

Letter to shareholders

1. Quarter of 2016



BEST ADVICE. BETTER TECHNOLOGY.



Dr. Sebastian Grabmaier
CEO

Ralph Konrad
CFO

Management Board letter to shareholders

DEAR SHAREHOLDERS, DEAR BUSINESS PARTNERS,

in the first quarter of 2016, the JDC Group AG has faced some ups and downs: On the one hand, the introduction of our innovative smartphone portal for end customers, "allesmeins", has brought about significant advances in our Advisortech strategy, and we have also made crucial progress in our portfolio purchase project. On the other hand, the quarter was also marked by a very difficult stock market environment, which had an impact in particular on our current core business.

JDC bridges the gap between traditional consulting and Fintech with its end customer app "allesmeins"

Following a development phase of only nine months, JDC launched its end customer app "allesmeins" at the end of February.

allesmeins makes it possible for insurance customers to use their smartphone or tablet to get a quick overview of all of their insurance policies together with the corresponding policy documents. The app also lets customers add contracts, optimise policies or report damage. This will soon be followed by the integration of investment documents into allesmeins, such as investment funds and bank details, so that customers can see all of their investments at a glance using a single app.

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. Better still: using modern chat and social media communication, the customer will soon be just a click away from getting the advice they need from their familiar financial advisor.

The future of financial sales is a hybrid model that unites technology with consultation services. With our allesmeins app for end customers, we have paved the way towards making technological innovations available to our customers, without forcing them to give up their trusted advisors.

Since the smartphone portal can be used by close to a million customers and with our 16,000 brokers serving as multipliers, we see this as a major competitive advantage vis-a-vis existing Fintech start-ups.

Acquisition of broker portfolio and Geld.de

In addition to the innovative work on allesmeins, the first quarter saw activities directed toward purchases of broker portfolios go into full swing and then culminate in a large transaction in the second quarter.

In May, the JDC Group reported the purchase of an insurance portfolio with up to 195,000 policies as part of an asset deal. In addition to the large insurance portfolio amounting to over Euro 25 million, JDC has also acquired the brand, website and technology of Geld.de GmbH.

The insurance portfolio is paying recurring commissions amounting to around Euro 5 million, which will lead to a result of between Euro 3 and 4 million for JDC with low administration costs.

Beyond the immediate effects on revenues and EBITDA, the management of the JDC Group is expecting significant additional revenue through the use of the newly introduced digital insurance folder allesmeins in the newly acquired end customer portfolio. As the average policy density for the portfolio acquired is currently only slightly higher than one policy per customer, but an average customer in Germany has around eight policies, the innovative smartphone application should allow the policy density per customer in the new portfolio to increase greatly, which should lead to even more favourable contributions from the acquired portfolios.

In addition to the insurance portfolio, the brand name and technology of the Geld.de comparison site were also successfully acquired. With its purchase of the powerful and widely recognized Geld.de brand, JDC now has a high-performance comparative technology in the insurance field, which is also set to be integrated into the allesmeins app. With Geld.de, it will also be possible to generate a high number of potential customers interested in advice about certain product areas. In future, these will be made available to JDC's partners, which will hopefully lead to greater commission turnover in traditional advisory services.

The JDC Group renames its segments

As of 2016, the JDC Group is changing its segment reporting. Going forward, there will be the operational segments "Advisortech" and "Advisory". This is in response to the increased significance of the technology division in JDC's corporate development.

With respect to Advisortech, we offer modern consultation and administration technology for our customers and consultants through the Jung, DMS & Cie. Group. While many companies and distribution partners see technological change as a problem and young FinTech companies as competitors, we consider technology a major opportunity. In future, solutions from the Advisortech division will help consultants assist their customers even better and generate higher turnover.

In the Advisory segment, we broker financial products via the FiNUM. Group to private end customers through freelance consultants, brokers and financial services providers.

Results from Q1 2016

Highly volatile capital markets in the first quarter led to significant reluctance to purchase fund products. In addition, performance resulted in a reduction in fund portfolios, which led to a decrease in portfolio commissions for fund products. This largely offset positive development in the insurance sector.

In the first three months of 2016, product sales fell by 7.7 percent to Euro 298 million compared to Euro 323 million in the same period of the previous year. Due to the negative capital markets, the portfolio of investment funds under the management of JDC Group AG (Assets under Administration) has declined by around 6.4 percent to Euro 4.2 billion compared to the previous year's value of Euro 4.5 billion on 31 March 2015.

Group turnover remained stable at Euro 17.3 million (Q1 2015: Euro 17.3 million).

Earnings before interest, tax, depreciation and amortisation (EBITDA) in the first three months amounted to Euro 222k and, therefore, is Euro 42k higher than in the same period in the previous year (Q1 2015: EUR 180k).

The earnings before interest and taxes (EBIT) showed stable development since the previous year at Euro –208k in the first three months (Q1 2015: Euro –193k).

In terms of relevant key financial data, the JDC Group AG developed as follows: As at 31 March 2016, equity amounted to Euro 24.5 million. Due to the fall in the balance sheet total of around Euro 5 million, the equity ratio amounted to 40.3 percent (31 December 2015: Euro 24.7 million and 37.5 percent). Liquid assets including term deposits decreased only slightly to Euro 10.7 million (31 December 2015: Euro 11.3 million).

DEVELOPMENT IN THE INDIVIDUAL BUSINESS UNITS WAS AS FOLLOWS:

Advisortech

The Advisortech segment generated turnover of Euro 14.1 in the first three months of 2016 (Q1 2015: Euro 14.1 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) in the first three months of 2016 totalled EUR 0.4 million and was, therefore, significantly higher than the Euro 0.1 million for the same period in the previous year. Earnings before interest and taxes (EBIT) improved in the first three months of 2016 to Euro 0.1 million (Q1 2015: Euro –0.2 million).

Advisory

In the Advisory segment, the revenue in the first three months of 2016 fell by Euro 0.2 million compared to the same period of the previous year to Euro 4.9 million (Q1 2015: Euro 5.1 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) in the Financial Consulting segment fell to Euro 0.0 million in the first three months (Q1 2015: Euro 0.2 million). Earnings before interest and taxes (EBIT) decreased in the first three months of 2016 to Euro –0.1 million (Q1 2015: Euro 0.1 million).

Outlook

Our estimate for the remainder of 2016 is as follows:

Due to the persisting low interest environment, volatility on the capital markets and dwindling consumer trust in life insurance products, 2016 will continue to be challenging.

We look forward to the further development of allesmeins, where we see significant opportunities to acquire a high number of satisfied customers.

The acquisition of the insurance portfolios will make itself felt primarily from the third quarter on, meaning that the JDC Group's profits are set to increase significantly over the second half of the year.

We are confident that turnover in 2016 will show satisfactory growth. Profitability will increase significantly, partly due to the acquisition of portfolios but also due to recent improvements in market conditions.


Thanks to our employees and shareholders

Last but not least, we want to extend a special thanks to our employees and distribution partners in the JDC Group AG as well as to our subsidiaries as our success is founded on their hard work and commitment.

Thanks also go to our shareholders, who continue to have faith in our business model and offer their support and backing to the Executive and Supervisory Boards.

We would be delighted to have your continued support.

Kind regards,



Dr. Sebastian Grabmaier



Ralph Konrad

Consolidated income statement

	01/01/– 31/03/2016 kEUR	01/01/– 31/03/2015 kEUR
1. Commission income	17,301	17,344
2. Capitalised services	183	176
3. Other operating income	400	512
4. Commission expenses	–12,651	–12,924
5. Personnel expenses	–3,106	–2,967
6. Depreciation and amortisation of tangible and intangible assets	–430	–373
7. Other operating expenses	–1,905	–1,961
8. Other interest and similar income	17	8
9. Interest and similar expenses	–257	–90
10. Operating profit/loss	–448	–275
11. Income tax expenses	217	–47
12. Other tax expenses	–2	–3
13. Net profit	–233	–325
14. Earnings per share	–0.02	–0.03

Segment reporting

Quarters

	Advisortech		Advisory		
	Q1/2016 kEUR	Q1/2015 kEUR	Q1/2016 kEUR	Q1/2015 kEUR	
Segment income					
Commission income	14,050	14,079	4,923	5,143	
of which with other segments	230	437	1,442	1,441	
Total segment income	14,050	14,079	4,923	5,143	
Capitalised services	183	176	0	0	
Other income	321	252	100	155	
Segment expenses					
Commissions	-10,675	-10,748	-3,556	-3,694	
Personnel expenses	-2,051	-1,917	-623	-601	
Depreciation and amortisation	-311	-260	-114	-109	
Other	-1,396	-1,746	-817	-802	
Total segment expenses	-14,433	-14,671	-5,110	-5,206	
EBIT	121	-164	-87	92	
EBITDA	432	96	27	201	
Income from investments	0	0	0	0	
Other interest and similar income	444	328	13	61	
Yield on other securities	0	0	0	0	
Depreciation of financial assets	0	0	0	0	
Other interest and similar expenses	-547	-279	-292	-275	
Financial result	-103	49	-279	-214	
Segment earnings before tax (EBT)	18	-115	-366	-122	
Tax expenses	-142	-54	10	-5	
Segment's net profit	-124	-169	-356	-127	

*previous year figures in segment holding partly adjusted

	Holding*		Total reportable segments		Transfer		Total	
	Q1/2016 kEUR	Q1/2015 kEUR	Q1/2016 kEUR	Q1/2015 kEUR	Q1/2016 kEUR	Q1/2015 kEUR	Q1/2016 kEUR	Q1/2015 kEUR
	499	447	19,472	19,669	-2,171	-2,325	17,301	17,344
	499	447	2,171	2,325	-2,171	-2,325	0	0
	499	447	19,472	19,669	-2,171	-2,325	17,301	17,344
	0	0	183	176	0	0	183	176
	7	123	428	530	-28	-18	400	512
	0	0	-14,231	-14,442	1,580	1,518	-12,651	-12,924
	-432	-449	-3,106	-2,967	0	0	-3,106	-2,967
	-5	-4	-430	-373	0	0	-430	-373
	-311	-238	-2,524	-2,786	619	825	-1,905	-1,961
	-748	-691	-20,291	-20,568	2,199	2,343	-18,092	-18,225
	-242	-121	-208	-193	0	0	-208	-193
	-237	-117	222	180	0	0	222	180
	0	0	0	0	0	0	0	0
	348	299	805	688	-788	-680	17	8
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	-206	-216	-1,045	-770	788	680	-257	-90
	142	83	-240	-82	0	0	-239	-82
	-100	-38	-448	-275	0	0	-448	-275
	347	9	215	-50	0	0	215	-50
	247	-29	-233	-325	0	0	-233	-325

Consolidated Balance Sheet

Assets	31/03/2016		31/12/2015
	kEUR		kEUR
Non-current assets			
Intangible assets		31,784	31,248
Fixed assets		392	411
Financial assets		149	149
		32,325	31,808
Deferred taxes		4,346	4,389
Long-term non-current assets			
Accounts receivable		782	791
Total non-current assets		37,453	36,988
Current assets			
Accounts receivable		8,806	11,623
Other assets		9,266	11,518
Cash and cash equivalents		4,691	5,320
Deferred charges		535	353
Total current assets		23,298	28,814
Total assets		60,751	65,802

Liabilities

	31/03/2016 kEUR	31/12/2015 kEUR
Equity		
Subscribed capital	10,850	10,850
Capital reserves	40,686	40,686
Other retained earnings	283	283
Other equity components	-27,359	-27,141
Total equity	24,460	24,678
Non-current liabilities		
Deferred taxes	1,202	1,481
Bond	12,712	12,688
Liabilities due to banks	0	0
Accounts payable	7,516	7,478
Other liabilities	1,664	1,664
Accruals	3,480	2,215
Total non-current liabilities	26,574	25,526
Current liabilities		
Accrued taxes	362	362
Liabilities due to banks	294	3
Accounts payable	5,385	9,745
Other liabilities	3,634	5,412
Deferred income	42	76
Total current liabilities	9,717	15,598
Total equity and liabilities	60,751	65,802

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

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