtverband der deutschen Versicherungswirtschaft e. V. (GDV).
[3)] AUnless indicated otherwise, all data referred to in the following description of the investment product market was taken from the BVI annual press conference on 21 February 2017.

Premium income for life insurers and pension funds fell by around 2.2 percent to EUR 90.7 billion in 2016. Income from current premiums fell by 0.5 percent to EUR 64.3 billion. One-off contributions fell by 6.1 percent to EUR 26.3 billion. In view of the low interest rates and political uncertainty, the result of life insurers is by all means respectable.

With property and accident insurance, income grew by 2.9 percent to EUR 66.3 billion, thus more strongly than in the previous year. In particular the two largest segments, motor vehicle and property insurance, showed positive development: In motor vehicle insurance, premiums grew by 2.5 percent to EUR 25.9 billion. Income in property insurance grew by 3.7 percent to EUR 18.7 billion.

The companies in private health insurance earned 1.1 percent more than in the previous year, namely EUR 37.2 billion.

COMPETITIVE POSITION

JDC Group AG competes with different companies in its individual business segments.

Competitors in the Advisortech segment

In its Advisortech segment, the JDC Group acts via its subsidiaries of JDC-group (JDC) and that company's independent financial brokers to broker financial products such as investment funds, closed funds, structured products, insurances, and financing products to end customers (B2B).

As a broker pool, JDC is in competition with all companies brokering the aforementioned financial products via independent brokers to downstream brokers or end customers. These include broker networks/pools, such as Fonds Finanz Maklerservice GmbH and BCA AG, as well as commercial banks, savings banks, cooperative banks, and financial sales companies focusing on end customers.

Based on the JDC Group's assessment, regulatory and IT technology requirements mean that barriers to entry are now very high in the broker pool business. Due to past developments, there are large numbers of brokerages, especially broker networks/pools, that are characterized by a widely varying sizes and degrees of professionalism. Having said this, the broker pools market has nevertheless seen substantial consolidation in recent years. During this period, JDC has grown and acquired smaller competitors leaving the market and/or continually integrated their customers.

Competitors in the Advisory segment

In its Financial Consulting segment, JDC Group AG offers advice on and brokers financial products to end customers (B2C) via its subsidiaries FiNUM.Private Finance Deutschland, FiNUM.Finanzhaus, and FiNUM.Private Finance Österreich. In general, all companies are in competition with numerous market players, i.e. alongside financial sales operations and standalone brokers the companies also compete with exclusivity-bound organizations at insurers and banks, as well as with direct sales, such as internet-based operations. Based on the assessment of JDC Group AG, the companies' main competitors can be identified by reference to the different business models and target groups as follows:

FiNUM.Private Finance Deutschland, FiNUM Finanzhaus, and FiNUM.Private Finance Österreich focus on advising sophisticated private customers (the so-called "mass affluent market") in Germany and Austria. The business mix consists almost equally of wealth accumulation and wealth protection (insurance). The main competitors are thus commercial and private banks, as well as financial advisory companies focusing on sophisticated customers, such as MLP AG and Horbach Wirtschaftsberatung AG.

BUSINESS PERFORMANCE OF THE GROUP AND ITS SEGMENTS

Given the strength of its turnover figures, increasing market relevance and reliability for product initiators from both insurance and investment industries, JDC Group AG is an increasingly attractive partner.

At the same time, JDC Group AG is also attractive as an institutional partner for financial sales operations and financial brokers, who are looking for a strong partner in the rapidly changing regulatory climate.

Therefore, the JDC Group continues to gain market share in both the Advisortech and Advisory segments.

Overall the management looks back on a positive business development from there point of view.

Progress in the subsidiaries operative development reflects in comparison to the previous year a improved earnings situation. Nevertheless is the group result still negative. Group revenues increased by 3.1 percent. Therefore is the growth due to the difficult market conditions behind the estimated growth. This is due to the purchase of insurance portfolios. From the portfolios flew EUR 3.3 million into the group result, facing no commission expenses. The purchase of portfolios led in the year's course to an increase in depreciation in the amount of EUR 0.6 million. In preparation of the purchase there were EUR 0.5 million one-off legal and consultancy costs balanced.

For further comments we refer to the following illustrations to the situation of JDC Group concern.

SITUATION

Major key figures

From 2014 to 2016 the major key figures of JDC Group developed as follows:

Key performance indicators of JDC Group	2014* kEUR	2015* kEUR	2016 kEUR	Changes 2015 to 2016 kEUR
Total non-current assets	40,054	39,486	**53,089**	13,603
Total current assets	20,282	26,316	**19,833**	–6,483
Equity	26,406	24,678	**29,713**	5,035
Non-current liabilities	13,069	25,526	**24,077**	–1,449
Current liabilities	20,861	15,598	**19,132**	3,534
Total assets	60,336	65,802	**72,922**	7,120
Revenues	75,332	75,700	**78,052**	2,352
Commission expenses	57,697	56,679	**55,306**	–1,373
Personnel expenses	12,659	12,139	**13,113**	974
Other operating expenses	10,881	10,641	**11,976**	1,335
Result of ordinary operations	–3,600	–977	**–700**	277

*figures for 2014 and 2015 partly adjusted

Financial Position

Of the Group's non-current assets, amounting to EUR 53.6 million as of 31 December 2016 (previous year: EUR 39.5 million), around EUR 45.1 million (previous year: EUR 31.2 million) involved intangible assets. The significant increase in the Group's non-current assets mainly results from the capitalisation of customer bases from the acquisition of portfolios in the amount of EUR 13.3 million.

Current assets fell to EUR 19.8 million (previous year: EUR 26.3 million). The main reason for this is the reduction of other assets by EUR 6.1 million due to the liquidation of a cash investment. Credit balances with banks fell by EUR 2.4 million to EUR 2.9 million.

Total assets increased from EUR 65.8 million in 2015 to EUR 72.9 million in 2016 through the acquisition of portfolios in non-current assets.

Shareholders' equity increased from EUR 24.7 million to EUR 29.7 million. This mainly results from a cash capital increase, as well as the annual result.

In total non-current liabilities fell slightly from EUR 25.5 million in the previous year to EUR 24.1 million in the reporting year. This is mainly due to the reduction of non-current other liabilities by EUR 1.5 million. The reason is the reclassification of a loan to a current liability.

Current liabilities increased by EUR 15.6 million to EUR 19.1 million. This includes EUR 12.8 million of accounts payable and EUR 6.0 million of other liabilities.

The equity ratio in the JDC Group increased as of the balance sheet date to 40.7 percent (previous year: 37.5 percent) of total assets. The year-on-year increase of the equity ratio mainly results from a cash capital increase.

Cash flows

The cash flow statement shows how the cash flow developed as a result of inflows and outflows of funds within the reporting period.

The cash flow from operating activities increased significantly in the financial year from minus kEUR 647 by kEUR 1,865 to kEUR 1,218. This mainly results from the increase of depreciation by kEUR 943 and the improvement in the result by kEUR 514.

The cash flow from investing activities is negative at kEUR –9,400. The reason for this is mainly outgoing payments for the acquisition of other business units of kEUR 10,482, as well as incoming payments from financial investments of kEUR 6,000.

Financing activities resulted in a positive cash flow of kEUR 5,773, which resulted mainly from the incoming payment to equity in the amount of kEUR 6,250.

Cash and cash equivalents at the end of the financial year amounted to kEUR 2,908.

During the financial year, the Group's financial resources were sufficient at all times. The safeguarding of short-term liquidity is managed through monthly liquidity planning. In the following year, the Group will be able to make partial loan repayments, in accordance with the contract, from sufficient liquidity.

The equity ratio in the JDC Group increased as of the balance sheet date to 40.7 percent (previous year: 37.5 percent) compared to the previous year by around EUR 7.1 million increased balance sheet total. Middle and long-term external capital comprises to the reporting date 33.1 percent of the balance sheet or rather EUR 24.1 million and EUR 12.9 million is attributable to a bond, which is due on Mai 21st 2020.

Financial performance

The operating performance of the investments progressed. The Group's financial performance again improved significantly in comparison to the previous year. However, the consolidated result is still negative.

Consolidated revenues rose by 3.1 percent to EUR 78.1 million (previous year: EUR 75.7 million).

Commission expenses fell by 2.5 percent in comparison to the previous year (EUR 56.7 million) to EUR 55.3 million.

Of other expenses, EUR 13.1 million (previous year: EUR 12.1 million) related to personnel expenses and EUR 9.5 million (previous year: EUR 9.1 million) to other operating expenses. As an annual average, the Group had a total of 226 employees (previous year: 212 employees).

The Depreciation of the business year increased due to investments to EUR 2.5 million (previous year: EUR 1.5 million).

The largest items within other operating expenses were advertising expenses at EUR 0.8 million (previous year: EUR 0.7 million), IT expenses at EUR 1.8 million (previous year: EUR 1.5 million), occupancy costs at EUR 1.4 million (previous vear: EUR 1.3 million), legal and advisory expenses at EUR 1.7 million (previous year: EUR 1.9 million) and other expenses at EUR 1.0 million (previous year: EUR 1.2 million).

In total, EBITDA rose to EUR 2.7 million (previous year: EUR 1.3 million) and EBIT to EUR 0.2 million (previous year: EUR –0.3 million). The result of ordinary operations increased from EUR –1.0 million by around EUR 0.3 million to EUR –0.7 million.

SEGMENT REPORTING

Advisortech segment

Revenues in the Advisortech segment improved to EUR 62.0 million, compared to EUR 61.4 million in the previous year. EBITDA improved considerably to EUR 2.8 million after EUR 0.8 million in the previous year. EBIT also gained significantly from EUR -0.3 million in the previous year to EUR 0.8 million.

Advisory segment

Revenues in the Advisory segment also improved. The segment revenues increased to EUR 23.4 million after EUR 22.0 million in the previous year. EBITDA fell slightly to EUR 1.0 million compared to EUR 1.1 million in the previous year. EBIT declined from EUR 0.6 million in the previous year to EUR 0.5 million.

Holding segment

Revenues in the Holding segment improved. The segment revenues increased from EUR 1.8 million to EUR 2.2 million. The EBITDA and EBIT key figures fell to EUR –1.1 million after EUR –0.6 million in the previous year.

EVENTS AFTER THE BALANCE SHEET DATE

No events requiring disclosure occurred after the balance sheet date.

OPPORTUNITIES AND RISK REPORT

The future business performance of our company involves all opportunities and risks associated with the sale of financial products and the acquisition, management and sale of companies. The risk management system at JDC Group AG is structured to facilitate the early detection of risks and the derivation of suitable measures to minimise such risks. Financial instruments are exclusively used for hedging purposes. In order to identify possible problems in the affiliated companies and their investments at an early stage, the most important key figures are collected and evaluated on a monthly basis.

JDC Group AG is managed by means of a monthly reporting system, which includes the most important key figures and takes particular account of the liquidity situation. Furthermore, the Management Board is kept informed of the current liquidity situation on a daily basis.

Relevant company-related risks are as follows:

— When brokering financial products and insurance policies, the possibility cannot be excluded that cancellations will give rise to expenses that are not covered by corresponding recourse claims towards brokers. The increased insurance revenue in the JDC Group means the recovery of this type of recourse claim is set to play a more important role. In the context of its sales arrangement with insurance companies, JDC Group AG in some cases issues letters of comfort for its subsidiaries.
— Claims may be asserted against the JDC Group in connection with incorrect information or advisory provided by its sales partners. Whether the risks involved are covered by existing insurance cover or recourse claims towards brokers can only be assessed on a case-by-case basis.
— Ongoing volatility on the capital markets and the difficulty in forecasting product turnover place high requirements on liquidity management. Lack of liquidity could pose a threat to the Group's continued existence.
— Seller guarantees customary to the market were granted upon execution of the company sales. Any infringement of these seller guarantees may lead to unscheduled expenses for the JDC Group.

Relevant market-related risks are as follows:

— The company's business success is basically dependent on economic developments.
— Developments in national and global financial and capital markets are of considerable importance to the success of JDC Group AG and the consolidated group. Persistent volatility or negative developments could impact negatively on the profitability of JDC Group AG.
— The stability of the legal and regulatory framework in Germany and Austria is a factor of great importance. Particularly changes at short notice to the underlying framework for financial services companies, brokers and financial products could impact negatively on the business model of JDC Group AG.

Relevant regulatory risks are as follows:

— The implementation of the MiFID II Directive in Germany may lead to increased reporting and recording duties. This would result in important business processes of the JDC Group companies needing to be significantly restructured or converted, which may lead to an increase in IT costs, to an extent which cannot yet be quantified.

The Management Board cannot currently detect any further risks to the company's continued existence or development and they believe that the identified risks are manageable and do not jeopardise the continuance of the group.

The Management Board sees the Group's **opportunities** as follows: Many financial sales operations are currently in a weak financial position. In parallel with poor sales results in recent years, the regulatory requirements have increased significantly. As a result, many financial competitors have now exhausted their financial resources and the pressure to consolidate has intensified – a process from which large market players, including JDC Group subsidiaries, stand to benefit.

On the other hand, the JDC Group took action in 2015 to lay key foundations for the years ahead. Having sold the loss-making investments in 2014 and implemented a far-reaching cost-cutting programme, the JDC Group has used 2015 to reposition itself and focus more intensively on financial technology (fintech). In this context, the company worked together with its subsidiaries to develop the new "allesmeins" technology – an app which maps a digital insurance folder, and launched it on the market in 2016. With the acquisition of the insurance portfolios and the acquisition of the Geld.de platform, the JDC Group is excellently positioned for the future, on both the technological side and the earnings side.

The Management Board believes that all of this will lead to the investments of JDC Group AG, and consequently also JDC Group AG itself, developing positively overall in the 2017 financial year.

OUTLOOK

Economic outlook

Global economic growth is expected to accelerate moderately to 3.4 percent in 2017. However, the inflation rate will increase, particularly due to the rising commodity prices. In accordance with expectations, growth in the euro zone will slow to 1.3 percent in 2017. The upcoming elections in the large EU countries and the uncertainty associated with these are specified as a reason for this.

For 2017, the Federal Government and the IMF expect economic growth of 1.4 percent. Private consumption will continue at a high level. However, risks arise from rising energy prices.

In view of the numerous risks, the uncertainty of our global forecast remains relatively high. The financial markets may react considerably more negatively than assumed, if the significant growth spurt expected by the new US government is smaller than anticipated or if protectionist measures are taken. On the other hand, during the course of a revival of growth in the US, interest rates may rise more than expected. This may have a negative impact globally on household and company spending. Furthermore, an escalation of geopolitical risks may arise, particularly with the conflicts in the Middle East. In Europe, a chaotic Brexit, a flare-up in the debate about the further course of monetary policy and the future of the euro zone may develop considerable interference potential for our forecasts. In addition, a resurgence of the refugee crisis may further intensify political disunity in the European Union.

Markets and sector outlook

The ECB continues to maintain its extensive purchase programme for bonds issued by central governments of the EMU Member States, issuers with a development mandate and European institutions. Inflation will tend to rise, not least, due to rising energy prices.

Therefore, it is expected that there will continue to be a great deal of liquidity in the market, thus lending further momentum to the equity and real estate markets. If inflation should rise, this may have an impact on the consumption mood of consumers, which is still high. How long the ECB will continue to pursue its loose monetary policy is another question, particularly as the USA has clearly adopted a different monetary policy. Various crises around the world may have a negative impact on the global economic situation.

For the JDC Group, the key focus in 2017 will be one significantly and sustainably improving its operating business. In 2017, the Group will be focusing on optimising internal processes, acquiring broker portfolios and the further expansion of the fintech strategy.

OUTLOOK FOR THE JDC GROUP

Expected business performance

The assessment of the expected business performance of the JDC Group for 2017 is based on the economic assumptions presented in the Group management report. Any repeated intensification of the refugee crisis in Europe or deepening of political crises, not least due to a possible protectionist trade policy by the United States, may have a significant influence on the financial position, financial performance and cash flows of the JDC Group. The corporate planning has been created on the basis of very detailed analyses and, from the point of view of JDC Group AG, realistic assumptions.

In detail, we assume that the Group revenue in 2017 will be around 15 percent above the level from 2016 and in the Group EBITDA was reached, which is significantly over the one of the previous year. Therefore, the Management Board expects positive business performance for the overall Group.

Wiesbaden, 20. April 2017

Dr. Sebastian Grabmaier

Ralph Konrad

Supervisory Board and Management Board

Report of the Supervisory Board

DEAR SHAREHOLDERS,

During the 2016 reporting year, the Management Board succeeded in achieving significant progress with the development of the Group towards a high-performing technology company in the financial industry. The successfully placed capital increase formed the basis of acquisitions, which strengthened growth and technological progress.

The Supervisory Board takes its responsibility seriously and will continue to supervise the progress in the implementation of the communicated strategy and growth planning and support the Management Board with this in an appropriate manner. We will also continue paying particular attention to the risk management, the remuneration system and the financial planning. The consistent implementation of regulatory requirements forms another focus of our work.

As a committee, we consider ourselves to be very well positioned for this. The amendment to the articles of association decided on by the Shareholders' Meeting allowed the Supervisory Board to be strengthened with Mr Alexander Schütz, Mr Klemens Hallmann and Mr Jörg Keimer in the past year. We are very pleased that the additional members intend to contribute their rich experience and extensive network in the service of the company.

Our company continues to be managed by our Management Board, which has many years of experience. There were no changes in its composition during the reporting year.

In the following, we would like to provide you with detailed information about how the Supervisory Board fulfilled its duties in the past financial year and intensively advised the Management Board on numerous matters. In detail regarding the reporting year:

Report of the Supervisory Board

In the past financial year, the Supervisory Board met all of its obligations incumbent upon it by law and administrative provisions and under the company's articles of association and rules of procedure.

The Management Board notified us on a regular basis, promptly and comprehensively about the business policy and strategy, other fundamental corporate management and culture issues and corporate planning, coordination and control. The Management Board also reported on the financial development, the results of operations, the risk management, liquidity management and capital management, about significant legal disputes and about transactions and events, which are of key importance to the company. We were involved in decisions of fundamental importance. Important issues and imminent decisions were also discussed in regular meetings between the Chairman of the Supervisory Board and the Management Board.

ACTIVITY REPORT

A total of six meetings of the Supervisory Board were held in 2016.

Meeting on 8 March 2016

The Supervisory Board discussed the preliminary annual financial statements for 2015 and analysed target achievement, the cost savings achieved and the personnel situation. Additional topics were the possibilities of a portfolio acquisition and the introduction of the new "allesmeins" app.

Meeting on 31 March 2016

The main topic of the discussion in this meeting was the imminent portfolio acquisition of Geld.de and the related contracts and further conditions.

Meeting on 25 April 2016

In the annual main meeting, the Supervisory Board dealt intensively with the 2015 annual financial statements and the consolidated financial statements, in the presence of the auditor. Another important agenda item was the status and implementation of the Geld.de portfolio acquisition and the discussion about the opportunity to acquire another large portfolio from AON. Furthermore, the necessary corporate actions, such as the capital increase, which was then implemented, were discussed.

Meeting on 12 July 2016

In addition to the discussion of the current business performance and the status of the integration of the portfolio acquisitions, this meeting was characterised by organisational issues, such as the adoption of new rules of procedure and the selection of the stock exchange segment for the future.

Meeting on 10 October 2016

After the Annual General Meeting, the Supervisory Board convened for its constituent meeting. Mr Kretzenbacher was appointed as the Financial Reporting and Audit Issues Representative, Mr Harig was appointed as the Investment and Financing Issues Representative. Furthermore, the Supervisory Board dealt with the status of the integration of the acquisitions and the IT projects, as well as other business opportunities in the key account segment.

Meeting on 14 December 2016

The Supervisory Board dealt with the company's and Group's expected annual result and the planning for the next financial year 2017. In addition to the current business performance, the strategic projects for strengthening growth were also a topic of discussion.

Overall, within the context of its responsibility in accordance with the law and the articles of association, the Supervisory Board was involved in the decisions of the Management Board and satisfied itself of the lawfulness, regularity and economic viability of the company management. In the 2016 financial year, there were no audit measures necessary pursuant to Section 111 (2) Sentence 1 of the German Stock Corporation Act (AktG).

Meeting attendance in the 2016 financial year was 100%. The Supervisory Board formed no committees in the reporting period.

CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

There were no changes in the composition of the Management Board.

As of 31 December 2016, the Supervisory Board comprised six members in accordance with the articles of association: Jens Harig (Chairman), Emmerich G. Kretzenbacher (Deputy Chairman), Alexander Schütz, Stefan Schütze, Klemens Hallmann and Jörg Keimer.

Mr Stefan Schütze resigned from the Supervisory Board as of 9 March 2016. Mr Alexander Schütz was judicially appointed in his place on 30 March 2016. The Annual General Meeting of 31 August 2016 decided on the enlargement of the Supervisory Board to six members and then elected Messrs Stefan Schütze, Klemens Hallmann and Jörg Keimer as additional members of the Supervisory Board.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2016

The consolidated financial statements and Group management report were prepared under International Financial Reporting Standards (IFRS). The annual financial statements and management report were prepared under the rules of the German Commercial Code (HGB). The annual and consolidated financial statements, as well as the management report and Group management report for the 2016 financial year were audited by the external auditors chosen by the Annual General Meeting on 31 August 2016 and appointed by the Supervisory Board, Dr. Merschmeier + Partner GmbH, Wirtschaftsprüfungsgesellschaft, Münster, and issued with an unqualified audit opinion.

The audit opinions for the 2016 financial year for the consolidated and annual financial statements were each jointly signed by the auditors Werner Kortbuß and Michael Jäger and dated April 21, 2017.

The documentation referred to and the audit reports of the external auditor were provided to the Supervisory Board members. The Supervisory Board reviewed the documentation for the annual and consolidated financial statements itself and discussed it in the meeting on 24 April 2017 in the presence of the external auditor. The external auditor reported on the significant results of its audit. The Financial Reporting and Audit Issues Representative also reported on the results of his review. The results of the audits raised no objections. At his recommendation, we endorsed the results of the audits and approved the annual financial statements and consolidated financial statements prepared by the Management Board. The annual financial statements are thus adopted.

Thanks to the Management Board and employees

The Supervisory Board would like to thank the Management Board an all employees of JDC Group AG and the entire Group for their great commitment and their achievements in the past financial year.

On behalf of the Supervisory Board
Wiesbaden, 24 April 2017

Jens Harig
Supervisory Board Chairman

MANAGEMENT BOARD

Dr. Sebastian Grabmaier
Grünwald
Management Board Chairman – CEO

Dr. Sebastian Grabmaier is chairman of the JDC Group AG Management Board and is responsible for the business units Corporate Strategy, Corporate Communications and Markting, Legal/Compliance, Procurement and Sales. Dr. Sebastian Grabmaier is Managing Director of Jung, DMS & Cie. AG, FiNUM. Finanzhaus AG and FiNUM.Private Finance AG.

He studied law at the Ludwig Maximilian University, Munich, and the University of Chicago, receiving a doctorate in law (Dr. jur.) in 2001. Having worked in law firms in Munich and Sydney from 1992 onwards, he joined the Allianz Group in 1999, succeeding in various positions up to 2001 including that of assistant to the Management Board and branch manager at Allianz Private Krankenversicherung AG.

In parallel, he continued to study at the University of St. Gallen in Switzerland, the Vlerick-Leuven Business School in Belgium and the University of Nyenrode in the Netherlands, graduating with an MBA in Financial Services & Insurance in 2002.

Ralph Konrad
Mainz
Management Board – CFO

Ralph Konrad has a degree in business studies (Dipl.-Kfm.) and his Management Board responsibility covers Accounting, Controlling, Investors Relations, Internal Audit, HR, IT, Mergers & Acquisitions and Corporate Investment Management. Ralph Konrad is also managing director of the JDC Group subsidiaries Jung, DMS & Cie. AG, FiNUM.Private Finance AG and JDC Geld.de GmbH.

After two years of corporate consultancy work in the SME sector (studying in parallel for some of the time), Ralph Konrad worked for three years at a venture capital company of the savings banks, initially as a project assistant and subsequently as project manager. In these roles, he implemented growth and venture financing projects. Ralph Konrad then set up a holding company based in Cologne as a partnership, where he was the sole Management Board member for a period of four years. Ralph Konrad has been a member of the JDC Group Management Board since September 2005. He has more than 15 years of experience in the private equity industry and has played an active role in IPOs, mergers and acquisitions and company restructuring projects.

SUPERVISORY BOARD

Jens Harig
Kerpen
Independent entrepreneur
Chairman

Emmerich Kretzenbacher
Hamburg
Graduated Certified Accountant
Deputy Chairman

Alexander Schütz
Vienna
Independent entrepreneur (since March 30, 2016)

Stefan Schütze
Frankfurt am Main
Attorney (until March 09, 2016)

Klemens Hallmann
Vienna
Independent entrepreneur
(since August 31, 2016)

Jörg Keimer
Wiesbaden
Attorney
(since August 31, 2016)

Consolidated financial statements

Consolidated income statement

		Notes	01/01/ – 31/12/2016 kEUR	01/01/ – 31/12/2015* kEUR
1.	Revenues	[1]	78,052	75,700
2.	Capitalised services	[2]	594	665
3.	Other operating income	[2]	1,979	2,826
4.	Commission expenses	[3]	–55,306	–56,679
5.	Personnel expenses	[4]	–13,113	–12,139
6.	Depreciation and amortisation of tangible and intangible assets	[5]	–2,490	–1,547
7.	Other operating expenses	[6]	–9,486	–9,094
8.	Other interest and similar income	[7]	63	66
9.	Interest and similar expenses	[7]	–993	–775
10.	**Operating profit/loss**		**–700**	–977
11.	Income tax expenses	[8]	–441	–729
12.	Other tax expenses	[8]	–73	–22
13.	**Net profit**		**–1,214**	–1,728
	thereof attributable to parent company's shareholders		–1,214	–1,728
14.	**Earnings per share**	[9]	**–0.11**	–0.16

*Previous year partly adjusted

Consolidated statement of comprehensive income

	01/01/ – 31/12/2016 kEUR	01/01/ – 31/12/2015 kEUR
Profit or loss for the period	**–1,214**	–1,728
Other income		
Net gain from hedging of net investment	0	0
Income tax effect	0	0
	0	0
Currency translation of foreign operations	0	0
Net gain/loss from hedging of cash flows	0	0
Income tax effect	0	0
	0	0
Net gain/loss from available-for-sale financial assets	0	0
Income tax effect	0	0
	0	0
Other income after taxes	**0**	0
Total income after taxes	**–1,214**	–1,728
Attributable to:		
– Parent company's shareholders	**–1,214**	–1,728
– Shares without controlling interests	**0**	0

Segment reporting

	Advisortech		Advisory	
	2016 kEUR	2015* kEUR	**2016 kEUR**	2015* kEUR
Segment income				
Revenues	61,967	61,362	23,440	21,978
of which with other segments	1,320	1,246	6,397	6,022
Total segment income	**61,967**	61,362	**23,440**	21,978
Capitalised services	594	665	0	0
Other income	1,174	601	758	1,588
Segment expenses				
Commission expenses	–45,094	–47,012	–17,142	–15,689
Personnel expenses	–8,868	–7,814	–2,555	–2,697
Depreciation and amortisation	–1,995	–1,078	–476	–450
Other	–6,950	–7,031	–3,540	–4,118
Total segment expenses	**–62,907**	–62,935	**–23,713**	–22,954
EBIT	**828**	–307	**485**	612
EBITDA	**2,823**	771	**961**	1,062
Income from investments	0	0	0	0
Other interest and similar income	760	778	68	203
Yield on other securities	0	0	0	0
Depreciation of financial assets	0	0	0	0
Other interest and similar expenses	–1,308	–1,016	–613	–1,112
Financial result	**–548**	–238	**–545**	–909
Segment earnings before tax (EBT)	**280**	–545	**–60**	–297
Tax expenses	–274	–576	–239	–236
Segment net profit from continuing operations	**6**	–1,121	**–299**	–533
Segment net profit from discontinued operations	0	0	0	0
Minority interests	0	0	0	0
Segment net profit after minority interests	6	–1,121	–299	–533
Additional information				
Investments in tangible and intangible assets	15,964	963	673	73
Shares in companies accounted for using the equity method	0	0	0	0
Other non-cash itemised expenses except for scheduled depreciation	–445	–998	–241	137
Scheduled depreciation	–1,995	–1,078	–476	–450
Unscheduled depreciation	0	0	0	0
Total segment assets	**67,154**	59,158	**5,437**	10,207
Total segment liabilities	**41,157**	34,777	**9,229**	9,771

*Previous year partly adjusted

	Holding		Total reportable segments		Transfer		Total	
	2016 kEUR	2015* kEUR	**2016 kEUR**	2015* kEUR	**2016 kEUR**	2015* kEUR	**2016 kEUR**	2015* kEUR
	2,193	1,771	87,600	85,111	–9,548	–9,411	78,052	75,700
	2,193	1,771	9,910	9,039	–9,910	–9,039	0	0
	2,193	1,771	**87,600**	85,111	**–9,548**	–9,411	**78,052**	75,700
	0	0	594	665	0	0	594	665
	47	757	1,979	2,946	0	–120	1,979	2,826
	0	0	–62,236	–62,701	6,930	6,022	–55,306	–56,679
	–1,690	–1,628	–13,113	–12,139	0	0	–13,113	–12,139
	–19	–19	–2,490	–1,547	0	0	–2,490	–1,547
	–1,615	–1,454	–12,104	–12,603	2,618	3,509	–9,486	–9,094
	–3,324	–3,101	**–89,943**	–88,990	**9,548**	9,531	**–80,395**	–79,459
	–1,084	–573	**230**	–268	**0**	0	**230**	–268
	–1,065	–554	**2,720**	1,279	**0**	0	**2,720**	1,279
	0	0	0	0	0	0	0	0
	970	1,160	1,798	2,141	–1,735	–2,075	63	66
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	–807	–722	–2,728	–2,850	1,735	2,075	–993	–775
	163	438	**–930**	–709	**0**	0	**–930**	–709
	–921	–135	**–700**	–977	**0**	0	**–700**	–977
	–1	61	–514	–751	0	0	–514	–751
	–922	–74	**–1,214**	–1,728	**0**	0	**–1,214**	–1,728
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	–922	–74	–1,214	–1,728	0	0	–1,214	–1,728
	4	65	16,641	1,101	0	0	16,641	1,101
	0	0	0	0	0	0	0	0
	–487	–123	–1,173	–984	0	0	–1,173	–984
	–19	–19	–2,490	–1,547	0	0	–2,490	–1,547
	–211	0	–211	0	211	0	0	0
	29,038	30,436	**101,629**	99,801	**–28,707**	–33,999	**72,922**	65,802
	17,540	17,011	**67,926**	61,559	**–24,718**	–20,434	**43,208**	41,124

Consolidated balance sheet

Assets

	Notes	31/12/2016 kEUR	31/12/2015* kEUR
Non-current assets			
Intangible assets	[10]	45,090	31,248
Fixed assets	[11]	714	411
Financial assets	[12]	143	149
		45,947	31,808
Deferred taxes	[8]	3,847	4,389
Long-term non-current assets			
Accounts receivable	[13]	847	791
Other assets	[13]	2,448	2,498
		3,295	3,289
Total non-current assets		**53,089**	39,486
Current assets	[14]		
Accounts receivable	[14]	13,354	11,623
Other assets	[14]	2,987	9,020
Other securities	[14]	0	0
Cash and cash equivalents	[15]	2,913	5,320
Deferred charges		579	353
Total current assets		**19,833**	26,316
Total assets		**72,922**	65,802

*Previous year partly adjusted

Liabilities

	Notes	31/12/2016 kEUR	31/12/2015 kEUR
Equity			
Subscribed capital	[16]	11,935	10,850
Capital reserves	[16]	45,851	40,686
Other retained earnings	[17]	283	283
Other equity components	[17]	–28,356	–27,141
Minority interests		0	0
Total equity		**29,713**	24,678
Non-current liabilities	[18]		
Deferred taxes	[8]	1,279	1,481
Bonds	[18]	12,871	12,688
Liabilities due to banks	[18]	291	0
Accounts payable	[18]	7,889	7,478
Other liabilities	[18]	170	1,664
Provisions	[19]	1,577	2,215
Total non-current liabilities		**24,077**	25,526
Current liabilities	[20]		
Accrued taxes		168	362
Liabilities due to banks		97	3
Accounts payable		12,820	9,745
Other liabilites		5,999	5,412
Deferred income		48	76
Total current liabilities		**19,132**	15,598
Total equity and liabilities		**72,922**	65,802

Consolidated cash flow statement

			01/01/–31/12/2016 kEUR	01/01/–31/12/2015 kEUR	Changes compared to previous year kEUR
1.		Result for the period	–1,214	–1,728	514
2.	+	Depreciation and amortisation of fixed assets	2,490	1,547	943
3.	–/+	Decrease/increase of provisions	–833	483	–1,316
4.	–/+	Other non-cash itemised income/expenses	147	501	–354
5.	–/+	Profit/loss from disposals of fixed assets	11	0	0
6.	–/+	Increase/decrease of inventories, accounts receivable as well as other assets	–2,051	–28	–2,023
7.	–/+	Decrease/increase of accounts payable as well as other liabilities	2,668	–1,422	4,090
8.	**=**	**Cash flow from operating activities**	**1,218**	–647	1,865
9.	+	Cash receipts from disposals of intangible assets	0	0	0
10.	–	Cash payments for investments in intangible assets	–4,795	–960	–3,835
11	+	Cash receipts from disposals of fixed assets	0	11	–11
12.	–	Cash payments for investments in intangible assets	–124	–141	17
13.	+	Cash receipts from disposals of financial assets	1	0	1
14.	–	Cash payments for investments in financial assets	0	–104	104
15.	+	Cash receipts from the disposal of consolidated companies	0	1,961	–1,961
16.	–	Cash payments from the acquisition of other business units	–10,482	0	–10,482
17.	–	Cash payments for investments funds within the borders of short-term finance disposition	0	–6,000	6,000
18.	+	Cash receipts from investments funds within the borders of short-term finance disposition	6,000	0	6,000
19.	**=**	**Cash flow from investment activities**	**–9,400**	–5,233	–4,167
20.	+/–	Cash receipts/payments to equity	6,250	0	6,250
21.	+	Cash receipts from issuance of bonds	0	12,631	–12,631
22.	–	Cash receipts from borrowings	460	0	460
23.	–	Cash payments from loan redemptions	–77	–5,154	5,077
24.	–	Paid interests	–860	–229	–631
25.	**=**	**Cash flow from financing activities**	**5,773**	7,248	–1,475
26.		Changes in cash and cash equivalents (total of pos. 8, 19, 25)	–2,409	1,368	–3,777
27.	+	Cash and Cash equivalents at the beginning of the period	5,317	3,949	1,368
28.	**=**	**Cash and Cash equivalents at the end of the period**	**2,908**	5,317	–2,409

Breakdown of cash and cash equivalents

	31/12/2016 kEUR	31/12/2015 kEUR	Change kEUR
Cash and cash in banks	2,913	5,320	–2,407
Current liabilities due to banks	–5	–3	–2
	2,908	5,317	–2,409

Consolidated statement of changes in equity

	Number of shares	Subscribed capital kEUR	Capital reserve kEUR	Other retained earnings kEUR	Cash flow hedge marked to market kEUR	Securities marked to market kEUR	Other equity components kEUR	Shares without dominating influence	**Total equity kEUR**
As of 01/01/2015	**10,849,974**	**10,850**	**40,686**	**283**	**0**	**0**	**–25,413**	**0**	**26,406**
Result as of 31/12/2015							–1,728		–1,728
Capital increase									0
Retained earnings									
– Allocation from earnings									0
As of 31/12/2015	**10,849,974**	**10,850**	**40,686**	**283**	**0**	**0**	**–27,141**	**0**	**24,678**
As of 01/01/2016	**10,849,974**	**10,850**	**40,686**	**283**	**0**	**0**	**–27,141**	**0**	**24,678**
Result as of 31/12/2016							–1,214		–1,214
Capital increase	1,084,997	1,085	5,165						6,250
Retained earnings									
– Allocation from earnings									0
As of 31/12/2016	**11,934,971**	**11,935**	**45,851**	**283**	**0**	**0**	**–28,356**	**0**	**29,713**

Notes to the consolidated financial statements

1 GENERAL INFORMATION

The JDC Group Enterprise (JDC Group) is a diversified financial services company with the operating segments Advisortech and Advisory plus Holding. The company was registered on 6 October 2005 under the name Aragon Aktiengesellschaft in the commercial register of the Wiesbaden district court (HRB 22030). The annual shareholders' meeting decided the change of name into JDC Group AG on 24 July 2016, this was fulfilled with the entry into the commercial register on 31 July 2016.

The company's registered office is located in Wiesbaden. The address is:

Kormoranweg 1
65201 Wiesbaden
Federal Republic of Germany

JDC Group shares are admitted for the open market (Scale).

The Management Board prepared consolidated financial statements on 20 April 2017 and will release them for publication on 27 April 2017.

The consolidated financial statements for financial year 2016 are for the parent company and its subsidiaries on a consolidated basis.

1.1 DECLARATION OF COMPLIANCE BY THE MANAGEMENT BOARD

JDC Group's consolidated financial statements for financial year 2016 as well as the previous year have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), application of which is mandatory in the European Union (EU). The term IFRS also encompasses the International Accounting Standards (IAS) which are still in effect. All interpretations binding for financial year 2016 by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), as applicable in the EU have likewise been applied. In what follows, the term IFRS has been used throughout.

JDC Group AG is not a parent company within the meaning of Section 315a (1) and (2) of the German Commercial Code (HGB) that is required to prepare consolidated financial statements in accordance with IFRS. JDC Group AG voluntarily prepares its consolidated financial statements under IFRS in accordance with Section 315a (3) of the German Commercial Code (HGB). The supplemental provisions of commercial law which are to be taken into account under Section 315a (1) HGB have been complied with.

The 2016 financial year of the companies in the Group comprises the period from 1 January to 31 December 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 PRINCIPLES OF FINANCIAL-STATEMENT PREPARATION

The consolidated financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements. The financial statements of JDC Group AG and its subsidiaries have been included in the consolidated financial statements on the basis of the accounting policies uniformly applicable to the Group. The consolidated financial statements have been prepared in euros (EUR), which is the functional currency of the Group. Unless otherwise stated, all figures have been rounded up or down to the nearest thousand euros (kEUR). The Group's income statement has been prepared using the total cost method. The consolidated financial statements have been uniformly prepared for the periods presented in accordance with the consolidation principles and accounting policies set out below.

The consolidated financial statements have been prepared on the basis of cost with the exception of derivative financial instruments and available-for-sale financial assets which have been recognized at fair value.

2.1.1 Standards, interpretations and changes to standards and interpretations applicable for the first time during the financial year

The accounting policies applied are basically consistent with those applied in the previous year with the exceptions listed below.

JDC Group AG applied the following new and revised requirements of the IASB for the first time in the financial year beginning on January 1, 2016:

AMENDMENTS TO IFRS 11 – ACCOUNTING TREATMENT OF ACQUISITIONS OF INTERESTS IN A JOINT OPERATION

The amended IFRS 11 prescribes that the acquirer of an interest in a joint operation in which the activity constitutes a business must apply the relevant principles for the accounting treatment of business combinations in accordance with IFRS 3 Business Combinations. The amendments also clarify that a previously held interest in a joint operation is not remeasured with the acquisition of a further interest in the same joint operation, provided that the joint management is retained. These amendments are not intended to apply if the parties (including the reporting company) that share the joint management are under the joint control of the same ultimate controlling company. The amendments relate to both the first-time acquisition of interests in a joint operation and the acquisition of additional interests in the same joint operation and are to be applied on a prospective basis. These changes have no implications for the Group, as it did not acquire any interests in a joint operation during the reporting period.

AMENDMENTS TO IAS 16 AND IAS 38 – CLARIFICATION OF PERMITTED METHODS OF DEPRECIATION AND AMORTISATION

The amendments clarify the principle contained in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, that the revenue reflects the operation of a business (to which an asset belongs) and not the pattern in which the asset's economic benefits are consumed. As a consequence, a revenue-based method cannot be used for the depreciation of property, plant and equipment, but only – and only in very limited cases – for the amortisation of intangible assets. These amendments are to be applied on a prospective basis and have no implications for the Group, as no revenue-based method is used for the depreciation or amortisation of its non-current assets.

AMENDMENT OF IAS 1 – DISCLOSURE INITIATIVE

The amendments made to IAS 1 Presentation of Financial Statements represent more of a clarification than any material change in the existing requirements of IAS 1. The amendments clarify the following aspects:

- The materiality requirements in IAS 1.
- Specific items in the income statement, the statement of comprehensive income and in the balance sheet can be broken down.
- Companies are free to determine the order in which they present the disclosures in the notes.
- The share of other comprehensive income attributable to associates and joint ventures accounted for using the equity method should in each case be reported in an individual line item and broken down to show whether or not these items will be reclassified to the income statement in subsequent periods.

Furthermore, the amendments clarify which requirements apply when presenting additional subtotals in the balance sheet, the income statement, and under other comprehensive income. These amendments do not have any implications for the consolidated financial statements.

AMENDMENTS TO IAS 27 – EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

This amendment permits companies to apply the equity method to recognise investments in subsidiaries, joint ventures and associates in their separate financial statements. Companies that already base their accounting on IFRS and that decide to convert to the equity method in their separate financial statements are required to make retrospective application of this amendment. This amendment will not have any implications for the consolidated financial statements.

IMPROVEMENTS TO IFRS 2012–2014

Specifically, the improvements comprise:

— IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
As a general rule, assets (or disposal groups) are disposed of by way of sale or distribution to owners. The amendment clarifies that a change from one of these disposal methods to another is not to be viewed as a new disposal plan, but rather as a continuation of the original plan. Application of IFRS 5 requirements is therefore not interrupted. This amendment is to be applied on a prospective basis.

— IFRS 7 Financial Instruments: Disclosures
The amendment clarifies that a servicing contract that includes a fee may constitute a continuing involvement in a financial asset. On the basis of the guidelines of IFRS 7 on continuing involvement, a company is required to evaluate the nature of the fee and the agreement in order to assess whether the disclosures are necessary. The evaluation of which servicing contracts constitute a continuing involvement must take place retrospectively. However, the required disclosures do not need to be made for reporting periods that start prior to the financial year in which the company applies the changes for the first time.

— IAS 19 Employee Benefits
This amendment clarifies that the assessment of the market depth for high quality fixed-interest corporate bonds is performed on the level of the currency in which the bond is denominated, while the country of issue is not relevant. If no liquid market exists for high quality fixed-interest corporate bonds in this currency, then reference should be made to the market yields on government bonds. This amendment is to be applied on a prospective basis.

— IAS 34 Interim Financial Reporting
This amendment clarifies that mandatory disclosures in the interim financial statements may be made either in the interim financial statements themselves or by inclusion of a cross-reference to the place within the interim report in which the corresponding disclosures are made (e.g. management report or risk report). These other pieces of information within the interim report must be accessible to readers in the same way and at the same time as the interim financial statements. This amendment requires retrospective application.

This amendment does not have any implications for the consolidated financial statements.

2.1.2 Standards, interpretations and amendments already published, but not yet applied

The standards published but not yet requiring mandatory application upon the date of publication of the consolidated financial standards are listed below. The Group intends to apply these standards when they come into effect.

IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments contains requirements governing the recognition, measurement, derecognition and accounting treatment of hedges. The IASB published the final version of this standard upon completing the various phases of its extensive financial instrument project on 24 July 2014. The existing accounting treatment of financial instruments pursuant to IAS 39 Financial Instruments: Recognition and Measurement can now therefore be fully replaced by the accounting treatment pursuant to IFRS 9. The version of IFRS 9 now published supersedes all previous versions. The principal requirements of the final version of IFRS 9 can be summarised as follows:

- Compared to the predecessor standard IAS 39 Financial Instruments: Recognition and Measurement, the requirements of IFRS 9 are largely unchanged in respect of the scope of application and recognition and derecognition.
- Compared with IAS 39, however, the IFRS 9 requirements provide for a new classification model for financial assets.
- In future, subsequent measurement of financial assets will be based on three categories with different measurement standards and different recognition of changes in value. Categorisation will be dependent both on the contractual cash flows of the instrument and on the business model within which the instrument is held. Fundamentally, these therefore constitute mandatory categories. Alongside these requirements, companies will nevertheless be provided with options in individual cases.
- For financial liabilities, by contrast, the existing requirements have largely been taken over in IFRS 9. The only material change relates to financial liabilities in the fair value option. For these liabilities, fair value fluctuations resulting from changes in own credit risk must be recognised under other comprehensive income.
- IFRS 9 provides for three stages to determine the amount of losses to be recognised and interest revenue in future. Accordingly, any losses already expected upon initial recognition must be recognized at the present value of the expected 12-month loss (stage 1). Should the credit risk increase significantly, the risk provision must be increased to the amount of the losses expected over the remaining life of the instrument (stage 2). As soon as any objective indication of impairment arises, the interest revenue must be based on the net carrying amount (carrying amount less risk provision) (stage 3).
- As well as extensive transitional guidelines, IFRS 9 also involves extensive disclosure requirements, both upon transition and during ongoing application. The changes compared with IFRS 7 Financial Instruments: Note Disclosures relate above all to impairment requirements.

The standard requires first-time application in financial years beginning on or after 1 January 2018. The company will only be able to reliably assess the implications of applying IFRS 9 once a detailed analysis has been performed.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

According to IFRS 15, the recognition of revenue should present the transfer of promised goods and services to the customer at the amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. IFRS 15 provides for a uniform, five-step revenue recognition model that is basically applicable to all contracts with customers. Revenue is recognised when the customer gains the power to dispose over (control) the goods or services. Furthermore, IFRS 15 includes requirements governing the recognition of any performance surpluses or obligations existing on contract level. These are assets and liabilities from customer contracts that arise in connection with the relationship of the service performed by the company and the payment by the customer. Moreover, the new standard calls for the disclosure of numerous items of quantitative and qualitative information intended to enable readers of the consolidated financial statements to understand the nature, amount, timing and uncertainties involved in revenues and cash flows resulting from contracts with customers. IFRS 15 will replace IAS 11 Construction Contracts, and IAS 18 Revenue, and the associated interpretations. The standard requires application in financial years beginning on or after 1 January 2018. The company will only be able to reliably assess the implications of applying IFRS 15 once a detailed analysis has been performed.

NEW STANDARD IFRS 16 – LEASES

The new standard IFRS 16 – Leases supersedes IAS 17 and associated interpretations. For lessees, the new standard calls for a completely new approach to the accounting presentation of leases. Under IAS 17, the decisive criterion governing the accounting presentation of leases at the lessee involved the transfer of material risks and rewards of the leased item. In future, lessees will be required to recognise basically all leases as financing transactions in the balance sheet. The accounting requirements for lessors have remained largely unchanged. The standard requires application in financial years beginning on or after 1 January 2019. The Group is currently reviewing the implications of applying IFRS 16 for its consolidated financial statements.

AMENDMENT OF IFRS 10 AND IAS 28 – SALES OR CONTRIBUTIONS OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE/JOINT VENTURE

The amendments deal with the discrepancy between the regulations of IFRS 10 and IAS 28 in relation to the loss of control over a subsidiary which is being sold or contributed to an associate/joint venture. The amendments clarify that the full gain or loss of the sale or contribution of assets in such cases should be recognised, provided that the assets constitute a business within the meaning of IFRS 3. All gains or losses from the sale or contribution of assets which do not constitute a business are only to be recognised to the extent of the interest of unrelated other investors in the associate or joint venture. The IASB has postponed the first-time application of this amendment indefinitely.

DISCLOSURE INITIATIVE – AMENDMENT OF IAS 7

The amendment of IAS 7 Statement of Cash Flows, is part of the disclosure initiative of the IASB and requires companies to make disclosures which enable the users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. For the first-time application of the amendment, no comparative information is required for prior reporting periods. The amendment requires application in financial years beginning on or after 1 January 2017. The Group presently assumes that no significant implications result from this.

AMENDMENT TO IAS 12 – RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES

With the amendment, it is clarified that based on a future reversal of a deductible differences, a company must take account of whether tax laws limit the sources for future taxable income from which these deductible temporary differences could be deducted. Furthermore, the amendment contains guidelines on how a company must calculate future taxable income and to what extent the realisation of assets can be taken into account beyond their carrying amount. This amendment requires retrospective application. However, in the year of first-time application, a company may fully recognise the changes resulting from this in retained earnings (or another component of equity, as appropriate) in the opening balance sheet of the earliest comparative period presented. In this case, allocation between retained earnings and other components of equity would not be made. If a company applies this relief, it is required to disclose this fact. The amendment requires application in financial years beginning on or after 1 January 2017. Earlier application is permitted. If a company applies the change to a previous period, it must disclose this. This amendment is not expected to have any implications for the consolidated financial statements.

AMENDMENT OF IFRS 2 – CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS

The IASB has published an amendment to IFRS 2 Share-based Payment, which addresses three main areas: the effects of vesting conditions on the measurement of cash-settled share-based payment transactions; the classification of share-based payment transactions with net settlement features for withholding tax obligations; and the accounting treatment of cash-settled share-based payment transactions in the case of a modification of their terms and conditions, which leads to a classification as an equity-settled share-based payment transaction. For the first-time application, companies must apply the amendment without restating prior reporting periods. However, a retrospective application is permitted, if this option is exercised for all three amendment areas and other preconditions are fulfilled. The amendment requires application in financial years beginning on or after 1 January 2018. This amendment is not expected to have any implications for the consolidated financial statements.

AMENDMENT TO IAS 40 – INVESTMENT PROPERTY

The amendment was made in order to clarify that a company may only transfer a property to or from investment property when, and only when, there is evidence of a change in use. The change of use consists of a property meeting, or ceasing to meet, the definition of investment property. A change in management's intentions for the use of the property by itself does not constitute not evidence of a change of use. The amendments come into force for the reporting periods that begin on or after 1 January 2018. Earlier application is permitted.

IFRIC 22 – FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

On 8 December 2016, the IASB published IFRIC 22 Foreign Currency Transactions and Advance Consideration. IFRIC 22 addresses an application question regarding IAS 21 The Effects of Changes in Foreign Exchange Rates. It clarifies the time at which the exchange rate should be calculated for the translation of transactions in foreign currencies, which include advance payments received or made. For the determination of the exchange rate for the underlying asset, revenue or expense, the time at which the asset/liability resulting from the advance payment is first recorded is relevant. The interpretation is applicable from 1 January 2018.

IMPROVEMENTS TO IFRS 2014–2016

On 8 December 2016, the IASB published its annual improvements to the IFRS cycle 2014–2016. The adopted amendments have an impact on three IFRS standards. The subject matter of the annual improvements is not urgent aspects, but aspects which require improvement in areas where the International Financial Reporting Standards (IFRS) should be more clearly formulated or amendments which do not require the complete revision of a standard. The amendments in detail are:

- In IFRS 1 “First-time Adoption of the International Financial Reporting Standards”, short-term exemptions are deleted.
- A clarification in IFRS 12 “Disclosure of Interests in Other Entities”, that the disclosure requirements of the standard – except for IFRS 12.B10-B16 – also apply to interests which fall within the scope of IFRS 5.
- In IAS 28 “Investments in Associates and Joint Ventures”, it was clarified that the choice to measure an investment in an associate or joint venture which is held by a venture capital organisation or another qualified entity, can be made on an investment-by-investment basis.

The amendments to IFRS 12 are applicable for financial years, which begin on or after 1 January 2017, the amendments in IFRS 1 and IAS 28 are applicable for financial years which begin on or after 1 January 2018.

2.2 INFORMATION REGARDING CONSOLIDATION

2.2.1 Reporting entity

In addition to JDC Group AG the consolidated financial statements in principle include all subsidiaries under IFRS 10, in which JDC Group AG holds a majority of voting rights or which it can control by other means.

With the exception of Jung, DMS & Cie. GmbH, Vienna/Austria, Jung, DMS & Cie. Finanzservice GmbH (formerly Jung, DMS & Cie. Maklerservice GmbH), Vienna/Austria, FiNUM.Private Finance AG, Vienna/Austria, FiNUM.Private Finance Holding GmbH, Vienna/Austria all of the subsidiaries are registered in Germany. In addition to the parent company, the consolidated financial statements also include the direct subsidiaries and sub-groups Jung, DMS & Cie. Aktiengesellschaft, FiNUM.Private Finance Holding GmbH, Wiesbaden, and FiNUM.Private Finance Holding GmbH, Vienna/Austria.

The following table provides an overview of the JDC Group AG reporting entity:

Subsidiaries	Capital share in %	Date of first-time consolidation
1. JDC Group-Konzern		
Jung, DMS & Cie Aktiengesellschaft, München	100.0	31/03/2004
FiNUM.Private Finance Holding GmbH, Wien	100.0	01/10/2009
FiNUM.Private Finance Holding GmbH, Wiesbaden	100.0	01/10/2011
2. Sub-group Jung, DMS & Cie. Aktiengesellschaft		
Jung, DMS & Cie. GmbH, Wien/Österreich	100.0	31/03/2004
Jung, DMS & Cie. Pool GmbH, Wiesbaden	100.0	07/05/2004
Jung, DMS & Cie. Fundmatrix AG, Wiesbaden	100.0	30/09/2007
Jung, DMS & Cie. Pro GmbH, Wiesbaden	100.0	17/01/2008
JDC plus GmbH, Wiesbaden, formerly JDC Finanz GmbH	100.0	01/10/2013
Aragon Media GmbH, Wiesbaden	100.0	01/10/2012
JDC Geld.de GmbH, Wiesbaden, formerly Fine IT Solutions GmbH, Troisdorf	100.0	01/09/2010
3. Kormoran Verwaltungs GmbH, Wiesbaden	100.0	13/05/2016
3. Sub-group FiNUM.Private Finance Holding GmbH		
FiNUM.Private Finance AG, Wien/Österreich	100.0	31/12/2009
Jung, DMS & Cie. Finanzservice GmbH, Wien/Österreich, vorm. Jung, DMS & Cie. Maklerservice GmbH	100.0	01/9/2011
4. Sub-group FiNUM.Private Finance Holding GmbH		
FiNUM.Private Finance AG, Berlin	100.0	31/12/2011
FiNUM.Finanzhaus AG	100.0	12/07/2013
FiNUM.Pension Consulting GmbH, Wiesbaden, formerly JDC Financial Training GmbH	100.0	01/09/2012

MEG AG, Kassel, is not included in the consolidated financial statements due to a lack of control. FVV GmbH, Wiesbaden is due to negligibleness not included in the consolidated financial statements.

A complete list of the shareholdings of JDC Group AG is available in Appendix 3 to these notes and is filed with the electronic company register.

2.2.2 Principles of consolidation

Subsidiaries are companies in which JDC Group AG holds more than half of the voting rights, either directly or indirectly. Control in the sense of IFRS 10 is present if JDC Group AG is in a position to influence the level of return.

Under IFRS rules, all business combinations must be represented in accordance with the purchase method. The consolidation of capital was carried out at the time of acquisition in line with the purchase method. The time of acquisition represents the time when the ability to control the acquired company in terms of decisions about financial and operational actions passes to the buyer. Under the acquisition method, the purchase price of the purchased shares is offset by the proportional fair value of the purchased assets and liabilities and contingent liabilities of the subsidiary at the time of acquisition. What is dispositive are the value ratios at the time when control over the subsidiary was achieved. Any positive difference arising from the offsetting is capitalised as derivative goodwill. Any negative difference is recognised directly in the income statement following revaluation of the identifiable assets, liabilities and contingent liabilities.

When acquiring additional shares of companies which are already included as subsidiaries in the consolidated financial statements, the difference between the purchase price and the proportionally acquired equity capital is reported as goodwill. With regard to investments where less than 100 percent of the equity in the subsidiary is held, minority interests need to be taken into account. Where consolidation is based on the revaluation method, the equity attributable to minority shareholders is increased pro rata by hidden reserves. Hidden reserves and charges identified on valuation of the assets and liabilities at fair value as part of first-time consolidation are amortised, written down or released in subsequent periods, depending on the development of the assets and liabilities. Derivative goodwill is attributed to the relevant cash generating unit and is subject to regular impairment tests in the subsequent periods. If an impairment is ascertained, derivative goodwill is written down on an unscheduled basis to the lower recoverable amount.

A subsidiary's income and expenses are included in the consolidated financial statements from the time of acquisition. Income and expenses of a subsidiary remain included in the consolidated financial statements until the control by the parent company comes to an end. The difference between the proceeds from the sale of the subsidiary and its carrying value is reported at the time of the sale in the consolidated income statement as a profit or loss resulting from the divestment of the subsidiary. Inter-company expenses and income, receivables and liabilities, and earnings between companies included in the consolidated financial statements are eliminated.

Associates are companies where JDC Group AG or one of its subsidiaries has a substantial influence on financial and business policy without being in a position to control decisions. The consolidated financial statements contain the Group's share, calculated using the equity method, in the profit or loss of associates, from the date on which a substantial influence exists until such time as it is relinquished. Investments in associated companies are recorded pro rata at the time of acquisition with their re-valued assets (plus any goodwill), liabilities and contingent liabilities. The goodwill from applying the equity method is not subject to regular depreciation. The carrying value resulting from applying the equity method is tested for impairment if there are indications for a loss of value. Unrealised profits and losses from business transactions with these companies are eliminated pro rata. Where the Group's share of losses exceeds the carrying value of the investment in the associate, it is reported as zero. Additional losses are included by reporting a liability to the extent that JDC Group AG has assumed economic and legal obligations or made payments in the name of the associate.

Balances and transactions within the Group and any unrealised profits from Group-internal transactions are eliminated when the consolidated financial statements are prepared. Unrealised profits from transactions with associates are eliminated to the extent of the stake in the relevant company. Unrealised losses are treated in the same way as unrealised profits. However, this applies only if no impairment of the carrying value of the investment is discernible. Deferred taxes are accrued in accordance with IFRS rules against consolidation processes realised through profit or loss.

2.3 Currency translation

Foreign currency transactions are converted into euros at the exchange rate applicable on the date of the transaction. Monetary assets and liabilities in foreign currencies existing on the balance-sheet reporting date are translated into euros at the exchange rate applicable on the reporting date. Currency differences resulting from currency translation are recognised in profit and loss.

Non-monetary assets and liabilities in foreign currencies existing on the reporting date which are valued at fair value are translated into euros at the exchange rate applicable at the time when the fair value was determined.

2.4 INTANGIBLE ASSETS

2.4.1 Goodwill

Goodwill may arise, in principle, as a result of the purchase of business units, the acquisition of subsidiaries, associates and joint ventures. The goodwill from mergers results, on application of the provisions of IFRS 3, as the surplus cost of acquisition of the investment above the acquired share in the revalued equity of the purchased company.

The value of goodwill is tested at least annually on the basis of the recoverable amount of the cash-generating unit and, when an impairment is present, is written down, on an unscheduled basis, to the amount recoverable ("impairment only" approach). Impairment testing must also be carried out whenever there are indications that the cash-generating unit has been impaired in value.

For the purposes of impairment testing, goodwill acquired through mergers must be allocated as of the date of acquisition to each cash-generating unit or group of cash-generating units of the Group that are to benefit from the synergies resulting from the merger. This applies irrespective of whether other assets and liabilities of the acquired company have already been allocated to these units or groups of units.

If the carrying value of the cash-generating unit to which the goodwill has been allocated exceeds the recoverable amount, the goodwill allocated to this cash-generating unit must be reduced and written down by the difference. Reductions in the value of goodwill may not be reversed. If the impairment in value of the cash-generating unit exceeds the carrying value of its allocated goodwill, any additional reduction in value must be recorded by a pro rata reduction of carrying values of the assets allocated to the cash-generating unit. The re-coverable amount of a cash-generating unit is calculated on the basis of its fair value minus the disposal costs. The fair value minus the disposal costs is usually calculated using the Discounted Cash Flow method (DCF). Underlying these DCF calculations are forecasts based on the financial plans approved by the Management Board which are also used for internal purposes. The planning horizon chosen reflects the assumptions regarding short- and medium-term market developments. Cash flows beyond a forecast period of generally 3 years are calculated using suitable growth rates. The key assumptions on which the calculation of fair value minus disposal costs is based include assumptions about the number of agreements brokered, gross margin, payments for operating business activities, growth rates and the discount rate. External information is also included in the cash flow calculations.

Every unit or group of units to which goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes and is not larger than an operative segment pursuant to IAS 8. Under IAS 36, the operative segments prior to aggregation are considered the highest level of a group.

2.4.2 Other intangible assets

Other intangible assets acquired by Group companies, such as software and licences or a customer base, are reported at cost plus incidental acquisition costs (e. g. software customisation), less accumulated amortisation and impairment (cf. Section 3.1.5).

Internally developed software is capitalised at cost, provided that it is possible to clearly allocate costs and both the technical viability of project completion and usefulness to the company (or commercialisation) of the intangible asset are ensured, and there is sufficient likelihood that development activities will result in a future economic benefit. Capitalised development costs comprise all costs directly attributable to specific software development and pro rata overhead costs. Internally generated intangible assets are reported less accumulated amortisation and impairment (cf. ref. 3.1.5). Research expenditure and costs of debt are not capitalised. In accordance with the causation principle, they are booked as expenses on the date they arise.

Scheduled amortisation of other intangible assets with a definite useful life is carried out on a straight-line basis over the expected useful life. Amortisation starts from the moment the intangible asset becomes useful.

The expected useful life is as follows:

Internally developed software	5 years
„Compass“, „World of Finance“, and „iCRM“	
Purchased software	3 years
Licenses	1 to 10 years
Customer base	5 – 15 years

The useful life and depreciation methods are reviewed, at a minimum, as of each annual financial-statement reporting date. If the expectations differ from the preceding estimates, the corresponding changes are recorded, in accordance with IAS 8, as amended estimates.

Intangible assets are impaired in value if the recoverable amount – the higher value of fair value minus the disposal costs and the utilisation value of the asset – is lower than the carrying value.

Within the context of the transfer of activities in relation to Geld.de, intangible assets (domain) were acquired with an indefinite term of use; no depreciation is applicable to these.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are reported at their purchase or production costs minus the accumulated scheduled depreciations and impairment in value (Impairment Test) in accordance with the cost model.

Purchase or production costs also include, in addition to the purchase price and the directly allocable costs for putting the asset into the intended operational condition, the estimated costs for the breaking up and removal of the object.

Subsequent expenses are only capitalised if it is probable that the economic benefit associated with these expenses will flow to the asset concerned and the costs can be determined reliably. All other expenses such as maintenance costs are recorded as expenses. Borrowing costs are not capitalised.

The scheduled depreciation for tangible assets follows the linear method over the expected useful life of the objects. In the year of accession, assets values within property, plant and equipment are depreciated prorated over time.

The expected useful life is as follows:

IT hardware/equipment	2 to 5 years
Office equipment	5 to 13 years
Trade fair stands	6 years
Cars	6 years
Office furniture	12 to 13 years
Tenant's improvements	4 to 25 years

Tenant improvements are either depreciated over the respective useful life or the shorter duration of the leasehold.

If an asset falling within property, plant and equipment consists of several components having different useful lives, the major individual components are depreciated over their individual useful lives.

If an item of property, plant and equipment is disposed of or no further benefit is expected from its use or disposal, the carrying value of the item is removed from the books. Profit or loss from the write off of property, plant and equipment is the difference between the net proceeds of sale and the carrying value of the item and is recorded in other operating earnings or other operating expenses.

The remaining carrying values, useful lives and the depreciation method for assets are reviewed at a minimum as of each annual financial-statement reporting date. If the expectations differ from the existing estimates, the corresponding changes are recorded, in accordance with IAS 8, as amended estimates.

2.6 LEASED ITEMS

Leasing agreements are classified as “finance leases” if all risks and opportunities related to the economic ownership of the leased item pass mainly to the lessee. All other lease transactions are classified as “operating leases”.

Assets to be capitalised as finance leases are reported in the amount of the fair value at the start of the lease relationship or at the amount, if lower, of the present value of the future minimum lease payments. This figure is reduced by accumulated amortisation and impairment. The corresponding liabilities due to the lessor are reported as current and non-current liabilities under leases. The lease payment to be made is divided into the repayment and interest component using the effective interest method. The repayment component reduces lease liabilities, whereas the interest component is reported as interest expense. Repayment of lease liabilities takes place over the term of the lease. The difference between total leasing liabilities and the fair value of the leased item corresponds to the financing costs, which are distributed over the term of the lease agreement and realised through profit or loss, so that a constant interest rate on the outstanding debt emerges over the term of the agreement.

The depreciation of the leased item over the estimated useful life is realised through profit or loss.

The lessor under a finance lease issues a claim corresponding to the net investment value from the lease agreement. Leasing agreements are divided into repayments of the leasing claim and financial earnings. The claim from the lease is repaid and updated using the effective interest method.

If the lessor bears the key opportunities and risks (operating lease), the leased item is recorded by the lessor in the balance sheet. The rental and lease payments made by JDC Group itself as part of operating leases are recorded over the contract term and realised in profit and loss.

2.7 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Long-term assets and sales groups held for sale are classified as such if the corresponding carrying value is realised mainly by a sale transaction and not by continued use. These assets are valued at the lower of the carrying value and fair value minus the disposal costs. These assets are no longer subject to regular depreciation. In principle, an impairment for these assets is only recorded if the fair value minus the disposal costs is below the carrying value. Should the fair value minus the disposal costs subsequently rise, the previously recorded value impairment must be reversed. An appreciation in value is limited to the value impairment previously recorded for the assets concerned.

2.8 IMPAIRMENT IN VALUE OF INTANGIBLE ASSET ITEMS AND PROPERTY, PLANT AND EQUIPMENT

The intrinsic value is calculated by comparison of the carrying value and the recoverable amount. The recoverable amount of assets is the higher of the fair value minus the disposal costs and the utility value. For assets to which no cash flows can be directly allocated, the amount recoverable by the cash-generating unit to which the asset is allocated must be established.

At every reporting date a check is made whether there are indications that an asset might be impaired in value. If such indications are present the recoverable amount of the asset or cash-generating unit must be calculated. The corresponding impairment requirement is recognised as an expense.

If the reasons for a previously recorded value impairment have been eliminated, these assets are written up. However, a write-up only takes place to the extent that the carrying value of an asset, which would have resulted minus the scheduled depreciation and without taking impairments into account, is not exceeded. No write-ups are made to goodwill.

The recoverable amount of the cash-generating units is normally calculated using the discounted cash flow method. Here, forecasts are made on the basis of financial schedules with respect to cash flows to be achieved over the estimated useful life of the asset or the cash-generating unit. The applied discount interest rate is an interest rate before taxes that reflects current market assessments regarding the interest effect and the specific risks of the asset or cash-generating unit. The internal pretax interest rate has been set at 6.0 percent (previous year: 6.0 percent).

The calculated cash flows reflect the assumptions by the management and are supported by external information sources.

2.9 FINANCIAL INSTRUMENTS

A financial instrument is an agreement which simultaneously causes the creation of a financial asset at one company and the creation of a financial obligation or equity capital instrument at another company.

Financial assets include in particular financial investments held to maturity, original and derivative financial assets held for commercial purposes, trade receivables and other loans and receivables originated by the company as well as cash and cash equivalents.

Financial obligations regularly generate a return claim in cash or in another financial asset. This includes, in particular, bonds, trade payables, liabilities due to banks, obligations from finance leaseholds and derivative financial obligations.

Financial instruments are in principle recorded once JDC Group becomes a contractual party to the rules of a financial instrument.

When first recorded, financial instruments are valued at fair value. For all financial assets subsequently not valued at fair value through profit or loss, the transaction costs directly allocable to the acquisition must be taken into account. If market prices are not immediately available, they are calculated using accepted valuation models and references to current market parameters.

The Group's financial assets comprise closed-end fund investments, securities and loans. Investments also include subsidiaries not consolidated for materiality reasons and have been classified as “available-for-sale”.

Financial instruments in this category are not derivative financial assets. They are valued at fair value, provided it can be reliably assessed. Fluctuations in value on the different reporting dates are essentially stated under the revaluation reserve with no impact on the income statement. The reserve is released with impact on the income statement either upon disposal or in the event of impairment.

Financial investments are categorised as **“held to maturity”** if they are financial assets with fixed or identifiable payments that the company intends to hold to maturity and is in a position to do so.

Financial assets in the held-to-maturity category are valued at amortised cost on the reporting date on the basis of the effective interest rate method. If the recoverable amount falls below the carrying value for a sustained period, unscheduled impairment is applied and realised through profit or loss.

Financial assets held for commercial purposes are valued at fair value. This includes primarily derivative financial instruments not integrated in an effective hedging relationship according to IAS 39 which therefore must be classified as "**held for commercial purposes".** Any profit or loss resulting from the subsequent valuation is realised through profit or loss.

To date, JDC Group AG has not made use of the option to designate financial assets during their first recording as financial assets to be valued at their fair value through profit or loss (**Financial Assets at Fair Value Through Profit or Loss**).

The other original financial assets are categorised as **"available-for-sale"** and are always valued at the fair value. The profits and losses resulting from the valuation are recorded in the equity capital without impacting the income statement. This does not apply to permanent or material impairments of value or currency-related value changes of loan capital instruments, which are recorded with impact on the income statement. Only after disposal of the financial assets are accumulated profits and losses from valuation at fair value recorded in equity capital realised through profit or loss on the income statement.

If, in individual cases, a current market value cannot be reliably determined for equity capital instruments not traded on a stock exchange, the value can alternatively be stated at its acquisition costs, unless a lower fair value is to be recognised (IAS 39.46 letter c).

Other **long-term receivables** are measured using the effective interest method at amortised cost.

2.10 OTHER FINANCIAL INSTRUMENTS

2.10.1 Classification of the maturities for assets

An asset is classified as current if

- the realisation of the asset is expected within the normal business cycle or the asset is being held for sale or use within this time period,
- the asset is primarily held for trading purposes,
- the realisation of the asset is expected within twelve months after the balance sheet date or
- cash or cash equivalents are involved, unless the exchange or use of the asset for the fulfilment of an obligation is limited for a period of at least twelve months after the balance sheet date.

All other assets are classified as non-current.

Deferred tax claims are classified as non-current assets.

2.10.2 Trade receivables

Trade receivables and other short-term receivables are, where necessary, shown using the effective interest method at amortised costs, minus any necessary impairment in value. Impairments in value carried out in the form of individual valuation adjustments are sufficient to protect against expected default risks. Actual defaults lead to the receivables concerned being removed from the books. Receivables from services not invoiced represent commission receivables under brokerage agreements. The income is realised when the contract is entered into. All identifiable risks are here taken into account.

2.10.3 Derivative financial instruments

Derivative financial instruments are exclusively used for hedging purposes to hedge against interest rate risks arising from operational activities and financing and investment activities. Derivative financial instruments are neither held nor issued for speculation purposes. Derivative financial instruments not meeting the requirements of a hedging tool (Hedge Accounting in accordance with IAS 39), must be categorised as “financial assets and obligations held for commercial purposes”. Derivative financial instruments with positive market values are recorded at fair value when they are added and reported under the “securities” item under current assets. Derivative financial instruments with a negative market value are reported under other current liabilities. If no market values exist, fair values must be calculated using accepted methods of financial mathematics. In subsequent periods, these are reported at fair value as of the reporting date, with gains and losses reflected on the income statement.

For derivative financial instruments, fair value corresponds to the amount which JDC Group AG would either receive or have to pay upon termination of the financial instrument at the reporting date. This is calculated using the relevant interest rates, exchange rates and credit quality of the contractual partners on the reporting date. Average rates are used for the calculations. For interest-bearing derivative financial instruments, a distinction is made between “Clean Price” and “Dirty Price”. Unlike the “Clean Price”, the “Dirty Price” also includes accrued interest. The fair values to be recorded correspond to the full fair value or the “Dirty Price”.

For the recording of changes in fair values – realisation through profit or loss or realisation directly in equity without affecting income – the decisive factor is whether the derivative financial instrument is integrated in an effective hedging relationship in accordance with IAS 39 or not. If no Hedge Accounting exists, the changes in the fair values of the derivative financial instruments must be immediately realised through profit and loss. If, on the other hand, there is an effective hedging relationship in accordance with IAS 39, the hedging context is recorded as such.

Depending on the hedged item type, a distinction is made between **“Fair Value Hedge”**, **“Cash-Flow Hedge”** and **“Hedge of a Net Investment in a Foreign Operation”**.

JDC Group currently uses derivative financial instruments only to hedge interest risks resulting from operational activities, financial transactions and investments (interest swap). The principles of accounting for this **“Cash Flow Hedge”** are described below.

Using a cash flow hedge, future cash flows from assets and liabilities recorded in the balance sheet or from highly probable scheduled transactions are hedged against fluctuations. If a cash flow hedge exists, the effective portion of the change in value of the hedging tool is recorded in equity capital without being realised in profit and loss (hedging reserve) until the result from the hedged underlying business is available; the ineffective part of the value change of the hedging tool is realised through profit and loss.

IAS 39 places strict requirements on the use of hedge accounting. JDC Group meets these as follows: At the start of a hedging measure both the relationship between the financial instrument used as hedging tool and the underlying transaction as well as the aim and strategy of hedging are documented. This includes both the concrete allocation of the hedging tools to corresponding assets or liabilities or (fixed) future transactions as well as an estimate of the degree of effectiveness of the hedging tools used. Existing hedging measures are continually monitored for their effectiveness. If a hedge becomes ineffective, it is immediately dissolved.

2.10.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits which have a remaining term of up to three months when received. This inventory will be valued at amortised cost.

2.10.5 Financial obligations

When first recorded, **financial obligations** are valued at fair value. The transaction costs directly allocable to the acquisition are also recorded for all financial obligations subsequently recorded at fair value without being realised in profit and loss.

Trade payables and other original financial obligations are, in principle, recorded using the effective interest rate method with amortised costs.

To date, JDC Group has not made use of the right to elect to designate financial obligations upon their initial recognition as financial obligations to be recorded at fair value through profit or loss (**Financial Liabilities at Fair Value Through Profit or Loss**).

2.11 IMPAIRMENT OF FINANCIAL ASSETS

On every reporting date the carrying values of financial assets which are not to be recorded at fair value through profit and loss are examined as to whether objective indications, such as significant financial difficulties of the debtor, a high probability of insolvency proceedings against the debtor, the disappearance of an active market or significant changes in the economic or legal climate, point to an impairment in value.

Any impairment expenses justified by a fair value lower than the comparable carrying value are recorded through profit or loss. If impairments of value of the fair values of financial assets available for sale were hitherto recorded in the equity capital without being realised through profit or loss, they must be eliminated from equity capital up to the level of the calculated impairment in value and rebooked for realisation through profit and loss.

If at later valuation dates it transpires that the fair value has objectively risen due to events after the date of recording the impairment in value, the impairments are reversed to a corresponding level and realised through profit or loss. Impairments relating to unlisted equity capital instruments which are available for sale which have been recorded at their acquisition costs may not be reversed. The fair value of held-to-maturity securities to be calculated in connection with impairment testing and the fair value of loans and receivables recorded at their acquisition costs correspond to the present value of the estimated future cash flow discounted using the original effective interest rate. The fair value of unlisted equity capital instruments that were recorded at their acquisition costs is equal to the present value of the expected future cash flows discounted using the current interest rate that corresponds to the special risk of the investment.

2.12 LIABILITIES

2.12.1 Classification of the maturities for liabilities

A liability is classified as current if
- the fulfilment of the liability is expected within the normal business cycle,
- the liability is primarily held for trading purposes,
- the realisation of the liability is expected within twelve months after the balance sheet date or
- the company has no unlimited right to postpone the fulfilment of the liability by a minimum of twelve months after the balance sheet date.

All other liabilities are classified as non-current.
Deferred tax liabilities are classified as non-current liabilities.

2.12.2 Other provisions

Other provisions are recorded in the consolidated balance sheet if a legal or fact-based obligation has arisen to a third party as a result of a past event and it is probable that an outflow of resources with economic benefit will be necessary to honour this commitment, and the level of the expected provisioning amount can be reliably estimated. These provisions are evaluated taking all recognisable risks to the prospective performance amount into account and must not be offset with reimbursements. The performance amount is calculated on the basis of the best possible estimate.

Other non-current provisions are stated at their performance amount discounted to the reporting date insofar as the interest rate effect is material.

Changes in the estimated amounts or estimated timing of cash payments or changes in the interest rate for measuring the provisions for disposal, repair and other obligations are recorded in accordance with the change of the carrying value of the corresponding asset. If a reduction of the provision exceeds the corresponding asset, the excess amount must be immediately recorded as income.

2.12.3 Income tax liabilities

Income tax liabilities correspond to the expected tax liabilities which result from the taxable income during the period under review. The tax rates applicable on the reporting date or applicable shortly thereafter and the adjustments to taxes owed for previous periods are taken into account.

2.12.4 Contingent liabilities and receivables

Contingent liabilities and receivables are potential obligations or assets resulting from past events and whose existence is conditional on the occurrence or non-occurrence of uncertain future events. Contingent liabilities are also current obligations resulting from past events where the outflow of resources representing a commercial benefit is unlikely or where the scope of the obligation cannot be reliably estimated.

Contingent liabilities are recorded at their fair value if they were accepted as part of a company acquisition. Contingent receivables are not recorded. If the outflow of commercial benefit is unlikely, information on the contingent liabilities is provided in the notes to the consolidated financial statements. The same applies to contingent receivables where the inflow is unlikely.

2.12.5 Equity options

Equity options (share-based payment transactions compensated by equity capital instruments) are recorded at the time of issue at their fair value. The fair value of the obligation is recorded over the option period as personnel expenses. Exercise conditions not tied to market situations are taken into account in the assumptions regarding the number of options which are expected to be exercised. The obligations from share-based compensation transactions with cash settlement are recorded as liabilities and recorded on the reporting date at fair value. The expenses are recorded over the option period. Fair value is calculated both for share-based compensation transactions with settlement through equity capital instrument and the share-based compensation transactions using internationally accepted evaluation methods.

To date, JDC Group AG has not utilised the authorisation granted by the annual general meeting.

2.13 INCOME AND EXPENSES

2.13.1 Income

Income is recorded when it is probable that an economic benefit will flow to the Group, the amount of which can be determined reliably. For the Group's material types of income, this implies the following:

Income from services is recorded according to the percentage of completion of the transaction on the reporting date. If the result of a service cannot be reliably estimated, income is only recorded to the extent that the expenses incurred are recoverable.

Initial commissions from the brokerage of financial products are recorded if there is an entitlement to a fee on the basis of the underlying brokerage agreement. Portfolio commissions are only recorded after the legal entitlement arises. Income from other services is only recognised after the service has been rendered.

In accordance with the effective interest rate method, interest is recognised as income in the period in which the capital is provided and dividends are recognised at the time when the legal entitlement to payment arises.

2.13.2 Expenses under finance leases

Expenses under finance leases are divided into interest expenses and repayment of existing liabilities. Interest expenses are allocated in each period according to the term of the lease in such a way that the interest rate for the residual liability under the lease is constant.

2.13.3 Expenses under operating leases

Payments under operating lease agreements are recorded on a straight-line basis over the term of the lease agreement and realised through profit or loss.

2.13.4 Income taxes

Tax on income and earnings comprises current and deferred taxes. Current income tax corresponds to the expected tax liability resulting from the income subject to taxation in the period under review. Here, the tax rates applicable on the reporting date or shortly thereafter and adjustments to tax owed for previous periods are taken into account.

Active and passive deferred tax is recognised for all temporary taxable differences between the carrying value of an asset or a liability in the consolidated balance sheet and the tax balance sheet value. Deferred tax is measured on the basis of the regulations issued by lawmakers in the country in which the registered office is based as of the end of the relevant financial year for the financial years in which the differences are expected to be netted out. Deferred tax assets on temporary differences are only recognised if it seems sufficiently certain that they will be realised in the near future. Deferred tax liabilities arise as a result of temporary differences from shares in subsidiaries and associated companies, except where the Group is able to control the temporal course of the reversal and it is probable the temporary difference is not likely to be reversed soon. Deferred taxes are also not recorded if they result from the first recording of an asset or a liability during a transaction which is not a business merger and affects neither the commercial results for the period (prior to turnover tax) nor the tax results. Deferred tax is stated for temporary differences resulting from fair value reporting of assets and liabilities as part of company acquisitions. Deferred tax is only stated for temporary differences on derivative goodwill if the derivative goodwill can also be asserted under tax law.

Tax loss carryforwards result in the recognition of deferred tax assets if future taxable income is likely to be available for offsetting against the loss carryforwards.

2.13.5 Results from discontinued operations

IFRS 5 basically contains special measurement and disclosure rules for discontinued operations and for non-current assets held for sale.

Non-current assets and disposal groups classified as being held for sale are to be measured at the lower of carrying amount or fair value less costs to sell. Non-current assets or disposal groups are classified as being held for sale if the associated carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is the case only if the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Pursuant to IFRS 5.32a. [sic] a subsidiary acquired exclusively with a view to resale must be classified as a discontinued operation.

The income and expenses resulting from discontinued operations are to be disclosed separately from the income and expenses from continued operations in the income statement of the reporting period and the comparative period, and are to be reported separately as post-tax profit or loss of discontinued operations. Property, plant and equipment and intangible assets classified as being held for sale are not depreciated or amortised. For a subsidiary that was acquired exclusively with a view to resale, a breakdown of the results by income, expenses and taxes in the notes to the financial statements is not necessary.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are to be presented in the balance sheet separately from other assets. If the disposal group is a newly acquired subsidiary that fulfils the criteria for classification as being held for sale at the acquisition date, disclosure of the major classes of assets and liabilities is not required. These assets and liabilities may be offset and presented as a separate amount.

2.14 SIGNIFICANT ASSUMPTIONS AND ESTIMATES

The presentation of the net asset, financial position and results of operations in the consolidated financial statements depends on the accounting and valuation methods and requires assumptions to be made and estimates to be used which impact the amount and reporting of the recognised assets and liabilities, the income and expenses as well as contingent liabilities. The following material estimates and corresponding assumptions and the uncertainties related to the accounting and valuation methods chosen are decisive for understanding the underlying risks of financial reporting and the effects these estimates, assumptions and uncertainties might have on the consolidated financial statements.

Actual values may deviate from the assumptions and estimates in individual cases. Changes are realised through profit or loss once the relevant information is available.

Material assumption and estimates relate to the following:

The valuation of **intangible assets and tangible fixed assets** is related to estimates for calculating fair value at the time of acquisition, if they were acquired during a merger. The expected useful life of the assets must also be estimated. The determination of the fair value of assets and liabilities and the useful lives of assets is based on management judgements. Internal development costs for internally developed software tools are capitalised when the development phase starts. Amortisation of capitalised expenses begins once the item is ready for use and is applied over an expected useful life of six years.

Share transfer agreements in connection with mergers sometimes contain purchase price adjustment clauses based on the future income of the purchased subsidiaries. A best estimate of the acquisition costs of these shares is made on the date of the first-time consolidation based on forecast figures. Actual purchase prices may differ from this estimate.

In calculating the **impairment of intangible assets and tangible assets**, estimates are also made, inter alia, that relate to the cause, date and level of the impairment. An impairment is based on a multitude of factors. In principle, the development of the economic environment, changes in the current competitive situation, expectations for the growth of the financial service industry, development of the gross margin, increase in capital costs, changes in the future availability of financing, current replacement costs, purchase prices paid in comparable transactions and other changes indicating impairment are taken into account. The recoverable amount and the fair value are normally calculated using the DCF method, in which the reasonable assumptions are included. The identification of indications suggesting an impairment, estimation of future cash flows as well as calculation of the fair values of assets (or asset groups) involve material estimates to be made by management with regard to identifying and verifying any indications of an impairment, the expected cash flows, the applicable discount rates, the respective useful lives and the residual values.

The calculation of the **recoverable amount for a cash-generating unit** involves estimates by management. The methods used to calculate the fair value minus the disposal costs include methods based on discounted cash flows and methods based on the use of quoted stock market prices. The material assumptions on which the calculation by management of fair value minus disposal costs is based include assumptions about the number of brokered financial products, development of the raw margin, cancellation quota and costs for broker retention. These estimates, including the methods used, can significantly affect the calculation of the value and ultimately the level of depreciation of the goodwill.

Management carries out **adjustment to doubtful receivables** to take account of expected losses resulting from the insolvency of customers. The principles used for evaluating the appropriateness of the adjustment are based on past removal of receivables from the books, the credit quality of the customers and changes in payment terms. If the financial situation of customers worsens, the scope of actual losses on receivables may exceed the scope of the valuation adjustment carried out.

For every **taxable entity** of the Group, the expected actual income taxes must be calculated and temporary differences between the different treatment of specific balance sheet items in the IFRS consolidated financial statements and the annual tax statements must be evaluated. If there are temporary differences, these differences in principle lead to the recording of active and passive deferred taxes in the consolidated financial statements. Management must make judgments when calculating the actual and deferred taxes. To evaluate the probable future usability of deferred tax assets, different factors must be considered, such as the past income situation, operative planning, loss-carryforward periods and tax planning strategies. If the actual results deviate from these estimates or these estimates need to be adjusted during future periods, this could have negative effects on the net assets, financial situation and results of operations. If there is a change in the valuation assessment for deferred tax assets, a writing down must be done, to be realised through profit or loss.

The recognition and measurement of **provisions** and the level of **contingent liabilities** are significantly associated with estimates made by JDC Group. The evaluation of the probability of the claim and the quantification of the potential level of the payment obligation depends, for example, on an estimate of the respective situation. If losses from pending business are imminent, provisions are formed if a loss is likely and this loss can be reliably estimated. Because of the uncertainty related to this evaluation, actual losses might differ from the original estimates and thus from the amount of provisions. Furthermore, the calculation of provisions for taxes, legal risks and cancellation reserves involves material estimates. These estimates may change due to new information. In obtaining new information, JDC Group uses internal and external sources. Changes in the estimates may have considerable effects on future operating results.

Turnover realised from as yet uninvoiced brokerage services is calculated on the basis of the brokerage services performed or the brokerage income of the previous period. If the estimates change, differences in the amount and date of income may result for subsequent periods.

2.15 INFORMATION TO PREVIOUS YEAR ADJUSTMENTS

In the area of sales revenues, the company has performed a reallocation, to improve the information value, the previous-year values were partly adjusted. Detailed explanations are in Part 3 of the notes.

Other assets were investigated with respect to their maturity, as a result of this, a part of other assets has now been reclassified to non-current assets with a maturity > 1 year in the reporting period. For improved comparability, the previous year was adjusted accordingly.

3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1 NOTES TO THE CONSOLIDATED INCOME STATEMENT

Income by segments is shown in the segment report.

3.1.1 Revenues [1]

Income relates essentially to initial and follow-up commission from brokerage services in the three segments insurance products, investment funds and investments/closed-end funds as well as other services and breaks down as follows:

	01/01/–31/12/2016 kEUR	01/01/–31/12/2015 kEUR
Initial commission		
Insurance products	32,075	28,325
Investment funds	13,395	18,033
Closed-end funds	3,286	2,847
Follow-up commission	18,663	19,657
Overrides	4,172	1,051
Services	377	383
Fee-based advisory	2,740	2,860
Other income	3,344	2,544
Total	**78,052**	75,700

Total revenues of the reporting year was with kEUR 78,052 3.1 percent over the previous year (kEUR 75,700).

3.1.2 Other capitalised services/other operating income [2]

	01/01/–31/12/2016 kEUR	01/01/–31/12/2015 kEUR
Capitalised services	594	665
Reversal of impairments/income from receivables written off	10	261
Income from provision's release	578	125
Income from security sales	2	0
Income from statute-barred debt	348	189
Income from benefits in kind	215	193
Other operating income	826	2,058
Total	**2,573**	3,491

Other own work services in the amount of kEUR 594 (previous year: kEUR 665) were mainly achieved by the development of in-house proprietary-use software solutions (Compass, World of Finance, iCRM and allesmeins) (cf. Ref. 3.2.1.1.1 Concessions and licences).

The other operationg income of kEUR 1,389 (previous year: kEUR 2,440) relates essentially to income from allocations kEUR 414 (previous year: kEUR 522) and income for other accounting periods kEUR 296 (previous year: kEUR 34).

3.1.3 Commission expenses [3]

The item contains mainly the commissions for independent brokers and trade representatives. The expenses decreased by kEUR 1,373 to kEUR 55,306 (previous year: kEUR 56,679) comparing to the previous although sales increased.

The commission revenues from the portfolio acquisitions (Geld.de and AON) in the amount of EUR 3,345k (previous year: EUR 0) are not seen alongside commission expenses.

3.1.4 Personnel expenses [4]

	01/01/–31/12/2016 kEUR	01/01/–31/12/2015 kEUR
Wages and salaries	11,185	10,354
Social security	1,928	1,785
Total	**13,113**	12,139

Personnel expenses essentially comprise salaries, remuneration and other payments to the Management Board and employees of the JDC Group.

Social security includes the employer's statutory contributions (social security contributions).

The average number of staff employed during the financial year is 226 (previous year: 212).

3.1.5 Depreciation, amortisation and impairment [5]

	01/01/–31/12/2016 kEUR	01/01/–31/12/2015 kEUR
Depreciation and amortization of intangible assets	–2,346	–1,373
Purchased software	–393	–484
Internally developed software	–1,225	–823
Insurance portfolios	–647	0
Other intangible assets	–81	–66
Depreciation and amortization of property and equipment	–144	–174
Total	**–2,490**	–1,547

The changes in intangible assets and property, plant and equipment are explained in Appendices 1 and 2 of the notes.

As in the previous year, there were no impairments of property, plant and equipment.

3.1.6 Operating expenses [6]

	01/01/–31/12/2016 kEUR	01/01/–31/12/2015 kEUR
Marketing costs	814	697
Travel costs	267	209
External services	638	328
IT costs	1,831	1,550
Occupancy costs	1,354	1,275
Vehicle costs	348	347
Office supplies	108	90
Fees, insurance premiums	637	732
Postage, telephone	195	169
Write-downs/impairments of receiveables	130	139
Legal and consulting costs	1,718	1,848
Training costs	75	168
Human resources	64	55
Supervisory boad compensation	103	64
Non-deductible input tax	207	237
Other	997	1,186
Total	**9,486**	9,094

The advertising expenses are comprised of costs for trade fairs, customer events, printed matter and entertainment. Third-party services include expenses for agencies, external workers, share services and general meetings. IT costs are comprised of expenses for the general IT operation (servers, clients, data centre), software leasing, scanning services and software licences, if they are not capitalisable.

Occupancy costs include expenses for rent, incidental rental costs, energy supply and cleaning costs. Vehicle costs include expenses for the vehicle fleet, including vehicle leasing.

Under fees and insurance premiums, expenses from insurance policies, contributions to professional associations and BaFin/FMA (Austria) fees are reported in the balance sheet. The legal and advisory costs include expenses for legal issues/legal advisory, tax advisory, annual financial statement and auditing costs, as well as general accounting costs.

On the basis of the existing revenue structure and the included, non-taxable payments, the JDC Group has an input tax deduction rate of approx. 13 %, this is recalculated annually on the basis of the ongoing shifts in the revenue structure.

3.1.7 Financial result [7]

	01/01/–31/12/2016 kEUR	01/01/–31/12/2015 kEUR
Income from closed-end fund investments	0	0
Interest and similar income	63	66
Income from securities held as current assets	0	0
Depriciation of financial assets	0	0
Interest and similar expenses	–993	–775
Total	**–930**	–709

The increase in interest and similar expenses results mainly from the issuance of a bond from subsidiary company Jung, DMS & Cie. Pool GmbH in the year 2015, which is included, in numbers kEUR 896 (previous year: kEUR 546), for the first time with 12 months in the reporting year.

OF WHICH: FROM FINANCIAL INSTRUMENTS OF THE VALUATION CATEGORIES

The financial result is to be allocated to the following valuation categories in accordance with IAS 39:

	2016 kEUR	2015 kEUR
Loans and receivables (LaR)	63	66
Held-to-maturity securities (HtM)	0	0
Financial assets (AfS)	0	0
Financial liabilities measured at amortised cost (FLAC)	–97	–229
Financial liabilities measured at amortised cost (HtM)	–896	–546
Total	**–930**	–709

3.1.8 Income and other taxes [8]

Tax income and expenses are structured as follows:

	01/01/–31/12/2016 kEUR	01/01/–31/12/2015 kEUR
Current income tax	–101	–228
Deferred taxes	–340	–501
Total income tax	**–441**	–729
Other taxes	–73	–22
Total tax expenditure	**–514**	–751

For the financial years 2016 and 2015, using an expected tax rate of 31.72 percent (previous year: 31.23 percent), the tax expense deviates from the actual amounts as follows:

	01/01/–31/12/2016 kEUR	01/01/–31/12/2016 kEUR
Earnings before income taxes	–773	–999
Arithmetical tax expense at expected tax rate (31.72%, previous year: 31.23%)	0	0
Non-deductible expenses	0	0
Tax-exempt income components	0	0
Tax refunds and subsequent tax payments for previous years	0	–90
Evaluation of deferred taxes	–340	–501
Tax-rate based deviations (Austria)	0	0
Other	–101	–138
Income tax as stated in the income statement	**–441**	–729

The effective tax rate is 0.00 percent (previous year: 0.00 percent).

The deferred tax assets and liabilities are attributable to the following accounts:

	31/12/2016 kEUR	31/12/2015 kEUR
Deferred tax assets		
Tax reimbursement claims from loss carry-forwards	3,832	4,389
Tax reimbursement claims from financial liabilities	15	0
	3,847	4,389
Deferred tax liabilities	–697	–851
Intangible assets (software/customer base)	–582	–630
From other recognition differences	**–1,279**	–1,481

Due to changes in deferred taxes the following changes occur in income statement.

	31/12/2016 kEUR	31/12/2015 kEUR
Deferred tax assets		
Tax reimbursement claims from loss carry-forwards	–557	–474
Tax reimbursement claims from financial liabilities	15	0
	–542	–474
Deferred tax liabilities	154	–84
Intangible assets (software/customer base)	48	57
From other recognition differences	**202**	–27

The deferred taxes for the domestic companies were calculated using the corporate income tax rate of 15.0 percent plus solidarity surcharge of 5.5 percent and the trade tax local multiplier for the city of Wiesbaden of 454.0 percent (combined income tax rate: 31.72 percent).

For the Austrian companies, the corporate income tax rate of 25.0 percent in effect since 2005 has been applied.

The decrease in deferred tax assets is mainly the result of usage of loss carry forward.

3.1.9 Earnings per share [9]

	2016 kEUR	2015 kEUR
Consolidated net income	–1,214	–1,728
Weighted average number of shares (number)	11,392,473	10,849,974
Own shares	0	0
Earnings per share in EUR	**–0,11**	–0,16

No dividend was paid in financial year 2016.

3.2 NOTES TO THE CONSOLIDATED BALANCE SHEET

3.2.1 Non-current assets

The composition of and changes to the various non-current asset items are shown in the consolidated statement of changes in fixed assets (Appendix 1).

The changes in the net carrying amounts of consolidated assets during the financial year under review are reported in Appendix 2 to the notes.

Amortisation of intangible assets and depreciation on property, plant and equipment are presented in ref. 3.1.5 of the notes.

3.2.1.1 INTANGIBLE ASSETS [10]

	31/12/2016 kEUR	31/12/2015 kEUR
Concessions, industrial property rights and similar rights and values	20,531	6,691
Goodwill	24,559	24,557
Total	**45,090**	31,248

3.2.1.1.1 Concessions and licences

This mainly comprises insurance portfolios from portfolio acquisitions, software licences for standard commercial software, customer bases and a CRM database.

The significant rise in comparison to the previous year essentially results from the acquisition of two insurance portfolios in the amount of kEUR 13,340.

The insurance portfolios are amortised on a straight-line basis over 15 years, the acquired software, on a straight-line basis over three years and self-produced software, on a straight-line basis over five–six years.

Within the context of the acquisition of the "Geld.de" insurance portfolios, the geld.de domain (kEUR 800) were acquired. With the domain, the company assumes continuous intrinsic value, so that this has not been amortised.

In the financial year under review, internally generated software tools totalling kEUR 1,276 (previous year: kEUR 886) were capitelised. These are essentially company-specific software applications (Compass, World of Finance, iCRM and allesmeins) to support financial products.

As of the reporting date, the carrying amount of internally generated software tools was kEUR 2,768 (previous year: kEUR 2,517).

3.2.1.1.2 Goodwill

Goodwill results from the first-time consolidation at the time of the relevant business merger and is divided into segments as follows:

	31/12/2016 kEUR	31/12/2015 kEUR
Advisortech	19,096	19,093
Advisory	5,461	5,461
Holding	2	2
	24,559	24,557

3.2.1.1.3 Impairment losses

With regard to the impairment of intangible assets, we refer to the notes to 3.1.5. There are no indications of impairment for the other software and licences.

Goodwill was subjected to an impairment test as of 31 December 2016. The achievable amount of the generating mediums of payment relevant entities Advisortech and Advisory are determined on basis of calculation of use value under applicaton of estimated cash flows before income taxes. The estimation are deviated from management and supervisory board approved detailed budgeting of the group companies for the financial year 2016. For the financial years 2017 and 2018 moderate growth ratse (phase I) are assumed. For the subsequent periods, the cash flow was forecasted as perpetual annuity (phase II).

6.0 percent (previous year: 6.0 percent) was calculated using a riskfree base interest rate of 1.10 percent (previous year: 1.10 percent) derived from the yield-curve, a market risk premium of 5.63 percent (previous year: 5.63 percent) and using a beta factor for comparable investments of 0.7 (previous year: 0.7). The discount rate used to determine the present value of the initial cash flows of the perpetual annuity included a growth discount of 1.0 percent (previous year: 1.0 percent).

The assumptions made with regard to the sales growth in the operating units are an additional factor influencing free cash flow.

The rise in the discount rate before taxes to 8.0 percent (viz. + 2 percent) does not mean a loss of value for the mediums of payment relevant entities. The decline of planned EBIT in the mediums of payment relevant entities by –20 percent does not require a loss of value. A significant reduction of the planned EBT growth beyond this may lead to the book value exceeding the achievable amount. However, as significant measures have already been initiated for increasing EBT, the Management Board regards this scenario as unlikely. The market capitalisation as of 31 December 2016 of the group is above the equity's book value.

3.2.1.2 PROPERTY, PLANT AND EQUIPMENT [11]

	31/12/2016 kEUR	31/12/2015 kEUR
Property, plant and equipment	714	411
Total	**714**	411

The balance sheet item essentially comprises computer hardware including servers, note-books and printers, office equipment, cars, office furniture and improvements to third party buildings.

The changes in cost, depreciation and the carrying amounts are shown in the statement of changes in consolidated assets (Appendices 1 and 2).

As in the previous year, there was no indication of impairment of property, plant and equipment during the reporting year.

3.2.1.3 FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS [12]

The changes in financial assets and other non-current assets are shown in the statement of changes in consolidated assets (Appendices 1 and 2). The additional disclosures regarding financial instruments in accordance with IFRS 7 are presented in Appendix 4.

The breakdown of carrying amounts is as follows:

	31/12/2016 kEUR	31/12/2015 kEUR
Available-for-sale		
Shares in affiliated companies	25	25
Investments	118	124
Securities	0	0
Total	**143**	149

Shares in affiliated companies pertains the shares of FVV GmbH.

Moreover, this item includes three (previous year: two) investments in companies with shareholdings ranging from 20.0 percent to 25.1 percent. As the impact of these investments on the Group's financial position, cash flows, and profit and loss is not significant, these investments have not been measured using the equity method.

3.2.1.4 RECEIVABLES AND OTHER ASSETS [13]

	01/01/–31/12/2016 kEUR	01/01/–31/12/2015 kEUR
Accounts receivables	847	791
Other assets	2,448	2,498
Total	**3,295**	3,289

Accounts receivable essentially relate to commissions receivable from cancellation reserves and long-term contract relationships.

The other assets contain mainly of receivables to consultants.

3.2.2 Current other assets

3.2.2.1 RECEIVABLES AND OTHER ASSETS [14]

	31/12/2016 kEUR	31/12/2015 kEUR
Accounts receivable	13,354	11,623
Other assets		
commission advances	0	6,023
Other securities	0	0
Prepaid expenses	579	353
Other	2,987	2,997
Total	**16,920**	20,996

Accounts receivable essentially relate to commissions receivable from partner companies and broker pool partners from brokerage services as well as cancellation reserves.

The remaining other assets essentially relate to rent deposits, tax refund claims, short-term loans and advances of provisions.

Prepaid expenses relate to payments on account for advertising events in the subsequent year, insurance, contributions and vehicle tax.

3.2.2.2 CASH AND CASH EQUIVALENTS [15]

	31/12/2016 kEUR	31/12/2015 kEUR
Kassenbestand und Guthaben bei Kreditinstituten	2,913	5,320
Gesamt	**2,913**	5,320

The change in cash and cash equivalents during the financial year under review is shown in the consolidated cash flow statement under ref. 3.9.

3.2.3 Equity

The change in the Group equity of JDC Group AG is shown in the statement of changes in equity (cf. also ref. 3.8).

In the reporting year, a capital increase in the amount of 1,084,997 shares was implemented at a nominal value of EUR 1.00. From this capital increase, the company received funds of kEUR 6,250.

	31/12/2016 kEUR	31/12/2015 kEUR
Subscribed capital	11,935	10,850
Capital reserves	45,851	40,686
Other revenue reserves	283	283
Other equity components	–27,142	–25,413
Net income/loss stated in the income statement	–1,214	–1,728
Total	29,713	24,678

3.2.3.1 SUBSCRIBED CAPITAL AND CAPITAL RESERVES [16]

Subsribed capital and capital reserves

The Company's share capital is divided into 11,934,971 no-par-value ordinary bearer shares (previous year: 10,849,974) each representing a notional amount in the share capital of EUR 1.00 per share. The shares of JDC Group AG are admitted for the open market (Scale) on the Frankfurt stock exchange. Securities identification number: A0B9N3, ISIN: DE000A0B9N37.

Contingent capital

The share capital was contigently increased by EUR 5,000,000 through issuing of 5,000,000 new, owner registered no-par shares with entitlement to dividend from the beginning of the financial year of issuing (Contigent capital 2013/I).

The share capital was further contigently increased by up to EUR 420,000 through issuing of 420,000 new, owner registered no-par shares with a pro-rata amount of contigent capital of apiece EUR 1.0 (Contigent capital 2013/II).

Authorised capital

The Managment Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the company during the period until 30 August 2021, once or severally, in exchange for cash or in-kind contributions up to a total of EUR 5,967,485 by issuing up to a total of 5,967,485 of new no-par-value ordinary bearer shares (Authorised capital 2016).

3.2.3.2 REVENUE RESERVES AND NET INCOME/LOSS BROUGHT FORWARD [17]

The revenue reserves include the undistributed past net income/loss generated by companies included in the consolidated financial statements. The development of the revenue reserves including the net income/ loss brought forward can be found in the consolidated statement of changes in equity.

The revenue reserves contain the subsidiaries' legal reserves of kEUR 61. The free reserve is kEUR 222.

As of the reporting date, the Company is not holding any of its own shares.

3.2.4 Non-current liabilities [18]

	31/12/2016 kEUR	31/12/2015 kEUR
Bonds	12,871	12,688
Liabilities to banks	291	0
Accounts payable	7,889	7,478
Other liabilities		
Purchase price liabilities	0	0
Others	170	1,664
Total	**21,221**	21,830

Under the position bond is a corporate bond of the Jung, DMS & Cie. Pool GmbH from 2015 displayed in the balance sheet, it is shown in continued costs of purchase under usage of the effective interest method.

Under liabilities to banks is a loan from FiNUM.Private Finance AG, Vienna, issued through Bank Austria.

Non-current liabilities under accounts payable pertain to liabilities from broker's commissions retained until expiration of the cancellation reserve. The obligation to pay broker's provision usually has a residual term of one to five years. Other liabilities contain mainly long-term part of loan obligation.

Under this balance sheet position are also deferred taxes displayed, unter the text figure 3.1.8.

The classification of single positions to the evaluation categories of IAS 39 are displayed in appendix 4.

3.2.5 Provisions [19]

	31/12/2016 kEUR	31/12/2015 kEUR
Provisions with reversal liabilities	1,338	1,427
Asset Damage precaution	239	788
Total	**1,577**	2,215

Under provisions for cancellation liability is determined on basis of estimation and therefore not on personell classifiable parts of cancellation risks from business parts displayed. Furthermore are here provisions for threatened claims from financial loss displayed.

3.2.6 Current liabilities [20]

	31/12/2016 kEUR	31/12/2015 kEUR
Provisions for taxes	168	362
Liabilities to banks	97	3
Accounts payable	12,820	9,745
Other current liabilities		
Puchase price liabilities	1,277	0
Interest-rate derivatives with a hedging purpose	0	0
loan liability	1,521	0
Other	3,201	5,412
Deferred income	48	76
Total	**19,132**	15,598

Tax provisions essentially comprise the expected final payments for corporate income tax, solidarity surcharge and trade tax for the 2015 and 2016 plus threatening additional tax payments for past periods.

Under liabilities to banks, the current portion of the Bank Austria loan referred to in 3.2.4 is mainly reported.

Other accounts payable also comprise obligations under the cancellation reserve with a term of up to one year.

The recognised purchase price liabilities relate to still-outstanding instalments from the acquisition of insurance portfolios.

Other liabilities include, inter alia, liabilities from wage and church tax, as well as value-added tax, current interest liabilities from the corporate bond and liabilities for services already received.

3.3 DISCLOSURES ON LEASES

Where a lease agreement may not be classified as a finance lease, it constitutes an operating lease under which the lessor is the economic beneficiary of the leased item.

With the exception of an agreement for the use of IT hardware, all lease agreements concluded by Group companies are pure tenancy agreements. Generally the risks and rewards associated with ownership are not transferred under these agreements.

The future minimum lease payments under operating leases are as follows:

	31/12/2016 kEUR	31/12/2015 kEUR
Residual term		
up to one year	1,326	1,214
between two and five years	1,574	545
longer than five years	1,341	3
Total	**4,241**	1,762

There are lease agreements for office premises, office equipment, IT equipment and cars.

The agreements have remaining terms of between 2 and 118 months (previous year: 2 to 61 months), whereby some contain extension and price adjustment clauses. None of these lease agreements contains contingent lease payments. On the basis of the existing agreements, payments of kEUR 1,535 (previous year: kEUR 1,282) were recognised as expenses during the year under review.

New feature due to the introduction of IFRS 16

The company is presently reviewing the recognition of leasing commitments according to IFRS 16, a precise consequence cannot yet be specified. A balance sheet extension is assumed.

3.4 CONTINGENCIES

a) Liability for products on the "master list"

As business partners of the JDC Group Group companies, the independent brokers are liable for their investment recommendations regarding the products offered if they have not complied with all the legal checks and research obligations. For selected products Jung, DMS & Cie. AG arranges for these reviews, which result in an exemption from liability, to be carried out by its own staff and with recourse to external research firms.

For transactions in these reviewed products, which are indicated in the master lists, the pool automatically and voluntarily assumes liability when the transactions are processed by Group companies.

b) Liability umbrella

Jung, DMS & Cie. GmbH, Vienna/Austria, FiNUM.Finanzhaus AG, Wiesbaden, and FiNUM.Private Finance AG, Berlin, assumes more extensive liability for financial brokers who become tied agents on the basis of an exclusive pool partner agreement. The companies are directly liable to the pool partners' customers for any consulting errors. In order to avoid charges resulting from this external liability where possible, the pool partner comprehensively indemnifies Jung, DMS & Cie., Vienna/Austria, against any such claims on the basis of the existing internal relationship.

c) Letters of comfort

JDC Group AG has issued letters of comfort to various insurance companies for its subsidiaries.

Jung, DMS & Cie. AG has issued letters of comfort for its subsidiary Jung, DMS & Cie. Pool GmbH to various insurance companies.

d) Other contingencies

There are no other contingencies as of the reporting date.

3.5 CONTINGENT LIABILITIES

By the time of publication of the annual financial report there were no contingent liabilities.

3.6 RELATED PARTIES

In accordance with IAS 24, persons or companies which control over JDC Group AG or are controlled by it must be disclosed unless they are included as consolidated companies in JDC Group's consolidated financial statements. Control exists if a shareholder holds more than 50 percent of the voting rights in JDC Group AG or has the power to govern the financial and operating policies of JDC Group AG on the basis of a contractual agreement.

In addition the disclosure requirement under IAS 24 applies to transactions with associated companies and transactions with persons who exercise significant influence on the financial and operating policies of JDC Group AG, including close family members and intermediary companies. A significant influence on the financial and operating policies of JDC Group AG may be based on a shareholding in JDC Group AG of 20 percent or more, a seat on the Management Board or Supervisory Board or another key management position in the company.

For JDC Group AG the following disclosure obligations arise for the financial year:

Both members of the managing board with their subsidiary companies Aragon Holding GmbH and Grace Beteiligungs GmbH are the biggest single shareholders each with 21 percent, approximately 20 percent are held by strategic investors and further 39 percent are in the free-float.

Transactions with members of the Management Board and the Supervisory Board:

	31/12/2016 kEUR	31/12/2015 kEUR
Supervisory Board		
Total remuneration	103	64
Management Board		
Total remuneration*	**736**	736

* The total remuneration of the Boards of JDC Group AG is disclosed, even when the costs have been borne by subsidiaries.

3.7 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No subject to report events took place after the reporting date.

3.8 STATEMENT OF CHANGES IN EQUITY

The movement in Group equity as of the reporting date is shown in the statement of changes in equity, which forms part of the consolidated financial statements.

The increase of kEUR 5,035 for the group's equity capital (previous year: kEUR –1,728) resulted from executed capital increase with a capital inflow to equity of kEUR 6,250 reduced by the results for the reporting year with an amount of kEUR –1,214.

3.9 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The Group's changes in financial position are reflected in the cash flow statement, which forms part of the consolidated financial statements in accordance with IFRS. At kEUR 1,218, the cash flow from operating activities was positive.

In the cash flow statement, the changes in cash and cash equivalents within the JDC Group Group during the financial year are shown on the basis of the cash flows from operating activities, investment activities and financing activities. Non-cash transactions are combined into a total amount only under the cash flow from operating activities.

Cash and cash equivalents

Cash and cash equivalents are broken down in the consolidated cash flow statement. Cash and cash equivalents with a residual term of a maximum of three months are pooled in this item. Cash equivalents are current investments that can be converted into cash at any time and which are only subject to minor fluctuations in value.

The disclosures in accordance with IAS 7.40 in relation to the acquisition of significant company divisions in the 2016 financial year are shown in the table below:

	JDC Geld.de GmbH Wiesbaden kEUR
Total purchase price	10,647
therof, paid from cash and cash equivalents in the reporting period	10,482
Capitalized customer base	9,484
Other non-current assets	1,131
Other assets	32
Total	**10,647**

The Group subsidiary JDC Geld.de GmbH, acquired the "geld.de" online platform from the Unister Group in May 2016. Along with the Internet domain, the purchase transaction with various Unister Group companies also includes the trademark and technology. The JDC Group also acquired around 195,000 contracts, from which portfolio commissions are received.

3.10 SEGMENT REPORTING

Pursuant to IFRS 8, reportable operating segments are identified based on the management approach. This means that the external segment reporting is based on the internal Group organisational and management structure and the internal financial reporting provided to the chief operating decision maker. In the JDC Group Group, the Management Board of JDC Group AG is responsible for measuring and managing the segments' business results and is the highest chief operating decision maker within the meaning of IFRS 8.

JDC Group AG reports on three segments which are managed independently by committees responsible for the segment in accordance with the type of products and services offered. The designation of company segments as business segments is based in particular on the existence of segment managers responsible for the results who report directly to the chief operating decision maker of the JDC Group Group.

The JDC Group Group divides into the following segments:
— Advisortech
— Advisory
— Holding

Advisortech

In the Advisortech segment, the Group pools its activities involving independent financial advisers. The offering encompasses all asset classes (investment funds, closed-end funds, insurance products and certificates) provided by different product companies and including order processing and commission settlement as well as various other services relating to investment advice for retail customers. The advisors find support from various proprietary software developments, such as the "allesmeins" insurance folder and the World of Finance.

Advisory

The Group's activities that focus on advisory and sales services for retail customers are bundled in the Advisory segment. As an independent financial and investment adviser, we offer our customers holistic consultancy services for insurance, investment funds and financing products that are tailored to the customer's particular situation.

Holding

The Holding Segment includes the JDC Group AG.

The measurement principles for JDC Group's segment reporting are based on the IFRS standards used in the consolidated financial statements. JDC Group evaluates the performance of the segments using, among other things, the operating results (EBITDA and EBIT). The revenues and preliminary services between the segments are allocated on the basis of market prices.

Segment assets and liabilities comprise all assets and liabilities allocable to the operating arena and whose positive and negative results determine the operating results. The segment assets include in particular tangible and intangible assets, commission claims and other receivables. The segment liabilities relate in particular to accounts payable and other liabilities. The segment investments include the additions in tangible and intangible assets.

The number of employees in each of JDC Group Group's individual segments – excluding board members – is as follows:

	2016	2015
Advisortech	179	150
Advisory	31	36
Holding	16	26
Total	**226**	212

Geographical segment information

JDC Group Group is mainly acting in Germany and Austria, therefore the customer group forms a single geographic segment (German-speaking region of the European Union).

4 ADDITIONAL INFORMATION

4.1 OBJECT OF THE BUSINESS AND KEY ACTIVITIES

In accordance with the Articles of Association, the object of JDC Group AG is the acquisition, management and disposal of investments in companies, in particular in the financial services sector, as well as the provision of management, consultancy and general services, especially for the companies below.

The parent company is a holding company, which mainly acquires majority stakes in sales organisations whose activities focus on placing financial products and providing related services. The company provides consultancy and management services for its subsidiaries. The commercial strategy is long-term integration of investments in the Group to strengthen the earnings power of the relevant subsidiaries by leveraging synergies. As part of the holding structure developed, JDC Group AG is responsible for the strategic management of the Group's business and financial policy. Conversely, operational responsibility lies with the subsidiaries. The parent company also acts as an interface with the capital market.

Jung, DMS & Cie. AG acts as an operating investment holding company. The area of activity of this company and its subsidiaries consists of the operation of purchasing and settlement platforms for independent financial advisers, known as Advisortech, which take over key functions for independent brokers, such as product purchasing, marketing, central transaction processing and training. In return for the above services, the Advisortech retain a portion of the initial commission earned as well as a portion of the follow-up commission. The subsidiaries of Jung, DMS & Cie. AG maintain in excess of 16,000 pool partner relationships and currently have presences in Wiesbaden, Munich and Vienna.

In their consulting activities, the FiNUM.Private Finance AG, Vienna/Austria plus FiNUM.Private Finance AG, Berlin and FiNUM.FINANZHAUS GmbH, Wiesbaden focus on the interests of end customer. As independent financial advisors, they offer customised advisory services in the areas of insurance, investments and financing.

Jung, DMS & Cie. GmbH, Vienna/Austria, is a licensed securities service company and is subject to regulation by the Austrian Financial Markets Supervisory Authority (FMA). FiNUM.Private Finance AG, Berlin is concessionary securities-related services enterprises and is subject to regulation by German Federal Financial Supervisory Authority (BaFin).

4.2 CAPITAL MANAGEMENT

Capital Management deals with the needs-based management of funds in the Group, with the involvement of the selection and management of financing sources. The aim is to make the necessary funds available at the lowest costs. Here, management criteria are particularly the debit and credit interest rates. The volume of funds to be managed amounts to EUR 12 million (previous year: EUR 9 million). In order to fulfil this task, Capital Management has the daily and monthly reporting available to it with target-actual comparisons.

4.3 RISK MANAGEMENT, FINANCIAL DERIVATIVES AND OTHER INFORMATION ON CAPITAL MANAGEMENT

The success of the JDC Group depends largely on the financial performance of its subsidiaries and associated companies. Their performance in turn is linked to financial and capital market developments. The success of JDC Group AG depends directly on the financial products offered in the market. It cannot therefore be excluded that the market may stagnate or develop negatively which could result in the Group not being able to perform in line with expectations.

Relevant company-related risks are as follows:

- When brokering financial products and insurance policies, the possibility cannot be excluded that cancellations will give rise to expenses that are not covered by corresponding recourse claims towards brokers. The recovery of this kind of recourse claim is set to play a more important role. In the context of its sales arrangements with insurance companies, JDC Group AG in some cases issues letters of comfort for its subsidiaries.
- Claims may be asserted against the JDC Group in connection with incorrect information or incorrect advice provided by its sales partners. Whether the risks involved are covered by existing insurance cover or by recourse claims towards brokers then depends on the details of the individual case.
- Ongoing volatility on the capital markets and difficulty in forecasting product turnover place high requirements in liquidity management. Any lack of liquidity could pose a threat to the Group's continued existence.
- Seller guarantees customary to the market were granted upon the execution of company sales. Any infringement of these seller guarantees may lead to unscheduled expenses for the JDC Group.

Relevant market-related risks are as follows:

- The company's business success is basically dependent on macroeconomic developments.
- Developments in national and global financial and capital markets are of significant relevance for the success of the JDC Group and the consolidated group. Persistent volatility or negative developments could impact negatively on the earnings strength of JDC Group AG.
- The stability of the legal and regulatory framework in Germany and Austria is a factor of great importance. Any changes in the underlying framework for financial services companies, brokers, or financial products, especially any changes made at short notice, could impact negatively on the business model of JDC Group AG.

Relevant regulatory risks are as follows:

- The implementation of the MiFID II Directive in Germany may lead to increased reporting and recording duties. This would result in important business processes of the JDC Group companies needing to be significantly restructured or converted, which may lead to an increase in IT costs, to an extent which cannot yet be quantified.

The Management Board cannot currently detect any further risks to the company's continued existence or development and they believe that the identified risks are manageable and do not jeopardise the continuance of the group.

4.4 RISK MANAGEMENT OBJECTIVES AND METHODS

Risk management objectives and methods are determined and documented at the level of JDC Group AG. Risks have been structured systematically in the following four groups:

1. Strategic risks, relating to:
— Expertise
— Staff: recruitment, management and motivation
— Market prominence
— M&A measures
— Resource allocation and
— Communications

2. Financial risks, relating to:
— Medium and long-term financing
— Short-term liquidity supply
— Financial instruments
— VAT-related risks and
— Fraud

3. Operating risks, relating to:
— Project and acquisition-related risks
— Contractual risks

4. External risks, relating to:
— IT security
— Financial market conditions as well as
— Legal, practical and social changes

The risk management of the Group companies includes, for each of the potential risk fields, the early detection of risks, information and communication, handling of risks by defining and executing corresponding countermeasures as well as the documentation of the risk management system.

4.5 ADDITIONAL DISCLOSURES PURSUANT TO SECTION 315A (1) HGB

The list of shareholdings is attached to these notes in the Appendix.

The auditor of the consolidated financial statements for the financial year calculated total fee is kEUR 144 for auditor's services.

On average, the Group companies employed 226 staff – excluding Management Board members – throughout the year (previous year: 212).

EXECUTIVE BODIES OF JDC GROUP AG

Management Board

DR. SEBASTIAN GRABMAIER
Grünwald
Attorney
CEO

RALPH KONRAD
Mainz
Businessman (Dipl.-Kfm.)
CFO

Supervisory Board

JENS HARIG
Kerpen
Independent entrepreneur
Chairman

EMMERICH KRETZENBACHER
Hamburg
Graduated Certified Accountant
Deputy Chairman

ALEXANDER SCHÜTZ
Vienna
Independent entrepreneur
(since March 30, 2016)

STEFAN SCHÜTZE
Frankfurt am Main
Attorney
(until March 09, 2016/since August 31, 2016)

KLEMENS HALLMANN
Vienna
Independent entrepreneur
(since August 31, 2016)

JÖRG KEIMER
Wiesbaden
Attorney
(since August 31, 2016)

The remuneration of the Management Board and Supervisory Board is disclosed under ref. 3.6. There is no obligation to disclose the remuneration of individual members of the Management Board in accordance with Section 314 (1) No. 6a Clause 5 ff. of the German Commercial Code (HGB), as JDC Group AG is not a listed joint stock company within the meaning of Section 3 (2) of the German Stock Corporation Act (AktG).

Appendix 1

Statement of changes in consolidated fixed assets as of 31 December 2016

	Cost of Acquisition/production				
	01/01/2016 kEUR	Reclassifications kEUR	Additions kEUR	Disposals kEUR	31/12/2016 kEUR
I. Intangible assets					
1. Concessions, industrial property rights and similar rights and values	18,778	16,185	684	0	34,279
a) internally generated industrial property rights and similar rights and values	4,777	1,276	0	200	6,253
b) for remuneration aquired concessions and similar values	14,001	14,909	684	–200	28,026
2. Goodwill	24,557	2	0	0	24,559
	43,335	**16,188**	**684**	**0**	**58,838**
II. Property, plant and equipment					
Other equipment, operating and business equipment	3,132	453	492	0	3,093
	3,132	**453**	**492**	**0**	**3,093**
III. Financial assets					
1. Shares in affiliated companies	25	0	0	0	25
2. Closed-end fund investments	124	0	6	0	118
3. Securities held as fixed assets	50	0	50	0	0
	199	**0**	**56**	**0**	**143**
	46,666	**16,640**	**1,232**	**0**	**62,075**

Depreciation/amortisation					Book value	
01/01/2016 kEUR	Depreciation/ Amortisation in financial year kEUR	Disposals kEUR	Reclassifications kEUR	**31/12/2016 kEUR**	31/12/2015 kEUR	**31/12/2016 kEUR**
12,087	2,346	684	0	13,748	6,691	20,531
2,260	1,225	0	0	3,485	2,517	2,768
9,827	1,121	684	0	10,263	4,174	17,763
0	0	0	0	0	24,557	24,559
12,087	**2,346**	**684**	**0**	**13,748**	**31,248**	**45,090**
2,721	144	485	0	2,380	411	714
2,721	**144**	**485**	**0**	**2,380**	**411**	**714**
0	0	0	0	0	25	25
0	0	0	0	0	124	118
50	0	50	0	0	0	0
50	**0**	**50**	**0**	**0**	**149**	**143**
14,858	**2,490**	**1,220**	**0**	**16,128**	**31,808**	**45,947**

Appendix 2

Statement of changes in the net book values of consolidated fixed assets as of 31 December 2016

	Book value 01/01/2016 kEUR	Reclassifications kEUR	Additions/ Reclassifications kEUR	Disposals kEUR	Depreciation/ amortisation in the financial year kEUR	**Book value 31/12/2016 kEUR**
I. Intangible assets						
1. Concessions, industrial property rights and similar rights and values	6,691	0	16,185	0	2,346	20,531
a) internally generated industrial property rights and similar rights and values	2,517	200	1,276	0	1,225	2,768
b) for remuneration aquired concessions and similar values	4,174	–200	14,909	0	1,121	17,763
2. Goodwill	24,557	0	2	0	0	24,559
	31,248	**0**	**16,188**	**0**	**2,346**	**45,090**
II. Property, plant and equipment						
Other equipment, operating and business equipment	411	0	453	6	144	714
	411	**0**	**453**	**6**	**144**	**714**
III. Financial assets						
1. Shares in affiliated companies	25	0	0	0	0	25
2. Closed-end fund investments	124	0	0	6	0	118
3. Securities held as fixed assets	0	0	0	0	0	0
	149	**0**	**0**	**6**	**0**	**143**
	31,808	**0**	**16,640**	**12**	**2,490**	**45,947**

Appendix 3

List of shareholdings as of 31 December 2016

Company name and registered office

	Shareholding in %
Subsidiaries included in the consolidated financial statements:	
Jung, DMS & Cie. Aktiengesellschaft, Munich	100,0
FiNUM.Private Finance Holding GmbH, Vienna/Austria	100,0
FiNUM.Private Finance AG, Vienna/Austria[1]	100,0
Jung DMS & Cie. GmbH, Vienna/Austria[1]	100,0
Jung, DMS & Cie. Pool GmbH, Wiesbaden[1]	100,0
Jung, DMS & Cie. Finanzservice GmbH, formerly Jung, DMS & Cie. Maklerservice GmbH, Vienna/Austria[1]	100,0
Jung, DMS & Cie. Pro GmbH, Wiesbaden[1]	100,0
FiNUM.Pension Consulting GmbH, Wiesbaden[1]	100,0
JDC plus GmbH, Wiesbaden[1]	100,0
Jung, DMS & Cie. Fundmatrix AG, Wiesbaden[1]	100,0
Aragon Media GmbH, Wiesbaden[1]	100,0
JDC Geld.de GmbH, Wiesbaden, formerly Fine IT Solutins GmbH, Troisdorf	100,0
3. Kormoran Verwaltungs GmbH, Wiesbaden[1]	100,0
FiNUM.Private Finance Holding GmbH, Wiesbaden	100,0
FiNUM.Private Finance AG , Berlin[1]	100,0
FiNUM.Finanzhaus AG, Wiesbaden[1]	100,0

[1] indirect shareholding, indication of the proportion of shares held by the subsidiary

Company name and registered office

Non-consolidated subsidiaries and investments:	Shareholding in %	Equity 31/12/2016 kEUR	Net profit 2016 kEUR
1. Non-consolidated subsidiaries			
MEG AG, Kassel	100.0	n. a.	n. a.
FVV GmbH, Wiesbaden [2]	100.0	–1	3
2. Other investments			
Dr. Jung & Partner GmbH Generalrepräsentanz, Essenbach [1] [3]	30.0	148	–1
BB-Wertpapier-Verwaltungsgesellschaft mbH, Augsburg	25.1	124	–41

[1] indirect shareholdings via Jung, DMS & Cie. Pool GmbH
[2] indirect shareholdings via FiNUM.Private Finance AG, Berlin
[3] Data from 31 Dezember 2015
[4] Data from 30 September 2015

Appendix 4

Additional informations concerning Financial instruments IAS 39 as of 31 December 2016

	Measurement categories as defined by IAS 39	Book value 31/12/2016 kEUR	Continuing book kEUR	Cost of acquisition kEUR	Fair Value – not affecting net income kEUR
Assets					
Non-current assets					
Financial assets					
Shares in affiliated companies	AfS	25		25	
Closed-end fund investments	AfS	118		118	
Accounts receivable	LaR	847	847		
Other assets	LaR	2,448	2,448		
Current assets					
Accounts receivable	LaR	13,354	13,354		
Other assets					
Other	LaR	2,987	2,987		
Cash and cash equivalents	LaR	2,913	2,913		
Liabilities					
Non-current liabilities					
Bonds	HtM	12,871	12,871		
Liabilities due to banks	FLAC	291	291		
Accounts payable	FLAC	7,889	7,889		
Other liabilities	FLAC	170	170		
Current liabilities					
Liabilities due to banks	FLAC	97	97		
Accounts payable	FLAC	12,820	12,820		
Other liabilities					
Other liabilities	FLAC	5,999	5,999		
Thereof measurement categories as defined by IAS 39					
Loans and Receivables	LaR	22,549	22,549		
Held-to-Maturity Investments	HtM	12,871	12,871		
Available-for-Sale Financial Assets	AfS	143	0	143	
Financial Liabilities Measured at Amortised Costs	FLAC	27,266	27,266	0	

* The management realised that the disclosed time values of all positions with exception of the issued bond mainly due to the short time span of these instruments meet their book value.
The fair value of the bond liability was deviated from the bond's market price.
Previous year adjusted.

	Fair Value – affecting net income kEUR	**Fair Value 31/12/2016 kEUR**	Book value 31/12/2015 kEUR	Continuing book value kEUR	Cost of acquisition kEUR	Fair Value – not affecting net income kEUR	Fair Value – affecting net income kEUR	Fair Value 31/12/2015 kEUR
		25	25		25			25
		118	124		124			124
		847	791	791				791
		2,448	2,498	2,498				2,498
		13,354	11,623	11,623				11,623
		2,987	9,020	9,020				9,020
		2,913	5,320	5,320				5,320
		13,416	12,688	12,688				13,312
		291						0
		7,889	7,478	7,478				7,478
		170	1,664	1,664				1,664
		97	3	3				3
		12,820	9,745	9,745				9,745
		5,999	5,412	5,412				5,412
		22,549	29,252	29,252				29,252
		13,416	12,688	12,688				13,312
		143	149	0	149			149
		27,266	24,302	24,302	0			24,302

Certification notation of independent auditor

We have audited the consolidated financial statements prepared by the JDC Group Aktiengesellschaft, Wiesbaden, comprising the balance sheet, consolidated statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January 2016 to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315a Paragraph 1 Handelsgesetzbuch (German Commercial Code) and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 Handelsgesetzbuch (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable insurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements as of 31 December 2016 comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Article 315a Paragraph 1 Handelsgesetzbuch (German Commercial Code) and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with the legal regulations and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Münster, 21 April 2017

Dr. Merschmeier + Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Jäger
(Wirtschaftsprüfer)

Kortbuß
(Wirtschaftsprüfer)

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DISCLAIMER

The Annual Report of JDC Group AG is available in German and English. The English translation of the Group Management Report and the consolidated financial statements has been provided for conveniance. The German version of the 2016 Annual Report (including the opinion of an independant auditor) is legally binding and can be viewed an the company's website: www.jdcgroup.de

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