

Letter to shareholders

3. Quarter of 2016



BEST ADVICE. BETTER TECHNOLOGY.



Dr. Sebastian Grabmaier
CEO

Ralph Konrad
CFO

Management Board letter to shareholders

DEAR SHAREHOLDERS, DEAR BUSINESS PARTNERS,

Faced with a persistently difficult market environment, we have continued to systematically pursue a strategy of digitising during the third quarter.

In the Advisortech segment, our partnership with flatex gained us an additional strong partner for marketing allesmeins. Through our partnership with Phoenix Strategic Investors, with its more than 1000 financial advisors in the Czech Republic, Slovakia and Austria, we were also able to lay the foundation for the expansion of our digital business model in Eastern Europe. However, owing to the restructuring of our largest client, Ertrag & Sicherheit in Austria, we initially experienced a slight loss in revenues in the Advisortech segment during the third quarter.

At the same time, the Advisory segment is again showing the opposite effect, where we are still seeing customer restraint in sales of fund products. Owing to good performance in the insurance segment, however, revenues fortunately rose.

JDC Group and flatex launch strategic partnership

At the turn of the year, customers of the online broker flatex can transfer their insurance contracts to the allesmeins digital insurance folder and arrange for oversight of their insurance portfolios via a digital broker mandate. Going forward, this will not only help clients stay current on what's happening with their insurance portfolio – including scans of all important documents – but they will also receive automated updates which they can accept or reject with a single click. In addition, flatex clients will have access to professional online agents who can answer questions by phone or video chat and provide services above and beyond the purely technical. Along with flatex, we are currently engaged in additional advanced discussions with other potential partners in the banking and insurance sectors.

JDC Group expands its digital model to Austria and Eastern Europe

Our innovative strategy, based on a hybrid model that combines technology plus counselling, will be introduced to brokered clients in the Czech Republic, Slovakia and Austria via the network of more than 1,000 financial advisors provided by our new partner, Phoenix Strategic Investors. Starting in 2017, we expect additional commission revenues of up to 5 million euros, with significantly positive contributions to earnings in 2017. The launch of our successful retail brokerage app, allesmeins, in Austria is something that has been in planning for some time already. We will be taking advantage of the opportunity provided

by our partnership with Phoenix Strategic Investors to expand our technology into the Czech Republic and Slovakia. We already successfully moved into these markets in 2010 to 2013 via our former subsidiaries. This time we expect to score gains mainly through sales of our state-of-the-art product InsurTech, which combines the best of two worlds: innovative financial technology and competent personal counselling.

Results from the third quarter and the first nine months of 2016

The portfolio of investment funds managed by the JDC Group AG (assets under administration) improved slightly to EUR 4.3 billion, which corresponds to an increase of about 2 percent over the previous year's increase of EUR 4.2 billion as reported on 31 March 2015. The ongoing volatility of capital markets continues to result in significant customer reluctance to buy fund products. This largely offset positive developments in the insurance industry.

Group revenues fell slightly to EUR 54.7 million (9M 2015: EUR 55.6 million) in the first nine months. On a quarterly basis, it remained stable at EUR 18.5 million (Q3 2015: EUR 18.8 million). The overall revenue effect from the acquired insurance portfolios will only begin to show up in group revenues starting in the fourth quarter of 2016.

Adjusted for special effects from the previous year amounting to kEUR 775 which were included in gross profit and other operating expenses, earnings before interest, taxes, depreciation and amortisation (EBITDA) rose to kEUR 707 (9M 2015 adjusted: kEUR 404; not adjusted: kEUR 1,179). On a quarterly basis, EBITDA rose to kEUR 339 and was therefore better than the previous year when adjusted by kEUR 412 (Q3 2015 adjusted: kEUR -73; not adjusted: kEUR 157).

Earnings before interest and taxes (EBIT) fell off compared the previous year to kEUR -1,004 in the first nine months due to a sharp rise in depreciation and investments in inventory purchases (9M 2015 adjusted: kEUR -765; not adjusted: kEUR 10). On a quarterly basis, EBIT fell to kEUR -532 (Q3 2015 adjusted: kEUR -482; not adjusted: kEUR -252).

Business units to be continued (in TEUR)	Q3 2015					9M 2015				
	Q3 2016	Pro forma	Change	Q3 2015	Change	9M 2016	Pro forma	Change	9M 2015	Change
Revenues	18,499	18,784	-1.5%	18,784	-1.5%	54,742	55,586	-1.5%	55,586	-1.5%
thereof Advisortech	13,798	14,514	-4.9%	14,514	-4.9%	43,097	44,267	-2.6%	44,267	-2.6%
thereof Advisory	5,937	5,278	12.5%	5,278	12.5%	16,201	15,801	2.5%	15,801	2.5%
thereof Holding/Cons.	-1,236	-1,008	-22.6%	-1,008	-22.6%	-4,556	-4,482	-1.7%	-4,482	-1.7%
EBITDA	339	-73	> 100%	157	> 100%	707	404	75.0%	1,179	-40.0%
EBIT	-532	-482	-10.4%	-252	> -100%	-1,004	-765	-31.2%	10	> -100%
EBT	-783	-711	-10.1%	-481	-62.7%	-1,690	-1,234	-37.0%	-459	> -100%

As of September 30, 2016, equity totalled EUR 29.2 million. This means that the equity ratio rose further to a quite solid 41.6 percent (31 December 2015: EUR 24.7 million and 37.5 percent).

THE INDIVIDUAL SEGMENTS DEVELOPED AS FOLLOWS:

Advisortech

During the first nine months of 2016, the Advisortech segment declined slightly compared to last year, with revenues of EUR 43.1 million (9M 2015: EUR 44.3 million). On a quarterly basis, revenues also declined slightly with last year at EUR 13.8 million.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) in the first nine months of 2016 increased at EUR 1.3 million, slightly higher than the comparable figure for the previous year of EUR 1.2 million. On a quarterly basis, EBITDA increased to EUR 0.5 million (Q3 2015: EUR 0.4 million).

Earnings before interest and taxes (EBIT) fell off in the first nine months in 2016 to EUR –0.1 million due to increased depreciation (9M 2015: 0.3 million EUR). On a quarterly basis, EBIT fell to EUR –0.3 million (Q3 2015: 0.1 million EUR)

Advisory

In the Advisory business segment, revenues increased to EUR 16.2 million in the first nine months of 2016 compared to the same period last year (9M 2015: EUR 15.8 million). On a quarterly basis, revenues rise to EUR 5.9 million (Q3 2015: EUR 5.3 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for the Advisory segment decreased in the first nine months to 0.1 EUR million (9M 2015: 0.3 EUR million). On a quarterly basis, EBITDA increased to EUR 0.0 million (Q3 2015: –0.3 million EUR).

Earnings before interest and taxes (EBIT) decreased in the first nine months of 2016 to –0.2 million EUR (9M 2015: 0.0 million EUR). On a quarterly basis, EBIT rose to EUR 0.1 million (Q3 2015: –0.2 million EUR).

Outlook

For the remainder of 2016, our estimate is as follows:

For the fourth quarter, we are expecting significant improvements in revenues and profits. For one thing, the insurance portfolios acquired will contribute to profit and loss for the first time. Secondly, the fourth quarter is usually by far the strongest quarter of the year owing to year-end business. The restructuring now concluded at our largest client, Ertrag & Sicherheit, will have a positive effect on gross profit in Q4 and, lastly, we are expecting initial revenues in December from the partnership with the 1000 newly associated sales partners from Phoenix Strategic Investors in the Czech Republic and Slovakia.

We have a very positive outlook for 2017. Along with Phoenix Strategic Investors, we are expecting additional major clients, the first of which will contribute nearly three million euros to annual revenues starting in January 2017. Additional major clients will contribute to further significant growth in revenues in 2017. The initial success of our app, allesmeins, shows that our product has been well received by the market. We see an excellent opportunity to use allesmeins to appreciably increase the subscription density of our clients in the insurance segment.

The partnership with flatex will further expedite the expansion of allesmeins. We are anticipating additional strategic sales partnerships for allesmeins as well.

Lastly, the insurance portfolios acquired in 2017 will contribute to profit and loss for a full year, without incurring any further acquisition costs as in 2016.

Thanks to our employees and shareholders

Finally, we would like to again express our particular thanks to both our employees and sales partners at JDC Group AG as well as our subsidiaries, as it is their commitment and drive that are the basis for our success.

Likewise, thanks go also to our shareholders, who have demonstrated their faith in our business model and lent their support to our management and supervisory boards.

We would be very pleased to have you with us as our journey continues, and remain

yours sincerely,



Dr. Sebastian Grabmaier



Ralph Konrad

Consolidated income statement

	Q3/2016 kEUR	Q3/2015 kEUR	01/01/– 30/09/2016 kEUR	01/01/– 30/09/2015 kEUR
1. Commission income	18,499	18,784	54,742	55,586
2. Capitalised services	149	132	461	468
3. Other operating income	238	494	1,066	2,642
4. Commission expenses	–12,826	–14,478	–39,469	–41,917
5. Personnel expenses	–3,210	–2,913	–9,531	–8,890
6. Depreciation and amortisation of tangible and intangible assets	–871	–409	–1,711	–1,169
7. Other operating expenses	–2,511	–1,862	–6,562	–6,710
8. Other interest and similar income	9	18	61	29
9. Interest and similar expenses	–260	–247	–747	–498
10. Operating profit/loss	–783	–481	–1,690	–459
11. Income tax expenses	–130	125	24	–244
12. Other tax expenses	–22	–5	–45	–9
13. Net profit	–935	–361	–1,711	–712
14. Earnings per share	–0.08	–0.03	–0.14	–0.07

Segment reporting

30 September 2016

	Advisortech		Advisory		
	30/09/2016 kEUR	30/09/2015 kEUR	30/09/2016 kEUR	30/09/2015 kEUR	
Segment income					
Commission income	43,097	44,267	16,201	15,801	
of which with other segments	635	1,911	3,921	2,600	
Total segment income	43,097	44,267	16,201	15,801	
Capitalised services	461	468	0	0	
Other income	585	1,028	482	1,347	
Segment expenses					
Commissions	-31,733	-33,836	-12,061	-11,598	
Personnel expenses	-6,360	-5,690	-1,900	-1,951	
Depreciation and amortisation	-1,344	-820	-353	-336	
Other	-4,785	-5,076	-2,596	-3,263	
Total segment expenses	-44,222	-45,422	-16,910	-17,148	
EBIT	-79	341	-227	0	
EBITDA	1,265	1,161	126	336	
Income from investments	0	0	0	0	
Other interest and similar income	590	491	49	153	
Yield on other securities	0	0	0	0	
Depreciation of financial assets	0	0	0	0	
Other interest and similar expenses	-933	-594	-847	-829	
Financial result	-343	-103	-798	-676	
Segment earnings before tax (EBT)	-422	238	-1,025	-676	
Tax expenses	-408	-209	40	-94	
Segment net profit from continuing operations	-830	29	-985	-770	
Segment net profit from discontinued operations	0	0	0	0	
Minorities	0	0	0	0	
Segment net profit after minority interests	-830	29	-985	-770	

	Holding		Total reportable segments		Transfer		Total	
	30/09/2016 kEUR	30/09/2015 kEUR	30/09/2016 kEUR	30/09/2015 kEUR	30/09/2016 kEUR	30/09/2015 kEUR	30/09/2016 kEUR	30/09/2015 kEUR
	1,483	1,429	60,781	61,497	-6,039	-5,911	54,742	55,586
	1,483	1,400	6,039	5,911	-6,039	-5,911	0	0
	1,483	1,429	60,781	61,497	-6,039	-5,911	54,742	55,586
	0	0	461	468	0	0	461	468
	66	640	1,133	3,015	-67	-373	1,066	2,642
	0	0	-43,794	-45,434	4,325	3,517	-39,469	-41,917
	-1,271	-1,249	-9,531	-8,890	0	0	-9,531	-8,890
	-14	-13	-1,711	-1,169	0	0	-1,711	-1,169
	-962	-1,138	-8,343	-9,477	1,781	2,767	-6,562	-6,710
	-2,247	-2,400	-63,379	-64,970	6,106	6,284	-57,273	-58,686
	-698	-331	-1,004	10	0	0	-1,004	10
	-684	-318	707	1,179	0	0	707	1,179
	0	0	0	0	0	0	0	0
	1,083	844	1,722	1,488	-1,661	-1,459	61	29
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	-628	-534	-2,408	-1,957	1,661	1,459	-747	-498
	455	310	-686	-469	0	0	-686	-469
	-243	-21	-1,690	-459	0	0	-1,690	-459
	347	50	-21	-253	0	0	-21	-253
	104	29	-1,711	-712	0	0	-1,711	-712
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	104	29	-1,711	-712	0	0	-1,711	-712

Segment reporting

Quarters

	Advisortech		Advisory		
	Q3/2016 kEUR	Q3/2015 kEUR	Q3/2016 kEUR	Q3/2015 kEUR	
Segment income					
Commission income	13,798	14,514	5,937	5,278	
of which with other segments	177	-1,563	1,060	2,600	
Total segment income	13,798	14,514	5,937	5,278	
Capitalised services	149	132	0	0	
Other income	47	39	207	34	
Segment expenses					
Commissions	-9,542	-10,785	-4,454	-4,067	
Personnel expenses	-2,204	-1,824	-616	-694	
Depreciation and amortisation	-750	-286	-117	-118	
Other	-1,796	-1,659	-941	-768	
Total segment expenses	-14,292	-14,554	-6,128	-5,647	
EBIT	-298	131	16	-335	
EBITDA	452	417	133	-217	
Income from investments	0	0	0	0	
Other interest and similar income	183	190	22	62	
Yield on other securities	0	0	0	0	
Depreciation of financial assets	0	0	0	0	
Other interest and similar expenses	-324	-311	-287	-291	
Financial result	-141	-121	-265	-229	
Segment earnings before tax (EBT)	-439	10	-249	-564	
Tax expenses	-154	82	2	-12	
Segment net profit from continuing operations	-593	92	-247	-576	
Segment net profit from discontinued operations	0	0	0	0	
Minorities	0	0	0	0	
Segment net profit after minority interests	-593	92	-247	-576	

Holding		Total reportable segments		Transfer		Total	
Q3/2016 kEUR	Q3/2015 kEUR	Q3/2016 kEUR	Q3/2015 kEUR	Q3/2016 kEUR	Q3/2015 kEUR	Q3/2016 kEUR	Q3/2015 kEUR
490	459	20,225	20,251	-1,726	-1,467	18,499	18,784
490	430	1,727	1,467	-1,726	-1,467	0	0
490	459	20,225	20,251	-1,726	-1,467	18,499	18,784
0	0	149	132	0	0	149	132
7	258	261	331	-23	163	238	494
0	0	-13,996	-14,852	1,170	374	-12,826	-14,478
-390	-395	-3,210	-2,913	0	0	-3,210	-2,913
-4	-5	-871	-409	0	0	-871	-409
-353	-365	-3,090	-2,792	579	930	-2,511	-1,862
-747	-765	-21,167	-20,966	1,749	1,304	-19,418	-19,662
-250	-48	-532	-252	0	0	-532	-252
-246	-43	339	157	0	0	339	157
0	0	0	0	0	0	0	0
368	309	573	561	-564	-543	9	18
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
-213	-188	-824	-790	564	543	-260	-247
155	121	-251	-229	0	0	-251	-229
-95	73	-783	-481	0	0	-783	-481
0	50	-152	120	0	0	-152	120
-95	123	-935	-361	0	0	-935	-361
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
-95	123	-935	-361	0	0	-935	-361

Consolidated Balance Sheet

Assets		
	30/09/2016 KEUR	31/12/2015 KEUR
Non-current assets		
Intangible assets	45,021	31,248
Fixed assets	546	411
Financial assets	144	149
	45,711	31,808
Deferred taxes	4,227	4,389
Long-term non-current assets		
Accounts receivable	853	791
Total non-current assets	50,791	36,988
Current assets		
Accounts receivable	9,330	11,623
Other assets	6,236	11,518
Other securities	0	0
Cash and cash equivalents	3,428	5,320
Deferred charges	456	353
Total current assets	19,450	28,814
Total assets	70,241	65,802

Liabilities

	30/09/2016 kEUR	31/12/2015 kEUR
Equity		
Subscribed capital	11,935	10,850
Capital reserves	45,851	40,686
Other retained earnings	283	283
Other equity components	-28,853	-27,141
Non-controlling interests	0	0
Total equity	29,216	24,678
Non-current liabilities		
Deferred taxes	1,270	1,481
Bond	12,991	12,688
Liabilities due to banks	0	0
Accounts payable	8,171	7,478
Other liabilities	1,664	1,664
Accruals	2,105	2,215
Total non-current liabilities	26,201	25,526
Current liabilities		
Accrued taxes	372	362
Liabilities due to banks	259	3
Accounts payable	7,521	9,745
Other liabilities	6,638	5,412
Deferred income	34	76
Total current liabilities	14,824	15,598
Total equity and liabilities	70,241	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.