Annual Report 2017

JDC GROUP

BEST ADVICE. BETTER TECHNOLOGY.

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JDC Group
Leader in Advisortech.

The future of financial sales is personal and digital.

BEST ADVICE. BETTER TECHNOLOGY.

JDC Group AG

At a glance

P & L in kEUR*

	31/12/2017 kEUR	31/12/2016 kEUR	Changes compared to previous year in %
Revenues	84,475	78,052	8.2
Gross margin	27,597	25,319	9.0
Gross margin in %	32.7	32.4	9.3
Total operational costs	27,395	25,089	9.2
EBITDA	3,190	2,720	17.3
EBITDA margin in %	3.8	3.5	8.6
EBITDA adjusted*	3,853	3,220	19.7
EBIT	202	230	–12.2
EBIT margin in %	0.2	0.3	–33.3
EBIT adjusted*	865	730	18.5
Net profit	–1,681	–1,214	–38.5
Number of shares in thousands (end of period)	11,935	11,935	0.0
Earnings per share in EUR	–0.14	–0.10	–40.0

Cash flow/Balance in kEUR

	31/12/2017 kEUR	31/12/2016 kEUR	Changes compared to previous year in %
Cash flow from operating activities	3,207	1,218	> 100
Total equity and liabilities	75,157	72,922	3.1
Equity	28,032	29,713	–5.7
Equity ratio in %	37.2	40.7	–8.6

Key Performance Indicators

	31/12/2017	31/12/2016	Changes compared to previous year in %
Number of customers (in thousands)	1,229	1,189	3.4
Assets under administration in EUR bn	4.5	4.5	0.0
Sales volume in EUR bn	1,487	1,382	7.6
Average number of employees	255	226	12.8

* 2017: adjusted by non-recurring expenses in connection with key account projects as well as implementation of legal changes under European directives MiFID II and IDD amounting to around EUR 0.7 million
* 2016: adjusted by one-off projects costs related to portfolio aquisitions amounting to around EUR 0.5 million

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 1.5 BN 2017 …

Highlights 2017

Acquisition of major client

JDC and Lufthansa subsidiary Albatros agree 5-year contract for full outsourcing of transaction processing with a revenue volume period up to 100 million Euro over the contract period

Acquisition of insurance portfolio

JDC acquires Assekuranz Herrmann retail customer business with roughly 40,000 profitable insurance contracts

Personnel change

Google Manager Stefan Bachmann makes a move to join the Board of JDC Group to keep pushing the digital strategy forward

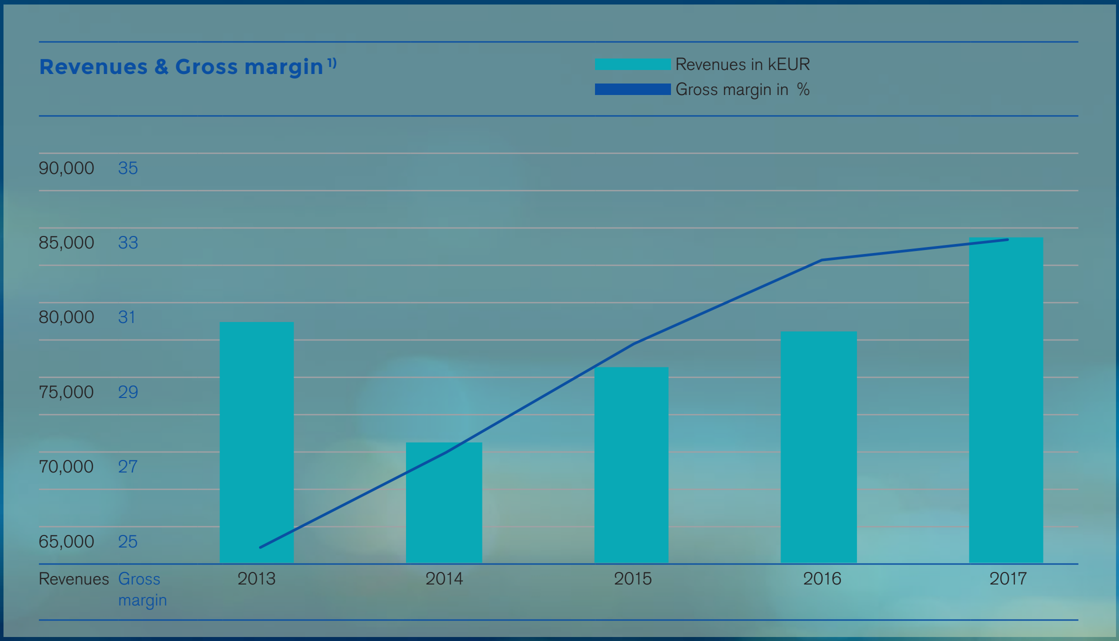
Cooperation

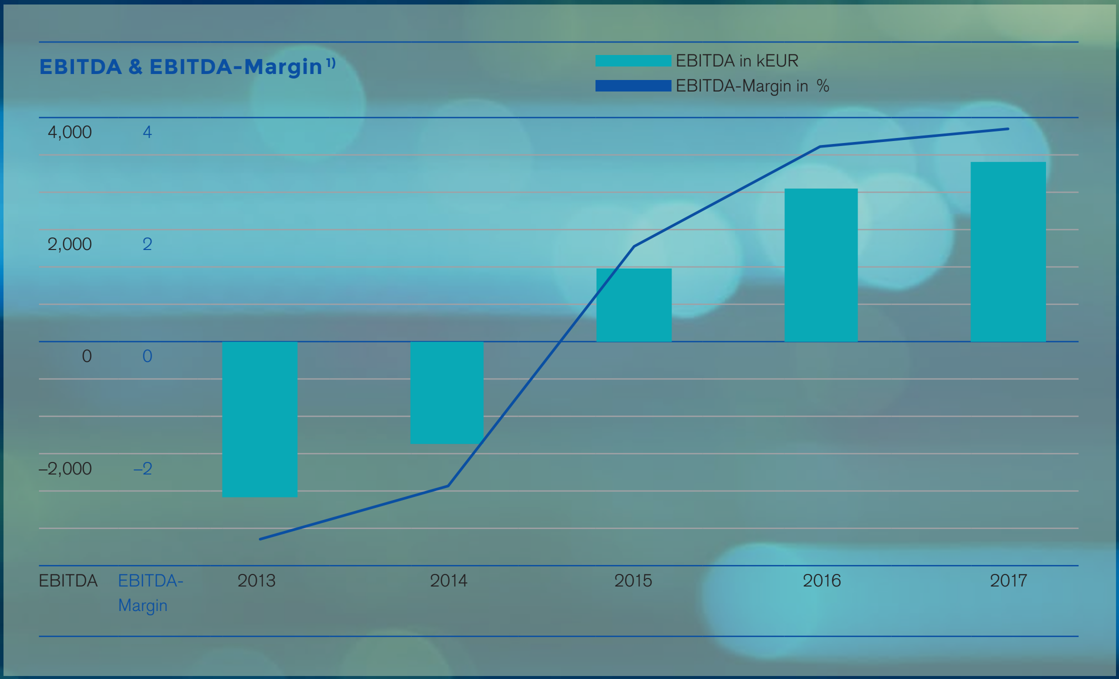
JDC cooperates with Germany's leading loan comparison portal smava

Blockchain technology

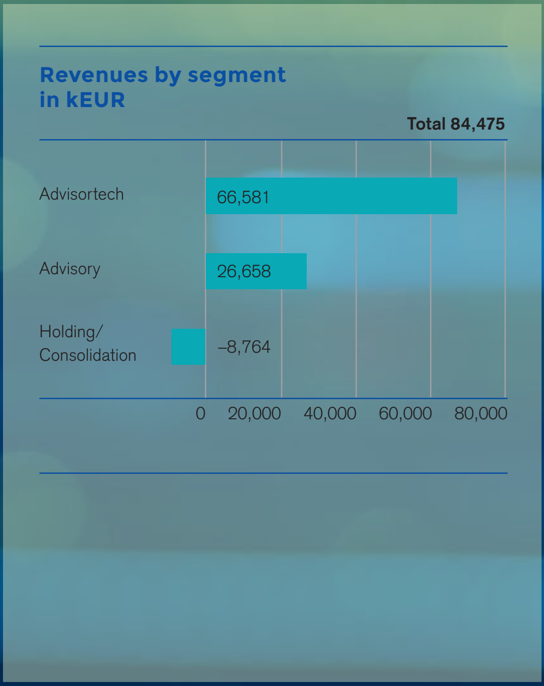
JDC Group launches Blockchain Lab and announces ICO to build Germany's largest crypto-community

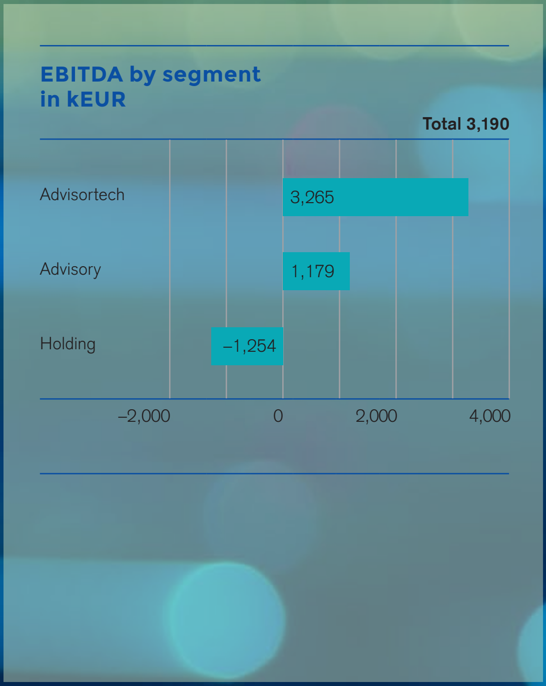
Highlights 2017





1) previous years figures adjusted





[1] previous years figures adjusted

Highlights 2017

From Big Data to Smart Data

Many companies have now understood how important it is to collect data. The term "big data" is on everyone's lips. However, the meaningful preparation of data is much more relevant than the actual collection of data. This means that consultants and end customers are given added value about the product or sale and are given this at the right time and with key information. We can continue to do this in the interest of users, particularly with our online customers and with consultant support, and we will demonstrate further progress in terms of developing a smart approach to customers.

JDC B-LAB

While "smart data" is used in order to address customers and consultants in a way that is relevant and manage sales more efficiently, the JDC Group has also embraced blockchain technology. In January 2018, we set up our blockchain lab. We intend to use the strengths of the blockchain technology to develop customer-oriented financial and insurance products and simplify smart life, health and financial decisions for private customers and companies. Blockchain technology allows transactions to be performed directly between contracting parties with a sequence (chain) of encrypted data records (blocks), reducing costs and using smart linking to enhance data. Furthermore, the technology is considerably more secure than other forms of transaction and therefore has the potential for revolutionising the financial and insurance market. Due to numerous interfaces with product suppliers, 16,000 agents and 1.2 million customers mean that we believe that the JDC Group is on course to being the first company to make professional use of blockchain technology in this field.

allesmeins

More overview and more efficient processes

Many banks are working increasingly with fintechs or using their own innovation hubs to be able to offer new technologies to their customers. It appears that the banking app will increasingly become the customer's financial hub. In addition to multi-banking and Multi-Depot, the trend is to give customers an overview of insurance in the banking app or in online banking. With the allesmeins web app, JDC Group has the perfect solution for the B2B2C interface and can also use it to support banks and financial service providers in creating added value for the customer. More overview and simpler processes - benefits for the end customer, as well as sales revenue potential for the provider. Our in-house fintech platform also takes charge of processes and processing to the insurance companies, ensuring that no efficiencies are lost in the value chain.

GELD.de

Since the summer of 2017, the Geld.de platform has been more deeply integrated into the JDC Group's settlement systems and will be fully integrated from a process point of view in 2018, making it extremely efficient and fast in terms of customer service. The mein.Geld.de web app gives customers the benefits of a simple contract overview, allowing them to transfer existing contracts to the platform. For all subjects, from big data to smart data and the provision of tailor-made smart contracts based on the blockchain technology, we can also always use the platform and Geld.de brand as a test room for end customers and B2B partners. The restructuring will be following by a revamped corporate design in the 2nd quarter of 2018.


Stefan Bachmann
CDO
Ralph Konrad
CFO, CIO
Dr. Sebastian Grabmaier
CEO

Management board letter

DEAR SHAREHOLDERS, DEAR BUSINESS PARTNERS,

JDC Group AG brought fiscal year 2017 to a successful conclusion and was able to increase revenues by 8 percent compared to last year, bringing it to nearly EUR 85 million.

All the operational divisions contributed equally to this outcome.

The following noteworthy milestones were achieved in 2017:

Google manager Stefan Bachmann joins the executive board at JDC Group

In the first quarter, JDC Group signed a management contract with Stefan Bachmann, who joined the board on 01/06/2017. Mr Bachmann previously served as Finance & Fintech Industry Manager at Google Germany, where he held a variety of positions over a six-year period in which he was responsible for providing support and advice to customers in the financial sector, and more recently headed up Google's German fintech programme. At JDC he is responsible for overall digital strategy and our online platform, Geld.de. He instituted significant changes early on to Geld.de: Site mergers as well as more efficient marketing management led to substantial cost savings. Meanwhile, arrangements were made to provide for more cost-effective customer acquisition. Mr Bachmann is also heading up our blockchain strategy and during his first months with us made a real contribution in establishing our blockchain lab in Liechtenstein (see below).

JDC signs agreement with Lufthansa subsidiary Albatros to fully outsource its business processes

Clearly the most significant as well as the most spectacular milestone in 2017 involved the signing of the outsourcing agreement with Lufthansa subsidiary Albatros.

Albatros Versicherungsdienste GmbH, part of the Lufthansa Group, and the JDC Group company, Jung, DMS & Cie. Pool GmbH, concluded a contract in November for a minimum of five years to outsource the processing and brokering of financial products. Albatros has now transferred the insurance contracts with its approximately 150,000 customers completely to the JDC platform and handles all new business through JDC's IT and infrastructure. Altogether this involves an annual revenue volume of around 20 million Euro.

This step, which would have been unimaginable only a few years ago, shows how the market has developed. Only a few companies – including JDC – are able and willing to shoulder the regulatory and IT technical requirements involved. In doing so, they have been transformed into platform providers, which means their activities are no longer aimed solely at individual brokers, but that from now on, they can also provide services to large brokerage organisations. This will be the primary driver of growth at JDC for the foreseeable future.

JDC acquires retail customer business from Assekuranz Herrmann

In December 2017, the JDC Group, through its subsidiary Jung, DMS & Cie., acquired two subsidiaries of the ARTUS GROUP, with an insurance portfolio of around 40,000 policies and a volume of approx. 30 million Euro in net annual premiums. These policies are mainly in life, health and property insurance, i. e. categories with long holding periods and low termination rates.

Assekuranz Herrmann is a long-time JDC client and was the first outsourcing client with a turnover of around 3 million Euro p. a. This acquisition further increases the number of policies being serviced directly. We are confident to have acquired a very stable insurance portfolio through Assekuranz Herrmann, one which will benefit us for a very long time to come.

JDC Group AG partners with Germany's largest credit comparison portal smava

JDC Group AG agreed to a wide-ranging partnership with smava, Germany's leading credit comparison portal. Under the arrangement, consultants and brokers with the JDC Group AG can immediately begin offering their clients financing under favourable terms through smava. For its part, smava benefits from the partnership by being able to tap into an additional 1.2 million clients with JDC Group consultants and brokers.

For JDC Group AG, the partnership with smava marks another step in its advisortech strategy – allowing it to provide innovative technology PLUS personal advising. JDC Group consultants and brokers can engage directly (in person or by phone) with their clients, allowing them to better gauge their credit needs, regardless of the purpose.

JDC Group forms Blockchain Lab

At the beginning of the year, the JDC Group announced the creation of its own blockchain lab. We want to use the strengths blockchain technology offers in developing client-centric financial and insurance products and in making it easier for private clients and businesses to make smart decisions when choosing life and health insurance as well as financial products.

With this as our guide, we launched the third phase of our digitisation strategy. Having established the consultant and end-client app allesmeins and acquired the online platform Geld.de, the creation of the blockchain lab marks the next step in JDC Group's evolution into the leading process and service platform for insurance, investment funds and other financial products.

Results of Fiscal Year 2017

We are satisfied with our figures for fiscal year 2017. Despite the continued difficulties presented by a low-interest rate environment, the JDC Group AG managed to show improvement in all key performance indicators compared with the previous year:

Revenues rose by 8.2 percent to 84.5 million Euro (2016: 78.1 million Euro).

EBITDA, by contrast, showed even stronger improvement. Adjusted for non-recurring expenses in connection with key account projects as well as implementation of legal changes under European directives MiFID II and IDD amounting to around 0.7 million Euro in 2017, earnings before interest, tax, depreciation and amortisation (EBITDA) rose by roughly 63 percent to 3.9 million Euro (2016, likewise adjusted for non-recurring effects in the amount of 0.3 million Euro: EUR 2.4 million). Unadjusted earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 17.3 percent to 3.2 million Euro (2016: EUR 2.7 million).

As at 31 December 2017, equity capital stood at 28.0 million Euro. The equity capital ratio therefore stood at 37.2 percent (31 December 2016: 29.7 million Euro and 40.7 percent).

The investment fund portfolio managed by JDC Group AG (assets under administration) also performed well and, at 4.5 billion Euro, is on par with the previous year's level.

The performance of the individual segments was as follows:

ADVISORTECH

The advisortech segment increased turnover by 7.4 percent to 66.6 million Euro (prior year: 62.0 million Euro). By contrast, earnings before interest, taxes, depreciation and amortisation (EBITDA) increased quite significantly. At 3.3 million Euro, it rose by 15.6 percent as compared to the previous year (prior year: 2.8 million Euro). Earnings before interest and taxes (EBIT) stood at 0.8 million Euro, and was therefore in line with the previous year (prior year: 0.8 million Euro).

ADVISORY

The advisory segment also increased revenues compared to last year. Revenue rose by 13.7 percent to 26.6 million Euro (prior year: 23.4 million Euro).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) showed a significant increase of 22.7 percent to 1.2 million Euro (prior year: 1.0 million Euro). Earnings before interest and taxes (EBIT) likewise rose to 0.7 million Euro (prior year: 0.5 million Euro).

Outlook

Our forecast for the remainder of 2018 is very positive.

In 2018 we want to continue to systematically follow up on developments and strategies from 2017:

First, we want to see it that the Lufthansa subsidiary, Albatros, with which we entered into a partnership on 15 January, becomes one of our satisfied clients. In addition, we want to draw on our many contacts and enquiries to acquire other major brokers for outsourcing. We hope to see continued organic growth of our FiNUM Group and to further increase profitability. Lastly, we want to breathe life into the blockchain lab founded in late 2017 so that it can develop the first prototypes and bolster our claim as technology market leader.

That is why we are confident we can achieve double-digit growth in revenue in 2018 along with a significant increase in profits. In 2018, the executive board expects to see us break the 100 million Euro mark in revenue, with EBITDA of more than 6 million Euro.

Thanks to our employees and shareholders

Last but not least, we would again like to offer our heartfelt thanks to the employees and sales partners of both JDC Group AG and its subsidiaries, because our success is a product of their commitment and motivation.

We would also like to extend an equally hearty thanks to our shareholders, who put faith in our business model and continue to support and approve of the actions of our executive and supervisory boards.

We would be very pleased to enjoy your continued support.

Sincerely,

Dr. Sebastian Grabmaier | Ralph Konrad | Stefan Bachmann

The group

The group

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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 2017 financial year, JDC Group AG generated record product sales of around EUR 1.5 billion. The volume of assets under administration came to around EUR 4.5 billion at the end of 2017.

In 2017, 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). In this core segment JDC Group AG expanded its leading market position based on the 5-year contract for full outsourcing of transaction processing with Lufthansa subsidiary Albatros and the acquisition of the Assekuranz Herrmann retail customer business. 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. 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.

GELD.de

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

“The outsourcing agreement concluded with Lufthansa subsidiary Albatros marks a positive turning point in our company’s history. It not only underpins our claim to be the leading digitization service provider in insurance processing, but also spurs us on to win over many individual brokers and other major customers!”

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. 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 18 years in both countries and is currently represented by more than 270 experienced and registered advisors throughout Germany and Austria. These advisors provide a current total of more than 66,000 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

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.

2017

02/2017
Google Manager Stefan Bachmann makes a move to join the Board of JDC Group.

06/2017
Cristobal Mendez de Vigo y zu Loewenstein, many years working as an international asset manager will be elected as a member of the Supervisory Board.

11/2017
JDC and Lufthansa subsidiary Albatros implement letter-of-intent and agree on 5-year contract for full outsourcing of transaction processing.

11/2017
JDC acquires Assekuranz Herrmann retail customer business.

12/2017
JDC cooperates with Germany's leading loan comparison portal smava.

12/2017
JDC Group launches Blockchain Lab and announces ICO to build Germany's largest crypto-community.

Stefan Bachmann

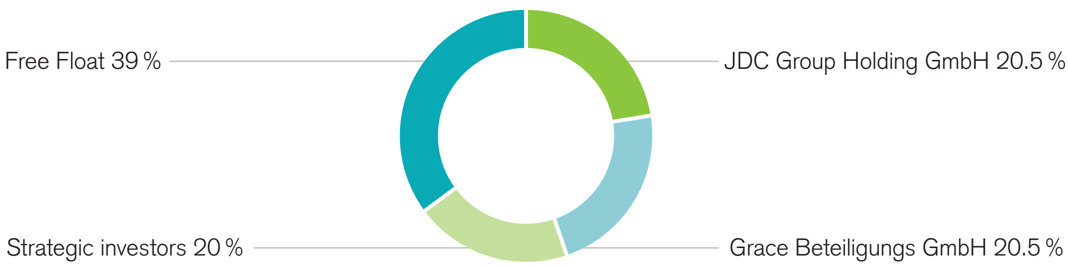
“Focusing on new technologies was always the right way to go, to use them in completely restructuring processes and business models with the client’s needs in mind. That’s why we established the blockchain lab, among other things. Those who focus on providing the client added value have always proven successful in the long run.”

Shareholder structure 2017

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 20.5 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 capitalization of EUR 103 million*.

* Status April 23th 2018

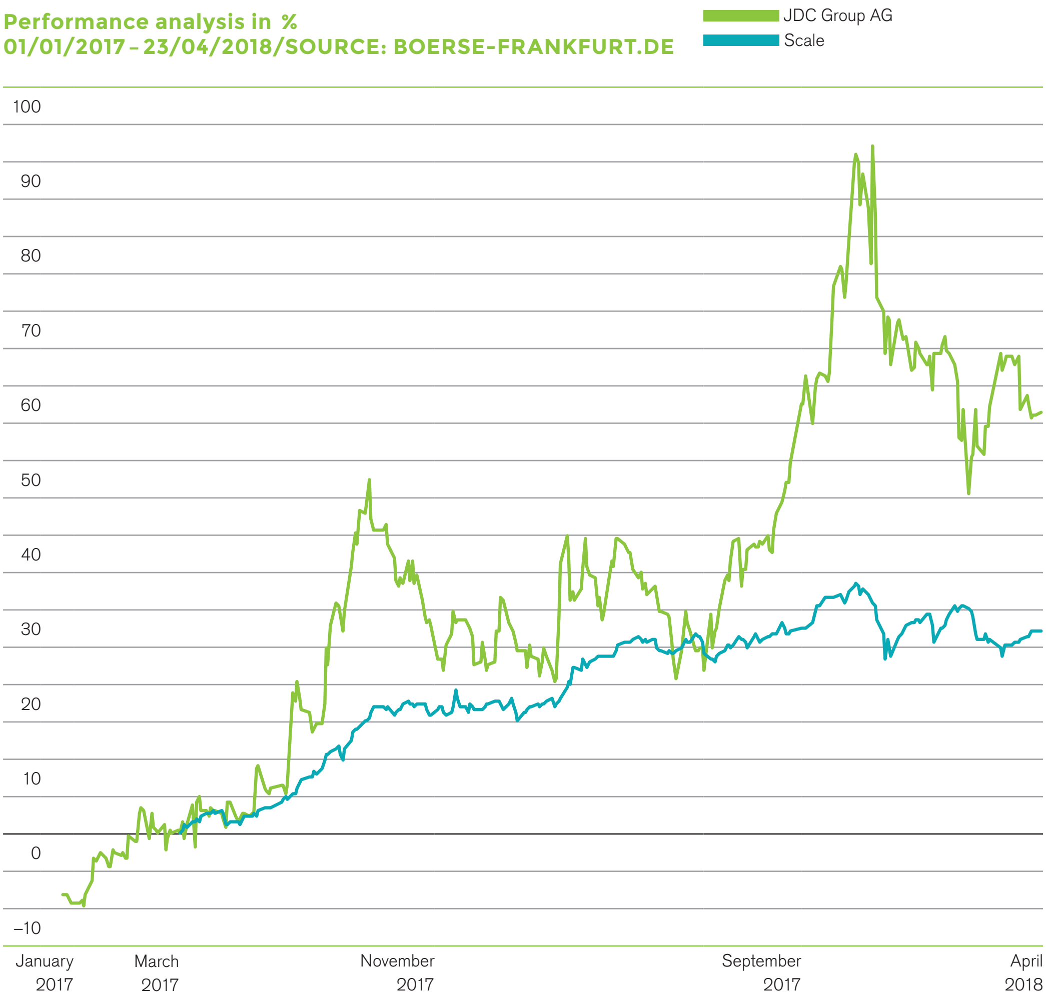
Share price performance 2017

JDC Group AG's share price performance marks a steady upward trend in 2017. At year-end, the price of the share (EUR 9.75) improved by 85 percent in relation to the beginning of the year (EUR 5.26). In comparison to this, the Scale comparative index improved by 41 percent during the comparative period. The price performance is therefore strong above that of the reference index.

The current share price is at EUR 8.62*. Therefore the performance is presently harmonising with the Scale index. However, we are optimistic that the price trend will move away positively from the index again in 2018.

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

Performance analysis in %
01/01/2017 – 23/04/2018/SOURCE: BOERSE-FRANKFURT.DE



* Status April 23th 2018

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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 and a portfolio of more than EUR 4.5 billion, we are one of the market leaders in the German-speaking area.

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 2017 within this context kEUR 832 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

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)

JDC Geld.de GmbH
(100.0 %) *

– Online insurance comparison portal
– Property insurance

Advisory

FiNUM.Private Finance AG, Vienna
(100.0 %) *

– Brokering of financial products to end customers
– Life insurance policies, pension schemes, financing
– Currently approx. 44 consultants

FiNUM.Private Finance AG, Berlin
(100.0%) *

– Brokering of financial products to end customers
– Insurance, investment funds, closed-end funds, financing
– Currently approx. 73 advisors

FiNUM.Finanzhaus AG, Wiesbaden
(100.0%) *

– Brokering of financial products to end customers
– Insurance, investment funds, closed-end funds, financing
– Currently approx. 152 consultants

Holding

JDC Group AG

– Holding activities
– Shared Service Center

* Ownership interest held by JDC Group AG to 31 December 2017

ECONOMIC REPORT

Overall economic conditions [1)]

Global economic growth weakened slightly in 2017. 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 2017 of 3.7 percent was 0.5 percent higher than in 2016. Growth in the euro zone rose to 2.7 percent after 1.7 percent in the previous year. In Germany, the economy grew to 2.2 percent after 1.9 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 11 January 2018 plus IWF statement in January 2018.

Sector-specific conditions

THE MARKET FOR INVESTMENT PRODUCTS [2)]

As of 31 December 2017, the German investment fund industry managed total assets of EUR 3,001 billion, equivalent to an increase of 7.1 percent in comparison to 31 December 2016.

As of 31 December 2017 (figures as of 31 December 2016 in brackets), EUR 1,022 billion (EUR 916 billion) was invested in retail funds and EUR 1,594 billion (EUR 1,482 billion) in special funds. EUR 385 billion (EUR 405 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 2017 (figures as of 31 December 2016 in brackets):
- Equity funds: EUR 394.0 billion (EUR 341.1 billion)
- Bond funds: EUR 213.8 billion (EUR 195.4 billion)
- Money market funds: EUR 9.3 billion (EUR 10.7 billion)
- Open-ended real estate funds: EUR 89.2 billion (EUR 87.6 billion)
- Mixed and other funds: EUR 315.7 billion (EUR 281.2 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 2017.

For 2018, the Federal Government expects further increasing economic growth of 2.4 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 2018 in comparison to previous years.

THE MARKET FOR INSURANCE PRODUCTS [3)]

The insurance sector remains on its growth path in 2017. The industry expects an increase in premiums of at least 2 percent across all sectors. In indemnity and accident insurance, revenues grew by around 3 percent, while in life insurance, premiums fell by 0.1 percent compared to the strong previous year. In total, the insurers reported an increase of 1.7 percent to EUR 197.7 billion. The industry also expects moderate growth in 2018.

Premium income for life insurers and pension funds fell by around 0.1 percent to EUR 90.7 billion in 2017. One-off contributions developed better than expected and fell by 0.5 percent to EUR 26.1 billion. Income from current premiums fell by 4.6 percent to EUR 5.2 billion. As in the previous year, the cancellation rate should remain at 2.8 percent. In view of the low interest rates and political uncertainty, the result of life insurers is by all means respectable.

[2)] Unless indicated otherwise, all data referred to in the following description of the investment product market was taken from the BVI annual press conference on 05 February 2018.
[3)] 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).

With property and accident insurance, income grew by 2.9 percent to EUR 68.2 billion, thus more strongly than in the previous year. In property and casualty insurance, premiums grew as in the previous year by 2.9 percent to EUR 68.2 billion. According to projections, the paid benefits rose by 3.2 percent to EUR 51 billion.

The companies in private health insurance earned 4.3 percent more than in the previous year, namely EUR 38.8 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 8.2 percent. Therefore is the growth due to the difficult market conditions behind the estimated growth. Also the EBITDA is higher than in the previous year, but still behind the estimated growth. This is mainly due to the fact that the purchase of portfolios and the acquisition of the major client Albatros generated non-recurring expenses.

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

SITUATION

Major key figures

The Management Board for JDC Group primarily uses revenue performance and gross profit following deduction of commission expenditures, as well as EBITDA, which are considered the most important financial performance indicators, in assessing company performance and as a tool in managing the entire Group and its segments. Non-financial performance indicators, which are essential for understanding business performance or the condition of the company, currently do not appear.

From 2015 to 2017 the major key figures of JDC Group developed as follows:

Key performance indicators of JDC Group	2015 kEUR	2016 kEUR	2017 kEUR	Changes 2016 to 2017 kEUR
Total non-current assets	39,486	53,089	51,427	–1,662
Total current assets	26,316	19,833	23,730	3,897
Equity	24,678	29,713	28,032	–1,681
Non-current liabilities	25,526	24,077	29,190	5,113
Current liabilities	15,598	19,132	17,935	–1,197
Total assets	65,802	72,922	75,157	2,235
Revenues	75,700	78,052	84,475	6,423
Commission expenses	56,679	55,306	59,011	3,705
Gross margin	19,021	22,746	25,464	2,718
Personnel expenses	12,139	13,113	14,440	1,327
Other operating expenses	10,641	11,976	12,955	979
EBITDA	1,279	2,720	3,190	470
Result of ordinary operations	–977	–700	–879	–179

Financial Position

Of the Group's non-current assets, amounting to EUR 51.4 million as of 31 December 2017 (previous year: EUR 53.1 million), around EUR 43.8 million (previous year: EUR 45.1 million) involved intangible assets. The reduction is due to the depreciation of insurance portfolios in the amount of EUR 0.9 million.

Current assets rose to EUR 23.7 million (previous year: EUR 19.8 million). The main reason for this is the increase of credit balances with banks. Credit balances with banks grew from EUR 3.5 million to EUR 6.4 million.

Total assets increased from EUR 72.9 million in 2016 to EUR 75.2 million in 2017 through the higher credit balances with banks.

Shareholders' equity decreased from EUR 29.7 million to EUR 28.0 million. This mainly results from the annual result. In total non-current liabilities grew from EUR 24.1 million in the previous year to EUR 29.2 million in the reporting year. This is mainly due to the increase of liabilities to financial institutions by EUR 2.4 million. The reason is a loan in order to finance an acquisition of assets in 2018.

Current liabilities fell slightly by EUR 19.1 million to EUR 17.9 million. This includes EUR 14.0 million of accounts payable and EUR 3.7 million of other liabilities.

The equity ratio in the JDC Group decreased as of the balance sheet date to 37.2 percent (previous year: 40.7 percent) of total assets. The year-on-year decrease of the equity ratio mainly results from the higher total assets.

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 kEUR 1.218 by kEUR 1,989 to kEUR 3,207. In addition to changes in working capital, this results, for example, from an increase in depreciation of kEUR 498 and an increase in non-cash items of kEUR 483.

Cash flow from investment activities was negative at kEUR 2,021. The reason for this lies mainly with payments for investments in intangible assets and property, plant and equipment amounting to kEUR 2,035.

Financing activities resulted in a positive cash flow of kEUR 2,237, which mainly consisted of proceeds from borrowing amounting to kEUR 2,450 and from the sale of bonds in the subsidiary Jung, DMS & Cie. Pool GmbH previously held by JDC Group AG amounting to kEUR 1,621. This was offset by payments for the retirement of loans amounting to kEUR 842 and interest paid in the amount of kEUR 992.

Cash and cash equivalents at the end of the financial year amounted to kEUR 6,331.

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 cash and cash equivalents include the proceeds from the borrowing of loans amounting to kEUR 2,450 shown in the inflows from financing activities. Borrowing occurred in connection with the acquisition of a shareholding in the 2018 fiscal year, resulting in corresponding cash outflows at the beginning of 2018.

The equity ratio in the JDC Group decreased as of the balance sheet date to 37.2 percent (previous year: 40.7 percent) compared to the previous year by around EUR 2.3 million increased balance sheet total. Middle and long-term external capital comprises to the reporting date 38.9 percent of the balance sheet or rather EUR 29.2 million and EUR 14.7 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 8.2 percent to EUR 84.5 million (previous year: EUR 78.1 million).

Commission expenses rose by 6.7 percent in comparison to the previous year (EUR 55.3 million) to EUR 59.0 million.

The resulting gross profit increased from EUR 22.8 million in the previous year to EUR 25.5 million in the current fiscal year. In relation to sales, the margin is 30.1 % (previous year: 29.1 %)

Of other expenses, EUR 14.4 million (previous year: EUR 13.1 million) related to personnel expenses and EUR 10.0 million (previous year: EUR 9.5 million) to other operating expenses. As an annual average, the Group had a total of 255 employees (previous year: 226 employees).

The depreciation of the business year increased due to investments to EUR 3.0 million (previous year: EUR 2.5 million).

The largest items within other operating expenses were advertising expenses at EUR 1.1 million (previous year: EUR 0.8 million), IT expenses at EUR 2.2 million (previous year: EUR 1.8 million), occupancy costs at EUR 1.4 million (previous vear: EUR 1.4 million), legal and advisory expenses at EUR 1.5 million (previous year: EUR 1.7 million) and other expenses at EUR 1.6 million (previous year: EUR 1.8 million).

In total, EBITDA rose to EUR 3.2 million (previous year: EUR 2.7 million) and EBIT to EUR 0.2 million (previous year: EUR 0.2 million). The result of ordinary operations decreased from EUR –0.7 million by around EUR 0.2 million to EUR –0.9 million.

SEGMENT REPORTING

Advisortech segment

Revenues in the Advisortech segment improved to EUR 66.6 million, compared to EUR 62.0 million in the previous year. EBITDA improved considerably to EUR 3.3 million after EUR 2.8 million in the previous year. EBIT remained consistent at EUR 0.8 million.

Advisory segment

Revenues in the Advisory segment also improved. The segment revenues increased to EUR 26.7 million after EUR 23.4 million in the previous year. EBITDA rose slightly to EUR 1.2 million compared to EUR 1.0 million in the previous year. EBIT grew from EUR 0.5 million in the previous year to EUR 0.7 million.

Holding segment

Revenues in the Holding segment declined. The segment revenues decreased from EUR 2.2 million to EUR 2.1 million. The EBITDA and EBIT key figures fell to EUR –1.3 million after EUR –1.1 million in the previous year.

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 minimize 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.
- 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:

- Implementing the European Insurance Distribution Directive has involved numerous changes to laws affecting insurance brokers and organisations like JDC. Among other things, these changes have an impact on brokerage procedures. It will take some time before those affected become proficient in the new procedures. As a consequence, this may result in a decline in sales.
- Implementation of the European General Data Protection Regulation affects all German businesses, in particular those businesses in the financial services sector that make considerable use of personal data. We will be subject to comprehensive information and documentation obligations, which must also be implemented in the Group's IT systems. This will result in an increase in IT costs. The information obligations (providing the client with information about stored data) will likewise result in as-yet unquantifiable organisational costs.

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 continu-ance 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.

In 2017, the JDC Group made some important changes that will have a decisive effect on the coming years. In the reporting year, the partnership agreement with the Lufthansa subsidiary Albatros Versicher-ungsdienste ensures a sales volume of up to EUR 20 million p.a. in the next 5 years. The acquisition of Assekuranz Herrmann Group also tapped into additional revenue and earnings potential with effect from 2018 onwards.

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 2018 financial year.

OUTLOOK

Economic outlook

Global economic growth is expected to accelerate moderately to 3.9 percent in 2018. However, the inflati-on rate will increase, particularly due to the rising commodity prices. In accordance with expectations, growth in the euro zone will rise to 2.3 percent in 2018. At the same time, inflation is estimated below 2 percent.

For 2018, the Federal Government and the IMF expect economic growth of 2.3 percent. Private con-sump- tion 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.

Markets and sector outlook

The ECB will finish its extensive purchase programme for bonds in 2018, in this case mid of 2019 we calculate with higher interest rates. 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. If the US extend their protectionist trade policy, this would be dampen the economic dynamism. various crises around the world may have a negative impact on the global economic situation.

OUTLOOK FOR THE JDC GROUP

Expected business performance

The assessment of the expected business performance of the JDC Group for 2018 is based on the economic assumptions presented in the Group management report. The expansion of military or 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.

Clear and sustainable improvement in business operations will be paramount for the JDC Group in 2018. In 2018, the Group will focus on attracting new corporate clients, scaling the platform and optimising internal processes and cost management.

In detail, we assume that the Group revenue in 2018 will be around 18 percent above the level from 2017 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, 19. April 2018

Dr. Sebastian Grabmaier   Ralph Konrad   Stefan Bachmann

Supervisory Board and Management Board

Supervisory Board and Management Board

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Report of the Supervisory Board

DEAR SHAREHOLDERS,

In 2017, the Management Board succeeded in making significant progress in transforming the group into a high-performance and profitable technology company for the financial sector. Key factors in making this happen during the 2017 fiscal year were the portfolio acquisitions and the conclusion of strategic agreements with new major clients.

The Supervisory Board takes its responsibility seriously and will continue to monitor progress in implementing strategy and growth planning as communicated and in providing the Management Board with appropriate support. Our key priorities focused on strategically significant major projects and acquisitions, the strengthening of the Management Board and further progress on Management Board remuneration, as well as the ongoing discussion of business performance and achievement of targets. Another of our priorities involves monitoring the essential and systematic implementation of regulatory requirements. As a body, we believe we are in a very good position to achieve our goals.

Our company will continue to be managed by our experienced Management Board. Stefan Bachmann, who joined the Board in 2017, has made it possible for the company to implement innovative and forward-looking solutions for the new digital challenges in financial services.

Below, you will find additional detailed information on how the Supervisory Board complied with its monitoring responsibilities over the past fiscal year and provided the Management Board with in-depth advice in many areas. Highlights from the year under review:

Report of the Supervisory Board

In the past fiscal year, the Supervisory Board fulfilled the responsibilities vested in it by law, administrative regulations, the Articles of Association and the rules of procedure. The Management Board provided us with regular, prompt and comprehensive information on business policy and strategy, other fundamental issues of corporate management and culture, as well as corporate planning, coordination and control. The Management Board also reported on financial performance, earnings, risk, liquidity and capital management, significant litigation, as well as transactions and events of significant importance to the company. We were involved in decisions of fundamental importance. Important issues and pending decisions were also discussed during regular meetings between the Chairman of the Supervisory Board and the Management Board.

PROGRESS REPORT

During the 2017 fiscal year, the Supervisory Board held six meetings.

Telephone conference held on 22 February 2017

The Management Board reported on the company’s current performance. The Supervisory Board decided to recruit a Chief Digital Officer to the Management Board with a view to accelerating new client acquisition via online and mobile portals. Mr. Stefan Bachmann was appointed to the Management Board. Attendance at the Supervisory Board meeting was 83 %.

Meeting held on 13 March 2017

The Supervisory Board discussed the preliminary annual financial statements for 2016 and reviewed the achievement of goals, the cost savings achieved and the personnel situation. The Management Board reported on the AON and Geld.de stock acquisitions, as well as other stock acquisition opportunities. Other items on the agenda included the integration of major clients, in particular new clients, and a new location strategy. Attendance at the Supervisory Board meeting was 100 %.

Meeting held on 24 April 2017

The subject of the meeting, which was attended by the auditor, was an in-depth discussion of the annual financial statements and the 2016 consolidated financial statements, as well as passing of related resolutions. Other important agenda items included items discussed at the previous meeting and preparation for the Annual General Meeting. Attendance at the Supervisory Board meeting was 100 %.

Meeting held on 22 June 2017

This session focused on discussion of current business performance, the development of major projects, as well as regulatory issues relating to data protection and expanded reporting requirements resulting from implementation of MIFID II. A resolution was passed on variable remuneration of the Management Board for the past fiscal year. Successful implementation of the location strategy and the efficiency improvements and cost savings associated with it were also discussed. Attendance at the Supervisory Board meeting was 80 %.

Meeting held on 11 September 2017

The Supervisory Board was reconstituted following the Annual General Meeting. The Chairman of the Supervisory Board, Mr. Jens Harig, and the deputy, Mr. Emmerich G. Kretzenbacher, were reappointed. In addition to business performance and the development of major projects, new growth options were also discussed. The decision was taken to acquire the insurance company Hermann and to make provision for financing the acquisition. The Supervisory Board addressed group restructuring in connection with improved tax options.

An adjustment was made to the basis for determining variable remuneration for the Management Board in order to reflect increased depreciation relating to stock purchases. Another point of discussion was the future strategy for comprehensive client support and use of the complete range of products. Attendance at the Supervisory Board meeting was 100 %.

Meeting held on 12 December 2017

The Supervisory Board dealt with current business figures and planning for the 2018 fiscal year. The business plan for 2018 was adopted. The long-term contract concluded with the client Albatros was recognised as an important milestone for further growth and provides the basis for other promising large-scale projects that were the subject of discussion by the Supervisory Board. Technological changes in the financial and insurance sector were part of a strategy discussion, along with the subsequent decision to establish the JDC B-LAB GmbH, Liechtenstein, to evaluate and introduce blockchain technology into the JDC Group. Attendance at the Supervisory Board meeting was 67 %.

Collectively, the Supervisory Board participated in decisions of the Executive Board within the scope of its statutory and regulatory responsibilities and is satisfied that management performed its responsibilities lawfully, properly and efficiently. During fiscal year 2017, no audit measures were required pursuant to section 111 (2)(1) of the German Stock Corporation Act (AktG).

The Supervisory Board did not form any committees during the reporting period.

CHANGES IN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

On 1 June 2017, Mr. Stefan Bachmann was appointed to the company's Management Board.

On 21 April 2017, Mr. Alexander Schütz resigned from the Supervisory Board. On 30 June 2017, the Annual General Meeting elected Mr. Cristobal Mendez de Vigo y zu Loewenstein as a member of the Supervisory Board for the period through the conclusion of the Annual General Meeting that approves the actions of the Supervisory Board for the 2019 fiscal year. On 31 December 2017, the Supervisory Board comprised six members in accordance with the Articles of Association: Jens Harig (Chairman), Emmerich G. Kretzenbacher (Deputy Chairman), Cristobal Mendez de Vigo y zu Loewenstein, Stefan Schütze, Klemens Hallmann and Jörg Keimer.

Mr. Stefan Schütze resigned from the Supervisory Board at the end of 2017.

Annual and consolidated audit 2017

The consolidated financial statements and the consolidated management report were prepared in accordance with International Financial Reporting Standards (IFRS). The annual financial statements and the management report were prepared in accordance with the rules of the German Commercial Code (HGB). The annual and consolidated annual financial statements, as well as the management report and consolidated management report for the 2017 fiscal year, were approved by the auditing firm (Dr. Merschmeier + Partner GmbH, Wirtschaftsprüfungsgesellschaft, Münster) elected by the Annual General Meeting on 30 June 2017 and appointed by the Supervisory Board, and were issued with an unqualified audit opinion.

The audit opinions for the 2017 fiscal year for the consolidated and annual financial statements were signed jointly on 20 April 2018/3 April 2018 by the auditors Michael Jäger and Werner Kortbuß.
The aforementioned documents and the audit reports of the auditors were made available to the members of the Supervisory Board. The Supervisory Board examined the documents relating to the annual and consolidated financial statements and discussed them at its meeting on 25 April 2018 with the auditors in attendance. The auditors reported on the key findings of their audit. The accounting and auditing officer also reported on the results of his review. The findings of the review did not produce any objections. At his recommendation, we approved the review findings and endorsed the annual financial statements and the consolidated financial statements prepared by the Management Board. The annual financial statements were thereby adopted.

Our thanks to the Management Board and the employees

The Supervisory Board would like to thank the Management Board and all employees at JDC Group AG and throughout the entire Group for their commitment and hard work during the previous fiscal year.

On behalf of the Supervisory Board
Wiesbaden, 25 April 2018

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.

Ralph Konrad

“The market has made great strides in becoming more professional. We want to be one or perhaps THE leading technology platform for handling insurance transactions in Germany. That’s what we’re working toward day after day.”

Stefan Bachmann
Frankfurt
Management Board – CDO

At the JDC Group, Bachmann is responsible for the digital strategy and integration of the directcustomer and platform business within the company network. Stefan Bachmann is also managing director of the JDC Geld.de GmbH.

Stefan Bachmann studied Finance & Economics at the Goethe University in Frankfurt, at Boston College and at the London School of Economics (LSE). Before joining the board of directors of JDC Group AG in June 2017 as CDO, Bachmann gained experience in the financial sector at Google over the past nearly seven years, where he headed the division Fintech sales consulting services. Previously he was active in the lifestyle sector with his own digital platform.

SUPERVISORY BOARD

Jens Harig
Kerpen
Independent entrepreneur
Chairman

Emmerich Kretzenbacher
Hamburg
Graduated Certified Accountant
Deputy Chairman

Alexander Schütz
Vienna
Independent entrepreneur (until April 21, 2017)

Cristobal Mendez de Vigo y zu Loewenstein
London
Independent entrepreneur (since June 30, 2017)

Stefan Schütze
Frankfurt am Main
Attorney (until December 31, 2017)

Klemens Hallmann
Vienna
Independent entrepreneur

Jörg Keimer
Wiesbaden
Attorney

Consolidated financial statements

Consolidated financial statements

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Consolidated income statement

	Notes	01/01/ – 31/12/2017 kEUR	01/01/ – 31/12/2016 kEUR
1. Revenues	[1]	84,475	78,052
2. Capitalised services	[2]	832	594
3. Other operating income	[2]	1,301	1,979
4. Commission expenses	[3]	–59,011	–55,306
5. Personnel expenses	[4]	–14,440	–13,113
6. Depreciation and amortisation of tangible and intangible assets	[5]	–2,988	–2,490
7. Other operating expenses	[6]	–9,967	–9,486
8. Other interest and similar income	[7]	21	63
9. Interest and similar expenses	[7]	–1,102	–993
10. Operating profit/loss		**–879**	–700
11. Income tax expenses	[8]	–795	–441
12. Other tax expenses	[8]	–7	–73
13. Net profit		**–1,681**	–1,214
thereof attributable to parent company's shareholders		–1,681	–1,214
14. Earnings per share	[9]	**–0.14**	–0.11

Consolidated statement of comprehensive income

	01/01/ – 31/12/2017 kEUR	01/01/ – 31/12/2016 kEUR
Profit or loss for the period	**–1,681**	–1,214
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	**–1,681**	–1,214
Attributable to:		
– Parent company‘s shareholders	–1,681	–1,214
– Shares without controlling interests	0	0
	–1,681	–1,214

Segment reporting

	Advisortech		Advisory	
	2017 kEUR	2016 kEUR	**2017 kEUR**	2016 kEUR
Segment income				
Revenues	66,581	61,967	26,658	23,440
of which with other segments	1,336	1,320	7,499	6,397
Total segment income	**66,581**	61,967	**26,658**	23,440
Capitalised services	832	594	0	0
Other income	1,134	1,174	116	758
Segment expenses				
Commission expenses	–47,923	–45,093	–19,319	–17,142
Personnel expenses	–9,929	–8,868	–2,610	–2,555
Depreciation and amortisation	–2,486	–1,995	–485	–476
Other	–7,430	–6,950	–3,666	–3,540
Total segment expenses	**–67,768**	–62,906	**–26,080**	–23,713
EBIT	**779**	829	**694**	485
EBITDA	**3,265**	2,824	**1,179**	961
Income from investments	0	0	0	0
Other interest and similar income	726	760	55	68
Yield on other securities	0	0	0	0
Depreciation of financial assets	0	0	0	0
Other interest and similar expenses	–1,505	–1,308	–620	–613
Financial result	**–779**	–548	**–565**	–545
Segment earnings before tax (EBT)	**0**	281	**129**	–60
Tax expenses	–576	–274	–225	–239
Segment net profit from continuing operations	**–576**	7	**–96**	–299
Segment net profit from discontinued operations	0	0	0	0
Minority interests	0	0	0	0
Segment net profit after minority interests	–576	7	–96	–299
Additional information				
Investments in tangible and intangible assets	1,954	15,964	76	673
Shares in companies accounted for using the equity method	0	0	0	0
Other non-cash itemised expenses except for scheduled depreciation	–612	–445	–624	–241
Scheduled depreciation	–2,486	–2,486	–485	–485
Unscheduled depreciation	0	0	0	0
Total segment assets	**66,060**	67,154	**10,620**	5,437
Total segment liabilities	**44,233**	41,157	**15,730**	9,229

Holding 2017 kEUR	Holding 2016 kEUR	Total reportable segments 2017 kEUR	Total reportable segments 2016 kEUR	Transfer 2017 kEUR	Transfer 2016 kEUR	Total 2017 kEUR	Total 2016 kEUR
2,085	2,193	95,324	87,600	–10,849	–9,548	84,475	78,052
2,014	2,193	10,849	9,910	–10,849	–9,910	0	0
2,085	2,193	**95,324**	87,600	**–10,849**	–9,548	**84,475**	78,052
0	0	832	594	0	0	832	594
51	47	1,301	1,979	0	0	1,301	1,979
0	0	–67,242	–62,235	8,231	6,929	–59,011	–55,306
–1,901	–1,690	–14,440	–13,113	0	0	–14,440	–13,113
–17	–19	–2,988	–2,490	0	0	–2,988	–2,490
–1,489	–1,615	–12,585	–12,105	2,618	2,619	–9,967	–9,486
–3,407	–3,324	**–97,255**	–89,943	**10,849**	9,548	**–86,406**	–80,395
–1,271	–1,084	**202**	230	**0**	0	**202**	230
–1,254	–1,065	**3,190**	2,720	**0**	0	**3,190**	2,720
0	0	0	0	0	0	0	0
1,051	970	1,832	1,798	–1,811	–1,735	21	63
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
–788	–807	–2,913	–2,728	1,811	1,735	–1,102	–993
263	163	**–1,081**	–930	**0**	0	**–1,081**	–930
–1,008	–921	**–879**	–700	**0**	0	**–879**	–700
–1	–1	–802	–514	0	0	–802	–514
–1,009	–922	**–1,681**	–1,214	**0**	0	**–1,681**	–1,214
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
–1,009	–922	–1,681	–1,214	0	0	–1,681	–1,214
5	4	2,035	16,641	0	0	2,035	16,641
0	0	0	0	0	0	0	0
–47	–487	–1,283	–1,173	0	0	–1,283	–1,173
–17	–17	–2,988	–2,490	0	0	–2,988	–2,490
–798	0	–798	0	798	0	0	0
38,484	29,038	**115,164**	101,629	**–40,007**	–28,707	**75,157**	72,922
14,960	17,540	**74,923**	67,926	**–27,798**	–24.718	**47,125**	43,208

Consolidated balance sheet

Assets

	Notes	31/12/2017 kEUR	31/12/2016 kEUR
Non-current assets			
Intangible assets	[10]	43,761	45,090
Fixed assets	[11]	717	714
Financial assets	[12]	143	143
		44,621	45,947
Deferred taxes	[8]	3,315	3,847
Long-term non-current assets			
Accounts receivable	[13]	1,009	847
Other assets	[13]	2,482	2,448
		3,491	3,295
Total non-current assets		**51,427**	53,089
Current assets	[14]		
Accounts receivable	[14]	14,081	13,354
Other assets	[14]	3,092	2,987
Other securities	[14]	0	0
Cash and cash equivalents	[15]	6,362	2,913
Deferred charges		195	579
Total current assets		**23,730**	19,833
Total assets		**75,157**	72,922

Liabilities

	Notes	31/12/2017 kEUR	31/12/2016 kEUR
Equity			
Subscribed capital	[16]	11,935	11,935
Capital reserves	[16]	12,845	45,851
Other retained earnings	[17]	766	283
Other equity components	[17]	2,486	–28,356
Minority interests		0	0
Total equity		**28,032**	29,713
Non-current liabilities	[18]		
Deferred taxes	[8]	1,408	1,279
Bonds	[18]	14,702	12,871
Liabilities due to banks	[18]	2,649	291
Accounts payable	[18]	8,477	7,889
Other liabilities	[18]	927	170
Provisions	[19]	1,027	1,577
Total non-current liabilities		**29,190**	24,077
Current liabilities	[20]		
Accrued taxes		117	168
Liabilities due to banks		133	97
Accounts payable		13,967	12,820
Other liabilites		3,686	5,999
Deferred income		32	48
Total current liabilities		**17,935**	19,132
Total equity and liabilities		**75,157**	72,922

Consolidated cash flow statement

			01/01/–31/12/2017 kEUR	01/01/–31/12/2016 kEUR	Changes compared to previous year kEUR
1.		Result for the period	–1,681	–1,214	–467
2.	+	Depreciation and amortisation of fixed assets	2,988	2,490	498
3.	–/+	Decrease/increase of provisions	–600	–833	233
4.	–/+	Other non-cash itemised income/expenses	630	147	483
5.	–/+	Profit/loss from disposals of fixed assets	0	11	–11
6.	–/+	Increase/decrease of inventories, accounts receivable as well as other assets	–1,421	–2,051	630
7.	–/+	Decrease/increase of accounts payable as well as other liabilities	3,291	2,668	623
8.	**=**	**Cash flow from operating activities**	**3,207**	1,218	1,989
9.	+	Cash receipts from disposals of intangible assets	0	0	0
10.	–	Cash payments for investments in intangible assets	–1,812	–4,795	2,983
11	+	Cash receipts from disposals of fixed assets	14	0	14
12.	–	Cash payments for investments in intangible assets	–223	–124	–99
13.	+	Cash receipts from disposals of financial assets	0	1	–1
14.	–	Cash payments for investments in financial assets	0	0	0
15.	+	Cash receipts from the disposal of consolidated companies	0	0	0
16.	–	Cash payments from the acquisition of other business units	0	–10,482	10,482
17.	–	Cash payments for investments funds within the borders of short-term finance disposition	0	0	0
18.	+	Cash receipts from investments funds within the borders of short-term finance disposition	0	6,000	–6,000
19.	**=**	**Cash flow from investment activities**	**–2,021**	–9,400	7,379
20.	+/–	Cash receipts/payments to equity	0	6,250	–6,250
21.	+	Cash receipts from issuance of bonds	1,621	0	1,621
22.	–	Cash receipts from borrowings	2,450	460	1,990
23.	–	Cash payments from loan redemptions	–842	–77	–765
24.	–	Paid interests	–992	–860	–132
25.	**=**	**Cash flow from financing activities**	**2,237**	5,773	–3,536
26.		Changes in cash and cash equivalents (total of pos. 8, 19, 25)	3,423	–2,409	5,832
27.	+	Cash and Cash equivalents at the beginning of the period	2,908	5,317	–2,409
28.	**=**	**Cash and Cash equivalents at the end of the period**	**6,331**	2,908	3,423

Breakdown of cash and cash equivalents

	31/12/2017 kEUR	31/12/2016 kEUR	Change kEUR
Cash and cash in banks	6,362	2,913	3,449
Current liabilities due to banks	–31	–5	–26
	6,331	2,908	3,423

Consolidated statement of changes in equity

	Number of shares	Sub-scribed capital kEUR	Capital reserve kEUR	Other retained earnings kEUR	Cash flow hedge marked to market kEUR	Securities marked to market kEUR	Other equity com-ponents kEUR	Shares without domi-nating influence	**Total equity kEUR**
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
Other equity changes									0
Retained earnings									0
– Allocation from earnings									0
As of 31/12/2016	**11,934,971**	**11,935**	**45,851**	**283**	**0**	**0**	**–28,356**	**0**	**29,713**
As of 01/01/2017	**11,934,971**	**11,935**	**45,851**	**283**	**0**	**0**	**–28,356**	**0**	**29,713**
Result as of 31/12/2017							–1,681		–1,681
Capital increase									0
Other equity changes			–33,005	483			32,523		0
Retained earnings									0
– Allocation from earnings									0
As of 31/12/2017	**11,934,971**	**11,935**	**12,845**	**766**	**0**	**0**	**2,486**	**0**	**28,032**

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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 2017, this was fulfilled with the entry into the commercial register on 31 July 2017.

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 19 April 2018 and will release them for publication on 27 April 2018.

The consolidated financial statements for financial year 2017 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 2017 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 2017 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 2017 financial year of the companies in the Group comprises the period from 1 January to 31 December 2017.

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 methods used are generally the same as in the previous year with the following exceptions.

As of 1 January 2017, JDC Group AG applied the following new and revised IASB standards for the first time in the financial year:

AMENDMENT TO IAS 7 – CASH FLOW STATEMENTS: DISCLOSURE INITIATIVE

The amendment requires companies to disclose changes in their liabilities from financing activities, which include both cash and non-cash changes (for example, currency conversion gains or losses). This change has no effect on the consolidated financial statements.

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

The amendment clarifies that, in terms of deductibility of a deductible difference to be reversed in future resulting from unrealised losses, a company must consider whether tax laws limit the sources of future taxable income from which that deductible temporary difference could be deducted. Furthermore, the amendment contains guidelines on how a company should determine taxable income in the future and the extent to which the realisation of assets above their book value can be taken into account. This change has no effect on the consolidated financial statements.

IMPROVEMENTS TO IFRS 2014–2016

AMENDMENT TO IFRS 12 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES: CLARIFICATION OF THE SCOPE OF THE DISCLOSURE REQUIREMENTS IN ACCORDANCE WITH IFRS 12

This amendment clarifies that the disclosure requirements in IFRS 12, with the exception of IFRS 12.B10-B16, also apply to a company's interests in a subsidiary, joint venture or associate (or portions of its interests in a joint venture or associate) that are classified as held for sale (or belong to a disposal group classified as held for sale). This change has no effect on the consolidated financial statements.

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

Standards published up to the date of publication of the consolidated financial statements that are not yet mandatory are listed below. The Group intends to apply these standards when they come into force.

IFRS 9 – FINANCIAL INSTRUMENTS

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments, which supersedes IAS 39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. IFRS 9 combines the three project phases for accounting of financial instruments "Classification and measurement", "Impairment" and "Hedge accounting".
The main requirements of the final IFRS 9 can be summarised as follows:

— Compared to the previous standard IAS 39 Financial Instruments: Recognition and measurement, the requirements of IFRS 9 with regard to the scope of application and recognition/derecognition, remain unchanged for the most part.

- However, the regulations of IFRS 9 provide for a new classification model for financial assets compared to IAS 39. IFRS 9 introduces a uniform approach to the classification and measurement of financial assets. As a basis, the standard refers to the cash flow characteristics and the business model under which they are managed. The subsequent measurement of financial assets will be based on three categories: (1) measurement at acquisition cost using the effective interest method ("AC"), (2) fair value measurement with recognition of fair value changes in other comprehensive income ("FVTOCI") and (3) fair value measurement with changes in fair value through profit or loss ("FVPL").
- The subsequent measurement of financial assets will be based on three categories with different value scales and a different recognition of changes in value. The categorisation results depend on the contractual cash flows of the instrument and the business model of the instrument. These are, basically, mandatory categories. In addition, however, individual options are available to companies.
- IFRS 9 also provides for a new impairment model based on expected credit losses. IFRS 9 provides for three levels that will determine the amount of losses to be recognised and interest to be received in the future. Accordingly, expected losses in the amount of the present value of an expected 12-months loss are recognised on acquisition (Level 1). If there is a significant increase in the risk of default, the loan loss provisions must be increased up to the amount of the expected losses of the entire residual time to maturity (Level 2). If there is objective evidence of impairment, the interest must be collected on the basis of the net book value (book value less risk provisions) (Level 3).
- For financial liabilities, however, the existing rules were largely adopted in IFRS 9. The only major change concerns financial liabilities stated at fair value. For these, fair value fluctuations due to changes in own credit risk are recognised in other comprehensive income.
- In addition to extensive transitional provisions, IFRS 9 also involves extensive disclosure requirements for both transition and ongoing application. New features compared to IFRS 7 Financial Instruments: Notes mainly result from the regulations on impairment

With regard to financial assets, the "holding" business model is the predominantly used business model of the Group. Thus, the business model does not result in a reclassification of financial assets previously stated at amortised cost. Overall, the Group does not expect any significant impact on its balance sheet and equity except for the effect of applying the impairment requirements in IFRS 9. The Group expects higher risk provisions to be formed, which would adversely affect the shareholders' equity. The standard is effective for annual periods beginning on or after 1 January 2018.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

In accordance with IFRS 15, recognition of revenue is intended to reflect the transfer of the promised goods or services to the customer in the amount corresponding to the consideration that the company expects to receive in exchange for those goods or services. IFRS 15 provides for a uniform, five-level revenue recognition model, which is generally applicable to all contracts with customers. Revenues are realised when the customer receives the authority to dispose of the goods or services. IFRS 15 also includes requirements for disclosure of contractual excess benefits or obligations. These are assets and liabilities arising from customer contracts, which depend on the relationship between the service provided by the company and the customer's payment. In addition, the new standard requires the disclosure of a range of quantitative and qualitative information to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. IFRS 15 replaces IAS 11, Construction Contracts, and IAS 18, Revenues, as well as the related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. This change is not expected to have a significant impact on the consolidated financial statements.

IFRS 16 – LEASES

The new standard IFRS 16 – Leases replaces IAS 17 and the related interpretations (IFRIC 4, SIC-15, SIC-27). For lessees, the new standard requires a completely new approach to the financial reporting of leases. If, in accordance with IAS 17, the transfer of material risks and rewards of the leased asset was decisive for the recognition of leases by the lessee, then in principle every lease shall be recognised by the lessee as a financing transaction in the balance sheet. The new standard contains two exceptions to the recognition obligation for lessees: Leasing agreements for low-value assets (e.g. PCs), and short-term leases (i.e. leases with a maximum term of twelve months). At the beginning of the lease term, the lessee recognises a liability for the lease payments (i.e. the lease liability) and an asset for the granted right to use the leased asset during the term of the lease (i.e. the right to use the leased asset). Lessees must separately recognise the interest expense for the lease liability and the depreciation expense for the right to use the leased asset. In addition, lessees are required to re-evaluate the lease liability when certain events occur (for example, a change in lease maturity or in future lease payments due to a change in the index or interest rate used to determine the lease payments). The re-evaluated lease liability amount will generally be recognised by lessees as an adjustment to the right to use the leased asset.

For lessors, the accounting rules have remained unchanged for the most part. IFRS 16 requires lessees and lessors to provide more detailed information than IAS 17.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group is currently examining what impact application of IFRS 16 will have on its consolidated financial statements.

IFRS 17 – INSURANCE CONTRACTS

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard that includes policies for recognition, measurement, presentation and disclosure obligations with regard to insurance contracts. With its entry into force, IFRS 17 will replace IFRS 4 Insurance Contracts published in 2005. IFRS 17 is applicable to all types of insurance contracts (i.e. life insurance, property insurance, direct insurance and reinsurance) and to certain guarantees and financial instruments with discretionary participation features, regardless of the type of corporation. With regard to the scope, individual exemptions apply. The overall objective of IFRS 17 is to create a more uniform and consistent accounting model for insurers. In contrast to the requirements of IFRS 4, which largely protect the grandfathering of previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts that reflects all relevant accounting issues. The core of IFRS 17 is the general model, supplemented by

— a specific version for contracts with direct profit participation (the variable fee approach) and
— a simplified model (the premium allocation approach), usually for short-term contracts.

IFRS 17 is effective for annual periods beginning on or after 1 January 2021. IFRS 17 does not apply to the Group.

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

The amendments address the inconsistency between the requirements of IFRS 10 and IAS 28 relating to the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the profit or loss on the sale or contribution of assets should be fully recognised in such cases, provided that the assets constitute a business operation within the meaning of IFRS 3. Any profit or loss from the sale or contribution of non-operating assets should be recognised only up to the amount of the other unrelated investors in the associate or joint venture. The IASB has postponed the date of first application of these amendments indefinitely.

AMENDMENT TO 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 impact of vesting conditions on the measurement of cash-settled share-based payment transactions; the classification of share-based payment transactions with net fulfilment clauses in the case of a statutory withholding tax deduction; and the accounting of cash-settled share-based payment transactions in the event of a modification of their terms leading to a classification as an equity-settled share-based payment transaction.

Companies must apply the change for the first time without adjusting previous reporting periods. However, retroactive application is permitted if this option is used for all three areas of change and if other conditions are met. The amendment is effective for annual periods beginning on or after 1 January 2018. This change will have no impact on the consolidated financial statements.

AMENDMENT TO IAS 40 – INVESTMENT PROPERTY

The change has been made to state that a company may transfer a property to or from investment property if and only if there is evidence of a change in use. The change in use means that the property meets or no longer meets the definition of investment property. A change in the intentions of a company's management in relation to the use of the property itself does not constitute proof of a change of use. The changes will apply to reporting periods beginning on or after 1 January 2018. This change will have no impact on the consolidated financial statements.

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 on IAS 21 Effects of Changes in Foreign Exchange Rates. It clarifies the time at which the exchange rate for conversion of transactions in foreign currencies, which include prepayments received or made, is to be determined. Accordingly, the date on which the asset or liability resulting from the advance payment is recognised for the first time determines the conversion rate for the underlying asset, income or expense. The interpretation is effective from 1 January 2018.

IFRIC INTERPRETATION 23 – UNCERTAINTY REGARDING INCOME TAX TREATMENT

If there are uncertainties regarding income tax treatment, the interpretation of income tax accounting in accordance with IAS 12 shall be applied. It does not apply to any taxes or duties that fall outside the scope of IAS 12 and does not contain provisions on interest and overdrafts in connection with uncertain tax treatment. The interpretation deals, in particular, with the following topics:

- Deciding whether a company should assess uncertain tax treatment individually
- Assumptions made by a company regarding auditing of tax treatment by the tax authorities
- Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- Consideration of changes in facts and circumstances

A company must determine whether it evaluates any uncertain tax treatment separately or together with one or more other uncertain tax treatments. In doing so, the approach that allows for better prediction with respect to the resolution of the uncertainty should be chosen. The interpretation becomes effective for reporting periods beginning on or after 1 January 2019. However, certain transitional benefits can be claimed. The Group will apply IFRIC 23 from the date of entry into force.

IMPROVEMENTS TO IFRS 2014–2016

On 8 December 2016, the IASB published its annual improvements to the IFRS Cycle 2014–2016. The adopted changes affect three IFRS standards. The subject of the annual improvements are non-urgent aspects that are in need of improvement in areas where International Financial Reporting Standards (IFRS) should be clarified or changes that do not require a complete revision of a standard.

The changes in detail:

— In IFRS 1 “First-time Adoption of International Financial Reporting Standards”, temporary relief provisions are deleted.

— IAS 28 “Investments in Associates and Joint Ventures” clarified that the option to measure an investment in an associate or joint venture held by a venture capital company or another qualifying entity can be made individually for each equity interest.

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning 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, 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, Munich	100.0	31/03/2004
FiNUM.Private Finance Holding GmbH, Vienna/Austria	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, Vienna/Austria	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
Jung, DMS & Cie. Finanzservice GmbH, Vienna/Austria	100.0	01/09/2011
JDC plus GmbH, Wiesbaden	100.0	01/10/2013
Aragon Media GmbH, Wiesbaden	100.0	01/10/2012
JDC Geld.de GmbH, Wiesbaden	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, Vienna/Austria	100.0	31/12/2009
4. Sub-group FiNUM.Private Finance Holding GmbH		
FiNUM.Private Finance AG, Berlin	100.0	31/12/2011
FiNUM.Finanzhaus AG, Wiesbaden	100.0	12/07/2013
FiNUM.Pension Consulting GmbH, Wiesbaden	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”, “allesmeins”, “Portal GELD.de” and “iCRM”	
Purchased software	3 years
Licenses	1 to 10 years
Customer base	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.

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.

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/–31/12/2017 kEUR	01/01/–31/12/2016 kEUR
Initial commission		
Insurance products	35,361	32,075
Investment funds	13,103	13,395
Closed-end funds	3,461	3,286
Follow-up commission	19,128	18,663
Overrides	5,664	4,172
Construction financing	1,432	1,300
Fee-based advisory	3,331	2,740
Other income	2,995	2,421
Total	**84,475**	78,052

Total revenues of the reporting year was with kEUR 84,475 8.2 percent over the previous year (kEUR 78,052).

3.1.2 Other capitalised services/other operating income [2]

	01/01/–31/12/2017 kEUR	01/01/–31/12/2016 kEUR
Capitalised services	832	594
Reversal of impairments/income from receivables written off	5	10
Income from provision's release	621	578
Income from security sales	0	2
Income from statute-barred debt	208	348
Income from benefits in kind	225	215
Other operating income	242	826
Total	**2,133**	2,573

Other own work services in the amount of kEUR 832 (previous year: kEUR 594) were mainly achieved by the development of in-house proprietary-use software solutions (Compass, World of Finance, iCRM, allesmeins and Portal GELD.de) (cf. Ref. 3.2.1.1.1 Concessions and licences).

The other operationg income of kEUR 1,301 (previous year: kEUR 1,979) relates essentially to income from from the reversal of provisions kEUR 621 (previous year: kEUR 578) and income from statute-barred liability kEUR 208 (previous year: kEUR 348).

3.1.3 Commission expenses [3]

The item contains mainly the commissions for independent brokers and trade representatives. The expenses increased by kEUR 3,705 to kEUR 59,011 (previous year: kEUR 55,306) comparing to the previous although sales increased.

The commission revenues from the portfolio acquisitions (Geld.de and AON) in the amount of kEUR 4,600 (previous year: kEUR 3,345) are not seen alongside commission expenses.

3.1.4 Personnel expenses [4]

	01/01/–31/12/2017 kEUR	01/01/–31/12/2016 kEUR
Wages and salaries	12,285	11,185
Social security	2,155	1,928
Total	**14,440**	13,113

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 (full time equivalent) employed during the financial year is 239 (previous year: 226).

3.1.5 Depreciation, amortisation and impairment [5]

	01/01/–31/12/2017 kEUR	01/01/–31/12/2016 kEUR
Depreciation and amortization of intangible assets	–2,782	–2,346
Purchased software	–562	–393
Internally developed software	–1,272	–1,225
Insurance portfolios	–948	–647
Other intangible assets	0	–81
Depreciation and amortization of property and equipment	–206	–144
Total	**–2,988**	–2,490

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/–31/12/2017 kEUR	01/01/–31/12/2016 kEUR
Marketing costs	1,054	814
Travel costs	370	267
External services	673	638
IT costs	2,177	1,831
Occupancy costs	1,368	1,354
Vehicle costs	392	348
Office supplies	97	108
Fees, insurance premiums	713	637
Postage, telephone	282	195
Write-downs/impairments of receiveables	67	130
Legal and consulting costs	1,480	1,718
Training costs	66	75
Human resources	12	64
Supervisory boad compensation	107	103
Non-deductible input tax	191	207
Other	918	997
Total	**9,967**	9,486

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/–31/12/2017 kEUR	01/01/–31/12/2016 kEUR
Income from closed-end fund investments	0	0
Interest and similar income	21	63
Interest and similar expenses	–1,102	–993
Total	**–1,081**	–930

The interest and similar expenses results mainly from the bond from subsidiary company Jung, DMS & Cie. Pool GmbH kEUR 963 (previous year: kEUR 896).

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:

	2017 kEUR	2016 kEUR
Loans and receivables (LaR)	21	63
Held-to-maturity securities (HtM)	0	0
Financial assets (AfS)	0	0
Financial liabilities measured at amortised cost (FLAC)	–139	–97
Financial liabilities measured at amortised cost (HtM)	–963	–896
Total	**–1,081**	–930

3.1.8 Income and other taxes [8]

Tax income and expenses are structured as follows:

	01/01/–31/12/2017 kEUR	01/01/–31/12/2016 kEUR
Current income tax	–134	–101
Deferred taxes	–661	–340
Total income tax	**–795**	–441
Other taxes	–7	–73
Total tax expenditure	**–802**	–514

For the financial years 2017 and 2016, using an expected tax rate of 31.72 percent (previous year: 31.72 percent), the tax expense deviates from the actual amounts as follows:

	01/01/–31/12/2017 kEUR	01/01/–31/12/2016 kEUR
Earnings before income taxes	–886	–773
Arithmetical tax expense		
at expected tax rate (31.72%, previous year: 31.72%)	0	0
Non-deductible expenses	0	0
Tax-exempt income components	0	0
Tax refunds and subsequent tax payments for previous years	0	0
Evaluation of deferred taxes	–661	–340
Tax-rate based deviations (Austria)	0	0
Other	–134	–101
Income tax as stated in the income statement	**–795**	–441

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:

	31/12/2017 kEUR	31/12/2016 kEUR
Deferred tax assets		
Tax reimbursement claims from loss carry-forwards	3,299	3,832
Tax reimbursement claims from financial liabilities	16	15
	3,315	3,847
Deferred tax liabilities	–884	–697
Intangible assets (software/customer base)	–524	–582
From other recognition differences	**–1,408**	–1,279

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

	31/12/2017 kEUR	31/12/2016 kEUR
Deferred tax assets		
Tax reimbursement claims from loss carry-forwards	–533	–557
Tax reimbursement claims from financial liabilities	1	15
	–532	–542
Deferred tax liabilities	187	154
Intangible assets (software/customer base)	–58	48
From other recognition differences	**129**	202

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]

	2017 kEUR	2016 kEUR
Consolidated net income	–1,681	–1,214
Weighted average number of shares (number)	11,934,971	11,392,473
Own shares	0	0
Earnings per share in EUR	**–0.14**	–0.11

No dividend was paid in financial year 2017.

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]

	31/12/2017 kEUR	31/12/2016 kEUR
Concessions, industrial property rights and similar rights and values	19,202	20,531
Goodwill	24,559	24,559
Total	**43,761**	45,090

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 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.

Concerning the acquisition of the "Geld.de" insurance portfolios, the geld.de domain (kEUR 800) were acquired. The company assumes a permanent value of the domain, therefore no depreciation is effected.

In the financial year under review, internally generated software tools totalling kEUR 1,445 (previous year: kEUR 1,276) 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 2,941 (previous year: kEUR 2,768).

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:

	31/12/2017 kEUR	31/12/2016 kEUR
Advisortech	19,096	19,096
Advisory	5,461	5,461
Holding	2	2
	24,559	24,559

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 2017. 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 2018. For the financial years 2019 and 2020 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 5.62 percent (previous year: 5.63 percent) and using a beta factor for comparable investments of 1.1 (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 2017 of the group is above the equity’s book value.

3.2.1.2 PROPERTY, PLANT AND EQUIPMENT [11]

	31/12/2017 kEUR	31/12/2016 kEUR
Property, plant and equipment	717	714
Total	**717**	714

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:

	31/12/2017 kEUR	31/12/2016 kEUR
Available-for-sale		
Shares in affiliated companies	25	25
Investments	118	118
Securities	0	0
Total	**143**	143

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]

	31/12/2017 kEUR	31/12/2016 kEUR
Accounts receivables	1,009	847
Other assets	2,482	2,448
Total	**3,491**	3,295

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]

	31/12/2017 kEUR	31/12/2016 kEUR
Accounts receivable	14,081	13,354
Other assets		
commission advances	0	0
Other securities	0	0
Prepaid expenses	195	579
Other	3,092	2,987
Total	**17,368**	16,920

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 tax refund claims, short-term loans and receivables to consultants.

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]

	31/12/2017 kEUR	31/12/2016 kEUR
Cash and cash equivalents	6,362	2,913
Total	**6,362**	2,913

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).

	31/12/2017 kEUR	31/12/2016 kEUR
Subscribed capital	11,935	11,935
Capital reserves	12,845	45,851
Other revenue reserves	766	283
Other equity components	4,167	–27,142
Net income/loss stated in the income statement	–1,681	–1,214
Total	**28,032**	29,713

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: 11,934,971) 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.

At year-end the company held none of its own shares.

The capital reserve is due to the issuing of new shares in the previous years above the mathematical value. In this regard, accrued costs for capital procurement amounted kEUR 1,011 were deducted from the capital reserve. In the reporting year the net loss of JDC Group AG amounted kEUR 33,005 was allocated to the capital reserve.

The capital reserve of the parent company is subject to the limitation on disposal according to § 150 AktG.

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 contain the subsidiaries' legal reserves of kEUR 544 (2016: kEUR 61). The free reserve is kEUR 222.

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.

3.2.4 Non-current liabilities [18]

	31/12/2017 kEUR	31/12/2016 kEUR
Bonds	14,702	12,871
Liabilities to banks	2,649	291
Accounts payable	8,477	7,889
Other liabilities		
Purchase price liabilities	0	0
Others	927	170
Total	**26,755**	21,221

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 and a loan from JDC Geld.de GmbH, Wiesbaden, issued through Fintechgroup Bank AG.

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, under 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]

	31/12/2017 kEUR	31/12/2016 kEUR
Provisions with reversal liabilities	989	1,338
Asset Damage precaution	38	239
Total	**1,027**	1,577

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]

	31/12/2017 kEUR	31/12/2016 kEUR
Provisions for taxes	117	168
Liabilities to banks	133	97
Accounts payable	13,967	12,820
Other current liabilities		
Puchase price liabilities	164	1,277
Interest-rate derivatives with a hedging purpose	0	0
loan liabilities	11	1,521
Other	3,511	3,201
Deferred income	32	48
Total	**17,935**	19,132

Tax provisions essentially comprise the expected final payments for corporate income tax, solidarity surcharge and trade tax for the 2016 and 2017 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. The loan of the Fintechgroup Bank AG is due at the end of the term, so there is no current portion.

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

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.

3.2.7 Changes in liabilities from financing activities

	01/01/2017 kEUR	Cash-flows kEUR	Sonstige kEUR	**31/12/2017 kEUR**
Non-current bonds	12,871	1,621	210	**14,702**
Non-current liabilities due to banks	291	2,450	–92	2,649
Current liabilities due to banks	97	–45	81	133
./. Components of cash and cash equivalents	–5	–26	0	–31
	383	2,379	–11	**2,751**
Other liabilities				
Loan liabilities				
(Non-current portion)	170	0	757	927
(Current portion)	1,521	–771	–739	11
	1,691	–771	18	**938**
Total liabilities from financing activities	**14,945**	**3,229**	**217**	**18,391**

The item “Other” includes effects from the reclassification between non-current and current liabilities (due to the passage of time or the extension of loans), the effects of accrued but unpaid interest on loans and the effects of the valuation of the bond at amortised cost using the effective interest method.

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:

	31/12/2017 kEUR	31/12/2016 kEUR
Residual term		
up to one year	1,620	1,326
between two and five years	3,467	1,574
longer than five years	1,048	1,341
Total	**6,135**	4,241

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

The agreements have remaining terms of between 2 and 106 months (previous year: 2 to 118 months), whereby some contain extension and price adjustment clauses. None of these lease agreements contains contingent lease payments.

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 approximately 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:

	31/12/2017 kEUR	31/12/2016 kEUR
Supervisory Board		
Total remuneration	107	103
Management Board		
Total remuneration*	**818**	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.

Equity declined by kEUR 1,681 (previous year: increase by kEUR 5,035) from kEUR 29,713 to kEUR 28,032 due to the year-end result.

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. The cash flow from operating activities was positive at kEUR 3,207.

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.

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:

	2017	2016
Advisortech	187	179
Advisory	29	31
Holding	14	16
Total	**230**	226

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 17 million (previous year: EUR 12 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:

— Implementing the European Insurance Distribution Directive has involved numerous changes to laws affecting insurance brokers and organisations like JDC. Among other things, these changes have an impact on brokerage procedures. It will take some time before those affected become proficient in the new procedures. As a consequence, this may result in a decline in sales.
— Implementation of the European General Data Protection Regulation affects all German businesses, in particular those businesses in the financial services sector that make considerable use of personal data. We will be subject to comprehensive information and documentation obligations, which must also be implemented in the Group's IT systems. This will result in an increase in IT costs. The information obligations (providing the client with information about stored data) will likewise result in as-yet unquantifiable organisational costs.

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 154 for auditor's services.

On average, the Group companies employed 255 staff – excluding Management Board members – throughout the year (previous year: 226).

EXECUTIVE BODIES OF JDC GROUP AG

Management Board

DR. SEBASTIAN GRABMAIER
Grünwald
Attorney
CEO

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

STEFAN BACHMANN
Frankfurt
Businessman
CDO

Supervisory Board

JENS HARIG
Kerpen
Independent entrepreneur
Chairman

EMMERICH KRETZENBACHER
Hamburg
Graduated Certified Accountant
Deputy Chairman

ALEXANDER SCHÜTZ
Vienna
Independent entrepreneur
(until April 21, 2017)

CRISTOBAL MENDEZ DE VIGO Y ZU LOEWENSTEIN
London
Independent entrepreneur
(since June 30, 2017)

STEFAN SCHÜTZE
Frankfurt am Main
Attorney
(until December 31, 2017)

KLEMENS HALLMANN
Vienna
Independent entrepreneur

JÖRG KEIMER
Wiesbaden
Attorney

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 2017

	Cost of Acquisition/production				
	01/01/2017 kEUR	Reclassifications kEUR	Additions kEUR	Disposals kEUR	**31/12/2017 kEUR**
I. Intangible assets					
1. Concessions, industrial property rights and similar rights and values	34,279	1,812	450	0	35,641
a) internally generated industrial property rights and similar rights and values	6,253	1,445	0	0	7,698
b) for remuneration aquired concessions and similar values	28,026	367	450	0	27,943
2. Goodwill	24,559	0	0	0	24,559
	58,838	**1,812**	**450**	**0**	**60,200**
II. Property, plant and equipment					
Other equipment, operating and business equipment	3,093	223	292	0	3,025
	3,093	**223**	**292**	**0**	**3,025**
III. Financial assets					
1. Shares in affiliated companies	25	0	0	0	25
2. Closed-end fund investments	118	0	0	0	118
3. Securities held as fixed assets	0	0	0	0	0
	143	**0**	**0**	**0**	**143**
	62,075	**2,035**	**742**	**0**	**63,368**

	Depreciation/amortisation					Book value	
	01/01/2017 kEUR	Depreciation/ Amortisation in financial year kEUR	Disposals kEUR	Reclassifications kEUR	**31/12/2017 kEUR**	31/12/2016 kEUR	**31/12/2017 kEUR**
	13,748	2,782	91	0	16,440	20,531	19,202
	3,485	1,272	0	0	4,757	2,768	2,941
	10,263	1,510	91	0	11,683	17,763	16,261
	0	0	0	0	0	24,559	24,559
	13,748	**2,782**	**91**	**0**	**16,440**	**45,090**	**43,761**
	2,380	206	278	0	2,308	714	717
	2,380	**206**	**278**	**0**	**2,308**	**714**	**717**
	0	0	0	0	0	25	25
	0	0	0	0	0	118	118
	0	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**143**	**143**
	16,128	**2,988**	**369**	**0**	**18,748**	**45,947**	**44,621**

Appendix 2

Statement of changes in the net book values of consolidated fixed assets as of 31 December 2017

	Book value 01/01/2017 kEUR	Reclassifications kEUR	Additions/ Reclassifications kEUR	Disposals kEUR	Depreciation/ amortisation in the financial year kEUR	**Book value 31/12/2017 kEUR**
I. Intangible assets						
1. Concessions, industrial property rights and similar rights and values	20,531	0	1,812	359	2,782	19,202
a) internally generated industrial property rights and similar rights and values	2,768	0	1,445	0	1,272	2,941
b) for remuneration aquired concessions and similar values	17,763	0	367	359	1,510	16,261
2. Goodwill	24,559	0	0	0	0	24,559
	45,090	**0**	**1,812**	**359**	**2,782**	**43,761**
II. Property, plant and equipment						
Other equipment, operating and business equipment	714	0	223	14	206	717
	714	**0**	**223**	**14**	**206**	**717**
III. Financial assets						
1. Shares in affiliated companies	25	0	0	0	0	25
2. Closed-end fund investments	118	0	0	0	0	118
3. Securities held as fixed assets	0	0	0	0	0	0
	143	**0**	**0**	**0**	**0**	**143**
	45,947	**0**	**2,035**	**373**	**2,988**	**44,621**

Appendix 3
List of shareholdings as of 31 December 2017

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 31/12/2017 kEUR	Net profit 2017 kEUR
1. Non-consolidated subsidiaries			
MEG AG, Kassel	100.0	n. a.	n. a.
FVV GmbH, Wiesbaden [2]	100.0	2	3
2. Other investments			
Dr. Jung & Partner GmbH Generalrepräsentanz, Essenbach [1] [3]	30.0	108	–42
BB-Wertpapier-Verwaltungsgesellschaft mbH, Augsburg	25.1	91	–11

[1] indirect shareholdings via Jung, DMS & Cie. Pool GmbH
[2] indirect shareholdings via FiNUM.Private Finance AG, Berlin
[3] Data from 31 Dezember 2016
[4] Data from 30 September 2017

Appendix 4

Additional informations concerning Financial instruments IAS 39 as of 31 December 2017

	Measurement categories as defined by IAS 39	Book value 31/12/2017 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	1,009	1,009		
Other assets	LaR	2,482	2,482		
Current assets					
Accounts receivable	LaR	14,081	14,081		
Other assets					
Other	LaR	3,092	3,092		
Cash and cash equivalents	LaR	6,362	6,362		
Liabilities					
Non-current liabilities					
Bonds	HtM	14,702	14,702		
Liabilities due to banks	FLAC	2,649	2,649		
Accounts payable	FLAC	8,477	8,477		
Other liabilities	FLAC	927	927		
Current liabilities					
Liabilities due to banks	FLAC	133	133		
Accounts payable	FLAC	13,967	13,967		
Other liabilities					
Other liabilities	FLAC	3,686	3,686		
Thereof measurement categories as defined by IAS 39					
Loans and Receivables	LaR	27,026	27,026		
Held-to-Maturity Investments	HtM	14,702	14,702		
Available-for-Sale Financial Assets	AfS	143	0	143	
Financial Liabilities Measured at Amortised Costs	FLAC	29,839	29,839	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.

Fair Value – affecting net income kEUR	**Fair Value 31/12/2017 kEUR**	Book value 31/12/2016 kEUR	Continuing book value kEUR	Cost of acquisition kEUR	Fair Value – not affecting net income kEUR	Fair Value – affecting net income kEUR	Fair Value 31/12/2016 kEUR
	25	25		25			25
	118	118		118			118
	1,009	847	847				847
	2,482	2,448	2,448				2,448
	14,081	13,354	13,354				13,354
	3,092	2,987	2,987				2,987
	6,362	2,913	2,913				2,913
	15,255	12,871	12,871				13,416
	2,649	291	291				291
	8,477	7,889	7,889				7,889
	927	170	170				170
	133	97	97				97
	13,967	12,820	12,820				12,820
	3,686	5,999	5,999				5,999
	27,026	22,549	22,549				22,549
	15,255	12,871	12,871				13,416
	143	143	0	143			143
	29,839	27,266	27,266	0			27,266

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 2017 to 31 December 2017. 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 2017 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, 20 April 2018

Dr. Merschmeier + Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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