DF Deutsche Forfait AG

Annual Report for the Short Financial Year

Period from 2 July to 31 December 2016

TABLE OF CONTENTS

COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT

1. Fundamentals of DF Group 03
2. Economic report 10
3. Report of the Board of Management on the disclosures pursuant to Section 289 (4) of the German Commercial Code (HGB) and Section 315 (4) of the German Commercial Code (HGB) 21
4. Corporate governance statement (Section 289a HGB) 27
5. Post-balance sheet events 27
6. Opportunity and risk management report 28
7. Outlook 43
8. DF Deutsche Forfait AG 45

FINANCIAL FIGURES

Consolidated Balance Sheet – Assets 51

Consolidated Balance Sheet – Equity and Liabilities 52

Consolidated Income Statement 53

Consolidated Statement of Comprehensive Income 54

Consolidated Cash Flow Statement 55

Consolidated Statement of Equity Changes 56

NOTES

Notes to the consolidated financial statements 57

Independent Auditor´s Report 105

Responsibility Statement by the Board of Management 114

Supervisory Board Report 115

Corporate Governance Report 119

1. FUNDAMENTALS OF DF GROUP

The present consolidated financial statements of DF Deutsche Forfait AG, Grünwald, and its subsidiaries ("**Group**" or "**DF Group**") cover the period from 2 July 2016 to 31 December 2016 ("short financial year 2016 II"). As a result of the insolvency proceedings terminated on 1 July 2016, the calendar year 2016 has been divided into two short financial years. The "short financial year 2016 I" ran from 1 January 2016 to 1 July 2016 (end of insolvency), while the "short financial year 2016 II" covered the period from 2 July 2016 to 31 December 2016.

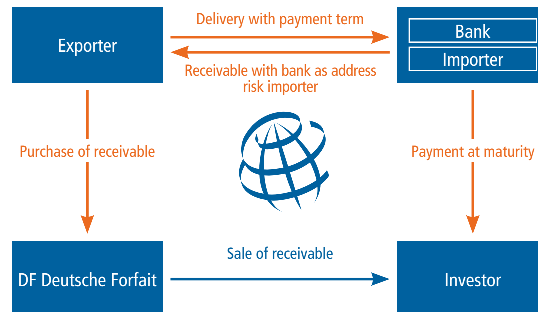
a) Business model of the Group

After the end of the insolvency proceedings DF Group has repositioned itself as a specialist for foreign trade finance and related services for exporters importers and other financial service providers such as banks and forfaiting companies with a focus on emerging markets. Within this market segment, the main focus is on financing foreign trade with Middle East countries and in particular with Iran. By continuing its foreign trade finance activities with emerging markets, DF Group intends to generally maintain the global and, hence, diversified outlook of its business model.

Forfaiting is a classical export financing instrument. In the forfaiting business, foreign trade receivables (hereinafter briefly also referred to as "**receivables**") are acquired at a discount from the nominal value. This discount on the market value is calculated on the basis of the money and capital market interest rate for the equivalent term and at matching exchange rates (e.g. 6-month or 1-year LIBOR or 2-year swap rate) plus risk margin. The margin takes the individual risk of each transaction into account, which mainly depends on country and counterparty risks of the primary debtor (importer) and the secondary debtor (e.g. credit insurance, guaranteeing bank). The margin is additionally influenced by the complexity of the transaction including the documentation.

DF Group acquires foreign trade receivables either directly from the exporter or importer (primary market) or from banks or other forfaiting companies (secondary market) which have previously acquired the receivables from an exporter or importer. The receivables are resold to investors, usually banks.

Classic Forfaiting



Apart from forfaiting, DF Group takes over risks from its customers under purchase commitments. Unlike forfaiting, purchase commitments only involve the assumption of country and counterparty risks without providing liquidity. Purchase commitments are either kept in the portfolio or secured by bank guarantees, third-party counter-guarantees or credit insurance in favor of DF Group, which means that the risks are outplaced. DF Group also purchases lease and loan receivables, which are usually sold or hedged by purchase commitments.

DF Group can also purchase lease and loan receivables, which are usually sold or hedged by purchase commitments of third parties.

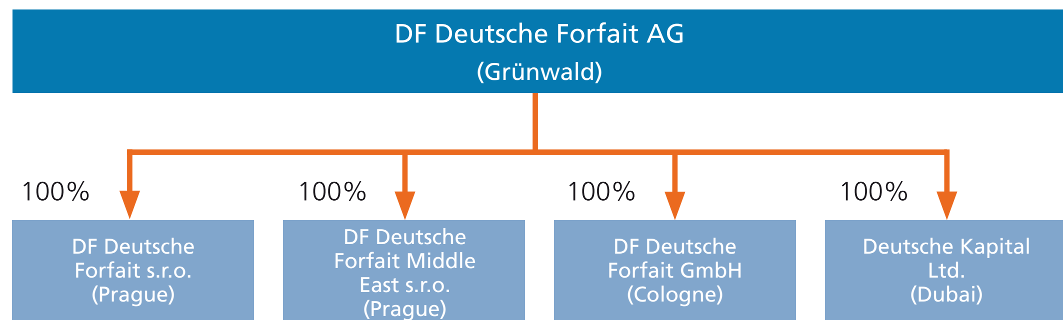
As the third component of its product and service portfolio, DF Group offers its customers services that build on its specific knowledge of developing and emerging countries. In contrast to the forfaiting business and the purchase commitments, DF Group assumes no credit risk whatsoever in this product segment. Hereinafter referred to as "commission business", these services include, for instance, (i) the collection of foreign trade receivables and (ii) the brokerage business. In the latter case, DF Group arranges forfaiting transactions or purchase commitments between buyers and sellers without making liquidity available and/or assuming any risks.

In addition, DF Group plans to launch trade finance funds, in which purchased receivables are to be pooled and offered to institutional investors. Through an investment in the trade finance fund, they can participate in the performance of the foreign trade receivables pooled in the trade finance fund.

Structure of DF Group

DF Deutsche Forfait AG ("**DF AG**" or "**company**") headquartered in Grünwald near Munich is the holding company and ultimate parent of DF Group. Four operating subsidiaries – DF Deutsche Forfait GmbH in Cologne ("**DF GmbH**"), DF Deutsche Forfait s.r.o. ("**DF s.r.o.**"), DF Deutsche Forfait Middle East s.r.o. ("**DF ME**") and Deutsche Kapital Limited in Dubai ("**DKL**") – sit below DF AG. DF Group additionally comprises a subsidiary in Brazil (Florianopolis). The subsidiary in the USA (Miami), which had been inactive since 2014, was closed in 2017, while the subsidiary in Pakistan (Lahore, inactive) is in the process of being closed.

Main companies



Besides the operations taken over from DF AG, DF GmbH provides services to other DF Group entities. These include, among other things, accounting, contract management, sales and risk management.

The subsidiaries in Prague are involved in back office tasks for individual transactions, e.g. the granting of loans, the purchase and sale of promissory notes or debt collection activities, when required, and just like DF GmbH, manage their own trading book for this purpose. The foreign subsidiaries and offices as well as the intermediaries focus, however, on marketing and sales activities. While DF s.r.o. has no geographic restrictions, DF ME focuses on transactions in the Near and Middle East, especially with Iran.

In addition to this international network of subsidiaries and branches, DF Group cooperates with external intermediaries (collectively referred to as the „**sales organization**"). This sales organization ensures that DF Group has direct access to the various regional markets and gives DF Group the flexibility to respond to changing conditions in the individual local markets and to (temporarily) exit markets or tap new attractive markets at short notice.

Employees: Headcount reduction stopped

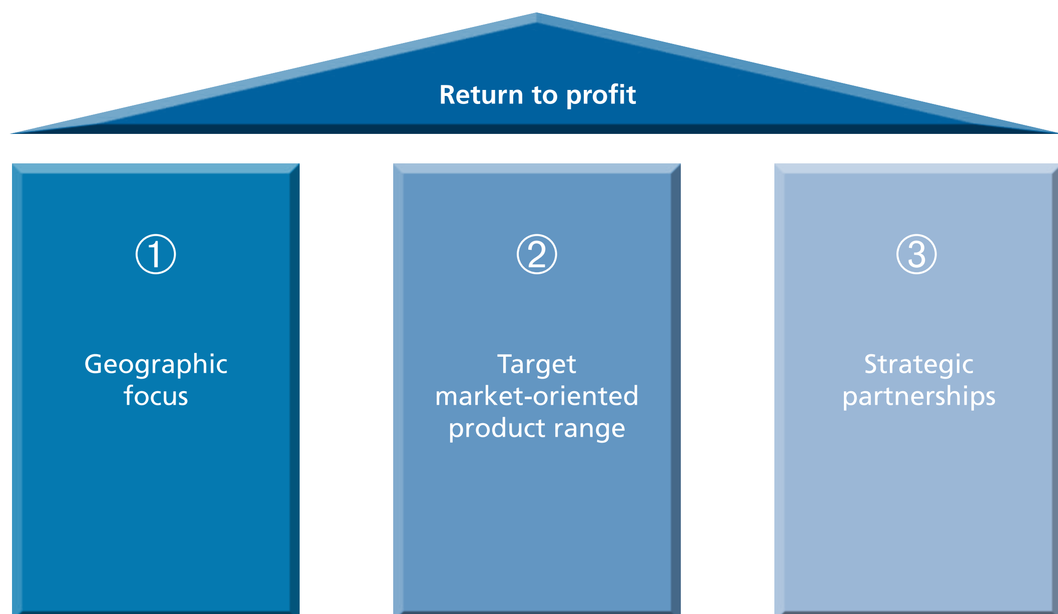
During the reporting period, the number of employees of DF Group, including the Board of Management and cooperation partners, increased from 25 on 1 July 2016 to 30 as at the balance sheet date. The increase resulted, among others, from Dr. Manzouri joining the company's Board of Management as well as the recruitment of a Sales Director and the transfer of a credit analyst from the inactive DF Pakistan. At the same time, one employee working in Controlling and one employee working in Operations left the company. The long-standing experience and the expert knowledge of the existing workforce provide a good basis for the planned expansion of the business volume.

b) Objectives and strategies

I. Strategic corporate objectives

It is the strategic objective of DF Group to generate a business volume in the market for foreign trade finance and related services which allows it to achieve sustainable profitability in order to regain the confidence of equity and debt capital providers.

In doing so, DF Group relies on three strategic pillars:

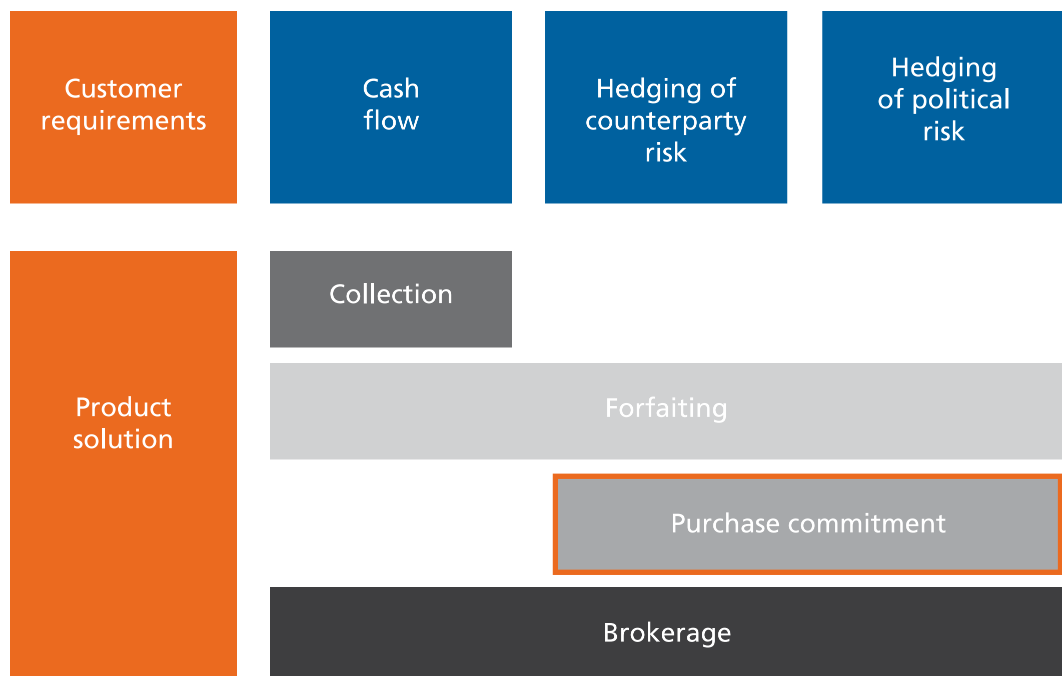


DF Group's geographic focus remains on the emerging markets, as these will continue to post the highest growth rates in the coming years, especially the up-and-coming markets in Asia, but also Africa and the Middle East. DF Group's target markets are characterized not only by high growth rates but also by high volumes. In 2015, the global export volume amounted to USD 20 trillion, of which approx. 42% related to emerging markets, according to the WTO.

DF Group's current focus rests on Iran, where DF Group not only expects high demand for its products but also has a competitive advantage resulting from its cooperation with Saman Bank, one of the country's largest private banks.

With the sanctions largely lifted under the international nuclear deal (JCPOA) in January 2016, the high expectations regarding the increase in the trade volume have not been fulfilled so far. German exports had been expected to increase from EUR 2.0 billion to EUR 2.6 billion in 2016, with a fourfold increase to EUR 10 billion projected for the next five years.

The second pillar of the strategy for the future is a product range tailored to the target region of DF Group.



As it is difficult or sometimes impossible for buyers of long-lived plant and machinery to refinance them in the emerging markets, exporters must offer them longer payment terms. This ability is often a strategic success factor for exporters, especially with regard to the development of the Iranian market. Exporters usually want to hedge the resulting political Iran risk as well as the importer's counterparty risk. For this purpose, DF Group

offers several alternatives such as forfaiting, purchase commitments or – if the transaction does not fit DF Group's current business model – brokerage of the transaction to a third party. Moreover, DF Group offers typical collection services, where DF Group helps customers to collect their receivables.

DF Group has the required experience and expert knowledge to assist exporters in collecting their foreign trade receivables and handling payments (e.g. in talks with the central bank). As a niche player with a flat and efficient organization, DF Group has competitive advantages over international commercial banks in this segment of the financial services sector. In view of the negative experience of the past years (high penalties and/or (still) existing contractual restrictions) and because of uncertainties regarding the documentation and scope of the required audits, commercial banks are currently still reluctant to provide the above services.

To expand the business volume, DF Group plans to cooperate with trade finance funds. These funds allow institutional investors who, for various reasons, are unwilling or unable to directly buy such receivables, to acquire a share in the performance of the foreign trade receivables pooled in a trade finance fund. Trade finance funds offer DF Group an efficient placement conduit and, hence, a refinancing possibility permitting to expand its business volume.

Strategic partnerships, the third pillar of our strategy, play an important role for DF Group, especially in the current start-up phase when resources are limited. With regard to the implementation of this third strategic pillar, DF Group was able to sign a Memorandum of Understanding with Saman Bank in November 2016. Saman Bank is one of the largest and most modern private banks in Iran, with strong activity in export finance. The cooperation with Saman Bank primarily helps DF Group handle payments with Iranian business partners, which is still quite difficult for many transactions. Saman Bank gives DF Group a clear advantage over other financing partners competing for Iranian business.

Moreover, DF Group plans to cooperate with banks and/or acquire a minority investment in a bank in order to add export finance services (guarantees, documentary business, project finance) to its product range and tap additional possibilities for refinancing. Finally, the company plans to offer advisory services regarding project finance in emerging countries.

With a view to entering higher risk markets such as Iran, DF Group has optimized its compliance and risk management system by upgrading it to the highest international standards. In this effort, the company was advised by several international law firms specializing in compliance and sanctions law.

c) Controlling system

The gross result (including net valuation) is the key performance figure for success in the forfaiting business.

$$\frac{\text{Gross result including net valuation}}{\text{Business volume acquired in the reporting period}} = \text{margin}$$

The gross result including net valuation is derived from the business volume and the average margin. The latter comprises the current interest income received while a receivable is held, the difference between the purchase and the sales price of the respective receivable as well as the commission income from debt collection and agenting services.

Another important performance indicator for the business of DF Group is the business volume, which is defined as the sum total of (i) the nominal values of all forfaiting transactions closed in a reporting period (including purchasing commitments), (ii) the nominal values of all commission-based transactions closed in a reporting period and (iii) the nominal values of all loans syndicated and/or placed in a reporting period. Another performance indicator used in DF Group's controlling and reporting systems is the consolidated net income.

Besides the externally communicated performance indicators, DF Group additionally implemented a comprehensive internal controlling system to achieve its strategic and operational objectives: It comprises not only the compliance management system but also a scoring model and a risk-adjusted pricing model. The components of the internal controlling system are designed to ensure a more efficient allocation of all resources (primarily human resources, equity and debt capital) to transactions with an attractive risk-return mix and the shortest possible refinancing and holding period.

2. ECONOMIC REPORT

After the termination of the insolvency proceedings, the short financial year 2016 II primarily saw DF Group focus on its strategic repositioning and the installation of a compliance management system meeting the highest international standards. This compliance management system was approved by all controlling and executive bodies of DF Group and signed by its employees in early 2017. DF Group deliberately refrained from underwriting new business prior to the adoption and implementation of the compliance management system.

a) Macroeconomic and industry-related environment

According to estimates published by the International Monetary Fund (IMF) in January 2017, the world economy expanded by a total of 3.1% in 2016, which means that there were moderate growth impulses both in the group of emerging and developing countries (+4.1%) and in the group of industrialized countries (+1.6%). At 1.7% and 1.6%, respectively, the eurozone and the USA posted similar growth rates. By contrast, there were major differences between some of the important emerging and developing countries. The Chinese economy, for instance, grew by 6.7%, whereas Brazil (-3.5%) and Russia (-0.6%) posted negative growth rates. The Middle East (including North Africa) expanded by 3.8% in 2016, according to the IMF. According to an IMF forecast of autumn 2016, Iran’s economy expanded by 4.5% last year, compared to 0.4% in the previous year.

As outlined in an IMF report dated January 2017, world trade increased by 1.9% last year. At 2.0% and 1.8%, respectively, the industrialized countries and the developing countries posted similar growth rates. Growth was driven by the continued loose monetary policies pursued by the central banks in Europe and the USA as well as by moderately higher commodity prices, which are of great importance primarily to the emerging and developing countries.

b) Business performance

As a result of the insolvency proceedings terminated on 1 July 2016, the calendar year 2016 is divided into two short financial years. The “short financial year 2016 I” covers the period from 1 January 2016 to 1 July 2016, while the “short financial year 2016 II” covers the period from 2 July 2016 to 31 December 2016. In the following description of the net assets and results of operation, a comparison is made between the short financial year 2016 I and the short financial year 2016 II.

i Results of operation

In the short financial year 2016 II from 2 July 2016 to 31 December 2016, DF Group generated a consolidated net loss of EUR 2.8 million. While this loss is in line with the projected EUR 2.0 – 3.0 million, it is clearly below the consolidated net income of EUR 34.2 million generated in the short financial year I from 1 January 2016 to 1 July 2016. The high profit of the past short financial year was primarily based on the income of EUR 41.6 million resulting from the creditors' debt waiver. The consolidated net loss of the short financial year 2016 II was mainly influenced by the following factors:

1. Because of the strategic repositioning of DF Group, with a focus on the Middle and Near East, the company initially concentrated on optimizing the compliance and risk management system to ensure that it fully meets the highest international standards and refrained from underwriting new business; consequently, no significant gross result from operations was generated.
2. Provisions for obligations arising from the insolvency plan (EUR -0.8 million)
3. Tax provisions (EUR -0.35 million)
4. Income from the recognition of deferred taxes (EUR 0.8 million)

The effects of the fair value measurement of the receivables portfolio and the fair value measurement of the insolvency liabilities more or less offset each other. This is due to the fact that the insolvency plan provides for all opportunities and risks of the sale of the assets of DF AG have passed to the insolvency creditors. The liquidation proceeds to be expected by the insolvency creditors at the time of the preparation of the financial statements therefore depend on the value that is currently assigned to the assets that serve to satisfy the insolvency claims of the existing creditors ("**creditor assets**"). Due to this regulation, the insolvency liabilities are measured at their fair value in the consolidated financial statements of DF Group (at fair value through profit or loss pursuant to IAS 39.9b). In this case, the fair value of the insolvency liabilities is determined by the fair value of the creditor assets.

The trading and restructuring portfolio is an integral part of the creditor assets which, according to the insolvency plan, are available to the creditors after deduction of the court fees and the debts incumbent on the insolvency assets to satisfy their claims ("**creditor liabilities**"). In accordance with the fair value measurement of the creditor assets, the valuation of the creditor liabilities was also adjusted, meaning that the adjustments resulting from the fair value measurement were neutral on balance.

The gross result before financial results declined from EUR -2.0 million in the short financial year 2016 I to EUR -6.9 million in the short financial year 2016 II. Typical forfaiting income in the amount of EUR 2.6 million was offset by typical forfaiting expenses of EUR 9.5 million in the reporting period. Typical forfaiting income includes exchange gains in the amount of EUR 1.7 million. Typical forfaiting expenses comprise exchange losses of EUR 1.0 million as well as the expenses from the fair value measurement of the receivables included in the creditor assets.

As a result of the strategic repositioning and the concentration on the optimization of the compliance and risk management system, new business declined from the low level of the short financial year 2016 I of EUR 3.4 million to EUR 2.0 million, which means that the gross profit before financial results was insufficient to cover the operating expenses.

In the short financial year 2016 II, other operating income amounted to EUR 8.0 million (short financial year 2016 I: EUR 44.3 million) and essentially comprised the income from the reduction of the creditor liabilities in the amount of EUR 6.7 million, which is associated with the write-downs against the receivables portfolio. Other operating income also included claims for the reimbursement of legal expenses and debts incumbent on the insolvency assets not to be borne by DF Group in the amount of EUR 0.5 million.

Interest and similar expenses totaled EUR 0.04 million and interest income came to EUR 0.02 million in the short financial year 2016 II. Both items are of minor importance, as DF Group had no credit lines in the short financial year 2016 II.

Administrative expenses, which are composed of personnel expenses, depreciation/amortization and other operating expenses, totaled EUR 4.3 million in the short financial year 2016 II (short financial year 2016 I: EUR 7.2 million). Personnel expenses declined from EUR 1.5 million to EUR 1.0 million primarily because of lower Board of Management compensation.

Other operating expenses decreased from EUR 5.7 million in the short financial year 2016 I to EUR 3.3 million in the short financial year 2016 II. The amount of other operating expenses was essentially influenced by two factors: (i) creation of a provision in the amount of EUR 0.8 million which is required for a potential compensation payment to the trustee; and (ii) legal expenses to be borne by the insolvency creditors in the amount of EUR 0.5 million for the collection of the creditor assets. The counter-item to (i) and (ii)

is included in other operating income. Apart from the above, other operating expenses in the short financial year 2016 II were influenced by much higher expenses for the audit and the preparation of the financial statements, which were due to the fact that employees of the accounting department were on sick leave and had to be replaced by external third parties. In addition, expenses were incurred for the optimization of the compliance management system as well as for legal counsel in the context of the strategic repositioning and the implementation of the insolvency plan.

On balance, the net loss for the short financial year 2016 II is in line with the forecast, which projected a loss of EUR 2.0 - 3.0 million.

ii Financial position

Operating cash flow amounted to EUR -2.3 million in the short financial year 2016 II, compared to EUR -5.7 million in the short financial year 2016 I. The negative operating cash flow is primarily attributable to the consolidated net loss of EUR 2.8 million. As a result of the investments made in the course of the year, cash flow from investing activities amounted to kEUR -78 (short financial year 2016 I: kEUR 34). Cash flow from financing activities amounted to EUR 11.1 million and is attributable to the net cash provided by the capital increase in the short financial year 2016 II. In the short financial year 2016 I, cash flow from financing activities stood at EUR -0.6 million.

As of 31 December 2016, DF Group's equity capital amounted to EUR 9.9 million (1 July 2016: EUR 12.7 million). Creditor liabilities amounted to EUR 18.2 million as at the balance sheet date, compared to EUR 28.0 million on 1 July 2016. The decline is attributable to the fair value measurement of the receivables as well as the payment of the costs of the proceedings and the fulfillment of the collateral realization agreement with the banks from the receivables collected so far.

DF Group had no credit lines as of the balance sheet date 31 December 2016. Taking into account the planned new business, the proceeds from the cash capital increase and the capital increase against contributions in kind are sufficient to fund the operations.

iii Net assets position

DF Group's total assets amounted to EUR 30.8 million on the 31 December 2016 balance sheet date. At EUR 18.2 million, creditor assets represented the major portion of the Group's assets. Compared to 1 July 2016, creditor assets were down by EUR 9.8 million.

This is mainly due to the fact that DF Group lost a last-instance court case against a guarantor in Dubai at the beginning of January 2017. Due to the negative outcome, the fair value of this receivable declined by EUR 4.9 million. Other fair value adjustments relate to blocks of receivables towards a steel trader as well as an Asian central bank in view of current developments in the court proceedings and/or the prospects of success in collecting the receivables and/or signing settlement agreements. Besides the adjustments resulting from the changes in value of the receivables, the creditor assets declined because of the collection of receivables in the total amount of EUR 3.8 million. These sales proceeds were used to settle the costs of the insolvency proceedings and to fulfill the collateral realization agreement with the banks. Non-current assets amounted to EUR 1.1 million on the balance sheet date and comprise deferred taxes in the amount of EUR 0.8 million, which represent the biggest item. DF Group's cash and cash equivalents amounted to EUR 10.2 million on 31 December 2016, compared to EUR 1.4 million on 1 July 2016. Cash and cash equivalents in the amount of EUR 1.2 million are pledged as collateral.

After the completion of the financial restructuring in the short financial year 2016 I and the strategic repositioning of the company and the related optimization of the compliance management system in the short financial year 2016 II, DF Group believes it is well positioned to seize the existing market opportunities.

c) Financial and non-financial performance indicators

The financial performance indicators of DF Group are:

- business volume
- gross result including net valuation
- consolidated net income

The business volume describes the nominal value of the foreign trade transactions acquired in a period. The company expects to again generate a business volume in the amount of EUR 400 – 500 million p.a. in the medium term once the measures described in chapter 1 b) have been implemented.

Another financial performance indicator is the gross result including income from investments, as described in chapter 1 c), as well as the resulting average margin. In the financial years that were not influenced by DF AG's listing on the OFAC's SDN list, the gross result (including net valuation) exceeded EUR 14 million p.a. In view of the changed

product portfolio and the reduced refinancing possibilities, the company does not aim for a gross result of that size in the short and medium term; in view of the changed cost structure, such a gross result is not required to be profitable, either.

Finally, consolidated net income is an important financial performance indicator. Due to a number of extraordinary factors, consolidated net income was subject to strong fluctuations during the past years. The aim of reporting positive consolidated net income was missed by a wide margin in the past financial years. After the financial restructuring, the company aims to return to posting positive consolidated net income quickly.

A non-financial performance indicator was introduced by DF Group in 2013 in the form of a scoring model. As described in chapter 1 c), the scoring model serves to assess the sales performance of the individual units of the sales organization.

d) Compensation report

Compensation of the Board of Management

Basic structure of the compensation system

The compensation of the Board of Management was composed of fixed compensation, fringe benefits and pension contributions.

The fixed compensation consisted of an annual salary paid in twelve equal monthly installments. In addition, the members of the Board of Management received certain fringe benefits, which are listed in the tables showing the individual compensation.

The compensation of Board member Frank Hock additionally included a performance bonus. The performance bonus was assessed on the basis of the company’s earnings (“break even”) in the bonus year. If the company posts a profit for a financial year after deduction of certain predefined transactions, the Board member would have received a performance bonus of EUR 200,000.00.

Individual compensation

The following tables show the benefits granted, the allocation of compensation and the service cost for pension provisions granted to each member of the Board of Management in accordance with Clause 4.2.5 (3) of the German Corporate Governance Code:

Christoph Charpentier (Member of the Board of Management since 7 October 2016)						
	Benefits granted				Allocation	
in EUR	**2016 I**	**2016 II**	**2016 II (Min)**	**2016 II (Max)**	**2016 I**	**2016 II**
Fixed compensation	0.00	28,168.00	28,168.00	28,168.00	0.00	28,168.00
Fringe benefits[1]	0.00	1,148.86	1,148.86	1,148.86	0.00	1,148.86
Total	**0.00**	**29,316.86**	**29,316.86**	**29,316.86**	**0.00**	**29,316.86**
One-year variable compensation	0.00	0.00	0.00	0.00	0.00	0.00
Multi-year variable compensation	0.00	0.00	0.00	0.00	0.00	0.00
Total	**0.00**	**29,316.86**	**29,316.86**	**29,316.86**	**0.00**	**29,316.86**
Pension-related payments[2]	0.00	4,149.57	4,149.57	4,149.57	0.00	4,149.57
Total compensation	**0.00**	**33,466.43**	**33,466.43**	**33,466.43**	**0.00**	**33,466.43**

1 partial payment of health insurance/ long-term care insurance, “job ticket”, capital-forming payments
2 pension contribution, BVV basic pension

Gabriele Krämer (Member of the Board of Management since 7 October 2016)						
	Benefits granted				Allocation	
in EUR	**2016 I**	**2016 II**	**2016 II (Min)**	**2016 II (Max)**	**2016 I**	**2016 II**
Fixed compensation	0.00	26,418.00	26,418.00	26,418.00	0.00	26,418.00
Fringe benefits[1]	0.00	1,026.29	1,026.29	1,026.29	0.00	1,026.29
Total	**0.00**	**27,444.29**	**27,444.29**	**27,444.29**	**0.00**	**27,444.29**
One-year variable compensation	0.00	0.00	0.00	0.00	0.00	0.00
Multi-year variable compensation	0.00	0.00	0.00	0.00	0.00	0.00
Total	**0.00**	**27,444.29**	**27,444.29**	**27,444.29**	**0.00**	**27,444.29**
Pension-related payments[2]	0.00	3,906.98	3,906.98	3,906.98	0.00	3,906.98
Total compensation	**0.00**	**31,351.27**	**31,351.27**	**31,351.27**	**0.00**	**31,351.27**

1 partial payment of health insurance/ long-term care insurance, capital-forming payments
2 pension contribution, BVV basic pension

Frank Hock (Member of the Board of Management until 30 September 2016)						
	Benefits granted				**Allocation**	
in EUR	**2016 I**	**2016 II**	**2016 II (Min)**	**2016 II (Max)**	**2016 I**	**2016 II**
Fixed compensation	184,166.66	50,001.01	50,001.01	50,001.01	184,166.66	50,001.01
Fringe benefits[1]	6,902.57	3,270.90	3,270.90	3,270.90	6,902.57	3,270.90
Total	**191,069.23**	**53,271.91**	**53,271.91**	**53,271.91**	**191,069.23**	**53,271.91**
One-year variable compensation	0.00	0.00	0.00	200,000.00	0.00	0.00
Multi-year variable compensation	0.00	0.00	0.00	0.00	0.00	0.00
Total	**191,069.23**	**53,271.91**	**53,271.91**	**253,271.91**	**191,069.23**	**53,271.91**
Pension-related payments[2]	10,050.24	5,025.12	5,025.12	5,025.12	10,050.24	5,025.12
Total compensation	**201,119.47**	**58,297.03**	**58,297.03**	**258,297.03**	**201,119.47**	**58,297.03**

1 company vehicle, partial payment of health insurance/ long-term care insurance
2 pension contribution, BVV basic pension

According to his management contract, Dr. Shahab Manzouri receives no compensation.

The Supervisory Board may pay a discretionary bonus to Board members Gabriele Krämer and Christoph Charpentier for the short financial year 2016 II.

As a result of salary waivers agreed in the context of the creditor protection, salary liabilities existed as of 31 December 2016 towards the Board members Ms Attawar (EUR 40,375.02), Mr Hock (EUR 40,375.02) and Mr West (EUR 43,500.00). These amounts were paid to the Board members in the short financial year 2016 II.

Pension commitments in the form of defined benefit plans exist for three former members of the Board of Management (Ms Attawar, resigned with effect from 31 December 2015, Mr Franke, resigned with effect from 30 September 2013, and Mr Wippermann, resigned with effect from 24 February 2014). According to the benefit plans, benefits are payable when a member of the Board of Management passes away or retires due to age. Mr Franke will receive a capital payment in this case.

In contrast, Ms Attawar and Mr Wippermann have the right to choose an annuity or a capital payment. No more premiums have been paid since November 2012 due to the contractually agreed expiry of the contribution periods.

According to these pension benefit plans, the above members of the Board of Management receive a guaranteed old age pension from DF AG. The amounts are as follows:

- Ms Marina Attawar: Annuity of EUR 11,022.60 or a one-time capital payment of EUR 202,518.00
- Mr Ulrich Wippermann: Annuity of EUR 20,964.48 or a one-time capital payment of EUR 338,278.00
- Mr Jochen Franke: One-time capital payment of EUR 147,244.00

In addition, Ms Marina Attawar receives the following payments from a reinsured benevolent fund:

- Insured annuity in the amount of EUR 15,247.40 or a capital payment of EUR 273,572.00

Besides the basic salary, the contracts of the former members of the Board of Management provided for a taxable monthly additional benefit in the amount of EUR 1,500.00, which may be used for company pension purposes.

DF AG has not granted loans to members of the Board of Management nor provided guarantees on their behalf. During the current and preceding financial years, the members of the Board of Management were not involved in transactions outside the normal course of business of DF Group or other transactions of unusual form or content. They were also not involved in any such unusual transactions in earlier preceding financial years that have not yet been finalized.

Members of the Board of Management did not receive compensation based on shares.

Supervisory Board compensation for the short financial year 2016 II

Compensation for the Supervisory Board is governed by Section 12 of the DF AG Memorandum of Association. Members of the Supervisory Board receive a fixed annual compensation of EUR 13,000.00 in addition to the reimbursement of expenses incurred while meeting their responsibilities. The chairperson and deputy chairperson receive twice this amount. In addition, members of the Supervisory Board receive an attendance fee of EUR 500.00 for every Supervisory Board meeting they attend.

In the short financial year 2016 II, compensation for all activities of all members of the Supervisory Board of DF AG was EUR 43,012.36. Individual compensation for members of the Supervisory Board for the short financial year 2016 II is listed in the table below (in EUR):

Name	Fixed salary	Attendance remuneration	VAT 19%	Total
Dr. Tonio Barlage (chairman since 7 July 2016)	13,000.00	1,500.00	2,755.00	17,255.00
Dr. Behrooz Abdolvand	12,644.84	1,000.00	2,592.52	16,237.36
Dr. Ludolf-Georg von Wartenberg	6,500.00	1,500.00	1,520.00	9,520.00
Total	**32,144.84**	**4,000.00**	**6,867.52**	**43,012.36**

There are no service agreements between the members of the Supervisory Board and DF AG that provide for perks at the end of the term of service.

DF AG has not granted loans to members of the Supervisory Board nor provided guarantees or warranties on their behalf.

e) DF share and bond

Performance of the DF share in the short financial year 2016 II

The DF share opened the short financial year 2016 II at a price of EUR 2.15 on 4 July 2016. The share closed the year at EUR 1.70 on 30 December 2016, which means that it lost 20.9%. The SDAX benchmark index gained 8.5% during the period from 2 July 2016 to 31 December 2016. The DAXsector Financial Services, the sector index for financial shares, declined by 1.8% during this period. The negative performance of the DF share is mainly attributable to the uncertainty about the future development of the company after the termination of the insolvency proceedings on 1 July 2016. The share price

reached the highest level in the reporting period on 8 July 2016 shortly after the termination of the insolvency proceedings at EUR 2.85. The lowest level was reached on 9 November 2016, the day of the publication of the consolidated financial statements for the short financial year 2016 I, at EUR 0.98. By the end of the year, the share had recovered notably (+73.5%), which underlines the high volatility resulting from the above-described uncertainty among investors.

Performance of the DF bond in the short financial year 2016 II

The price of the DF bond depends much on the fulfillment ratio for the bondholders that has been laid down in the insolvency plan and is actually achievable. The DF bond opened the short financial year 2016 II at 26.45% on 4 July 2016 and hit a temporary low of 19.1% on 16 August 2016. The DF bond closed the year at 26.7% on 30 December 2016, which represents a slightly positive performance of approx. 1% during this period. The Entry Corporate Bond Index, in which the DF bond is listed, showed a negative performance during the reporting period and closed the year on 30 December 2016 approx. 11% lower.

3. REPORT OF THE BOARD OF MANAGEMENT ON THE DISCLOSURES PURSUANT TO SECTION 289 (4) OF THE GERMAN COMMERCIAL CODE (HGB) AND SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

(1) Composition of the subscribed capital

On 31 December 2016, the company's subscribed capital amounted to EUR 11,887,483.00 and was divided into 11,887,483 no-par registered shares. There are no other share classes. Each share has one vote.

(2) Restrictions regarding voting rights or transfer of shares

The Board of Management is not aware of any restrictions related to exercising voting rights or the transfer of shares, including restrictions as a result of agreements between shareholders.

(3) Shares in the capital exceeding 10% of voting rights

The direct and indirect shares in the subscribed capital (shareholder structure) exceeding 10% of the voting rights are listed in the notes to the separate financial statements and the notes to the consolidated financial statements of the company for the short financial year 2016 II. Dr. Shahab Manzouri served as Chairman of the company's Board of Management as of 31 December 2016 and held 79.14% of its shares.

(4) Shares with special rights that confer control

There are no shares with special rights that confer control.

(5) Type of the verification of voting rights of employees that hold shares in a company and do not exercise their right of verification directly

There is no verification of the voting rights of employees that hold shares in the company and do not exercise their right of verification directly.

(6) Statutory regulations and provisions in the Memorandum of Association about the appointment and dismissal of members of the Board of Management and the amendment of the Memorandum of Association

According to Section 6 (1) of the Memorandum of Association, the Board of Management consists of at least two persons; the Supervisory Board may establish a higher number and appoint deputy members of the Board of Management. According to

Section 84 (2) of the Stock Corporation Act (AktG) and according to Section 6 (2) of the Memorandum of Association, the Supervisory Board can appoint a member of the Board of Management as chairperson or speaker of the Board of Management and another member as deputy chairperson or speaker. According to Section 84 of the Stock Corporation Act (AktG), members of the Board of Management are appointed and retired by the Supervisory Board. According to Section 11 (4) of the Memorandum of Association, the Supervisory Board passes resolutions with a simple majority of votes. In case of a tie, the chairperson casts the deciding vote.

According to Section 179 (1) of the Stock Corporation Act (AktG), changes to the Memorandum of Association may be made via a resolution passed by the Annual General Meeting which, unless the Memorandum of Association specifies another capital majority, requires a majority of at least three-quarters of the share capital represented during the vote in accordance with Section 179 (2) of the Stock Corporation Act (AktG). If changes to the purpose of the company are involved, the Memorandum of Association may only specify a larger majority of the share capital. In Section 18 (1), the Memorandum of Association of the company takes advantage of the option specified by Section 179 (2) of the Stock Corporation Act (AktG) and states that, unless made impossible by applicable legal provisions, resolutions may be passed with a simple majority of votes and, in cases where the law requires a capital majority in addition to the majority of votes, with a simple capital majority. According to Section 13 (3) of the Memorandum of Association, the Supervisory Board is authorized to decide amendments to the Memorandum of Association which affect only its wording.

(7) Powers of the Board of Management to issue or repurchase shares

Purchase and use of own shares

The Annual General Meeting of 6 July 2016 decided the following authorization to buy and sell treasury shares:

a) The company is authorized to buy up to 1,180,000 treasury shares by 6 July 2021. The shares must be purchased on the stock market. The purchase price (excluding incidental purchase costs) paid by the company must not exceed or fall short of the price of the company share in XETRA trading (or a similar successor system) determined at the first auction of the trading day at the Frankfurt Stock Exchange by more than 10%.

b) The shares can be acquired directly by the company or by third parties authorized by the company in one or several stages within the limits of the above-mentioned restrictions. The shares can be acquired for any legally permissible reason, especially for one of the purposes mentioned under letters c), d), e), f) and g) below. If they are used for one or several of the purposes mentioned under letters c), d), e) or f), shareholders' subscription right shall be excluded.

c) The Board of Management shall be authorized to sell the treasury shares acquired as a result of the above-mentioned authorization outside the stock exchange or by offering them to all shareholders on the condition that they are sold in exchange for cash and at a price which does not fall significantly below the company's share price at the time of sale.

   This authorization is restricted to shares with a notional interest in the share capital, which must not exceed a total of 10% of the share capital, on the effective date of this authorization nor – if lower – on the date this authorization is executed. The maximum threshold of 10% of the share capital is reduced by the amount of subscribed capital which applies to shares that are issued as part of a capital increase during the term of this authorization, under exclusion of the purchase right pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act (AktG). The maximum threshold of 10% of the share capital is also reduced by the amount of share capital relating to shares that will be issued for serving warrant bonds and/or convertible bonds, if these bonds are issued during the term of this authorization under exclusion of the purchase right and in accordance with Section 186 (3) sentence 4 of the Stock Corporation Act (AktG).

d) The Board of Management shall be authorized to transfer the treasury shares acquired as a result of the above-mentioned authorization to third parties if this serves the purpose of acquiring companies, parts of companies, investments in companies or other assets, or carrying out company mergers.

e) The Board of Management shall be authorized to offer and transfer the treasury shares acquired as a result of the above-mentioned authorization to the holders of subscription rights to fulfill the company's obligations arising from the 2016 stock option plan described under agenda item 9. If treasury shares are to be transferred to members of the company's Board of Management, this shall be decided by the Supervisory Board.

f) The Board of Management shall be authorized to use the treasury shares acquired as a result of the above-mentioned authorization to fulfill the company's obligations arising from convertible and/or warrant bonds issued by the company, especially to fulfill the obligations from convertible and/or warrant bonds issued because of the authorization proposed under agenda item 8.

g) The Board of Management shall be authorized to recall the treasury shares acquired as a result of the above-mentioned authorization without requiring any further resolution by the Annual General Meeting. The shares can be recalled without reducing capital by adjusting the notional interest of the remaining no-par value shares in the parent company's share capital.

h) The Board of Management shall be entitled to exercise the authorizations under letters c), d), e), f) and g) only with the consent of the Supervisory Board. In the event of letter g), the Supervisory Board shall be authorized to adjust the number of shares in the Memorandum of Association. The Supervisory Board is also authorized to stipulate that the Board of Management is only authorized to act with the Supervisory Board's approval in line with the resolution of the Annual General Meeting.

i) The authorization to purchase and use own shares granted by the Annual General Meeting on 10 June 2015 shall be revoked.

Authorized capital

By resolution of the Annual General Meeting on 6 July 2016, the Board of Management is authorized, subject to approval by the Supervisory Board, to increase the share capital by 6 July 2021 once or several times by a total of up to EUR 5,900,000.00 against cash contributions and/or contributions in kind (including mixed contributions in kind) by issuing up to 5,900,000 new registered shares (authorized capital 2016); in this context, the Board of Management is also authorized to schedule the commencement of the profit participation at a date other than the date provided for by law. As a general rule, the shareholders must be granted a subscription right. However, the Board of Management is authorized, subject to approval by the Supervisory Board, to exclude shareholders' subscription rights in the following cases: (1) to avoid fractional amounts; (2) in a capital increase against cash contributions if the issue price of the new shares issued in an ex-rights issue pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act (AktG) is not materially lower than the stock

market price and the new shares issued in an ex-rights issue pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act (AktG) do not exceed 10% of the share capital neither at the time the authorization becomes effective nor at the time it is exercised; this 10% limit also covers shares that were or are to be issued during the period of this authorization under exclusion of subscription rights due to other authorizations in direct or corresponding application of Section 186 (3) sentence 4 of the Stock Corporation Act (AktG); (3) in a capital increase against contributions in kind, especially for the purpose of the acquisition of a company, parts of a company, an equity investment in a company or other material assets; (4) to grant the holders of warrants and/or convertible bonds or bonds with option rights a subscription right to the extent that they would be entitled to such right after exercising a conversion or option right or meeting a conversion obligation as a shareholder; (5) to issue employee shares to employees of DF AG and of affiliated companies; and (6) to serve option rights that grant the right to subscribe a total of no more than 100,000 shares in the company and that are issued by the Board of Management to distribution partners of the company with the consent of the Supervisory Board.

Convertible and warrant bonds

By resolution of the Annual General Meeting on 6 July 2016, the Board of Management was authorized, subject to approval by the Supervisory Board, to issue bearer warrant and/or convertible bonds with a total nominal value of up to EUR 50,000,000.00 in one or several tranches until 6 July 2021 and to grant holders or creditors of warrant bonds option rights and holders or creditors of convertible bonds conversion rights on new registered shares of no par value of the company up to a pro-rata share in share capital totaling up to EUR 4,720,000.00.

The warrant and/or convertible bonds (collectively referred to as "bonds" and individually referred to as "notes") may be issued in euros as well as in the legal currency of an OECD country, limited to the corresponding value in euros. They may also be issued by direct or indirect majority shareholdings of DF Deutsche Forfait AG. In this case, the Board of Management will be authorized, subject to approval by the Supervisory Board, to issue a guarantee on behalf of the company for the bonds and to issue the holders of such bonds with option/conversion rights on new shares of DF Deutsche Forfait AG.

For this purpose, the company's share capital has been conditionally increased by up to EUR 4,720,000.00 through the issue of up to 4,720,000 new registered shares (conditional capital 2016/I).

Granting of subscription rights (stock options) to employees and members of the management of the company or an affiliated company

The Annual General Meeting of 6 July 2016 has authorized the Board of Management and the Supervisory Board to issue subscription rights to shares in the company (option rights), once or several times, by 6 July 2021, in order to allow the persons defined in Section 192 (2) No. 3 of the Stock Corporation Act (AktG) to acquire an interest in the company. The Board of Management will be authorized, with the consent of the Supervisory Board, to stipulate the details of the type and issue of the option rights in a stock option plan ("2016 stock option plan"). If option rights are to be issued to the Board of Management of the company, the decision on the issue and the stipulation of further details are at the sole discretion of the Supervisory Board.

The company's share capital will be conditionally increased by up to EUR 1,180,000.00 through the issue of up to 1,180,000 new registered shares (conditional capital 2016/II). The conditional capital increase shall be executed only to the extent that the holders of option rights from the 2016 stock option plan, which may be granted by the company by 6 July 2021 on the basis of the authorization granted by the Annual General Meeting of 6 July 2016, exercise their rights to subscribe shares in the company and the company does not serve the subscription rights by delivering treasury shares. The new shares shall be entitled to profit as of the beginning of the financial year in which they are created through the exercise of option rights. The Board of Management shall be authorized, with the consent of the Supervisory Board, to stipulate the further details of the execution of the conditional capital increase, unless option rights are to be issued to members of the Board of Management; in this case, the Supervisory Board shall stipulate the further details of the execution of the conditional capital increase.

(8) Material agreements subject to a change of control resulting from a takeover bid

There are no material agreements subject to a change of control.

(9) Compensation agreements concluded by the company with members of the Board of Management or employees in the case of a takeover offer

The company has not entered into any compensation agreements with members of the Board of Management or employees in the case of a takeover offer.

4. CORPORATE GOVERNANCE STATEMENT (SECTION 289 (4) AND SECTION 315 (5) OF THE GERMAN COMMERCIAL CODE (HGB))

The statement pursuant to Section 289 (4) and Section 315 (5) of the German Commercial Code (HGB) can be found under "Corporate Governance" in the "Investor Relations" section of the website of DF AG.

5. POST-BALANCE SHEET EVENTS

Changes on the Board of Management

On 17 January 2017, the Chairman of the Board of Management of DF Deutsche Forfait AG, Dr. Shahab Manzouri, informed the Supervisory Board that he will be unable to perform his management duties due to illness and asked for a leave of approx. three months. The company's Supervisory Board fulfilled this request and released Dr. Manzouri from his management duties initially until the end of April 2017 and suspended his Board of Management contract for this period, during which the two other members of the Board of Management, Ms Gabriele Krämer and Mr Christoph Charpentier, will have shared responsibility for the Board of Management.

Settlement agreement with an investor from the sale of receivables

In consultation with the trustee and the advisory council, the company agreed with a former investor that it will take back receivables in the nominal amount of approx. EUR 14.2 million which it had previously sold to the investor. These receivables will initially be added to the creditor assets at their fair value. At the same time, a receivable of the investor against DF AG in the amount of EUR 13.2 million will be filed for the insolvency table, accepted and added to the creditor liabilities in accordance with the insolvency ratio. The settlement agreement helped to prevent the investor from bringing forward a court action to formally quantify and acknowledge his claim, which would probably have resulted in a much higher receivables amount being filed for the insolvency table. In addition, high litigation costs were avoided.

6. OPPORTUNITY AND RISK MANAGEMENT REPORT

a) Internal accounting-related control and risk management system with regard to the Group accounting process

DF AG is the holding company and ultimate parent company of DF Group. For the corporate structure and its tasks within DF Group, please refer to the information provided in chapter 1 a).

Cash planning for DF Group, DF AG, DF GmbH and DF s.r.o. takes place daily on the basis of current account statements. Going forward, cash planning will also cover DF ME. It comprises the expected incoming and outgoing payments from the forfaiting transactions, the expected utilization of purchase commitments, (commission) income from services as well as the planned administrative and refinancing costs. Cash planning takes place on a daily basis for the next two to three weeks, on a weekly basis for the next three months and on a monthly basis thereafter.

Risk management and monitoring take place on the basis of a detailed written risk management system, which ensures that DF Group's receivables portfolio is diversified. The risk management system comprises a limit system that consists of counterparty, country and risk group limits. Countries with similar risk profiles are grouped in one of five risk groups.

The accounting department is responsible for the accounts structure, accounts allocation policies as well as all accounting policies and processes at DF Group, taking into account country-specific requirements and laws. The subsidiaries DF Deutsche Forfait GmbH ("**DF GmbH**"), DF Deutsche Forfait s.r.o. ("**DF s.r.o.**") and Deutsche Kapital Limited ("**DKL**") are currently included in the basis of consolidation. The accounts of DF AG and DF GmbH are kept by the accounting department in Cologne. The accounts of DF s.r.o. and DF Deutsche Forfait Middle East s.r.o. ("**DF ME**") are kept by an external service provider. The central accounting department closely supervises in particular the preparation of the financial statements. Book-keeping and the preparation of the local financial statements of DKL are performed by DF Group's central accounting department and agreed with the DKL management on a monthly basis. These financial statements are audited by local accounting firms. All necessary documents and inter-company relations are finally endorsed and agreed by the central accounting department in Cologne.

The company uses standard software for the financial accounting process that is certified by an auditing firm. The software is installed on a central server in Cologne and DF s.r.o. and DF ME are granted online access. The central accounting department in Cologne has full and continuous access to the accounts of the companies in Prague. Software authorizations ensure, however, that DF s.r.o. and DF ME can access only their own accounts. DKL has no access to the accounting software; information and consultations with the DKL management take place on the basis of the economic analyses prepared by the central accounting department. Current accounts are saved on a daily basis in accordance with DF Group's data storage policy. Backup systems are in place to manage the IT continuity risk.

Individual business transactions are reported in accordance with the Group-wide accounts allocation policies. The contract management department checks all reported forfaiting transactions at the end of the year. For this purpose, the contract management department is provided with cost center evaluations relating to individual transactions (reference numbers) as well as with entries and balances in income statement and balance sheet accounts, which are then checked by the contract management department against the underlying contracts. This four-eye principle helps to address potential differences and ensures full documentation in the business files. Moreover, all receivables as reported by the accounting department are matched against the information provided by the forfaiting system (Forfaiting Manager), which is updated by the contract management department monthly. Any differences are clarified between the two departments.

The preparation of the consolidated financial statements including the consolidation measures are performed by the central accounting department based on IFRS packages of the consolidated entities audited by local auditors. The requirements regarding the contents and scope of the IFRS packages are agreed with the Group's auditor at the beginning of the audit of the consolidated financial statements. The consolidated financial statements are checked for plausibility by employees of the controlling department.

The existing internal accounting-related control system is of high standard and the company currently has no plans for its further development. The internal control system accounts for the special characteristics of DF Group's business and especially the high degree of individuality of transactions.

b) Risk management system with regard to compliance and money laundering

Due to their project-related business model, DF AG, DF GmbH, DF s.r.o. and DF ME engage in business with a large number of counterparties in different countries (sellers and buyers of export receivables), insurers such as banks and/or (government) credit insurers, external agents, service providers for tax and legal review, implementation and processing of the different transactions in the areas of forfaiting, purchase commitments, agenting business. DF Group's clients on the purchase side and the placement side are domiciled worldwide, mostly in emerging and developing countries. DF Group's business model means that it has only a limited base of customers with whom transactions are executed regularly and/or at recurrent intervals. Under the company's business model, (financing) projects are undertaken with individual counterparties without this automatically leading to repeat projects. Where repeat business is done with the same customer, this usually happens after a certain time. As a result, changes regarding compliance-relevant facts, e.g. the ultimate beneficial owner, may have occurred in the meantime and lead to a different assessment. Consequently, the compliance check must be repeated in full after a certain time. Even where several forfaiting transactions are implemented for the same customer, these typically differ substantially. Exceptions to the above are service providers to the companies of DF Group such as banks, public/investor relations agencies, law firms, tax consultants and auditing firms.

Against the background of the applicable statutory regulations, DF AG and its subsidiaries are obliged to perform transaction-related money-laundering checks, including customer identification as well as economic sanctions compliance checks. This is not least done with a view to the customers (investors) who acquire receivables from DF Group, make sub-investments or secure receivables which require full documentation of the parties involved in the individual transactions.

Violations of the statutory money-laundering regulations, customer identification regulations and EU/US sanctions laws may have an extremely adverse impact on the operations as well as the net assets, financial position and results of operation of individual companies of DF Group and/or DF Group as a whole. In particular, there is a risk (i) that contractual partners/service providers who are essential for the operations of the individual companies of DF Group and/or of DF Group are not allowed or unable to do (any more) business with individual companies of DF Group and/or DF Group (for a limited time) due to their own internal and/or statutory regulations – this comprises the purchase and sale

of receivables, the collectability of receivables and the provision of services for individual companies of DF Group. In addition, there is a risk (ii) that fines are imposed and (iii) that the boards of DF AG and/or its subsidiaries are held liable for violations of applicable regulations. In addition, the disclosure of culpable violations or breaches of these regulations may have an adverse impact on the company's reputation.

The Group-wide compliance management system is regularly evaluated in cooperation and consultation with external advisors; based on the results of these reviews, the system is revised and adjusted as required. The compliance system comprises in particular (i) the installation of a Compliance Department and a Compliance Committee, (ii) software which automatically checks, on every working day, whether a client – both new and existing client – features on the EU, UK and/or US sanctions lists as well as (iii) additional software for the more in-depth examination of new and potential customers before closing a transaction and during a transaction. Based on protocols of the results, individual clients are checked manually in case of doubt. Regular updates of the database ensure that the (new) listing of a party involved in the underlying transaction on a sanctions list will be detected also during the holding period of a receivable. This will enable DF Group to immediately take the necessary steps. Business partners with whom one or several companies of DF Group cooperate on an ongoing basis are regularly checked for compliance with sanction rules. If the result of these checks is positive, they are listed on a "White List" of business partners eligible for contracting at short notice at any time.

The audits required under the German Money Laundering Act (GwG) including customer identification (Know Your Customer ("**KYC**")) are other integral elements of DF Group's compliance system. DF AG and its subsidiaries conduct their business operations in accordance with applicable prevention of money laundering rules. DF Group attaches great importance to complying with the highest anti-money-laundering standards. Management and all employees of DF Group are obliged to comply with these standards. Besides the Anti-Corruption Policy, the Anti-Money-Laundering Directive forms part of DF Group's general Compliance Program and does not affect DF Group's other obligations in the solicitation and execution of contracts (especially under the existing "Economic Sanctions Compliance Policy"), i.e. it is applied on a complementary basis. Responsibility for the identification of customers to prevent money laundering and terrorist financing as well as for economic sanctions compliance rests with the Compliance Department and the Compliance Committee, both of which act strictly separately from the front office and the back office and both report – strictly separated from the front office and the back office – directly to the full Board of Management.

In accordance with the Know Your Customer principle, DF Group identifies each potential customer / business partner before entering into a business relationship by making a binding quotation or executing a transaction. This identification includes information provided by the customer / business partner and the verification of this information by DF Group. Depending on the registered office and geographic location of the customer / business partner, DF Group additionally requests the KYC documents submitted by the customer / business partner to be certified by a notary public. The identification of the customer / business partner additionally includes checking them for possible sanctions. DF Group will not make a commitment to underwrite a risk in the context of a certain transaction before the identity of the customer / business partner has been established without any doubt whatsoever, all questions required by the German Money Laundering Act (GwG) have been answered satisfactorily and no relevant sanctions have been imposed on the customer / business partner. The Board of Management and all employees of DF Group are trained in the Group's compliance policy at least once a year by the Compliance Department and/or by external consultants to ensure that the risks are minimized to the extent possible.

c) Opportunities

If the strategy outlined in chapter 1 is implemented, DF Group believes it will be well positioned to again operate successfully in the market for foreign trade finance and related products.

The geographic concentration on the emerging markets and the special focus on the Middle and Near East mean that DF Group operates in growth markets which have high demand for foreign trade finance. This is particularly true of Iran, which has huge pent-up demand for infrastructure as a result of the years-long sanctions.

Many exporters are seeking advice, risk hedging and financing as they were not active in this market for many years because of the sanctions. What is more, international commercial banks are (still) very reluctant to restart business in and/or with these countries.

Building on its product portfolio, which ranges from financing to risk hedging to debt collection and advice, DF Group is very well positioned to satisfy exporters' demand. In particular, DF Group has long-standing experience in doing business with Iran, which at times accounted for over 20% of DF Group's business volume in the past.

Unlike many competitors, DF Group has a strong local partner in its geographic target region, namely Iran's Saman Bank, which supports DF Group in handling foreign trade transactions.

In view of the external and internal framework conditions and the cooperation with Saman Bank and assuming that the strategy is implemented successfully, the Board of Management sees good opportunities for DF Group's profitable growth going forward.

d) Risks

When outlining the risks, a distinction needs to be made between old and new business. The so-called old business relates to the receivables of the restructuring and trading portfolio that form part of the creditor assets. According to the provisions of the insolvency plan, the opportunities and risks arising from the liquidation of these receivables rest exclusively with the insolvency creditors. While the risks described below apply to both the old business and the new business, the consequences for DF Group differ, as DF Group bears the full risk only for the new business.

i. Legal risk

DF Group buys receivables (on a non-recourse basis) usually with the aim of reselling or outplacing them. Individual receivables remain in DF Group's books until their contractually agreed maturity only in exceptional cases. In the context of its trading business, DF Group usually guarantees to the buyer that the receivable exists (liability for legal validity), that the receivable has the warranted properties, that DF Group is the owner of the receivable (ownership) and that the receivable can be collected from the debtor, e.g. that there are no exceptions or objections. The type and scope of the guarantees, liabilities and commitments assumed by DF Group in the context of a transaction may differ from each other. The above liability cases may arise primarily because of improper verification of documents or deficiencies in the contract and result in considerable damage.

DF Group also obtains credit insurance to reduce individual risks of receivables (e.g. creditworthiness risk, country risk, convertibility risk) where this is possible and makes economic sense. Receivables already covered by credit insurance are also acquired; the contractual partners may be government or private credit insurers. If the receivable covered by credit insurance has to be written off, credit insurance benefits in the agreed amount (nominal amount of the receivable less a potential deductible) can be collected after a waiting period. Such credit insurance agreements must be precisely tailored to the

transaction being covered. Otherwise, there is a risk that credit insurance terms and conditions may be violated. If the policy holder violates the terms and conditions, no credit insurance benefits may be payable in case of a loss. Depending on the amount of the credit-insured receivable, a risk which may jeopardize DF Group's future as a going concern may arise. DF Group also enters into counter-guarantees with banks or other forfaiting companies in order to secure receivables. Once again, contract terms and conditions must be precisely tailored to the transaction being covered. Given that receivables with credit insurance coverage or counter- guarantees are resold and that, under certain contractual circumstances, DF Group is liable for the counter-guarantee or credit insurance, a risk may potentially arise for DF Group also after the sale.

While the probability of such claims being raised is considered to be low, their adverse impact on the bottom line may, in individual cases, be considerable.

The above risks are countered by having well-trained and experienced employees in the contract management department. The workflows are regulated by detailed process charts, which show the individual steps depending on the decisions to be taken, the responsibilities of the individual departments and the IT programs used as well as by work instructions. The process charts are constantly checked for up-to-dateness (e.g. experience from previous transactions, market conditions and habits, legal, tax and regulatory conditions). The individual workflow and review steps required in the context of the risk management, documentation and implementation of each transaction (essentially compliance check, credit analysis, review of the tax and legal conditions, profitability of the respective transaction) are documented on a special form, which must be signed by the departments responsible for the individual subjects. Only once this has been done, the respective transaction is analyzed and voted on by the executive and controlling bodies and then submitted to the Management for approval. In addition, work results are checked by applying the principle of dual control. If and when required, external legal firms specializing in the countries involved and the applicable law are consulted for complex contracts and document reviews. Where a transaction is executed in a country for the first time or where no transactions were executed in a country for a long time, a legal and/or tax opinion from a local law firm is obtained and/or updated on the basis of each individual case.

ii. Country and counterparty risk

In accordance with its business model and strategy, DF Group purchases receivables, makes purchase commitments and grants loans or underwrites loans for syndication/placement purposes whose debtors, including guarantors, are based in emerging or developing countries. Political, financial, economic and social conditions in these regions are less stable compared to industrialized nations. In the event of an economic and/or political crisis or due to decisions taken by the respective rulers/governments, this may substantially affect the ability or willingness of the respective country to transfer payments – especially in foreign currencies; in extreme cases, foreign currency payments may no longer be possible at all or only with prior state approval (e.g. by the national central bank) due to the introduction of corresponding legal provisions (foreign exchange control). As a result, a debtor who is otherwise willing and able to pay may be unable to pay on time, in full or at all. The country risk comprises the three individual risks outlined below:

- funds cannot be transferred freely due to government restrictions (transfer risk) and/or
- local currencies may be exchanged for the foreign currency in which the receivable is denominated and, hence, payable only after prior approval or not at all (convertibility risk) and/or
- a government imposes a temporary moratorium due to economic or political difficulties (moratorium risk).

DF Group is of the opinion that, due to the close ties between the markets in which DF Group operates, the country risks including non-payment of sovereign debt and/or government-guaranteed loans (this also includes the government credit insurance which is relevant for the business of DF Group) have increased in general.

When purchasing receivables, DF Group also assumes the debtor's credit risk for the acquired receivable (counterparty risk) in addition to the country risk. The debtor may become insolvent or unable to pay for other company-specific reasons. However, the counterparty risk is not limited to the (primary) debtor for a receivable; it also applies to the providers of security (e.g. banks or credit insurance companies (secondary debtors)) that supply counter-guarantees or credit insurance to DF Group in order to secure individual transactions. The possibility that providers of security may become unable to pay or insolvent cannot be excluded either.

Due to increasingly frequent distortions and crises in the financial markets as well as to political tensions, banks and credit insurers as well as manufacturing and services companies are more frequently facing liquidity problems, which increases both the risk of payments not being received punctually (i.e. becoming overdue) and the risk of default of the debtors (counterparty risk). Moreover, debtors and/or guarantors are trying to shirk their obligations for the above reasons.

In the past, DF Group – just like the financial sector as a whole – was increasingly exposed to overdue receivables. These situations may recur in the future and may require legal proceedings to enforce collection. The court proceedings which become necessary in this context often take place outside Germany. On the one hand, this requires the consultation of local law firms. Furthermore, court proceedings may be very time-consuming, especially when conducted outside Germany and through several stages of appeal. For the duration of the proceedings, the controversial and overdue receivables must be refinanced by DF Group, i.e. the company incurs refinancing costs which are not offset by interest or other income; on the other hand, the funds thus tied up are not available to finance new business. Restructuring solutions that lead to DF Group's receivables being settled in spite of liquidity problems on the part of the debtor require extensive and time-consuming negotiations and measures which are also cost-intensive because law firms need to be involved. Even if the restructuring solutions and measures are completed successfully, i.e. a payment plan is agreed, the implementation of the agreed solution often takes several years. These factors cause additional expenses – especially in the form of legal and court fees – which are not refunded if the claims cannot be legally enforced and therefore weigh additionally on DF Group's bottom line.

According to the insolvency plan, the opportunities and risks arising from the current overdue receivables included in the creditor assets pass to the insolvency creditors.

Even now that the insolvency plan has become final, the creditor assets continue to be managed by DF Group and are collected in its own name for the account of the insolvency creditors. The prosecution measures or restructuring solutions to be initiated by DF Group in this context tie up (a lower proportion of) DF Group's human resources which are not available for DF Group's future new business.

Going forward, DF Group will continue to assign receivables resulting from its restarted business activity to an Intensive Care Portfolio if (i) the country and/or counterparty risk has become evident for these receivables or (ii) the debtor and/or guarantor has become insolvent and (iii) court and/or out-of-court prosecution measures have been initiated or negotiations about restructurings (e.g. amendment of the payment plan, restructuring of the receivable or (partial) waiver of the claim) are being held as a consequence. This may also include receivables which DF Group had outplaced but which it has accepted back from the buyer because of its liability.

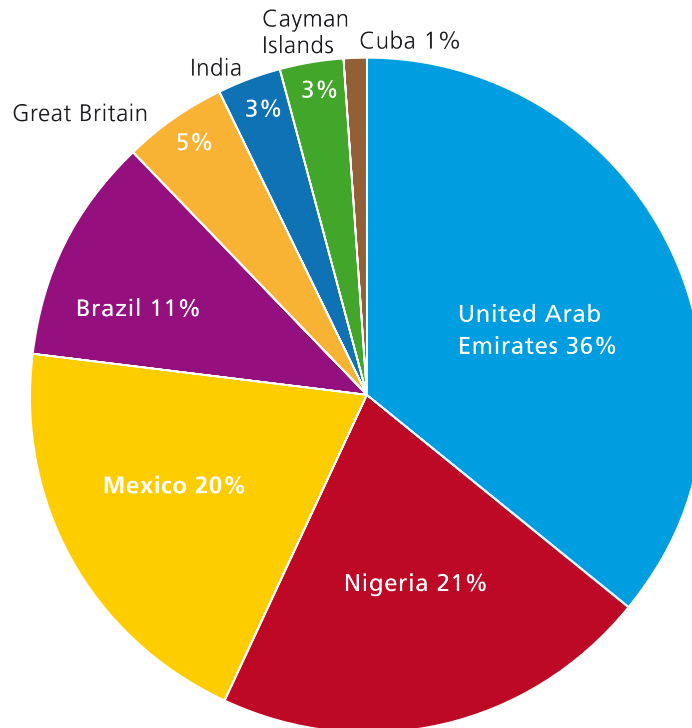
Potential future overdue receivables and the prosecution measures or restructuring solutions to be initiated by DF Group in this context lead to additional costs for DF Group and tie up human resources. Potential receivables in the Intensive Care Portfolio tie up liquidity in the long term which is not available for new purchases on the one hand and causes restructuring expenses on the other hand. In view of the size of the individual transactions signed by DF Group, a single default or write-down for impairment of a receivable resulting from the country and/or counterparty risk materializing may not only have material negative effects on DF Group's net assets, financial position and results of operation but may even lead to a situation in which the continued existence of DF Group is at risk and the company may become insolvent.

DF Group has a detailed risk management system, which is defined in writing and ensures that the company's receivables portfolio is diversified under various aspects. The risk management system includes a limit system comprising counterparty, country and risk group limits. Countries with a similar risk profile are grouped in one of five risk groups.

The net risk is defined as the nominal values of the forfaiting transactions (gross risk) less eligible securities accepted in accordance with the provisions of DF Group's Risk Manual. These include:

- assumption of liability by a credit insurer
- (counter) guarantees from banks headquartered in risk category 1 countries or, if they are headquartered in another country, whose rating is equivalent at least to a Moody's long-term rating of A3
- (counter) guarantees from enterprises headquartered in risk category 1 countries or, if they are headquartered in another country, whose rating is equivalent at least to a Moody's long-term rating of A1

Chart net risk



The net risk as of 31 December 2016 shown in the above chart results exclusively from the receivables which, as outlined in the insolvency plan, serve to satisfy the insolvency creditors' claims. Only the insolvency creditors participate in the opportunities and risks resulting from the liquidation of these creditor assets.

iii. Refinancing risk

For its trading activity and the related short-term bridge financing periods of the receivables acquired for resale, DF Group requires refinancing resources. The availability of such resources is a material precondition for realizing a higher business volume in the forfaiting segment. The refinancing period corresponds to the period between the payment of the purchase price of a receivable and the receipt of the sales price when the receivable is sold or the nominal value at maturity. After the termination of the insolvency proceedings, DF AG had no credit lines as at the balance sheet date. With the insolvency plan being implemented, DF AG strengthened its capital structure through a partial waiver on the part of the creditors, a capital reduction and a subsequent cash capital increase and a capital increase against contributions in kind.

Should the company fail to raise sufficient refinancing resources because of the reputational damage resulting from the SDN listing and/or the insolvency, this would very much constrain the growth opportunities in the forfaiting segment. If DF Group is unable to generate sufficient refinancing capacities at adequate conditions, the planned return to profit cannot be achieved. This risk is also outlined under "vii. Summary risk assessment and going concern risks".

iv. Earnings risks

DF Group performs trading activities, i.e. the company has no investment portfolio which generates recurring income from year to year. While repeat transactions are carried out for individual customers over the years, these often differ from the previous transactions, which means that only few synergies / efficiency effects can be generated. A trading company needs to acquire and realize most of its business transactions anew every year in order to operate profitably. If important customers and/or markets on the supply and/or demand side disappear entirely or partly there is a risk of a sharp drop in the business volume and, consequently, of a slump in profits. This risk is all the higher (lower), the less (more) DF Group is able to offset individual customers and/or markets that are affected by such developments by winning new customers and/or markets and the longer (shorter) DF Group needs for this.

If competition intensifies, e.g. because of the entry of new market participants or reduced demand, margins may decline when buying and selling receivables with certain country risks, which would make these receivables (country risks) partly or entirely unsuitable for DF Group's business under risk/return aspects, which means that receivables and/or purchase commitments from these countries would/could be acquired or entered into only to a limited extent. Also, it is possible that the risks associated with certain countries increase to such an extent that it is no longer possible for DF Group to resell these receivables to investors under risk aspects; this risk exclusively relates to receivables and purchase commitments already held in the trading portfolio. As the salability is an important criterion for the purchase of a receivable, DF Group could in future – at least temporarily – no longer do business in these countries. If these circumstances occur, part of the gross profit generated from sales with these countries would be lost. Moratoriums imposed on a country or the listing of a country on the EU sanctions list or the sanctions list of the United States of America may temporarily lead to a sharp drop in, or a complete suspension of, the forfaiting volume with this country.

As outlined under "ii. Country and counterparty risk", DF Group has overdue receivables on its books. According to risks arising from the liquidation of the assets including all overdue receivables that exist at the time of the approval of the insolvency plan pass to the creditors of DF AG. The same applies to the risk relating to the legal and consulting expenses associated with the collection of the overdue receivables. For DF AG, an earnings risk will result from the liquidation only if the liquidation of the assets assigned to the restructuring portfolio does not generate an amount of at least EUR 24 million; according to the provisions of the insolvency plan, DF AG must, in this case, pay up to EUR 0.8 million to the creditors ("compensation payment"). As the court case in Dubai was lost in early 2017 and led to write-downs of EUR 4.9 million, the probability that the risk of DF AG having to pay EUR 0.8 million will materialize has increased to such an extent that the company has established a provision for this purpose. Even though the current overdue receivables entail only a limited earnings risk for DF AG, it cannot be ruled out that more receivables become overdue from DF Group's future business if and when debtors do not meet their payment obligations in part or in full due to negative developments regarding their net assets, financial position and results of operation and collateral providers fail to honor the granted and/or contractually agreed securities. An earnings risk for DF Group also exists insofar as our business partners' trust in our company has been damaged by the SDN listing and the ensuing insolvency proceedings, so that DF Group may be unable to buy or sell sufficient trades in the market. This applies to both the primary market, where DF Group competes with multinational, medium-sized and specialist banks and forfaiting companies, and the secondary market. This risk is also outlined under "vii. Summary risk assessment and going concern risks". To win sufficient business, DF Group differentiates itself from its competitors primarily through the flexibility to carry out transactions which, because of the country risk, the transaction volume or the complex documentation, lie outside the focus of the regulated market participants, e.g. banks. In contrast to DF Group, other forfaiting companies often focus on certain countries or maturities. Finally, an earnings risk may arise for DF Group if the absence of Dr. Manzouri described under "Post-balance sheet events" lasts longer than expected.

v. Financial risks

DF Group plans to underwrite most of its transactions in euro. In those cases where this is not possible, DF Group may have to use other hedging options if no credit lines are available which allow financing at matching currencies.

The future possibilities to hedge currency risks will depend on whether and to what extent DF AG will be able to raise new off balance sheet (OBS) credit lines in addition to credit lines in the respective foreign currency. Should this not be the case, DF Group must hedge currency risks either by using instruments that entail no performance risk for the counterparty (e.g. currency options) or (partially) back the exposure with cash. Both would have adverse impacts on profitability.

Above and beyond the exchange rate risks described above, individual items of the income statement are exposed to other potential exchange rate influences. For instance, DF Group sources certain services abroad. These services, e.g. provided by lawyers, are usually invoiced in local currency. An unfavorable exchange rate trend could make these services more expensive.

Material items of the income statement may be exposed to inflationary influences if inflation-related increases in personnel expenses, which primarily occur in Germany, cannot be passed on by adjusting the conditions for the international trades carried out and/or financed by DF Group. In view of the macroeconomic environment, no such inflation risk can be identified at present in Germany.

vi. Risks from the violation of money laundering and/or sanction regulations

Against the background of the existing statutory provisions, DF AG and its subsidiaries are obliged (to the extent that they buy and sell receivables and source or provide services from/to third parties) to carry out transaction-related money laundering checks, including customer identification, as well as economic sanctions compliance checks.

Violations of the applicable statutory money-laundering regulations, customer identification provisions and/or EU/US sanctions laws may have an extremely adverse impact on the operations as well as the net assets, financial position and results of operation of individual companies of DF Group and/or DF Group as a whole. This risk is mitigated by an effective compliance system (as described in section 6 b) "Risk management system with regard to compliance and money laundering").

vii. Summary risk assessment and going concern risks

The assessment of individual operational risks within DF Group is based on two criteria, i.e. the potential amount of damage and the probability of occurrence of a risk. The potential amount of damage weighted by its probability of occurrence is set in relation to

DF Group's equity capital in order to assess the consequences of a potential damage. This way, DF Group's going concern risks are identified. At the same time, the probability of occurrence of a potential damage is determined/estimated. The purpose of risk assessment and risk management is to take adequate measures in order to (i) limit the absolute amount of each individual going concern risk; (ii) reduce the probability of occurrence of the individual going concern risk and the probability of several going concern risks occurring at the same time; and (iii) reduce the total number of going concern risks.

Now that the insolvency plan has become final, the risks arising for DF Group from the receivables portfolio are much lower in absolute terms than in the previous years, as the legal effectiveness of the insolvency plan means that DF Group is now detached from the opportunities and risks of its past business activity and no material new business has been written so far.

With the insolvency proceedings having been terminated, a **going concern risk** for DF Group arises if DF Group is unable, within the next one and a half years, to achieve a business volume that is sufficient to cover DF Group's operating expenses. To achieve this, DF Group must not only have sufficient refinancing capacities but also write sufficient new business, find the corresponding buyers for these transactions on the buyer side and execute the transactions at a margin that is risk-adequate at the bottom line (on average). These objectives may be missed – fully or partly – if DF Group is no longer accepted in the market because of its reduced market presence in the past three years and the insolvency proceedings and/or does not have the refinancing resources that are required to execute the new business it has written or if the cooperation with Saman Bank fails to result in the expected business volume. In the extreme case, this may even lead to individual or all companies of DF Group becoming unable to meet their payment obligations.

Based on the company's plans and budgets for the financial years from 2017 to 2018, the Board of Management is of the opinion that DF Group will generate a sufficient business volume. Although no new business was written in the first quarter of 2017, several promising business leads exist at the time of the preparation of these consolidated financial statements and this combined management report and Group management report which make the closing of attractive deals mostly likely. According to the Board of Management, it is therefore safe to assume that DF Group will continue as a going concern.

7. FORECAST

According to a forecast dating from January 2017, the IMF experts expect global economic growth to pick up moderately to 3.4% in 2017. Stable growth of 1.9% is projected for the industrialized countries for this period. Compared to the latest forecast of October 2016, the IMF slightly upgraded its projections for the US economy to 2.3%, which means that the USA will again be among the fastest growing industrialized countries in 2017. By contrast, the IMF expects the eurozone economy to grow by only 1.6% in 2017, projecting a growth rate of 1.5% for Germany. While growth in the emerging and developing countries stagnated at a moderate level (4.1%) until 2016, the IMF's forecast for 2017 (4.5%) suggests that growth will accelerate somewhat in 2017. Growth of 3.1% is projected for the Middle East for this year. According to the IMF forecast of autumn 2016, Iran's economy will grow by 4.1% in 2017.

As far as the trade volumes are concerned, world trade is expected to grow by 3.8% this year. A particularly high growth rate of 4.0% is projected for trade volumes in the developing and emerging countries. But the IMF experts also expect trade in the industrialized countries to grow by as much as 3.6%. The International Monetary Fund's forecast for the world economy depends on a large number of factors, some of which are difficult to predict. For instance, increasing protectionism on the part of the US administration could lead to a notable slowdown in world trade; the same applies to the somewhat stricter financing conditions in the emerging and developing countries. On the other hand, it is being expected that world trade will be stimulated by the WTO's Trade Facilitation Agreement (TFA), which came into force in February 2017, and the continued high demand for export goods and infrastructure solutions on the part of the emerging and developing countries. The IMF experts believe that increasing foreign direct investment resulting from the easing of the sanctions as well as improved domestic financing conditions will lead to growing international trade with Iran in the coming years.

On balance, DF Group sees the future market conditions positively. The growing middle class and the maturing economies in the emerging countries make companies, especially in the consumer and capital goods industries, optimistic that trade volumes will increase also in the medium to long term. This also applies to the Middle East and, in particular, to trade with Iran, whose volume is expected by the IMF experts to grow continuously in the coming years as a result of the easing of the sanctions in early 2016.

DF Group plans to use its comprehensive trade finance experience to respond effectively to these developments and reposition itself as a reliable partner to importers and exporters.

The necessary preparations for this were completed in the short financial year 2016 II.

1. DF Group has defined a clear strategic focus, which comprises not only the geographic focus and the matching product portfolio but also strategic partnerships.

2. By implementing a compliance management system meeting the highest international standards, DF Group has laid the basis for conducting business in higher-risk regions such as the Middle and Near East including Iran.

Although DF Group will initially focus on non-cash business, it remains the declared objective of DF Group to refocus its business activities on cash purchases and sales of receivables in the medium term. In this segment, DF Group had an outstanding market position for more than a decade. The speed at which the cash forfaiting business can be built up again will mainly depend on how quickly DF Group will be able to raise the required refinancing resources at adequate terms.

Overall, DF Group believes it is well positioned to rebuild its business, all the more so as the employees that are required for this have been retained, which means that DF Group has maintained its know-how and its international network. The company deliberately postponed its re-entry in the market for the reasons described above. As the marketing activities were not started before Q4 2016 and the first transactions are not expected to be implemented before Q2 2017, the business volume will be built up and expanded from a very low level. As a result of the restructuring exercise, which has been ongoing since October 2014, and the ensuing insolvency proceedings, new business came to a virtual standstill in the past three years. Due to the necessary restart, the company initially projects low business volumes for 2017, which will, however, increase from quarter to quarter; consequently, the company expects to achieve a business volume of approx. EUR 300 million and aims for a moderately positive gross profit and consolidated profit. Achieving this business volume hinges on the company's ability to purchase and sale larger forfaiting transactions through the cooperation with Saman Bank and/or through trade finance funds.

8. ADDITIONAL DISCLOSURES FOR DF DEUTSCHE FORFAIT AG

The financial statements of DF Deutsche Forfait AG ("DF AG") were prepared in accordance with the provisions of Sections 264 et seq. of the German Commercial Code (HGB) and paying regard to the German Stock Corporation Act (AktG). DF AG is the ultimate parent company of DF Group. Apart from the holding company function, DF AG is responsible for debt collection of the assets defined in the insolvency plan. As DF AG has no business operations of its own, it is dependent on the pro-rated cost contributions and dividend payments of the DF Group member companies, with these contributions and payments being a function of their business performance. The business performance of DF AG is thus subject to the same risks and opportunities as that of DF Group. Due to the interdependencies and business relationships within DF Group, the business outlook for DF Group also reflects the expectations of DF AG. Consequently, the statements made for DF Group also apply to DF AG.

Based on the plans and budgets for the financial years 2017 and 2018, the Board of Management assumes that DF AG will continue as a going concern and has prepared the financial statements of DF AG based on the going concern assumption.

Due to the above-described dependencies, DF AG is nevertheless exposed to a going concern risk if its subsidiaries fail to achieve a business volume in the next 18 months which allows them to cover not only their own operating costs but also their cost contributions as per the Group's internal charging system and the payouts to DF AG. For details, please refer to the presentation of the going concern risks in the Group management report of DF Group.

i Results of operation

In € millions (HGB)	2-7 – 31-12-16	1-1 – 1-7-16
Business volume	2.0	3.4
Gross result	-6.9	-2.5
Other operating income	9.4	41.9
Personnel expenses	0.2	0.4
Other operating expenses	2.8	5.6
Income from investments	1.0	0.0
Financial result	0.0	-0.4
Earnings before taxes	0.4	32.9
Taxes	0.4	0.0
Net income	**0.1**	**32.9**

In the short financial year 2016 II, DF AG generated net income of kEUR 65 (short financial year 2016 I: net income of EUR 32.9 million). In spite of the high operating expenses, the net income was achieved thanks to the release of provisions for insolvency liabilities in the amount of EUR 8.5 million.

The gross result before the financial result declined from EUR -2.5 million in the short financial year 2016 I to EUR -6.9 million in the short financial year 2016 II.Typical forfaiting income of EUR 2.5 million contrasted with typical forfaiting expenses of EUR 9.5 million in the reporting period. Typical forfaiting income includes exchange gains of EUR 1.7 million, while typical forfaiting expenses include exchange losses of EUR 1.0 million as well as the valuation result of the receivables defined in the insolvency plan in the amount of EUR 8.4 million.

In early January 2017, DF Group lost a last-instance court case against a guarantor in Dubai. The negative verdict made a write-down of EUR 4.9 million necessary. Other fair value adjustments relate to blocks of receivables towards a steel trader as well as an Asian central bank in view of current developments in the court proceedings and/or the prospects of success in collecting the receivables and/or signing settlement agreements.

Other operating income in the short financial year 2016 II amounted to EUR 9.4 million and resulted from the release of provisions for insolvency liabilities in the amount of EUR 8.5 million. Other operating income also include claims for the reimbursement of legal expenses not to be borne by DF Group in the amount of EUR 0.5 million.

Personnel expenses amounted to EUR 0.2 million in the short financial year 2016 II. The decline compared to the short financial year 2016 I (EUR 0.4 million) is attributable to the lower compensation for the Board of Management.

Other operating expenses in the amount of EUR 2.8 million were primarily influenced by expenses of EUR 0.8 million for the creation of a provision for potential compensation payments under the insolvency plan. In addition, other operating expenses include legal expenses for the collection of receivables in the amount of EUR 0.6 million, which are to be covered by the proceeds from the sale. The corresponding counter-item is included in other operating income.

The income from investments in the amount of EUR 1.0 million is due to a payout from DF Deutsche Forfait s.r.o.

The negative financial result of EUR 0.03 million in the short financial year 2016 II (previous period: EUR -0.4 million) is of minor importance, as DF AG had no credit lines in the short financial year 2016 II.

ii. Net assets position

In € millions (HGB)	31-12-16	1-7-2016
Fixed assets	1.3	0.8
Current assets	29.5	39.5
Thereof: assets defined in the insolvency plan	*17.7*	*25.6*
Outstanding capital contribution	*0.0*	*11.2*
Cash and bank deposits	*9.1*	*1.3*
Total assets	**30.9**	**40.4**
Equity	7.3	7.2
Provisions	22.5	32.0
Thereof: provisions for insolvency liabilities	*19.0*	*31.6*
Liabilities	1.1	1.2
Total liabilities	**30.9**	**40.4**

DF AG generated positive operating cash flow of EUR 7.4 million in the short financial year 2016 II (previous year: EUR 18.6 million). The positive operating cash flow in the reporting period primarily results from the change in the receivables portfolio.

iii. Financial position

Total assets of DF AG amounted to EUR 30.9 million as of the balance sheet date 31 December 2016. Assets defined in the insolvency plan were the biggest asset item and amounted to EUR 17.7 million. This item comprises all special-purpose assets. The latter exclusively serve to satisfy the filed insolvency liabilities and essentially comprise the receivables in the trading and restructuring portfolio.

Cash and cash equivalents amounted to EUR 9.1 million as at the balance sheet date, which was above the EUR 1.4 million posted as of 1 July 2016. Cash and cash equivalents include a pledged credit balance in the amount of EUR 1.2 million.

DF AG's equity capital amounted to EUR 7.3 million as of the balance sheet date 31 December 2016 (1 July 2016: EUR 7.2 million).

The liabilities to creditors under the insolvency plan are comprised in the provisions for insolvency liabilities. These include the liabilities to banks and to bondholders as the biggest item. The reclassification of the liabilities from the insolvency plan to the provisions for insolvency liabilities is due to the fact that the insolvency plan provides for the creditors' claims to be satisfied exclusively from the sale of the assets defined in the insolvency plan. Due to the uncertainties regarding the value of the assets and the resulting cash flows, the creditors irrevocably waived that part of their claims that is not covered by the sale of the assets in the context of the insolvency plan. As a result of this irrevocable waiver, the exact amount of these obligations of DF AG towards the insolvency creditors will only be revealed over time, which means that they are contingent liabilities. According to the provisions of the German Commercial Code (HGB), DF AG's obligations under the insolvency plan towards the old creditors must be classified as provisions in DF AG's financial statements.

On balance, the result of the short financial year 2016 II is in line with expectations.

iv. Related party disclosures (dependency report)

As regards our relations with our majority shareholder, DF Deutsche Forfait AG, Grünwald, is deemed a dependent entity within the meaning of section 17 of the German Stock Corporation Act (AktG).

The Board of Management's related party disclosures for the short financial year 2016 II, which were established in accordance with section 312 of the German Stock Corporation Act (AktG), end as follows: "Each of the transactions mentioned in the related party disclosures was made on terms equivalent to those that prevail in arm's length transactions, based on the circumstances known to us at the time when such transactions were made. Other measures were not taken or omitted in the financial year."

v. Corporate governance statement (Section 289a of the German Commercial Code (HGB))

The statement pursuant to Section 289 (4) of the German Commercial Code (HGB) can be found under "Corporate Governance" in the "Investor Relations" section of the website of DF AG.

Grünwald, 25 April 2017
The Board of Management

FINANCIAL FIGURES FOR THE PERIOD OF:
2 JULY - 31 DECEMBER 2016

Consolidated Balance Sheet – Assets

Consolidated Balance Sheet – Equity and Liabilities

Consolidated Income Statement

Consolidated Statement of Recognized Result

Consolidated Cash Flow Statement

Consolidated Statement of Equity Changes

Assets (in EUR)	**Note**	**31-12-2016**	**01-07-2016**
Long-term assets			
Intangible assets	(16)	112,748.42	75,149.15
Tangible assets	(16)	150,092.33	168,736.47
Long-term financial assets	(17)	83,635.56	91,688.29
Deferred taxes	(15)	803,456.00	0.00
		1,149,932.31	335,573.92
Short-term assets			
Creditor assets	(25)	18,209,745.76	28,019,588.21
Trade accounts and other receivables		0.00	0.00
Tax receivables	(18)	63,787.05	92,277.72
Other short-term assets	(18)	1,261,804.65	11,785,296.03
Cash and cash equivalents funds	(19)	10,157,768.87	1,396,593.13
		29,693,106.33	41,293,755.08
Total assets		**30,843,038.64**	**41,629,329.00**

Equity and Liabilities (in EUR)	**Note**	**31-12-2016**	**01-07-2016**
Equity	(20)		
Subscribed capital		11,887,483.00	680,000.00
Deposits earmarked for the capital increase		0.00	11,207,483.00
Capital reserves		68,000.00	0.00
Costs of the capital increase		-623,481.04	-553,844.04
Revenue reserves		-1,209,474.17	1,653,450.99
Adjustment items from currency translation		-209,319.61	-258,176.52
		9,913,208.18	12,728,913.43
Short-term liabilities			
Creditor liabilities	(25)	18,209,745.76	28,019,588.21
Liabilities to banks		0.00	50.36
Income tax liabilities	(15)	350,000.00	0.00
Trade accounts and other payables	(23)	902,085.92	170,563.93
Other short-term liabilities	(24)	1,467,998.78	710,213.07
		20,929,830.46	28,900,415.57
Total equity and liabilities		**30,843,038.64**	**41,629,329.00**

Consolidated Income Statement (in EUR)	**Note**	**02-07 – 31-12-2016**	**01-01 – 01-07-2016**
Typical forfaiting income	(7)		
a) Forfaiting income		824,213.19	824,074.24
b) Commission income		74,011.00	110,467.96
c) Income from additional interest charged		3.61	23,938.54
d) Exchange profits		1,715,954.02	1,906,798.21
e) Income from the writing back of provisions for forfaiting and purchase commitments		0.00	198,450.00
		2,614,181.82	**3,063,728.95**
Typical forfaiting expenditure	(8)		
a) Expenditure from forfaiting		6,995,526.33	2,775,208.60
b) Commissions paid		100,932.68	57,760.66
c) Exchange losses		1,005,911.01	1,723,308.45
d) Credit insurance premiums		0.00	0.00
e) Depreciation and value adjustments on receivables as well as additions to provisions for forfaiting and purchase commitments		1,407,977.49	548,995.33
		9,510,347.51	**5,105,273.04**
Gross result	(9)	**-6,896,165.69**	**-2,041,544.09**
Other operating income	(10)	7,977,421.65	44,323,457.45
Personnel expenses	(11)		
a) Wages and salaries		856,011.35	1,307,294.94
b) Social security contributions and expenditure for pensions and social welfare		134,350.05	148,626.64
		990,361.40	**1,455,921.58**
Depreciation on tangible and intangible assets	(12)	47,967.11	48,430.57
Other operating expenditure	(13)	3,270,258.48	5,693,160.33
Interest income	(14)	17,230.01	125,508.59
Interest paid	(14)	38,280.13	969,236.93
Profit before Income tax		**-3,248,381.15**	**34,240,672.54**
Income tax			
a) Income and earnings tax	(15)	350,000.00	0.00
b) Deferred taxes		-803,456.00	0.00
Consolidated income/loss		**-2,794,925.15**	**34,240,672.54**
Average number of shares		11,887,483	6,800,000
Undiluted earnings per share		-0.24	5.04
Diluted earnings per share		-0.24	5.04

Consolidated Statement of Comprehensive Income (in EUR)	**02-07 – 31-12-2016**	**01-01 – 01-07-2016**
Consolidated loss/income	**-2,794,925.15**	**34,240,672.54**
Other Income		
Components, which will be reclassified to the income statement for the future		
Currency translation differences from the inclusion of foreign subsidiaries	48,856.91	-17,429.47
	48,856.91	-17,429.47
Comprehensive Income	**-2,746,068.24**	**34,223,243.07**

	Consolidated Cash flow Statement (in EUR)	**02-07 – 31-12-2016**	**01-01 – 01-07-2016**
	Cash flow		
	Consolidated loss/income	-2,794,925.15	34,240,672.54
+	Depreciation on intangible assets	47,967.11	48,430.57
+	Income tax expense	-453,456.00	0.00
+	Interest paid	38,280.13	969,236.93
-	Interest income	-17,230.01	-125,508.59
+/-	Result from disposal of long-term assets	3,260.62	-115.00
+/-	Other transactions not affecting payments	469,690.93	-889,558.17
+/-	Changes in creditor assets	9,809,842.45	-28,019,588.21
+/-	Changes to trade accounts receivable	0.00	32,002,522.33
+/-	Changes to other assets	-1,442,523.37	-77,800.57
+/-	Changes to provisions	0.00	-198,450.00
+/-	Changes in the bond	0.00	-29,110,441.83
+/-	Changes in creditor liabilities	-9,809,842.45	28,019,588.21
+/-	Changes in financial liabilities (waiver)	0.00	-38,171,950.21
+/-	Changes to trade accounts payable	731,521.99	-2,954,421.10
+/-	Changes to other liabilities	1,107,785.71	-1,481,173.88
=	**Operative Cash flow**	-2,309,628.04	**-5,748,556.98**
-	Paid interest	-37,285.05	-79,678.76
+	Retained interest	0.00	125,508.59
=	**Cash flow from current business**	**-2,346,913.09**	**-5,702,727.15**
-	Payments for investments in long-term assets	-78,035.21	-718.64
+	Income from investments in long-term assets	0.00	34,302.23
=	**Cash flow from investment activity**	**-78,035.21**	**33,583.59**
+/-	Changes to financial liabilities	-50.36	0.00
+/-	Capital market transactions	11,207,483.00	0.00
+/-	Other changes in equity	-69,637.00	-553,844.04
=	**Cash flow from finance activity**	**11,137,795.64**	**-553,844.04**
	Changes in financial resources affecting payments	8,712,847.34	-6,222,987.60
+	Liquid funds at the start of the period	1,396,593.13	7,636,561.53
+/-	Effects from the currency conversion	48,328.40	-16,980.80
=	**Liquid funds at the end of the period**	**10,157,768.87**	**1,396,593.13**
-	Balances pledged	-1,157,522.00	-1,157,585.20
=	**Free liquid funds at the end of the period**	**9,000,246.87**	**239,007.93**

Consolidated Statement of Equity Changes 2-7-2016 – 31-12-2016 (in EUR)	Note	Subscribed capital	Deposits earmarked for the capital increase	Capital reserves	Costs of the capital increase	Revenue reserves	Difference from currency conversion[1]	Total
Balance 01-01-2016		**6,800,000.00**		**7,359,044.50**		**(46,066,266.05)**	**(240,747.05)**	**(32,147,968.60)**
Capital reduction		(6,120,000.00)		(7,359,044.50)		13,479,044.50		
Capital increase			11,207,483.00		(553,844.04)			
Consolidated profit						34,240,672.54		34,240,672.54
Other result							(17,429.47)	(17,429.47)
Consolidated total result						34,240,672.54	(17,429.47)	34,223,243.07
Balance 01-07-2016		**680,000.00**	**11,207,483.00**	**-**	**(553,844.04)**	**1,653,450.99**	**(258,176.52)**	**12,728,913.43**
Balance 02-07-2016		**680,000.00**	**11,207,483.00**	**-**	**(553,844.04)**	**1,653,450.99**	**(258,176.52)**	**12,728,913.43**
Capital increase		11,207,483.00	(11,207,483.00)		(69,637.00)			(69,637.00)
Consolidated profit						(2,794,925.15)		(2,794,925.15)
Other result							48,856.91	48,856.91
Consolidated total result						(2,794,925.15)	48,856.91	(2,746,068.24)
Balance 31-12-2016	**(20)**	**11,887,483.00**	**-**	**-**	**(623,481.04)**	**(1,141,474.16)**	**(209,319.61)**	**9,913,208.19**

[1] Other Comprehensive Income (OCI)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 2 JULY 2016 TO 31 DECEMBER 2016

Notes to the consolidated financial statements
Auditor´s Review Report
Responsibility Statement by the Board of Management
Supervisory Board Report
Corporate Governance Report

I. POLICIES

(1) General information

DF Deutsche Forfait AG (also referred to as "DF AG" or "the company") is the parent company of DF Group (also referred to as "Group") and has the legal status of a joint stock company. The company's address is Hirtenweg 14, 82031 Grünwald. It is registered at Munich Local Court (Germany, "Amtsgericht") under HRB 228114.

DF AG is a forfaiting company and, as such, is a financial enterprise within the definition of Section 1 (3) No. 2 of the German Banking Act (KWG). The operating activities were transferred to the newly established DF Deutsche Forfait GmbH, Cologne, with retroactive effect from 1 January 2016.

DF Group specializes in foreign trade finance with the main focus on emerging markets. Apart from forfaiting services, the company also offers its customers purchase commitments, which typically precede the forfaiting transactions. The company is consequently regarded as a single-segment entity, for which no segmentation within the meaning of IFRS 8 is possible. Forfaiting involves both the non-recourse purchase and sale of trade receivables and the assumption of risks through purchase commitments. The receivables are round-tripped or held internally in the portfolio and then sold. Unmarketable receivables, insurance deductibles and, in exceptional cases, lucrative transactions are retained in the Group's portfolio. In addition, DF AG manages and sells the assets to which the insolvency creditors are entitled.

Insolvency proceedings with DF AG as debtor-in-possession were opened as planned on 1 January 2016. An insolvency plan adopted on 29 April 2016 became final on 20 May 2016. The insolvency plan provided for a capital increase as well as for the separation of DF Group's future forfaiting business from the assets that are earmarked for distribution to the old creditors. After the creditors approved the insolvency plan submitted by the company and an investor undertook to take over new shares after a capital reduction, the insolvency proceedings were terminated on 1 July 2016. The short financial year 2016 I thus comprised the period from 1 January 2016 to 1 July 2016. Accordingly, the short financial year 2016 II began on 2 July 2016 and ended on 31 December 2016.

The consolidated financial statements of DF AG (also "DF Group" or "Group") as of 31 December 2016 were prepared on the basis of the International Financial Reporting Standards (IFRS) at the accounting date as endorsed by the EU as well as the additional requirements pursuant to Section 315a (1) of the German Commercial Code (HGB).

IFRS also includes the prevailing International Accounting Standards (IAS). All the binding interpretations of the International Financial Reporting Interpretations Committee (IFRIC) for the short financial year from 2 July 2016 to 31 December 2016 have also been applied.

The functional currency of the Group is the euro. All figures are presented in thousands of euros (kEUR) unless otherwise stated.

To make the presentation clearer, assets and liabilities have been grouped into "creditor assets" and "creditor liabilities" in the context of the insolvency plan as of the consolidated financial statements for the period ended 1 July 2016. These items are shown separately in the consolidated financial statements and described separately in the consolidated notes. The income statement is prepared according to the total expenditure method. In the consolidated income statement, income and expenses are grouped by category and income and expense totals are presented to reflect the particular characteristics of a forfaiting company.

The consolidated financial statements were prepared under the going concern assumption. DF Group is nevertheless even after the termination of the insolvency proceedings exposed to a going concern risk to the extent that DF Group is unable, in the next 18 months, to generate a business volume that is sufficient to cover DF Group's operating costs. To achieve this, DF Group not only needs sufficient refinancing capacities but also has to write sufficient new business, identify investors willing to commit to these transactions and achieve (average) margins on these transactions which sufficiently reflect the risks involved.

The Board of Management and the Supervisory Board of DF Deutsche Forfait AG issued a declaration according to Section 161 of the German Stock Corporation Act (AktG) regarding the recommendations of the Government Commission on the Corporate Governance Code. This declaration was published on the company's website (**www.dfag.de**). The Supervisory Board has approved the financial statements on 25 April 2017 and authorized its publication.

(2) Amendments to the standards made by the IASB

Application of new standards and interpretations not affecting the 2016 consolidated financial statements

The following standards had to be adopted in the past financial year. They had no material impact on the present financial statements of DF Group but may influence future transactions or agreements.

Amendments to IAS 19 "Defined Benefit Plans – Employee Contribution"

The amendments added an elective option to the Standard, pertaining to the accounting treatment of defined benefit pension plans to which employees (or third parties) make obligatory contributions. IAS 19 (2011) now stipulates that the service-based employee contributions specified in the formal rules of a defined benefit pension plan must be allocated to the service periods as negative benefits. This requirement is essentially in line with the projected unit credit method, meaning the projection of benefits (in this case, negative benefits) and the allocation of those benefits to the periods in which they were earned (projected and prorated). Whereas it was common practice prior to the adoption of IAS 19 (2011) to apply employee contributions to the pension obligation when paid and in the amount paid, the application of the new rules may possibly necessitate complex calculations. Employee contributions that are linked to performance and not to the number of years served with the company must still be recognized in the period in which the corresponding work is performed, without the calculation and distribution method based on application of the projected unit credit method. In particular, this applies to contributions defined as a fixed percentage of salary in the current year, fixed contributions during the entire service life of the employee as well as contributions whose amount is exclusively dependent on the employee's age. The amendment should be adopted retrospectively for financial years beginning on or after 1 February 2015. Early voluntary adoption is permitted. As no employee contributions to defined benefit plans are made at present, no material impact on the presentation of the Group's net assets, financial position and results of operation is expected.

"Annual Improvements to IFRSs 2010-2012 Cycle"

The Annual Improvements serve to clarify and improve applicable standards. The Annual Improvements Project primarily affected IFRS 2 (Share-based Payment), IFRS 3 (Business Combinations), IFRS 8 (Operating Segments), IFRS 13 (Fair Value Measurement), IAS 16 (Property, Plant and Equipment), IAS 24 (Related Party Disclosures) as well as IAS 38 (Intangible Assets). The Annual Improvements cycle ended in 2013 and was published in December 2013. The amended standards have no material effects on the presentation of the net assets, financial position and results of operation in the consolidated financial statements.

Amendments to IAS 1 "Disclosure Initiative"

The amendments primarily include the following: (1) clarification that disclosures in the notes are required only if they are not immaterial. This explicitly also applies when an IFRS requires a list of minimum disclosures. (2) Explanations regarding the aggregation and disaggregation of items in the balance sheet and the statement of comprehensive income; (3) clarification as to how shares in other comprehensive income of entities accounted for using the equity method should be presented in the

statement of comprehensive income; and (4) elimination of the idea of a model structure of the notes to allow for greater individual relevance. The amendments are effective for financial years beginning on or after 1 January 2016. Early adoption is permitted.

Amendments to IAS 16 and IAS 38
"Clarification of Acceptable Methods of Depreciation and Amortization"
The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. They are effective for reporting periods beginning on or after 1 January 2016. Early adoption is permitted. The amendments will probably have no material impact on the presentation of the Group's net assets, financial position and results of operation.

Amendments to IAS 41 and IAS 16 "Bearer Plants"
So far, all biological assets have been recognized at fair value through profit or loss. This also applies to "bearer plants" such as grape vines, rubber trees and oil palms which are used to harvest biological assets over several periods but are not sold as agricultural products. After the amendments, bearer plants should be accounted for as assets under IAS 16, as they are of comparable use. By contrast, their fruits will continue to be accounted for under IAS 41. The amendment should be adopted retrospectively for periods beginning on or after 1 January 2016. Early voluntary adoption of the new regulation is permitted. As the business model is not based on bearer plants, no impacts on the presentation of the Group's net assets, financial position and results of operation are expected.

Amendments to IAS 27 "Equity Method in Separate Financial Statements"
The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The existing options for recognition at cost or in accordance with IAS 39/IFRS 9 remain in place. As of 2005, it was no longer permissible to apply the equity method for investments in the separate financial statements (of the parent company) under IAS 27. In response to constituent feedback, e.g. about the great effort involved in the fair value measurement on every reporting date, especially for non-listed associates, the IASB amended IAS 27. The amendments are effective for reporting periods beginning on or after 1 January 2016. Early adoption is permitted. The amendments have no material impact on the Group's net assets, financial position and results of operation.

Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"

The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. The amendments are effective for reporting periods beginning on or after 1 January 2016. Early adoption is permitted. The amendments will probably have no material impact on the presentation of the Group's net assets, financial position and results of operation.

"Annual Improvements to IFRSs 2012-2014 Cycle"

The Annual Improvements essentially relate to clarifications of previously published standards which have no material impact on the Group's net assets, financial position and results of operation. These provisions are applicable for reporting periods beginning on or after 1 January 2016.

IFRS 14 "Regulatory Deferral Accounts"

The new standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. This standard is not relevant for the Group as the Group is not a first-time adopter of IFRS and the EU Commission decided not to transpose this standard into EU law. IFRS 14 was issued in January 2014 and is effective for periods beginning on or after 1 January 2016.

Amendments to IAS 12 "Income Taxes"

The amendments clarify the recognition and measurement of deferred tax assets with regard to debt instruments recognized at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017. EU endorsement is still pending. The amendments will have a negligible effect on the presentation of the Group's net assets, financial position and results of operation.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"

Published in December 2014 under the title "Investment Entities: Applying the Consolidation Exception", the amendments essentially clarify which subsidiaries of an investment entity should be consolidated and which should be recognized at fair value. The application of the amendments has been suspended indefinitely. EU endorsement is still pending. From today's point of view, it is safe to assume that these amendments, if endorsed by the EU in the present form, will have no impact on the Group.

Early adoption of accounting standards

No IFRS that had been issued and approved as well as endorsed by the EU but were not mandatory as of 31 December 2016 were adopted early by DF Group.

Standards, interpretations and amendments that have been issued but not been applied yet

DF Group will apply the revised and new standards and interpretations as of the date at which they become effective, provided that they have been endorsed by the European Union.

Amendments to IAS 7 "Statement of Cash Flows"

In January 2016, the IASB published the amendments to IAS 7 "Statements of Cash Flows". The following changes in liabilities arising from financing activities must be disclosed in the future: (1) changes from financing cash flows; (2) changes arising from obtaining or losing control of subsidiaries or other businesses; (3) the effect of changes in foreign exchange rates; (4) changes in fair values; and (5) other changes. The amendments are effective for annual periods beginning on or after 1 January 2017. EU endorsement is still pending. Except for the changed disclosures in the notes, no material impact on the consolidated financial statements is expected.

IFRS 2 "Share-based Payment"

The accounting for share-based payments according to IFRS 2 was amended by the IASB in the reporting period. New accounting rules were introduced for cash-settled share-based payments, which are generally accounted for in the same way as equity-settled payments. Under the new standard, a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled if further conditions are met. The amendments are mandatory as of 1 January 2018. Adoption into European law is still outstanding. From today's point of view, these amendments are not expected to have any effect on the Group.

Amendments to IFRS 4 "Insurance Contracts" in conjunction with IFRS 9

The IASB has decided to reconcile the different dates at which IFRS 4 and IFRS 9 become effective for entities holding insurance contracts. Other entities which fall under the scope of application of IFRS 4 may recognize value fluctuations of certain assets in other comprehensive income instead of the income statement. The amendments are mandatory for financial years commencing on or after 1 January 2018. No facts relating to the scope of application of both standards are relevant for DF Group.

IFRS 9 "Financial Instruments"

The IASB issued the final version of the standard in the context of the completion of the different phases of its comprehensive project on financial instruments on 24 July 2014. Financial instruments are therefore no longer accounted for under IAS 39 but under IFRS 9. The version of IFRS 9 now issued supersedes all previous versions. The new standard includes requirements for the classification and measurement of financial assets, including impairment regulations, and complements the new hedge accounting regulations issued in 2013. Impairments of financial instruments are now based on expected credit defaults and hedge accounting more strongly reflects the risk management activities. First-time adoption is mandatory for financial years beginning on or after 1 January 2018; early adoption is permissible. The Group assumes that the future adoption of the new standard will influence the presentation of the Group's net assets, financial position and results of operation. Especially with regard to the impairment of financial assets including a material financing component, the new standard is expected to result in an earlier recognition and slightly higher provisions. The effects of this amendment cannot be reliably quantified at present.

IFRS 15 "Revenues from Contracts with Customers"

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. These principles are implemented in five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue at a certain time or over a certain period when (or as) the entity satisfies a performance obligation. IFRS 15 applies to all contracts with customers except for: (1) leases within the scope of IAS 17; (2) financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, IFRS 11, IAS 27 and IAS 28 (2011); (3) insurance contracts within the scope of IFRS 4; and (4) non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers. If no other standard provides guidance on how to separate and/or initially measure one or more parts of the contract, then IFRS 15 shall be applied. Within the typical forfaiting income, there may be shifts in the times and amounts between DF Group's forfaiting and commission income. The future capitalization and distribution of sales commissions over the estimated duration of the customer contract will reduce the corresponding expenses at the time of first-time adoption. The Group nevertheless assumes that the effects of the new standard on the presentation of the net assets, financial position and results of operation will not be material. With the exception of the amendments to IFRS 15, the new regulations were endorsed by the EU in the reporting period and are mandatory for annual periods beginning on or after 1 January 2018. Early adoption is permissible.

IFRS 16 "Leases"

In February 2016, the IASB finalized IFRS 16, which essentially requires lessees to recognize all leases and the related contractual rights and duties in their balance sheet. Lessees no longer distinguish between finance leases and operating leases (IAS 17). The standard has not yet been endorsed by the EU and is effective for reporting periods beginning on or after 1 January 2019. Due to the minor importance of leases, only immaterial effects on the presentation of the Group's net assets, financial position and results of operation are expected.

"Annual Improvements to IFRSs 2014-2016 Cycle"

The Annual Improvements essentially relate to clarifications of previously published standards which have no material impact on the Group's net assets, financial position and results of operation. These amendments are applicable for reporting periods beginning on or after 1 January 2017 (IFRS 12) or 1 January 2018 (IFRS 1 and IAS 28), respectively.

Amendments to IAS 40 "Transfers of Investment Property"

The amendments essentially comprise clarifications regarding transfers to or from the portfolio of property held to earn rentals or for capital appreciation. The amendments are applicable for annual periods beginning on or after 1 January 2108. EU endorsement is still pending. As the standard is not relevant for DF Group, it will have no effects of these amendments on the presentation of the Group's net assets, financial position and results of operation.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IFRIC 22 clarifies what exchange rate is to be used for the first-time recognition of a foreign currency transaction in an entity's functional currency if the entity pays or receives advance consideration before the related asset, expense or income is recognized. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. The interpretation is mandatory for financial years beginning on or after 1 January 2018. For the Group, it will have no effect on the presentation of the net assets, financial position and results of operation.

(3) Basis of consolidation, reporting date

The shareholdings of DF AG are shown below. DF GmbH was initially consolidated in the financial statements for the period ended 1 July 2016. DF Deutsche Forfait Americas Inc. was liquidated with effect from 9 March 2017. DF Deutsche Forfait (private) Ltd., Lahore, is currently inactive. In addition,

DF Deutsche Forfait Middle East s.r.o., Prague/Czech Republic, was established as a wholly-owned subsidiary of DF AG.

Shareholding	Share in equity	Consolidation
DF Deutsche Forfait GmbH, Cologne	100% (PY 100%)	fully consolidated
DF Deutsche Forfait s.r.o., Prague/Czech Republic	100% (PY 100%)	fully consolidated
Deutsche Kapital Ltd., Dubai/UAE	100% (PY 100%)	fully consolidated

As in the previous year, the non-consolidated subsidiaries (compare to the statement on share ownership in Tz. (17)) are of secondary importance for the consolidated financial statements as of 31 December 2016, both individually and collectively, and do not influence the true and fair view of the net assets, financial position and results of operation presented in the consolidated financial statements.

(4) Consolidation procedures

The basis for the consolidated financial statements are the financial statements of the consolidated companies prepared at 31 December 2016 under uniform accounting and valuation policies according to IFRS 10 "Consolidated Financial Statements".

The consolidated subsidiaries being start-ups, no differences arise from consolidation.

Intragroup receivables, liabilities, provisions, income and expenses, and profits are eliminated on consolidation.

(5) Currency translation

The consolidated financial statements are prepared in euros, the functional currency of the company, pursuant to IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Since the subsidiaries carry out their business autonomously in financial, economic and organizational terms, the functional currency is essentially identical to the company's local currency. Therefore, in the consolidated financial statements, the income and expenses from the financial statements of subsidiaries – which are prepared in a foreign currency – are translated into euros at the annual average rate; assets and liabilities are translated at the closing rate.

Exchange differences resulting from the translation of equity are recognized in equity in the form of an adjustment item from currency translation. The translation differences resulting from differing translation rates between the balance sheet and the statement of comprehensive income are recognized in other comprehensive income.

In the separate financial statements of DF Deutsche Forfait AG and its subsidiaries, foreign currency receivables and liabilities are valued at the cost of acquisition on accrual. Exchange gains and losses on the balance sheet date are shown in the income statement.

The exchange rates on which translation into euros is based correspond to the euro reference rates published by the European Central Bank and are as follows:

	Closing rate		Average rate	
	31-12-2016	1-7-2016	2-7 – 31-12-2016	1-1 – 1-7-2016
USD	1.0541	1.1229	1.1069	1.1053
Czech Koruna	27.0210	27.0270	27.0340	27.0440

(6) Accounting and valuation policies

a) Sales revenues relate to **typical forfaiting income**, which is composed of the following sub-items: forfaiting and commission income, income from additional interest charges, exchange gains, and income from the writing back of provisions for forfaiting and purchase commitments. Forfaiting income also includes the positive effects from the fair value measurement of receivables held for trading. To make the presentation clearer, they are shown as typical forfaiting income below. Forfaiting and commission income is realized at the time the legally binding purchase or the commitment to purchase receivables is made. If this income is periodic, it is taken in on an accrual basis. Income from additional interest charges is taken in on an accrual basis over the duration of the retained amounts. Typical forfaiting risks recognized in previous periods as a value adjustment on receivables classified as loans and receivables or as obligations for forfaiting and purchase commitments are treated as income in the financial year in which the risks no longer exist.

b) **Typical forfaiting expenses** include expenses which are a direct result of typical forfaiting income and can be individually attributed to transactions. Expenses are attributed to the periods in which they are incurred. Forfaiting expenses also include the negative effects from the fair value measurements of held-for-trading receivables from the forfaiting business.

c) **Other operating income** essentially comprises income from the fair-value adjustment of the insolvency creditor liabilities (see (6) letter p), income relating to the charging of expenses, income from service fees for the sale of the creditor assets, income from receivables written off as well as income from the release of provisions.

d) Personnel expenses, depreciation/amortization on tangible and intangible assets and other operating expenses are recognized as expenses upon effective payment or as incurred.

e) **Interest income** comprises loan and bank interest as well as interest on arrears. All interest on borrowing in the income statement is reported under interest expenses.

f) **Intangible assets** include software, licenses and the right to internet domain names. Software, as an intangible asset acquired for consideration, is recognized at cost and regularly amortized using the straight-line method over its estimated useful life of three years. Depreciations are included under the position "depreciation on tangible and intangible assets" of the income statement. The acquired domain names have been recorded as assets that are not subject to amortization. No impairment test was carried out for these assets as they are of minor importance for the consolidated financial statements.

g) **Property, plant and equipment** are recognized at cost, less regular depreciation. Depreciation on property, plant and equipment is calculated using the straight-line method according to the expected average useful life.

Regular depreciation is based on the following Group standard useful lives:

Useful life	2-7 – 31-12-2016	1-1 – 1-7-2016
	Years	Years
Other installations, fittings and office equipment		
- IT hardware	3-6	3-6
- Cars	4-6	4-6
- Fixtures	3-8	3-8
- Tenants' installations	5-7	5-7
- Office equipment	10-23	10-23

h) **Financial assets** are recognized in accordance with the respective categories defined under IAS 39. The Group classifies financial assets in the following categories: financial assets recognized at fair value through profit/loss (Held for Trading HfT), loans and receivables (LaR), and available-for-sale financial assets (AfS).

Financial assets recognized at fair value through profit/loss comprise financial assets held for trading. This category comprises the receivables of the trading and restructuring portfolio included in creditor assets. These were initially acquired for trading for short-term resale. Changes in the fair value of financial assets in this category are recognized in profit/loss at the time of the value increase or impairment. Attributable transaction costs are recognized in profit or loss.

The restructuring portfolio is composed of overdue and pending claims against various debtors dating from the time before the company's listing on the SDN list of the US Office of Foreign Assets Control. The fair value was determined – taking internal and external legal assessments into account - on the basis of the estimated prospect of successfully enforcing the pending claims.

The trading portfolio comprises receivables from current operations up to the opening of the insolvency proceedings. The fair value was determined on the basis of the estimated prospect of successfully collecting the receivables.

Financial instruments in the "loans and receivables" category are non-derivative financial assets with fixed or determinable payments which are not listed in an active market. They are initially recognized at their fair value plus directly attributable transaction costs (IAS 39.43). They are measured at amortized cost less potential impairments using the effective interest method. Gains and losses are recognized in the income statement for the period at the time of derecognition or impairment of "loans and receivables".

Available-for-sale financial assets are non-derivative financial assets that were assigned either to this category or to none of the other categories. Available-for-sale financial assets are measured at fair value plus directly attributable transaction costs upon initial recognition. In the context of subsequent measurement, available-for-sale financial assets are measured at fair value, with changes in the value, except for impairments, recognized in other comprehensive income and in equity as revenue reserves. When an asset is derecognized, other comprehensive income is reclassified to the income statement.

The Group derecognizes a financial asset when the contractual rights relating to the cash flows expire or when the rights to receive the cash flows from a transaction are transferred in the context of a transaction in which all material benefits and risks associated with this financial asset are transferred as well (IAS 39.17).

Regular assessments are carried out according to IAS 39 "Financial Instruments: Recognition and Measurement" to determine whether there is objective evidence of a financial asset or a portfolio of financial assets being impaired. After testing for impairment, any impairment loss is recognized.

A financial asset not recognized at fair value through profit/loss, including an interest in an enterprise, is tested for impairment at every balance sheet date (IAS 39.58). A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset.

The following may be objective evidence that a financial asset is impaired:

- default or delinquency of a debtor
- indications that the debtor will enter bankruptcy or other financial reorganization
- adverse changes in the payment status of borrowers or issuers
- decrease in the estimated future cash flows due to adverse economic conditions that correlate with defaults

In addition, a significant or prolonged decline in the fair value below the cost of acquisition constitutes objective evidence of impairment. The Group considers a decline by 20% to be significant and a period of six months to be prolonged.

The Group assesses indications of the impairment of a financial asset measured at amortized cost both individually for each financial asset and collectively. All assets that are individually significant are tested for individual impairment. Those assets that are not individually impaired are collectively tested for impairment which has already occurred but still needs to be identified. Assets that are not individually significant are collectively tested for impairment. When assessing collective impairment, the Group considers historical trends in the probabilities of default, the timing of payments and the amount of the losses incurred.

The amount of the impairment of a financial asset, which is subsequently recognized using the effective interest method, is measured as the difference between its carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (IAS 39.63). If the amount of the impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit/loss (IAS 39.65).

i) Unless they fall in the "held for trading" category, **other current assets** are loans and receivables recognized at amortized cost using the effective interest method. A possible country-specific credit risk is covered by country value adjustments, which are calculated on the basis of the country ratings published in the financial magazine "Institutional Investor" and adapted if necessary. The publication of the "Country Credit Ratings" in the "Institutional Investor" draws on a survey of numerous banks and analysts, and ensures impartial valuation in the consolidated balance sheet of DF Group. Itemized value adjustments are established where required.

j) **Cash and cash equivalents** are reported in the balance sheet at face value. The item includes cash on hand and bank deposits with a maturity of up to three months.

k) **Deferred tax** assets and liabilities are determined according to IAS 12 "Income Taxes" using the liability method based on the balance sheet date for all temporary differences between the tax basis and IFRS measurements. Deferred taxes are calculated on the basis of tax rates which apply or are expected to apply under prevailing law in the particular countries when the asset is realized or the liability is settled.

Deferred tax assets for the carryforward of unused tax losses are recognized only to the extent that sufficient taxable temporary differences exist against which the deductible temporary differences and tax losses can be utilized. Above and beyond this, deferred tax assets were recognized to the extent that sufficient taxable results can be generated in the coming financial years (IAS 12.24 et seq., IAS 12.34).

l) With regard to changes in **equity**, please refer to the separate consolidated statement of changes in equity.

m) **Pension obligations** include defined contribution and defined benefit plans.

The obligations for defined benefit plans are measured using the projected unit credit method in accordance with IAS 19 "Employee Benefits". Pension obligations are counterbalanced by the asset value of reinsurance on the opposite side. Reinsurance claims are pledged to the plan beneficiaries. The insurance is recognized at plan assets, as it is irrevocably available for benefit purposes only, even in the event of company insolvency (qualified insurance policy). The present value of the covered obligation is limited by the value of the plan assets.

The value of the pension obligation and the fair value of reinsurance are offset. Under IAS 19, actuarial gains and losses must be immediately and fully recognized in other comprehensive income. Past service cost must be directly recognized in profit or loss in the year in which it is incurred.

IAS 19 (revised 2011) only allows a typifying return on plan assets equivalent to the discount rate applied to the pension obligations at the beginning of the period. Expenses for contribution-based pension plans are recorded as expenditures when the employees have performed their work.

n) **Provisions** are recognized as a present obligation (legal or constructive) to a third party as a result of a past event when it is probable that an outflow of resources will be required and a reliable estimate can be made of the requisite amount of the provision. These are measured at full cost.

o) **Financial liabilities** are initially recognized at the fair value, which is usually equivalent to the cost of acquisition. Transaction costs are also considered. Subsequently, all liabilities are measured at amortized cost. At DF Group, these are usually short-term liabilities, which are therefore carried at the repayment amount. DF Group has no liabilities held for trading. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

p) The **creditor liabilities** are measured at fair value, as it has been laid down in the insolvency plan that these liabilities are to be repaid using the cash flow from existing receivables. The fair values resulting from the fair value measurement of the trading and restructuring portfolio, together with the fair values of the other creditor assets, determine the value of the **creditor liabilities** (see (33), Information regarding the fair value). Where the fair value of the receivables was lower or higher than that of the liabilities as at the reporting date, the latter were adjusted through profit/loss.

The creditor liabilities are classified as financial liabilities "at fair value through profit or loss" (IAS 39.9b) upon initial recognition, i.e. at the time the insolvency plan became final.

Significant estimates and assumptions used in accounting

The preparation of the consolidated financial statements to IFRS requires assumptions to be made and estimates to be used which have an effect on the assets and liabilities, income and expenses, and contingent liabilities shown in the balance sheet both in terms of amount and reporting. The assumptions and estimates that relate to the unified group stipulation of useful lives, the valuation of pension obligations, the measurement of receivables at fair value and the accounting for and measurement of provisions, are regarded as immaterial for the consolidated financial statements. In isolated cases, the actual values may deviate from the assumptions and estimates made. Changes are included in income at the point in time when more accurate information becomes available.

The determination of the fair values of the receivables of the restructuring and trading portfolio included in the creditor assets requires assumptions regarding the country and counterparty risks which are mostly based on the circumstances prevailing as of the balance sheet date. An increase in these risks does not lead to negative effects from the fair value measurement on consolidated equity capital and consolidated net income (prior period: kEUR 2,157 in the event of a 10% risk increase), given that the fair value of the creditor liabilities would be reduced by the same amount due to the situation described above.

Assets measured at amortized cost (loans and receivables) are subject to risks relating to creditworthiness and future payments. An increase in these risks will not lead to additional provisions or write-downs (prior period: kEUR 505 in the event of a 10% risk increase), as these assets contrast with provisions in the same amount.

II. NOTES TO THE INCOME STATEMENT

The short financial year from 2 July to 31 December 2016 covers the period after the conclusion of DF AG's insolvency proceedings. During this period, the operating business was still of minor importance. As a result, the income statement for the short financial year essentially comprises income and expenses from the fair value measurement and other income and expenses relating to the sale of the creditor assets. The short financial year 2016 I was marked by the management of the insolvency, in particular the partial waiver on the part of the creditors, as well as the activities in connection with the liquidation of the receivables portfolio. Consequently, the figures of the two short financial years are not fully comparable.

(7) Typical forfaiting income

Portfolio income earned in the period, trading income (the difference between amortized cost / fair value and the sales price of a receivable) and the positive effects from the fair value measurement of receivables of the trading and restructuring portfolio are recorded as forfaiting income. Commission income primarily results from purchase commitments and counter-guarantees. At the same time, only DF Group income from loan agreements is recorded in typical forfaiting income.

Revenue breaks down as follows:

Typical forfaiting income in kEUR	**2-7 – 31-12-2016**	**1-1 – 1-7-2016**
Forfaiting income	824	824
Commission income	74	111
Income from additional interest charged	-	24
Exchange gains	1,716	1,907
Income from the reversal of provisions for forfaiting and purchase commitments	-	198
Total	**2,614**	**3,064**

Forfaiting income comprises income from the fair value measurement in the amount of EUR 0.7 million (prior period: EUR 0.3 million).

(8) Typical forfaiting expenses

Forfaiting expenses are incurred where the sales price realized is lower than the carrying amount and negative effects result from the fair value measurement.

Typical forfaiting expenses break down as follows:

Typical forfaiting expenses in kEUR	**2-7 – 31.12.2016**	**1-1 – 1-7-2016**
Forfaiting expenses	6,995	2,775
Commission expenses	101	58
Exchange losses	1,006	1,723
Value adjustments on receivables as well as additions to provisions for forfaiting and purchase commitments	1,408	549
Total	**9,510**	**5,105**

The forfaiting expenses in the short financial year II resulted exclusively from the negative effect of the fair value measurement of the trading and restructuring portfolio.

(9) Balance of forfaiting income and expenses (gross result)

Gross result is the difference between typical forfaiting income and expenses.

Gross result in kEUR	**2-7 – 31-12-2016**	**1-1 – 1-7-2016**
Net forfaiting	(6,171)	(1,951)
Net commission	(27)	52
Result from additional interest charges	0	24
Result from exchange gains and losses	710	184
Net valuation in forfaiting business	(1,408)	(351)
Total result	**(6,896)**	**(2,042)**

(10) Other operating income

Other operating income breaks down as follows:

Other operating income in kEUR	2-7 – 31-12-2016	1-1 – 1-7-2016
Income from the fair value measurement of creditor liabilities	6,650	2,653
Income from the allocation of charges	617	31
Income from already written-off receivables / compensation	456	12
Income from VAT refund claims	124	-
Fee for the sale of creditor assets	62	-
Income from the allocation of charges	48	-
Income from offsetting non-cash benefits under the provision of motor vehicles	4	4
Income from the receivables waiver	-	41,613
Miscellaneous other operating income	16	10
Total	**7,977**	**44,323**

The income from the fair value measurement of the creditor receivables is based on the adjustment through profit/loss of the liabilities to the fair value of the creditor assets. Income from the allocation of charges almost entirely relate to legal expenses incurred in conjunction with the sale of the creditor assets.

(11) Personnel expenses

Personnel expenses break down as follows:

Personnel expenses in kEUR	2-7 – 31-12-2016	1-1 – 1-7-2016
Salaries	856	1,307
Total salaries	**856**	**1,307**
Social security contributions	63	67
Pensions	70	78
Other social security expenses	1	4
Total social security expenses	**134**	**149**
Total	**990**	**1,456**

Pension expenses include contributions to state pension providers in the amount of kEUR 50 (prior period: kEUR 56) as well as to defined contribution benefit plans in the amount of kEUR 20 (prior period: kEUR 22).

(12) Depreciation/amortization of tangible and intangible assets

Systematic depreciation/amortization breaks down as follows (as in the prior period, no write-downs for impairments were required):

Depreciation/amortization of tangible and intangible assets in kEUR	**2-7 – 31-12-2016**	**1-1 – 1-7-2016**
Amortization of intangible assets	17	12
Depreciation of tangible assets	31	36
Total	**48**	**48**

(13) Other operating expenses

Other operating expenses break down as follows:

Other operating expenses in kEUR	**2-7 – 31-12-2016**	**1-1 – 1-7-2016**
Legal and consultation fees, accounting expenses	1,163	4,260
Trustee compensation obligation	800	-
Allocation to reserve for filed claims	264	-
Administrative expenses/cooperation partners	42	138
Cost of premises	132	178
Travel expenses	55	56
Other taxes	95	18
Telephone, postage and web connection charges	25	26
Payment transaction fees	14	27
Insurance, fees, contributions	145	163
Vehicle costs	8	9
Miscellaneous other expenses	527	818
Total	**3,270**	**5,693**

Legal and consultation fees as well as accounting expenses mainly include consulting costs incurred in conjunction with the sale of the creditor assets, expenses for annual and quarterly audits as well as for tax advice.

The expenses for the compensation obligation towards the trustee of the insolvency creditors arises under the Trust and Administration Agreement, which provides for such compensation if the proceeds from the sale of the creditor assets will fall below a certain limit. Additional receivables filed for the table in the reporting period required an additional allocation to the provision of kEUR 264.

Miscellaneous other expenses mainly include expenses relating to the public listing, as well as the Annual General Meeting (kEUR 101, prior period: kEUR 139), expenses for rights of use and IT equipment (kEUR 69, prior period: kEUR 61) and the compensation of the members of the Supervisory Board (kEUR 43, prior period: kEUR 51).

(14) Financial results

The financial results break down as follows:

Financial results in kEUR	**2-7 – 31-12-2016**	**1-1 – 1-7-2016**
Interest income from banks	-	-
Interest income from loans and receivables	-	126
Interest income from financial assets and other interest agreements	17	-
Total interest income	17	126
Interest expense payable to banks	-	67
- thereof from refinancing the forfaiting business	-	53
- thereof from interest on overdraft	-	14
Miscellaneous interest expenses	38	902
- thereof interest on bond	-	889
- thereof other interest	38	13
Total interest expense	38	969
Net interest = financial results	**(21)**	**(843)**

The reduction in other interest expenses primarily results from the fact that no more interest has to be paid in conjunction with the insolvency proceedings.

(15) Income tax

The tax receivables comprise income tax in the amount of kEUR 64 for the year 2015 (prior period: kEUR 92). Deferred tax assets from temporary differences may not be recognized if it is not sufficiently probable that taxable results will be available against which the deductible temporary differences can be utilized (IAS 12.27). Deferred tax assets resulting from losses carried forward are recognized in the income statement (IAS 12.56) to the extent that temporary differences in the same amount are available against which the unused tax losses can be utilized. The loss posted by the Group for the period from 2 July to 31 December 2016 essentially results from start-up losses of DF Deutsche Forfait GmbH, an operating entity to which the operating activities of DF AG were transferred with retroactive effect from 31 December 2015. Deferred tax assets have been recognized in the income statement for the loss-carryforwards that existed in the reporting period (IAS 12.56), as management

assumes that taxable income in the same amount will be available in future against which the unused tax losses can be utilized.

According to the official statement issued by the Cologne-Mitte tax authority on 25 April 2016, the profit of the first short financial year resulting from the creditors' receivables waivers are to be treated as tax-advantaged restructuring profit, with the consequence that the restructuring profit is initially offset against current losses and/or existing loss-carryforwards. If the existing loss-carryforwards are insufficient, the tax on the remaining restructuring profit is to be deferred with the aim of a later tax abatement. As a result, the restructuring profit will not cause any tax liability. The tax loss-carry-forwards that remain after offsetting against the restructuring profit can no longer be used for tax purposes in the future due to the capital increase of July 2016 in conjunction with the investment by a majority shareholder. In the reporting period following the change of shareholder, DF AG incurred a loss of which it cannot be assumed with sufficient probability that taxable results will be available against which the deductible temporary differences can be utilized. This is due to the fact that DF AG's modified business model will allow the company to generate income only from the sale of the creditor assets as well as from investments. After consultation with the competent authorities, DF AG recognized a tax liability (kEUR 350) on the restructuring profit in the reporting period, as the City of Cologne has denied the tax advantage. As of 31 December 2016, there were corporation tax and trade tax loss-carryforwards in the amount of kEUR 403 (prior period: kEUR 0) as well as temporary differences on trade tax and corporation tax of kEUR 19 (prior period: kEUR 476) each for which no deferred tax assets were recognized.

Group income taxes break down as follows:

Income taxes in kEUR	**2-7 – 31-12-2016**	**1-1 – 1-7-2016**
Income tax expense of the current year	350	-
Adjustments for previous years	-	-
Current tax expense	350	-
Deferred taxes from temporary differences	-	7
Deferred taxes in the context of tax loss carried forward	(803)	(7)
Deferred taxes	(803)	-
Total	**(453)**	**-**

Deferred taxes are calculated on the basis of tax rates which apply or are expected to apply under prevailing law in the particular countries when the asset is realized or the liability is settled. In Germany, the standard rate of corporation tax is 15.0%. Taking into consideration a solidarity surcharge

of 5.5% on top of corporation tax and an average effective trade income tax rate of approximately 16.5%, this results in a tax rate of approximately 32.5% for domestic companies. This tax rate was uniformly applied across the reporting period to calculate domestic deferred tax effects. The tax effects of foreign companies were of secondary importance in the reporting period and were disregarded on account of their immateriality. The currency conversion difference from the recognition of economically independent foreign units would give rise to income tax assets worth kEUR 68 (prior period: kEUR 84) if realized.

The status of deferred tax assets and liabilities as at 31 December 2016 is detailed in the table below:

Deferred tax assets and liabilities by type of temporary differences in kEUR	**Assets**		**Liabilities**	
	31-12-2016	**1-7-2016**	**31-12-2016**	**1-7-2016**
Investment	-	-	11	-
Pension obligations	-	-	4	-
Tax loss carryforward	(785)	-	-	-
Other liabilities	-	-	3	-
Total	(785)	-	18	-
Offsetting	(18)	-	(18)	-
Balance sheet value	(803)	-	-	-

With respect to the value of deferred tax assets, care was taken only to recognize amounts which are at least highly likely to be realized. This estimate takes into account all positive and negative factors affecting a sufficiently high income in the future. The estimate may change depending on future developments.

Tax reconciliation in kEUR	**2-7 – 31-12-2016**	**1-1 – 1-7-2016**
Result before income taxes	(3,248)	34,241
Nominal tax rate	32.5%	32.5%
Expected income tax	**(1,056)**	**11,128**
Effects from tax rate changes	-	-
Non-deductible expense	64	10
Tax-free/taxable income	350	-
Tax effects from prior periods	(35)	-
Tax effects from changes in value adjustments of deferred tax assets and the use of tax loss carryforwards	245	(11,113)
Effects from deviating local tax rates	(20)	9
Other tax effects	(1)	(34)
Income tax	**(453)**	**0**

III. NOTES TO THE BALANCE SHEET

(16) Fixed assets

The breakdown of the fixed asset items in the balance sheet and their movement in the reporting period are shown in the consolidated fixed assets schedule.

in Euro	**Intangible assets** (Rights, software)	**Tangible assets** (Other equipment, factory and office equipment)	**Total**
Acquisition costs			
As of 1 January 2016	208,746.90	887,098.30	1,095,845.20
Additions	0.00	718.64	718.64
Disposals	0.00	38,521.00	38,521.00
Currency translation differences	-837.27	-922.93	-1,760.20
As of 1 July 2016	**207,909.63**	**848,373.01**	**1,056,282.64**
As of 2 July 2016	207,909.63	848,373.01	1,056,282.64
Additions	54,247.89	12,145.87	66,393.76
Disposals	0.00	0.00	0.00
Currency translation differences	1,739.61	1,917.59	3,657.2
As of 31 December 2016	**263,897.13**	**862,436.47**	**1,126,333.60**
Depreciation/Amortization			
As of 1 January 2016	121,272.63	649,141.36	770,413.99
Additions	12,139.86	36,290.71	48,430.57
Disposals	0.00	5,136.00	5,136.00
Currency translation differences	-652.01	-659.53	-1,311.54
As of 1 July 2016	**132,760.48**	**679,636.54**	**812,397.02**
As of 2 July 2016	132,760.48	679,636.54	812,397.02
Additions	16,865.45	31,111.09	47,976.54
Disposals	0.00	0.00	0.00
Currency translation differences	1,522.78	1,596.51	3,119.29
As of 31 December 2016	**151,148.71**	**712,344.14**	**863,492.85**

Carrying amounts			
As of 1 January 2016	26,751.67	296,021.50	322,773.17
As of 1 July 2016	**75,149.15**	**168,736.47**	**243,885.62**
As of 31 December 2016	**112,748.42**	**150,092.33**	**262,840.75**

(17) Non-current financial assets

Non-current financial assets include the following shares in non-consolidated affiliated companies. They are classified in the measurement category Available for Sale:

Non-current financial assets in kEUR	Share in equity	31-12-2016	1-7-2016
DF Deutsche Forfait Americas Inc., Miami / USA	100%	-	3
DF Deutsche Forfait do Brasil Ltda., Sao Paulo / Brazil	99%	15	15
Global Trade Fund SPC, Cayman Islands	100%	1	1
Global Trade Fund Holding Ltd., Cayman Islands	100%	4	4
DF Deutsche Forfait (private) Ltd., Lahore / Pakistan	99%	-	-
DF Deutsche Forfait Middle East s.r.o., Prague / Czech Republic	100%	12	-
		32	**23**

All these entities were founded by the company itself and their cost of acquisition corresponds to the paid-up capital. Non-current financial assets also include rent deposits in the amount of kEUR 52 (prior period: kEUR 69) for the offices used by DF Group. No quoted prices in an active market exist for the shares in non-consolidated entities and the fair value cannot be reliably determined. These shares are therefore recognized at (amortized) cost. In view of the minor importance, they were not tested for impairment.

(18) Other current assets

Other current assets break down as follows:

Current assets in kEUR	31-12-2016	1-7-2016
Receivable from trustee	691	-
Receivables from affiliated companies	211	-
Prepaid expense	159	126
Called-in outstanding contributions	-	11,207
Miscellaneous other assets	59	452
Tax receivables	142	-
Total	**1,262**	**11,785**
thereof financial assets	942	11,659
thereof non-financial assets	320	126

The receivable from the trustee relates to legal expenses incurred by the Group in conjunction with the sale of the creditor assets.

The receivables from affiliated companies comprise claims of the parent company against non-consolidated subsidiaries and entitlements among the non-consolidated subsidiaries. The tax receivables relate to value-added tax for the year 2016 (kEUR 142; prior period: kEUR 0).

(19) Cash and cash equivalents

Cash and cash equivalents amounted to kEUR 10,158 (prior period: kEUR 1,397) and related to bank deposits with a maturity of up to three months. An amount of kEUR 1,158 (prior period: kEUR 1,158) of these deposits is pledged as collateral.

(20) Equity

Changes in the equity of DF Group are reported in the statement of changes in equity.

Subscribed capital

The share capital of the Group is fully paid in and amounted to kEUR 11,887,483 as of the balance sheet date (prior period: kEUR 680). It is divided into 11,887,483 (prior period: 680,000) no-par registered shares.

In accordance with the insolvency plan adopted and confirmed by the court on 29 April 2016, which became final on 20 May 2016, a cash capital increase by up to kEUR 7,500 and a capital increase against contributions in kind by up to kEUR 4,022 were laid down. In the context of the capital increase against contributions in kind, the subscribers of the failed 2015 cash capital increase were able to transfer their respective restitution claims to the company in the form of contributions in kind. Shareholders' subscription rights were excluded for both equity measures. The issue price of the new shares issued in the context of the capital increase against contributions in kind and the cash capital increase was equivalent to the par value of EUR 1.00. The cash capital increase was effected in the amount of kEUR 7,500 and the capital increase against contributions in kind was effected in the amount of kEUR 3,707 and both were entered in the Commercial Register on 6 July 2016.

Costs of the cash capital increase and the capital increase against contributions in kind

The costs incurred in conjunction with the cash capital increase and the capital increase against contributions in kind in the total amount of kEUR 623 are to be recognized in equity and to be deducted from the amount of the capital increase and have therefore been offset against equity.

Revenue reserves

Revenue reserves consist of profits generated in the past by the companies included in the consolidated financial statements, unless distributed or increased by withdrawals from the capital reserve. The table below shows the changes in revenue reserves:

Revenue reserves in kEUR	
1 January 2016	(46,067)
Capital reduction	13,479
Consolidated result	34,241
1 July 2016	1,653
Legal reserve	(68)
Consolidated result	(2,794)
31 December 2016	**(1,209)**

Adjustment item from currency translation

This reserve shows the differences in other comprehensive income arising from foreign currency translation of the financial statements of foreign subsidiaries through equity in the form of an adjustment item from currency translation. The reserve is negative and reduced the reported equity in the reporting period by kEUR 209 (prior period: kEUR 258). The change in the reserve amounted to kEUR 49 in the reporting period, primarily resulting from the consolidation of the Czech subsidiary.

Earnings per share

Earnings per share are based on the average number of common shares issued and outstanding in the reporting period (11,887,483) and amounted to EUR -0.24 (basic and diluted) compared to EUR 50.35 in the short financial year 2016 I (680,000 common shares).

Authorized capital

By resolution of the Annual General Meeting on 6 July 2016, the Board of Management is authorized, subject to approval by the Supervisory Board, to increase the share capital by 6 July 2021 once or several times by a total of up to EUR 5,900,000.00 against cash contributions and/or contributions in kind (including mixed contributions in kind) by issuing up to 5,900,000 new registered shares (authorized capital 2016); in this context, the Board of Management is also authorized to schedule the commencement of the profit participation at a date other than the date provided for by law. As a general rule, the shareholders must be granted a subscription right. However, the Board of Management is autho-

rized, subject to approval by the Supervisory Board, to exclude shareholders' subscription rights in the following cases: (1) to avoid fractional amounts; (2) in a capital increase against cash contributions if the issue price of the new shares issued in an ex-rights issue pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act (AktG) is not materially lower than the stock market price and the new shares issued in an ex-rights issue pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act (AktG) do not exceed 10% of the share capital neither at the time the authorization becomes effective nor at the time it is exercised; this10% limit also covers shares that were or are to be issued during the period of this authorization under exclusion of subscription rights due to other authorizations in direct or corresponding application of Section 186 (3) sentence 4 of the Stock Corporation Act (AktG); (3) in a capital increase against contributions in kind, especially for the purpose of the acquisition of a company, parts of a company, an equity investment in a company or other material assets; (4) to grant the holders of warrants and/or convertible bonds or bonds with option rights a subscription right to the extent that they would be entitled to such right after exercising a conversion or option right or meeting a conversion obligation as a shareholder; (5) to issue employee shares to employees of DF AG and of affiliated companies; and (6) to serve option rights that grant the right to subscribe a total of no more than 100,000 shares in the company and that are issued by the Board of Management to distribution partners of the company with the consent of the Supervisory Board.

Conditional capital

By resolution of the Annual General Meeting on 6 July 2016, the Board of Management is authorized subject to approval by the Supervisory Board, to issue bearer warrant and/or convertible bonds with a total nominal value of up to EUR 50,000,000.00 in one or several tranches until 6 July 2021 and to grant holders or creditors of warrant bonds option rights and holders or creditors of convertible bonds conversion rights on new registered shares of no par value of the company up to a pro-rata share in share capital totaling up to EUR 4,720,000.00. The warrant and/or convertible bonds (collectively referred to as "bonds" and individually referred to as "notes") may be issued in euros as well as in the legal currency of an OECD country, limited to the corresponding value in euros. They may also be issued by direct or indirect majority shareholdings of DF Deutsche Forfait AG. In this case, the Board of Management is authorized, subject to approval by the Supervisory Board, to issue a guarantee on behalf of the company for the bonds and to issue the holders of such bonds with option/conversion rights on new shares of DF Deutsche Forfait AG. For this purpose, the company's share capital has been conditionally increased by up to EUR 4,720,000.00 through the issue of up to 4,720,000 new registered shares (conditional capital 2016/I).

The Annual General Meeting of 6 July 2016 has authorized the Board of Management and the Supervisory Board to issue subscription rights to shares in the company (option rights), once or several times, by 6 July 2021, in order to allow the persons defined in Section 192 (2) No. 3 of the Stock Corporation Act (AktG) to acquire an interest in the company. The Board of Management will be authorized, with the consent of the Supervisory Board, to stipulate the details of the type and issue of the option rights in a stock option plan ("2016 stock option plan"). If option rights are to be issued to the Board of Management of the company, the decision on the issue and the stipulation of further details are at the sole discretion of the Supervisory Board. The company's share capital will be conditionally increased by up to EUR 1,180,000.00 through the issue of up to 1,180,000 new registered shares (conditional capital 2016/II). The conditional capital increase shall be executed only to the extent that the holders of option rights from the 2016 stock option plan, which may be granted by the company by 6 July 2021 on the basis of the authorization granted by the Annual General Meeting of 6 July 2016, exercise their rights to subscribe shares in the company and the company does not serve the subscription rights by delivering treasury shares. The new shares shall be entitled to profit as of the beginning of the financial year in which they are created through the exercise of option rights. The Board of Management shall be authorized, with the consent of the Supervisory Board, to stipulate the further details of the execution of the conditional capital increase, unless option rights are to be issued to members of the Board of Management; in this case, the Supervisory Board shall stipulate the further details of the execution of the conditional capital increase.

Right to purchase own shares

The Annual General Meeting of 6 July 2016 decided the following authorization to buy and sell treasury shares:

a) The company is authorized to buy up to 1,180,000 treasury shares by 6 July 2021. The shares must be purchased on the stock market. The purchase price (excluding incidental purchase costs) paid by the company must not exceed or fall short of the price of the company share in XETRA trading (or a similar successor system) determined at the first auction of the trading day at Frankfurt Stock Exchange by more than 10%.

b) The shares can be acquired directly by the company or by third parties authorized by the company in one or several stages within the limits of the above-mentioned restrictions. The shares can be acquired for any legally permissible reason, especially for one of the purposes mentioned under letters c), d), e), f) and g) below. If they are used for one or several of the purposes mentioned under letters c), d), e) or f), shareholders' subscription right shall be excluded.

c) The Board of Management shall be authorized to sell the treasury shares acquired as a result of the above-mentioned authorization outside the stock exchange or by offering them to all shareholders on the condition that they are sold in exchange for cash and at a price which does not fall significantly below the company's share price at the time of sale.

This authorization is restricted to shares with a notional interest in the share capital, which must not exceed a total of 10% of the share capital, on the effective date of this authorization nor – if lower – on the date this authorization is executed. The maximum threshold of 10% of the share capital is reduced by the amount of subscribed capital which applies to shares that are issued as part of a capital increase during the term of this authorization, under exclusion of the purchase right pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act (AktG). The maximum threshold of 10% of the share capital is also reduced by the amount of share capital relating to shares that will be issued for serving warrant bonds and/or convertible bonds, if these bonds are issued during the term of this authorization under exclusion of the purchase right and in accordance with Section 186 (3) sentence 4 of the Stock Corporation Act (AktG).

d) The Board of Management shall be authorized to transfer the treasury shares acquired as a result of the above-mentioned authorization to third parties if this serves the purpose of acquiring companies, parts of companies, investments in companies or other assets, or carrying out company mergers.

e) The Board of Management shall be authorized to offer and transfer the treasury shares acquired as a result of the above-mentioned authorization to the holders of subscription rights to fulfill the company's obligations arising from the 2016 stock option plan described under agenda item 9. If treasury shares are to be transferred to members of the company's Board of Management, this shall be decided by the Supervisory Board.

f) The Board of Management shall be authorized to use the treasury shares acquired as a result of the above-mentioned authorization to fulfill the company's obligations arising from convertible and/or warrant bonds issued by the company, especially to fulfill the obligations from convertible and/or warrant bonds issued because of the authorization proposed under agenda item 8.

g) The Board of Management shall be authorized to recall the treasury shares acquired as a result of the above-mentioned authorization without requiring any further resolution by the Annual General Meeting. The shares can be recalled without reducing capital by adjusting the notional interest of the remaining no-par value shares in the parent company's share capital.

h) The Board of Management shall be entitled to exercise the authorizations under letters c), d), e), f) and g) only with the consent of the Supervisory Board. In the event of letter g), the Supervisory Board shall be authorized to adjust the number of shares in the Memorandum of Association. The Supervisory Board is also authorized to stipulate that the Board of Management is only authorized to act with the Supervisory Board's approval in line with the resolution of the Annual General Meeting.

i) The authorization to purchase and use own shares granted by the Annual General Meeting on 10 June 2015 shall be revoked.

(21) Pension obligations

Pension obligations comprise obligations from expectancies in accordance with IAS 19 "Employee Benefits". In addition, there are contribution-based pension plans with the state pension insurance fund and with BVV Versorgungskasse des Bankgewerbes e.V., which are serviced from current contribution payments.

Pension commitments in the form of defined benefit plans exist for three former members of the Board of Management. According to the benefit plans, benefits are payable if a member of the Board of Management passes away or retires due to age. In this case, Mr Franke will receive a capital payment. In contrast, Ms Attawar and Mr Wippermann have the right to choose an annuity or a capital payment. The company's obligation consists of providing the active employees with their committed benefits. The benefit plan is externally financed by means of reinsurance whose guaranteed benefits correspond to the pension commitments.

In addition to assumptions regarding life expectancy, the following factors play a role in the calculation:

Actuarial assumptions in %	**31-12-2016**	**1-7-2016**
Discount rate	1.72%	1.56%
Inflation rate	1.00%	1.00%
Pension growth rate	1.00%	1.00%

The diagrams below illustrate the changes in the present value of entitlements for pension obligations and plan assets:

Changes/reconciliation in the accumulated benefit obligation in kEUR	31-12-2016	1-7-2016
Accumulated benefit obligation as of 31 December / 1 July	607	622
Current service cost	-	-
Interest cost	8	7
Expected pension payments	(1)	(1)
Actuarial loss (gain)	100	(21)
thereof accounted for by changes in financial assumptions	100	(22)
thereof accounted for by experience-based assumptions	0	1
Accumulated benefit obligation as of 31 December / 1 July	**714**	**607**

Changes in plan assets in kEUR	31-12-2016	1-7-2016
Fair value of plan assets as of 1 July / 1 January	607	622
Typifying investment income	8	7
Employee contributions	-	-
Income from plan assets	99	(22)
Value of plan assets as of 31 December / 1 July	**714**	**607**

The tables below show the deviations between actuarial assumptions and actual developments (“asset ceiling”) in the reconciliation and over a 5-year period:

Changes/reconciliation in the asset ceiling effect in kEUR	2-7 – 31-12-2016	1-1 – 1-7-2016
Accumulated benefit obligation as of 31 December / 1 July	(607)	(622)
Fair value of plan assets as of 31 December / 1 July	607	622
Asset ceiling effect as of 31 December / 1 July	-	-
Interest cost of asset ceiling effect	-	-
Actuarial (gains) losses from DBO	99	(21)
Profit/loss from plan assets	(99)	22
Asset ceiling effect as of 31 December / 1 July	**-**	**-**

in kEUR	31-12-2016	1-7-2016	2015	2014	2013	2012
Accumulated benefit obligation	714	607	622	654	477	446
Included impacts of deviations	99	(21)	(45)	160	15	134
Plan assets	714	607	622	654	514	499
Included impacts of deviations	93	(15)	(32)	122	(3)	(12)
Funded status	**-**	**-**	**-**	**-**	**37**	**53**

Due to the over-calculation of the reinsurance policy, the value of plan assets is limited to the amount of the present value of the pension obligation. The balance of the asset value of plan assets totaling kEUR 714 (prior period: kEUR 607) and the liability value of the obligation of kEUR 714 (prior period: kEUR 607) is shown. As in the previous year, the plan assets no longer exceeded the liability value of the obligation as at the reporting date. The figure shown in the balance sheet was calculated as follows:

Calculation of the net amount shown in the balance sheet in kEUR	**31-12-2016**	**1-7-2016**
Accumulated benefit obligation	(714)	(607)
Fair value of the pension plan assets	714	607
Asset ceiling effect	-	-
	0	**0**

Actuarial gains or losses may result from increases or reductions in either the present value of the defined benefit obligation or the fair value of plan assets; possible reasons for these differences include changes in the calculation parameters and estimate revisions concerning the risk trend of pension obligations and deviations between the actual and expected return on the qualified insurance policies. Actuarial gains and losses should be recognized in other comprehensive income. As they were offset against each other, they were not recognized. For reasons of immateriality, no sensitivity analysis was performed.

The defined benefit plans incurred the following expenditure, which breaks down into the following components:

Expenditure on defined benefit pension plans in kEUR	**2-7 – 31-12-2016**	**1-1 – 1-7-2016**
Current service cost	-	-
Interest expense	8	7
Interest income from plan assets	(8)	(7)
Interest on asset ceiling effect	-	-
Recognized in the income statement	**0**	**0**

Components of other comprehensive income (OCI) in kEUR	**31-12-2016**	**1-7-2016**
Actuarial losses (gains)	(21)	(21)
Interest income from plan assets	21	21
Changes in the effect of the ‘asset ceiling‘	-	-
Recognition in other comprehensive income	**0**	**0**

During each reporting period, the net value amounted to EUR 0.00, since the increase in pension obligations was matched by an increase in plan assets. Based on a duration of the obligations of 16.8 years (prior period: 17.1 years), pension payments in the amount of kEUR 2 are expected for the following period under the pension benefit plans that existed as at 31 December 2016.

(22) Trade accounts payable

The table below shows the composition of the trade accounts payable:

Trade accounts payable in kEUR	**31-12-2016**	**1-7-2016**
Liabilities from payments received	902	-
Deferred liabilities	-	-
Other liabilities	-	171
	902	**171**

(23) Other current liabilities

The item "Other current liabilities" includes the following individual items:

Other current liabilities in kEUR	**31-12-2016**	**1-7-2016**
Trustee compensation obligation	800	-
Liabilities towards affiliated companies	86	-
Other tax liabilities	-	29
Liabilities to employees	63	2
Liabilities from duties and premiums	331	329
Holiday pay	-	48
Accounting and audit expenses	147	120
Miscellaneous other liabilities	41	182
Other current liabilities	**1,468**	**710**
thereof financial liabilities	1,461	681
thereof non-financial liabilities	7	29

A compensation obligation against the trustee arises under the Trust and Administration Agreement (see (13)).

Other tax liabilities relate to value-added tax and wage tax. Liabilities from duties and premiums relate to liabilities to social security funds and the Federal Employment Agency (Bundesanstalt für Arbeit).

(24) Creditor assets and creditor liabilities

The **creditor assets** comprise the full estate of the company. The distributable estate essentially consists of receivables from forfaiting business prior to the insolvency, comprising the trading and restructuring portfolio, and is composed as follows:

Creditor assets in kEUR	31-12-2016	1-7-2016
Restructuring portfolio	13,152	23,894
Trading portfolio	4,590	4,439
Bank balances	468	376
Expected proceeds from the sale of financial assets	-	285
Receivables from affiliated companies	-	83
Legal costs of collection efforts	-	(1,057)
	18,210	**28,020**

The trading portfolio relates to receivables from current forfaiting transactions up to the opening of the insolvency proceedings. The restructuring portfolio is composed of overdue and pending claims against various debtors dating from the time before the company's listing on the SDN list (List of Specially Designated Nationals and Blocked Persons) of the US Office of Foreign Assets Control. The reduction in the restructuring portfolio results from fair value adjustments and, on a small scale, from sales proceeds. The expected legal expenses have been assigned to the creditor liabilities for a better and more clearly structured presentation.

The **creditor liabilities** are liabilities filed with the insolvency table. The liabilities are composed as follows:

Creditor liabilities in kEUR	31-12-2016	1-7-2016
Liabilities to banks	13,558	14,559
Bonds	11,412	11,412
Current provisions	1,305	199
Trade liabilities	1,031	4,005
Other current debt	207	498
	27,513	30,673
Carryforward of the fair value measurement of the creditor liabilities prior period	(2,653)	-
Income from the fair value measurement of the creditor liabilities	(6,650)	(2,653)
	18,210	**28,020**

The value of the liabilities to banks results from the partial waiver declared in the context of the insolvency plan, taking into account the banks` senior position laid down in the collateral realization agreement ("Sicherheitenverwertungsabrede") in the short financial year 2016 II.

The bonds reflect the bondholders' partial waiver under the insolvency plan.

Current provisions include expected legal expenses in the amount of kEUR 1,022 (prior period: kEUR 1,057 shown as reduction in creditor assets).

The reduction of trade liabilities primarily results from the payment of the procedural costs in connection with DF AG's insolvency. These costs were included in the Group's financial statement as of 1 July 2016 in this position.

Trade liabilities also include the liabilities from the passing on of funds under a servicing agreement in the amount of EUR 0.6 million. In October 2016, the holder of the receivable claimed the full separation of the total amount of EUR 1.7 million through his lawyer. Should the holder of the receivable be able to enforce his claim, the other creditors' share in the liquidation of the creditor assets would be reduced accordingly.

Other liabilities essentially comprise legal counsel costs.

The valuation of the creditor liabilities at amortized cost results in a total value of kEUR 27,513, which exceeds the fair value of the creditor assets. According to the insolvency plan, the liabilities that remain after the creditors' partial waiver will be settled exclusively to the extent that, and at such times when, DF Group's assets existing at the time of the official adoption of the insolvency plan are liquidated. Under the regulations of the insolvency plan, all opportunities and risks resulting from the liquidation of the creditor assets thus pass to the creditors. This means that the creditor liabilities may at no time exceed the creditor assets. To avoid an accounting mismatch, the creditor liabilities are recognized at the fair value resulting from the change in the value of the assets (IAS 39.9b). In the short financial year 2016 II, this resulted in a change in value through profit/loss in the amount of kEUR 6,650.

IV. OTHER INFORMATION

(25) Notes on risk grouping

DF Group has a detailed risk management system which is laid down in writing and contains a limit system consisting of counterparty, country and risk group limits. DF Group controls its current operating business by using risk groups based on the forfaiting volume, which forms part of the regular internal reports to the Board of Management. Each of the five risk groups comprises countries with a similar risk profile. The limits are defined by the Supervisory Board of DF AG and may be used by the Board of Management at its own discretion. They are assigned according to the country of domicile of the original debtor of each receivable. Countries are assigned to a risk group according to their external ratings. Risk group I is for countries with the highest credit rating and risk group V is for countries with the lowest credit rating.

The receivables of the restructuring and trading portfolio are included in creditor assets. Besides this, DF Group did not carry out any other forfaiting transactions in the reporting period. According to the insolvency plan, the risks arising from the creditor assets pass to the insolvency creditors. Now that the insolvency plan has become final, the creditor assets continue to be managed by DF Group and are collected in its own name but for the account of the insolvency creditors.

(26) Tenancies and leases

At the respective reporting date, the following minimum future lease payments exist based on operating lease contracts that cannot be cancelled:

Operating leases in kEUR	**Maturity**			**Total**
	<1 year	**1-5 years**	**>5 years**	
31 December 2016				
For office space	187	-	-	187
For office equipment	9	4	-	13
Total	**196**	**4**		**200**
1 July 2016				
For office space	162	58	-	220
For office equipment	9	9	-	18
Total	**171**	**67**	**-**	**238**

Minimum lease payments in the amount of kEUR 103 (prior period: kEUR 127) are recognized as expense in the reporting period.

(27) Employees

The average number of staff employed with the Group as of the reporting date is shown in the following table. The "other" and "controlling/accounting" items also include student workers.

Number of employees	1-1 – 31-12-2016	1-1 – 31-12-2015
Salaried employees	**26**	**35**
of which in trade / sales	9	13
of which in contract management	5	8
of which in controlling / accounting	6	6
of which other / internal administration	6	8

The decline in the average number of employees in the financial year is attributable to the restructuring measures implemented.

(28) Other financial obligations

Other financial obligations relate primarily to forfaiting and purchase commitments. As of 31 December, the Group made no forfaiting and purchase commitments. As of 1 July 2016, purchase commitments amounted to kEUR 2,217 and were not secured.

(29) Total fee of the auditors

The following fees were invoiced for the services provided by auditors Warth & Klein Grant Thornton AG for the period from 2 July 2016 to 31 December 2016.

Auditing fees in kEUR	2-7 – 31-12-2016	1-1 – 1-7-2016
Audits	105	122
Other audit services	34	67
Tax consulting services	5	17
Other services	-	1
Total fee	**144**	**207**

Other audit services relate to the issuance of a comfort letter in conjunction with the capital increase.

(30) Relationships with related parties

According to IAS 24 "Related Party Disclosures", persons or companies controlling DF Group or controlled by it must be disclosed unless they are already included in the consolidated financial statements of DF Group as consolidated companies. Control is deemed to exist if one shareholder holds more than half of the voting rights of DF Deutsche Forfait AG or is empowered by the Memorandum of Association or a contractual agreement to steer the financial and company policies of the management of DF Group.

In addition, under IAS 24, the disclosure requirement extends to business with entities which exercise significant influence over the financial and company policies of DF Group, including close family members and intermediaries. Significant influence on the financial and company policies of DF Group can be based on a shareholding in DF Group of 20% or more or a seat on the Board of Management or the Supervisory Board of DF Deutsche Forfait AG.

As in the prior period, DF Group is affected by the disclosure requirements of IAS 24 solely in terms of business with entities with a significant influence as well as with members of managers in key positions (Board of Management and Supervisory Board) of DF Deutsche Forfait AG. The Board of Management, the Supervisory Board and non-consolidated subsidiaries are considered to be related parties as at the balance sheet date. Due to his shareownership, Dr. Manzouri is also a person with substantial influence.

In the reporting period, members of the Supervisory Board and related parties provided consulting services on a small scale to the Group on an arm's length basis.

Business relationships with the non-consolidated subsidiaries were negligible in the short financial year 2016 II.

The Board of Management was composed as follows in the short financial year from 2 July to 31 December 2016:

Board member	Position
Frank Hock	Chief Financial Officer (until 30 September 2016)
Dr. Shahab Manzouri	Chief Trading Officer (Chairman of the Board of Management) (until 17 January 2017)
Christoph Charpentier	Board member (since 7 October 2016)
Gabriele Krämer	Board member (since 7 October 2016

Compensation for members of the Board of Management which is due in the short term breaks down as follows:

Mangement compensation in Tausend Euro	**M. West**	**F. Hock**	**Dr. Manzouri**	**C. Charpentier**	**G. Krämer**
2 July - 31 December 2016					
Fixed salary	-	50	0	28	26
Other compensation	-	8	0	5	5
Variable compensation	-	-		-	
Total	-	**58**	**0**	**33**	**31**
1 January - 1 July 2016					
Fixed salary	172	184	-	-	-
Other compensation	8	17	-	-	-
Total	**180**	**201**	**-**	**-**	**-**

Pension commitments in the form of defined benefit plans exist for three former members of the Board of Management (Ms Attawar, resigned with effect from 31 December 2015, Mr Franke, resigned with effect from 30 September 2013, and Mr Wippermann, resigned with effect from 24 February 2014). According to the benefit plans, benefits are payable when a member of the Board of Management passes away or retires due to age. Mr Franke will receive a capital payment in this case. In contrast, Ms Attawar and Mr Wippermann have the right to choose an annuity or a capital payment. No more premiums have been paid since November 2012 due to the contractually agreed expiry of the contribution periods.

According to these pension benefit plans, the members of the Board of Management will receive a guaranteed old age pension from DF AG. The amounts are as follows:

- Marina Attawar: Annuity of EUR 11,022.60 or a one-time capital payment of EUR 202,518.00
- Ulrich Wippermann: Annuity of EUR 20,964.48 or a one-time capital payment of EUR 338,278.00
- Jochen Franke: One-time capital payment of EUR 147,244.00

In addition, Ms Marina Attawar will receive the following payments from a reinsured benevolent fund:

- Insured annuity in the amount of EUR 15,247.40 or a capital payment of EUR 273,572.00

Based on a deferred compensation agreement with the members of the Board of Management, contributions from DF Deutsche Forfait AG were submitted to the insurance providers mentioned above.

As in the prior period, no post-employment benefits were paid in the short financial year from 2 July to 31 December 2016 in conjunction with the above pension commitments.

No share-based compensation and other long-term benefits are granted by the company.

The short-term compensation for members of the Supervisory Board breaks down as follows:

Supervisory Board compensation in kEUR	**2-7 – 31-12-2016**	**1-1 – 1-7-2016**
Fixed compensation	32	39
Attendance fee	4	4
VAT	7	8
Total	**43**	**51**

(31) Notifications pursuant to Sections 21 (1) and 22 of the Securities Trading Act (WpHG)

DF AG has received the following notifications pursuant to the Securities Trading Act (WpHG):

- Dr. Shahab Manzouri, London, Great Britain, notified us in accordance with Section 21 (1) of the Securities Trading Act (WpHG) on 12 July 2016 that his voting interest in DF Deutsche Forfait AG, Hirtenweg 14, 82031 Grünwald, Germany exceeded the thresholds of 3%, 5%, 10%, 15% and 20%, 25%, 30%, 50% and 70% on 6 July 2016 and amounted to 79.14% (which corresponds to 9,408,170 voting rights) on that date.

- Mark West, East Sussex, Great Britain, notified us in accordance with Section 21 (1) of the Securities Trading Act (WpHG) on 8 July 2016 that his voting interest in DF Deutsche Forfait AG, Hirtenweg 14, 82031 Grünwald, Germany, dropped below the thresholds of 20%, 15%, 10%, 5% and 3% on 6 July 2016 and amounted to 0% (which corresponds to 0 voting rights) on that date.

- Frank Hock, Pullach, notified us in accordance with Section 21 (1) of the Securities Trading Act (WpHG) on 20 January 2017 that his voting interest in DF Deutsche Forfait AG, Hirtenweg 14, 82031 Grünwald, Germany, dropped below the threshold of 5% on 18 January 2017 and amounted to 4.95% (which corresponds to 588,976 voting rights) on that date. All of these voting rights are assigned to him through Hock Capital Management GmbH, while a share of 0.38% is held by Mr Frank Hock personally.

- Arnstock GmbH, Nortrup-Loxten, Germany, notified us in accordance with Section 21 (1) of the Securities Trading Act (WpHG) on 21 December 2016 in a corrected notification that its voting interest in DF Deutsche Forfait, Hirtenweg 14, 82031 Grünwald, Germany, dropped below the threshold of 3% on 8 December 2016 and amounted to 2.86% (which corresponds to 340,000 voting rights) on that date.

(32) Financial instruments

Use and management of financial instruments

The starting point for the risk management of financial instruments involves capturing all risks systematically and regularly and assessing them for loss potential and the probability of occurrence. Market risk and particularly default risk have been identified as significant risks for financial instruments.

Legal risk

Legal risk is the business risk with the highest loss potential for DF Group. It describes the risk in the forfaiting business which can arise due to the incorrect review of documents or deficiencies in drawing up contracts, particularly since the seller is generally liable for the legal existence of the receivable when selling it (liability for legal validity). This risk is countered by having a well-trained contract management department. The workflows are regulated by detailed work instructions. In addition, work results are checked by applying the principle of dual control. External legal firms are consulted for complex contracts and document reviews.

Liquidity risk

The cash flow projections are prepared at the level of the operating companies and pooled in the Group. Management monitors the permanent forward planning of the Group's liquidity reserve to ensure that sufficient liquidity is available to cover the operating requirements. On the basis of current account statements, a daily liquidity plan is prepared for the Group, DF AG, DF GmbH and DF s.r.o. The plan comprises the incoming and outgoing payments from the forfaiting transactions as well as the planned administrative and refinancing costs. Cash planning takes place on a daily basis for the next two weeks, on a weekly basis for the next three months and on a monthly basis thereafter.

According to the agreements in the insolvency plan, all creditor liabilities, which represent by far the biggest portion of the liabilities, are of a short-term nature and are to be settled successively exclusively to the extent that DF Group's creditor assets are liquidated.

Default risk

Default risk is subdivided into country risk and counterparty risk. Countries undergo an assessment on the basis of analyses by credit assessment agencies. Credit assessments are carried out for individual receivables (credit reports/references, evaluation of historical data, etc.). The taking of country and counterparty risks is managed by a competence arrangement with a limit system. The competence arrangement as well as country and counterparty limits are approved by the Supervisory Board and the degree to which the limits are used is reported to it regularly. DF Group reduces this risk even further by selling the receivables rapidly. Moreover, country and counterparty risks are secured (e.g. by bank guarantees) where this is possible and makes economic sense.

A presentation of the carrying amount and the default risk of the receivables is not relevant, as the receivables form part of the creditor assets. According to the final insolvency plan, DF Group does not participate in the opportunities and risks from the liquidation of the creditor assets.

The amount of trade receivables from new business not assigned to the insolvency creditors was zero as in the prior period.

In the context of risk management, default risks resulting from transactions that are not available for distribution to the insolvency creditors are actively managed primarily using country and counterparty limits.

Market risk (including interest-change risk and currency risk)

Receivables are typically purchased at discounted nominal value. This discount on the market value is calculated on the basis of the money and capital market interest rate for the equivalent term (e.g. 1-year LIBOR) plus risk margin. The margin reflects the individual risk of each transaction, which mainly depends on country and counterparty risks.

As DF Group focuses on reselling the receivables, interest rate risk mainly consists of market risk since, if the interest rate rises, so too does the discount on the market value, which is calculated up to the final date of maturity of the receivable, thereby reducing the market value of the receivable upon its sale. In its capacity to increase refinancing costs, interest rate risk is of secondary importance to the Group. Interest for the credit agreements is generally calculated on the basis of the Libor rate plus a margin and thus corresponds with the conditions of the forfaiting transactions. Once the insolvency proceedings are completed and the measures defined therein are implemented, the impact of the interest rate risk will be further reduced. Due to the brief period receivables are held in the DF Group port-

folio, short-term refinancing is the rule. This market risk affects all receivables held in the company's portfolio. The receivables are resold quickly in order to reduce the market risk to a minimum.

In the income statement, exchange gains and losses for receivables and the corresponding liabilities are reported separately. Since the receivables and corresponding liabilities are valued separately, large exchange gains and losses are included in the income statement. In order to assess the level of currency risk, the balance of the gains and losses must be considered.

At the time of the preparation of the financial statements, currency risks exist merely with regard to the receivables of the trading and restructuring portfolio, which are partly denominated in USD and are counted towards creditor assets. DF Group does not participate in the opportunity and risks resulting therefrom.

Information regarding the fair value pursuant to IFRS 7 and IFRS 13

A number of accounting methods and disclosures of the Group require the determination of the fair values of financial and non-financial assets and liabilities. For measurement and/or disclosure purposes, the fair values were determined on the basis of the methods described below.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

According to the measurement method, financial instruments to be measured at fair value are categorized at three levels as outlined below:

- **Level 1 (IFRS 13.76):** quoted prices in active markets (unadjusted) for identical assets or liabilities;

- **Level 2 (IFRS 13.81):** inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset or liability;

- **Level 3 (IFRS 13.86):** unobservable inputs for the asset or liability. An asset or liability should be assigned to Level 3 already if there is only one unobservable input factor that significantly influences the measurement, such as debtor-related local potential for conflicts and the estimated period needed to collect the receivable.

No market/transaction prices are available for financial instruments in the trade receivables category (loans and receivables / held for trading) as of the effective measurement days and no representative alternative prices can be determined or observed. As the forfaiting business is based on individual transactions, market prices can be determined with sufficient measurement certainty only for the agreed settlement date (purchase and sale) with the contractually agreed terms and conditions. To avoid the influence of accidental or arbitrarily defined measurement parameters, the Group measures trade receivables at amortized cost using the effective interest method and considering potential value adjustments.

The fair value of the receivables of the restructuring portfolio was determined on the basis of the estimated prospect of successfully enforcing the pending claims. An amount of kEUR 3,941 of the change in the receivables in the restructuring and trading portfolio relates to compensations (prior year period: kEUR 0), while kEUR 6,650 (prior year period: kEUR 2,653) relates to changes in the fair value.

For current receivables and liabilities (e.g. current accounts), the carrying amount is recognized as the fair value.

No fair values are determined for non-listed equity instruments (shares in non-consolidated affiliated companies recognized in accordance with IAS 39), as no active market exists for these financial instruments and the required estimates cannot be made within acceptable fluctuation margins and adequate probabilities. These financial instruments are therefore recognized at cost including required depreciation.

Measurement processes

For initial measurement (addition on the trading day), the receivables are recognized at their fair value (nominal value less discount on the market value); subsequently they are measured at amortized cost using the effective interest method (monthly addition of the discount on the market value and corresponding recognition of the portfolio income). No market prices, usually applied measurement methods of identical receivables and observable transactions are available for the assets. As far as the receivables in the trading portfolio are concerned, transactions (sale) are offered, at irregular intervals, to potential interested parties who have previously been identified; these offers provide for terms which allow the Group to generate income. If no sales agreement is reached, the Group merely gets an indication of a potential upper price limit not accepted by market participants. By contrast, DF Group believes that amortized cost represents a basis for measurement which reflects the future

income potential up to maturity even if the receivable cannot be sold before the end of the term. The Group therefore considers the value determined at amortized cost to also represent the (approximate) fair value. Besides amortized cost, fair value measurement is also available for receivables from the trading and restructuring portfolio, which are subject to individual or country value adjustments. These value adjustments are based on Institutional Investor's current country rating where country value adjustments are concerned and on the individual assessment of the legal situation of DF Group and/or the financial situation of the creditor where individual value adjustments are concerned.

The Group continues to be of the opinion that the method applied to determine the fair value of receivables held for trading (amortized cost using the effective interest method) is suitable and that there are no sufficient reasons to give up this method.

Capital management

The primary goal of the capital management activities of DF Group is to provide sufficient financial resources for the purchase and sale of receivables (forfaiting business) at all times. Under the DF Group business model, financing is mainly required for current receivables related to sales transactions. DF Group requires equity and debt capital for this purpose. After completion of the insolvency proceedings, the Group will aim to tap new refinancing sources. As outlined in the Group management report, the desired business volume is determined by the financial resources in conjunction with the turnover frequency of the available capital. Capital management activities for DF Group are centralized at the parent company.

As at 31 December 2016, DF Group's equity capital amounted to EUR 9.9 million (prior period: EUR 12.7 million). The insolvency creditor liabilities amounted to EUR 18.2 million (prior period: EUR 28.0 million) and represented 87% of the debt capital. No external minimum capital requirements exist.

(33) Notes to the cash flow statement

The cash flow statement shows how cash and cash equivalents of DF Group changed in the course of the reporting period as a result of cash inflows and outflows. In accordance with IAS 7 "Cash Flow Statements", cash flows are classified into operating, investing and financing activities. A reconciliation of cash and cash equivalents in the balance sheet complements the cash flow statement.

The funds reported in the cash flow statement encompass all the cash and cash equivalents shown in the balance sheet, i.e. cash on hand and deposits with banks accessible within three months. Disposal is restricted insofar as an amount of kEUR 1,158 (prior period: kEUR 1,158) is pledged.

Cash flows from investing and financing activities are determined on a cash basis. By contrast, cash flows from operating activities are indirectly derived from the consolidated result. Under indirect calculation, the relevant changes in balance sheet items connected with operating activities are adjusted by effects from currency translation.

(34) Adjusting events after the end of the financial year

Change on the Board of Management

On 17 January 2017, the Chairman of the Board of Management of DF Deutsche Forfait AG, Dr. Shahab Manzouri, informed the Supervisory Board that he will be unable to perform his management duties due to illness and asked for a leave of approx. three months. The company's Supervisory Board fulfilled this request and released Dr. Manzouri from his management duties initially until the end of April 2017 and suspended his Board of Management contract for this period, during which the two other members of the Board of Management, Gabriele Krämer and Christoph Charpentier, will have shared responsibility for the Board of Management.

Settlement agreement with an investor from the sale of receivables

In consultation with the trustee and the advisory council, the company agreed with a former investor that it will take back receivables in the nominal amount of approx. EUR 14.2 million which it had previously sold to the investor. These receivables will initially be added to the creditor assets at their fair value. At the same time, a receivable of the investor towards DF AG in the amount of EUR 13.2 million will be filed for the insolvency table, accepted and added to the creditor liabilities in accordance with the insolvency ratio. The settlement agreement helped to prevent the investor from bringing forward a court action to formally quantify and acknowledge his claim, which would probably have resulted in a much higher receivables amount being filed for the insolvency table. In addition, high litigation costs were avoided.

Grünwald, 25 April 2017

The Board of Management

INDEPENDENT AUDITOR'S REPORT

To DF Deutsche Forfait AG, Grünwald

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of DF Deutsche Forfait AG, Grünwald and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016, the consolidated consolidated income statement and consolidated statement of comprehensive income, consolidated statement of equity changes and consolidated cash flow statement for the short financial year from 2 July 2016 to 31 December 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

Pursuant to § 322 para. 3 sentence 1 second half sentence HGB ("Handelsgesetzbuch": German Commercial Code) we state that in our opinion, based on the knowledge obtained in the audit the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a para. 1 HGB and, in compliance with these requirements, give a true and fair view of the net assets and financial position of the Group as at 31 December 2016, and of its results of operation for the short financial year from 2 July 2016 to 31 December 2016.

Pursuant to § 322 para. 3 sentence 1 first half sentence HGB, we state that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements.

Basis for Audit Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with § 317 HGB and the EU Audit Regulation (Nr. 537/2014, referred to subsequently as "EU-Audit Regulation") and in compliance with German generally accepted standards for the audit of financial statement promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW). Our responsibility under those provisions and standards are further described in the "Auditor's Responsibility for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the requirements of German commercial and professional law, and we have fulfilled our ethical responsibilities applicable in Germany in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In accordance with Article 10 para. 2 letter f of the EU-Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 para 1 of the EU-Audit Regulation and that we remained independent to the group entities in conducting the audit.

Material Uncertainty Related to Going Concern

Without modifying our audit opinion on the consolidated financial statements we draw attention to Note (1) in the notes to the consolidated financial statements and to Chapter 6. „Opportunity and Risk Management Report" vii. „Summary risk assessment and going concern risks" of the group management report of DF Deutsche Forfait AG, Grünwald, for the short financial year 2 July 2016 to 31 December 2016 which is combined with the management report of the company ("group management report"), in which the Management Board indicates that based on the company's plans and budgets for the fiscal years 2017 and 2018 it assumes that DF Group will continue as a going concern, that nevertheless a going concern risk for DF Group arises if DF Group is unable, within the next one and a half year, to achieve a business volume that is sufficient to cover DF Group's operating expenses.

To achieve this, DF Group must not only have sufficient refinancing capacities but also write sufficient new business, find the corresponding buyers for these transactions on the buyer side and execute the transactions at a margin that is risk-adequate at the bottom line (on average).

In the combined group management report it is emphasized that these objectives may be missed – fully or partly – if DF Group is no longer accepted in the market because of its reduced market presence in the past three years and the insolvency proceedings and/or does not have the refinancing resources that are required to execute the new business it has written, and the cooperation with Saman Bank fails to result in the expected business volume, and that in the extreme case, this may even lead to individual or all companies of DF Group becoming unable to meet their payment obligations. We do not provide a separate audit opinion on this matter.

Within our audit we have identified the appropriateness of the going concern assumption and the appropriate disclosure of the material uncertainty related to going concern in the consolidated financial statement as a significant risk and have responded on this within our audit among others by appreciation of the plausibility and sufficient justification of the underlying key assumptions (for example, expected business performance, cash flow forecasts) and assessment of the reliability of the underlying data. We do not provide a separate audit opinion on this matter.

The assumptions made by the Management Board and the disclosures in the consolidated financial statements are acceptable.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the short financial year from 2 July, 2016 to 31 December, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In addition to the material uncertainty related to going concern as matter described above, we have determined the following matter to be the key audit matter:

Valuation of the restructuring portfolio

Regarding the valuation policies we refer to the Notes to the Consolidated Financial Statement par. (6) Accounting and valuation Policies – Financial assets.

Financial Statement Risk

DF Deutsche Forfait AG assigns the receivables of the restructuring portfolio contained in the creditor assets to the category financial assets. The restructuring portfolio is composed of overdue and pending claims against various debtors dating from the time before the company's listing on the SDN list of the US Office of Foreign Assets Control. As of the balance sheet date, the receivables of the restructuring portfolio showed a carrying amount of kEUR 13,152. The receivables were recognized at fair value through profit and loss. The fair value was determined – taking internal and external legal assessments into account – on the basis of the estimated prospect of successfully enforcing the pending claims. The result of this valuation is highly dependent on the judgement made by the Company's Management Board on the future outcome of the pending proceedings.

Response within the audit

From our perspective, due to the significant scope of discretion regarding the valuation and hence the significant resulting effects on the consolidated financial statements, this matter is a key audit matter.

In the course of the audit, taking into consideration the company's internal and external legal assessments, we retraced the Management Board's judgement of the prospects for the individual receivables within the restructuring portfolio. To do so, we took into consideration the internal documentation within the credit records, the correspondence with the respective debtor, etc. In addition, we obtained legal confirmations from the attorneys dealing with the respective claims, and compared their assessment with the judgment made by the Management Board.

Observations

We were able to satisfy ourselves that the judgement by the Management Board of the respective prospects of the court enforcement of the claims is sufficiently documented and justified to support the valuation of the restructuring portfolio.

Responsibilities of the Legal Representatives and the Supervisory Body for the Consolidated Financial Statements

The legal representatives are responsible for the preparation of the consolidated financial statements that comply with IFRSs as adopted in the EU and the additional requirements of German commercial law pursuant to § 315a para. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the net assets, financial position and results of operations of the Group. In addition the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility – where applicable – for disclosing matters related to the going concern and for using the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU-Audit Regulation and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with § 317 HGB and the EU-Audit Regulation and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), we exercise professional judgment and maintain professional skepticism throughout the entire audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or in the group management report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operation of the Group in accordance with IFRSs as adopted in the EU and the additional requirements of German commercial law pursuant to § 315a para. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with the supervisory body, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and the related safeguards applied.

From the matters communicated with the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the Group Management Report

Audit Opinion on the Group Management Report

We have audited the group management report of DF Deutsche Forfait AG, Grünwald, which is combined with the management report of the company ("group management report"), for the short financial year from 2 July 2016 to 31 December 2016.

In our opinion, based on the knowledge obtained in the audit, the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, the group management report is consistent with the consolidated financial statements, complies with legal requirements and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations with respect to the propriety of the group management report.

Basis for Audit Opinion on the Group Management Report

We conducted our audit of the group management report in accordance with § 317 para. 2 HGB and in compliance with the German generally accepted standards for the audit of management reports promulgated by the IDW. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Material Uncertainty Related to Going Concern

Without modifying our audit opinion on the group management report, regarding the material uncertainty related to going concern and the related disclosure of the going concern risks in the group management report, we refer to our statements in the section "Material Uncertainty Related to Going Concern" of the report on the audit of the consolidated financial statements.

Responsibilities of the Legal Representatives and the Supervisory Body for the Group Management Report

The legal representatives are responsible for the preparation of the group management report that as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements, complies with the legal requirements and suitably presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report in compliance with the requirements of German commercial law applicable pursuant to

§ 315a para. HGB, and to be able to provide sufficient and appropriate evidence for assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the group management report.

Auditor's Responsibility for the Audit of the Group Management Report

Our objectives are to obtain reasonable assurance as to whether the group management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the group management report.

As part of an audit, we examine the group management report in accordance with § 317 para. 2 HGB and in compliance with the German generally accepted standards for the audit of management reports promulgated by the IDW. In this connection we emphasize:

- The audit of the group management report is integrated into the audit of the consolidated financial statements.
- We obtain an understanding of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these arrangements and measures (systems).
- We perform audit procedures on the prospective information presented by the legal representatives in the group management report. Based on sufficient and appropriate audit evidence, we hereby, in particular reconsider the significant assumptions used by the legal representatives as a basis for the prospective information and evaluate the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the underlying assumptions. There is a substantial unavoidable risk that future events will deviate materially from the prospective information.
- Likewise we do not express a separate audit opinion on individual disclosures in the group management report, but rather an audit opinion on the group management report as a whole.

Further information pursuant to Article 10 of the EU-Audit Regulation

We were elected as auditor by the annual general meeting on 6 July. We were engaged by the Supervisory Board on 20 February 2017. We have been the auditor of the financial statements of DF Deutsche Forfait AG, Grünwald, without interruption since the audit of the financial statements for the financial year 2014.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU-Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Andreas Schuster.

Munich, 25 April 2017

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Stephan Mauermeier	Andreas Schuster
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility statement by the Board of Management

To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Group. The Group management report includes a fair review of the business development and the position of the Group together with the principal opportunities and risks associated with the expected development of the Group.

25 April 2017
The Board of Management

SUPERVISORY BOARD REPORT

Dear Shareholders,

In the short financial year from 2 July 2016 to 31 December 2016 ("**short financial year**"), DF Group generated a net loss of EUR -2.8 million. Due to the strategic repositioning of the company and the resulting focus on optimizing the compliance and risk management system, only very little new business was generated, which means that the current costs of DF Group could not be covered. The above investments were necessary to become operational in DF Group's strategic target markets in 2017.

Supervisory Board Activity Report

In the past short financial year, the Supervisory Board continuously monitored the business performance of DF Deutsche Forfait AG ("**DF AG**" or "**company**"), especially the resumption of the business operations as well as the implementation of the measures laid down in the insolvency plan, and fulfilled all the tasks imposed on it by law and by the Memorandum of Association.

The Supervisory Board regularly supervised the activities of the Board of Management and provided advice. In accordance with their supervisory function, the Supervisory Board, and in particular the Chairman and the Deputy Chairman of the Supervisory Board liaised regularly with the Board of Management. The latter kept the Supervisory Board informed of all relevant business events and strategic decisions through both written and oral reports.

Changes to the Board of Management and the Supervisory Board

There were several changes in the composition of both the Supervisory Board and the Board of Management.

After Mr Mark West resigned as member of the Board of Management of DF AG with effect from 30 June 2016, Dr. Shahab Manzouri was appointed member of the company's Board of Management with effect from 6 July 2016 and elected Chairman of the Board effective 18 October 2016. Up to his temporary sick leave, Dr. Manzouri had sole responsibility for Sales/Marketing since then. On 17 January 2017, Dr. Manzouri was released from his duties as Board of Management Chairman at his own request, initially until the end of April 2017, and his management contract was suspended for this period of time. After the successful financial restructuring of the company, DF AG's Chief Financial Officer, Mr Frank Hock resigned from the Board of Management with effect from 30 September 2016 but continues to work for the company as Chief Financial Officer. On 7 October 2016, Christoph Charpentier and Ms Gabriele Krämer, who had served as Head of Finance and Head of Operations, respectively, for the company, were appointed to the Board of Management of DF AG for one year.

At the beginning of the short financial year, Dr. Tonio Barlage, Dr. Ludolf von Wartenberg and Dr. Jürgen Honert sat on the Supervisory Board, with Dr. Barlage serving as Deputy Chairman. Dr. Honert resigned from the Supervisory Board with effect from 6 July 2016. On the same day, Dr. Behrooz Abdolvand was elected to the company's Supervisory Board at the ordinary Annual General Meeting. On 7 July 2016, Dr. Barlage was elected Chairman and Dr. Abdolvand was elected Deputy Chairman of the Supervisory Board, which is currently composed of three members.

Meetings of the Supervisory Board

A total of three physical meetings and four telephone conferences were held in the short financial year. One Supervisory Board member participated in one Supervisory Board meeting by phone, while the other Supervisory Board meetings were attended by all members.

Focus of Supervisory Board Meetings

During the short financial year, the Supervisory Board dealt with the implementation of the insolvency plan as well as with the restructuring and the new start of the company. Various other topics were discussed at the individual meetings

The agenda of the Supervisory Board meeting on 6 July 2016 included the presentation and discussion of the state of the restructuring measures laid down in the insolvency plan, the preparation of the Annual General Meeting following the Supervisory Board meeting as well as the presentation of the candidates to be elected to the vacant seats on the Supervisory Board.

At a telephone conference on 7 July 2016, Dr. Barlage was elected Chairman and Dr. Abdolvand was elected Deputy Chairman of the Supervisory Board.

At a telephone conference held on 8 September 2016, the Supervisory Board discussed and decided the re-employment of Mr Ulrich Wippermann as Head of Sales & Marketing.

Ms Gabriele Krämer and Mr Christoph Charpentier were appointed members of the Board of Management of DF AG at the Supervisory Board's telephone conference on 7 October 2016, initially for the duration of one year. The Supervisory Board also approved their appointment as Managing Directors of DF Deutsche Forfait GmbH ("**DF GmbH**").

The most important items on the agenda of the Supervisory Board meeting on 18 October 2016 included the approval of the management contract with Dr. Manzouri as well as his appointment as Board Chairman, the report on the implementation of the insolvency plan, the current state of the collection

of the restructuring portfolio and the litigation conducted in this context, the cash position and the business performance as well as the discussion of the budgets for 2016-2018. In addition, the Supervisory Board approved the foundation of DF Deutsche Forfait Middle East s.r.o.

The separate financial statements and the consolidated financial statements for the short financial year from 1 January to 1 July 2016 were approved and endorsed at the Supervisory Board's telephone conference on 9 November 2016, which was also attended by the auditor. Moreover, the Supervisory Board took note of the budgets for 2016-2018 and approved the management contracts for Board members Ms Krämer and Mr Charpentier.

At the meeting on 20 December 2016, the Board of Management primarily reported on the latest liquidity and business developments, the figures for the quarter ended 30 September 2016 as well as the state of the collection of the "old creditor assets" (trading and restructuring portfolio). In addition, the Supervisory Board approved the agenda and the invitation for the Annual General Meeting on 21 February 2017 presented by the Board of Management.

Supervisory Board committees

In the past, the Supervisory Board had set up a Working Committee, whose main task was to address DF AG's risk policies and risk management. In its present composition, this committee no longer has the required number of members and therefore no longer exists. Its tasks are performed by all members of the Supervisory Board. No other committees exist.

Corporate governance

The Supervisory Board remained committed to good corporate governance throughout the short financial year. For information on corporate governance, please refer to the Corporate Governance Report, which forms part of the Annual Report. The latest declaration of conformity by the Board of Management and the Supervisory Board was issued in November 2016 and has been made permanently available to the shareholders on the company's website.

Conflicts of interest

No conflicts of interest involving members of the Supervisory Board were made known to the Supervisory Board during the short financial year.

Financial statements for the short financial year

At the Annual General Meeting on 6 July 2016, Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Munich, were elected auditors for the separate financial statements and the consolidated financial statements for the short financial year.

The separate financial statements and the management report for the short financial year as well as the consolidated financial statements and the Group management report of DF AG for the short financial year were audited by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Munich.

The separate financial statements, the management report, the consolidated financial statements and the Group management report for the short financial year were available to all members of the Supervisory Board for detailed examination prior to the Supervisory Board meeting on 25 April 2017. At the Supervisory Board meeting held over the phone on 25 April 2017, the auditor explained all relevant items of the documents. All accounting-related questions and issues were discussed in depth. Finally, the auditors confirmed their independence. Following its own in-depth examination and discussion, the Supervisory Board concurred with the result of the audit and approved the separate financial statements as well as the consolidated financial statements of DF Group for the short financial year at a telephone conference held on 25 April 2017. The financial statements of DF Deutsche Forfait AG for the short financial year were thus finalized. No objections were raised. The Supervisory Board approved the management reports and the assessment of the company's future development.

The Supervisory Board thanks the Board of Management and the employees for their great commitment.

Munich, April 2017
On behalf of the Supervisory Board

Dr. Tonio Barlage
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

In this statement, the Board of Management and the Supervisory Board report on corporate governance at DF Deutsche Forfait AG (also referred to as „**DF AG**" or „**the company**") in accordance with Section 3.10 of the German Corporate Governance Code and Section 289a (1) of the German Commercial Code (HGB).

The concept of corporate governance stands for responsible corporate management aimed at the long-term creation of value. Essential characteristics of good corporate governance include transparent corporate communications, protection of shareholder interests and purposeful cooperation between the Board of Management and the Supervisory Board.

The purpose of the German Corporate Governance Code as adopted by the „Government Commission on the German Corporate Governance Code" is to make the rules for corporate management and supervision in Germany transparent to national and international investors in order to boost confidence in the management of German companies.

The German Corporate Governance Code is of great importance for DF AG. The code represents a recognized management standard for good corporate governance of listed German companies.

Declaration of conformity with the recommendations of the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)

The company's declaration of conformity of November 2016 is published in a separate section on the website of DF AG under http://www.dfag.de/investor-relations/corporate-governance/.

Dual management and supervisory structure

As a German joint stock company, DF AG has a dual management and supervisory structure consisting of the Board of Management and the Supervisory Board.

Board of Management

The members of the Board of Management are appointed by the Supervisory Board. They are responsible for independently managing the company with the aim of creating sustainable value to its benefit, thus taking into account the interests of its shareholders and employees. The members of the Board of Management conduct the company's business with the due care of a prudent businessman in accordance with the laws, the company's Memorandum of Association and the rules of procedure issued by the Supervisory Board for the Board of Management.

The cooperation between the members of the Board of Management is governed by the rules of procedure, while the responsibilities of the Board of Management members are defined in the schedule of responsibilities and in a separate competence arrangement. The rules of procedure contain a list of transactions for which the Board of Management requires the approval of the Supervisory Board. The Board of Management cooperates in a trusting manner with the other bodies of the company in the interest of the latter.

Supervisory Board

The Supervisory Board of DF AG advises the company's Board of Management and supervises its management activities. According to the Memorandum of Association, it is composed of six members, all of whom are elected by the Annual General Meeting. As recommended by the DCGK, the members of the Supervisory Board are elected individually.

The Supervisory Board can form committees from among its members and assign them decision-making power to the extent permitted by law. Since 15 January 2016, the tasks relating to DF AG's risk policies and risk management originally assigned to the Working Committee of the Supervisory Board have been performed by all members of the Supervisory Board. The Supervisory Board has not established an audit committee or a nomination committee. These responsibilities are currently being assumed by the Supervisory Board as a whole.

Close cooperation between the Board of Management and the Supervisory Board

The Board of Management and the Supervisory Board of DF AG cooperate closely and in a trusting manner to the benefit of the company. To exercise its supervisory function, the Supervisory Board, and in particular the Chairman and the Deputy Chairman of the Supervisory Board, liaise regularly with the Board of Management.

The Board of Management determines the strategic direction of the company, obtains approval from the Supervisory Board and implements strategic decisions. Transactions and corporate measures of special significance require approval from the Supervisory Board. Thanks to a regular, timely and comprehensive dialogue with the Board of Management, the Supervisory Board is at all times informed about the strategy, plans, business developments as well as the risk management and the material risk positions of the company.

Regulation for the promotion of equal participation of women in management positions, on the Board of Management and the Supervisory Board

At the time this declaration is issued, the company's Board of Management is composed of Ms Gabriele Krämer and Mr Christoph Charpentier, given that Board member Dr. Shahab Manzouri was released from his duties as Board of Management Chairman at his own request for reasons of illness on 17 January 2017, initially until the end of April 2017, and his management contract has been suspended until that date. Up to his leave, the Board of Management was composed of three members. Accordingly, the share of women on the Board of Management has amounted to 50% since 17 January 2017 and amounted to 33.3% during the short financial year from 2 July 2016 to 31 December 2016. According to a resolution dated 20 December 2016, the Supervisory Board defined a target of 33.3% for the share of women on the Board of Management until 31 December 2017.

The Supervisory Board is currently composed of three members, Dr. Tonio Barlage, Dr. Ludolf von Wartenberg and Dr. Behrooz Abdolvand. Supervisory Board member Dr. Jürgen Honert resigned from office with effect from 6 July 2016, while Dr. Behrooz Abdolvand was appointed to the Supervisory Board by the Annual General Meeting on the same date. On 7 July 2016, Dr. Barlage was elected Chairman and Dr. Abdolvand was elected Deputy Chairman of the Supervisory Board. No other personnel changes occurred during the short financial year from 2 July 2016 to 31 December 2016. The current share of women on the Supervisory Board is 0%. According to a resolution dated 20 December 2016, the Supervisory Board defined a target of 0% for the share of women on the Supervisory Board until 31 December 2017. When it comes to the composition of the Supervisory Board, the company primarily attaches importance to the experience, skills and knowledge of each individual member.

As the company's operations were spun off to DF Deutsche Forfait GmbH in August 2016, there is currently only CFO Mr Frank Hock below the Board of Management, who resigned from the Board of Management on 30 September 2016 by mutual agreement with the Supervisory Board. As a result of these changes, there is currently no management level below the Board of Management. On 26 January 2017, the latter therefore decided not to define a target for the share of women at the two management levels below the Board of Management.

Transparent communication

DF AG communicates in an open and transparent manner with its shareholders, bondholders and other investors. All dates of special interest to shareholders and bondholders are found on the company website, including publication dates for annual and interim reports. Additional information relates, for instance, to reportable securities transactions according to Section 15a of the Securities Trading Act (WpHG) / Section 19 of the Market Abuse Regulation (MAR) as well as ad hoc reports and press releases.

Efficiency audit

The regular audit regarding the efficiency of the Supervisory Board represents an important pillar of good corporate governance. The German Corporate Governance Code stipulates in Section 5.6 that the Supervisory Board shall „regularly check the efficiency of its actions". To do this, a questionnaire tailored to the special characteristics of DF AG has been developed and is regularly sent to the members of the Supervisory Board, which discusses the results at a meeting. The questionnaire primarily encompasses organizational processes in the Supervisory Board, the timely and sufficient supply of information to the Supervisory Board as well as personnel-related questions.

Risk management, accounting and auditing, compliance

On the one hand, the risk management system established by the company serves to diversify risks and to limit them in accordance with the company's risk-bearing capacity, primarily in order to avoid jeopardizing the company's continued existence. On the other hand, risks shall be identified at an early stage in order to avoid them or to at least initiate counter-measures. The risk management system is reviewed and refined regularly and adjusted to changing conditions on an ongoing basis.

The consolidated financial statements of DF Group are prepared in accordance with International Financial Reporting Standards (IFRS), such as they have been endorsed by the European Union, as well as with Section 315a of the German Commercial Code (HGB). The separate financial statements of DF AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Munich, were elected auditors and Group auditors for the financial year 2016, i.e. including for the short financial year from 2 July 2016 to 31 December 2016, by the Annual General Meeting on 6 July 2016, appointed by the Supervisory Board, and audited the consolidated financial statements for the short financial year from 2 July 2016 to 31 December 2016 in this capacity. Prior to the appointment, the Supervisory Board ensured that the relationships between the auditors and the company or its institutions do not give reason to doubt the independence of the auditors.

DF Group continued to revise and adjust its Group-wide compliance system in cooperation and consultation with external advisors also in the second short financial year 2016. This included, in particular, the following aspects: (i) money laundering prevention and (ii) observation of sanction regulations including the maintenance of the IT system, so that new and existing customers are checked for appearance on the relevant EU, UK and/or US sanctions lists on every working day. Regular updates of the

database ensure that the (new) listing of a party involved in the underlying transaction on a sanctions list will be detected also during the holding period of a receivable. This will enable DF Group to immediately take the necessary steps. For those service providers with whom companies of the DF Group work regularly, the Compliance Officer keeps a „White List", which is updated regularly. Signing contracts and working with parties on the White List is possible without individual checks being required.

The audits required under the Anti-Money Laundering Act including the „Know-Your-Customer" audits are other integral elements of DF Group's compliance system. DF AG and its subsidiaries conduct their business operations in accordance with applicable anti-money-laundering provisions.

Compensation of the Board of Management and the Supervisory Board

Board of Management compensation system

The compensation report of the consolidated financial statements provides a detailed presentation of the fundamental structure of the compensation of the Board of Management and the Supervisory Board and discloses the compensation received by the individual members of the Board of Management in accordance with statutory requirements. The compensation report is part of the audited consolidated financial statements.

Shareholdings and reportable transactions of the Board of Management and the Supervisory Board

Shareholdings of members of the Board of Management

As at 31 December 2016, the members of the Board of Management held the following shares:

- Dr. Shahab Manzouri held 79.14 % of the shares of DF AG. Dr. Manzouri temporarily resigned from the Board of Management of DF AG with effect from 17 January 2017.

- Otherwise, only negligible amounts of shares in DF AG were held by other members of the Board of Management.

Accordingly, the Board of Management directly or indirectly held 79.14% of the shares of DF AG as at 31 December 2016.

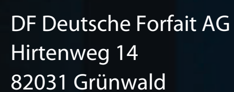
Shareholdings of members of the Supervisory Board

- Dr. Ludolf von Wartenberg held 0.02% of the shares of DF AG.
- Dr. Tonio Barlage held 0.34% of the shares of DF AG via an investment management company.

The members of the Supervisory Board directly or indirectly held 0.36% of the shares of DF AG as at 31 December 2016.

Reportable transactions

Transactions reported to DF AG according to Section 15a of the Securities Trading Act (WpHG) / Section 19 of the Market Abuse Regulation (MAR) are accessible on the DF AG website at www.dfag.de under „Corporate Governance" in the „Investor Relations" section.



DF Deutsche Forfait AG
Hirtenweg 14
82031 Grünwald

Postal address:
PO box 10 08 53
50448 Cologne
Germany

Phone	+49 89 21551900-0
Fax	+49 89 21551900-9
E-Mail	dfag@dfag.de
Internet	www.dfag.de