

Landmark transaction, strong results and significant loan repayments

Highlights third quarter 2016

- **Net collections** increased by 330% to EUR 10.4M (Q3 2015: EUR 2.4M)
- **Cash EBITDA** increased by 748% and amounted to EUR 9.3M (Q3 2015: EUR 1.1M)
- **Profit for the period** of EUR 3.9M (Q3 2015: loss of EUR 1.6M)
- **Gross ERC** at the end of September 2016 was EUR 89.6M, an increase of 57% (Q3 2015: EUR 57.2M)
- A **landmark transaction for DDM** was completed in July, with EUR 17M invested in Slovenia
- **New bond of EUR 11M** at 13% interest was issued in July to finance the investment in Slovenia
- **Cash flows** were significantly stronger following the acquisition in Slovenia
- **Significant loan repayments** of approximately EUR 8M, including the redemption of the 18% subordinated notes, decreasing future financial expenses and the average cost of borrowing
- **Pipeline of future transactions** remains strong

Highlights nine months 2016

- **Net collections** increased by 104% to EUR 23.8M (9M 2015: EUR 11.6M)
- **Cash EBITDA** increased by 172% and amounted to EUR 20.5M (9M 2015: EUR 7.5M)
- **Profit for the period** of EUR 3.5M (9M 2015: loss of EUR 2.9M)

Amounts in EUR (unless specified otherwise)	1 Jul - 30 Sep 2016	1 Jul - 30 Sep 2015	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2015	Full Year 2015*
Net collections	10,448,355	2,428,376	23,780,285	11,635,165	27,507,520
Revenue from management fees	315,636	-	881,747	-	-
Operating expenses**	(1,488,679)	(1,334,252)	(4,122,093)	(4,096,019)	(5,812,152)
Cash EBITDA	9,275,312	1,094,124	20,539,939	7,539,146	21,695,368
Amortization and revaluation of invested assets	(4,315,669)	(662,502)	(13,580,709)	(5,598,050)	(11,581,231)
Operating profit	4,925,113	395,946	6,856,653	1,835,889	9,966,782
Profit / (loss) for the period	3,865,833	(1,555,679)	3,469,856	(2,901,938)	1,848,225
Selected key figures					
Total assets	64,046,832	41,985,513	64,046,832	41,985,513	55,211,387
Net debt	37,160,483	34,904,777	37,160,483	34,904,777	33,377,991
Cash flow from operating activities before working capital changes	5,990,089	(2,175,320)	13,209,607	1,755,868	(2,541,721)
Gross ERC 120 months (EUR M)	89.6	57.2	89.6	57.2	72.2
Earnings per share	0.43	(0.22)	0.44	(0.41)	0.26
Average number of shares during the period	9,040,298	7,100,000	7,949,766	7,100,000	7,100,000
Total number of shares at the end of the period	9,040,298	7,100,000	9,040,298	7,100,000	7,100,000

* Audited

** Operating expenses do not include depreciation and amortization of tangible and intangible assets.

The information in this Interim Report requires DDM Holding AG to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 10 November 2016 at 8:00 a.m. CET.

Comment by the CEO

In the third quarter of 2016 we continued to execute on our strategy to grow the portfolio investments when we closed a landmark transaction for DDM in July. We invested approximately EUR 17M in Slovenia in a portfolio of non-performing banking claims. The acquisition was funded by a new bond of EUR 11M issued in July, along with the proceeds from the share capital increase in the second quarter of 2016. For this acquisition and associated bond issuance, a new subgroup consisting of DDM Finance AB, DDM Debt AB, DDM Invest VII AG and DDM Invest VII d.o.o was established.

DDM has had strong profitable growth over the past twelve months, and we expect this trend to continue going forward. However, the Group's rate of growth and financial results will vary from quarter to quarter, impacted by the timing of significant acquisitions. Today DDM primarily targets larger portfolio acquisitions and they generally take longer to complete, potentially resulting in positive one-off effects during the quarter the portfolio is acquired, in addition to general growth of ERC, net collections and profit.

The Q3 2016 results benefitted from the acquisition in Slovenia in the quarter, in addition to the positive foreign exchange gain of about EUR 1.1M which was primarily driven by the weakening SEK. We estimate that gross ERC (Estimated Remaining Collections) is approximately EUR 8M in Q4, and therefore the result for the period should be expected to be significantly lower than Q3. However, we expect to have growth and profit for the full year 2016.

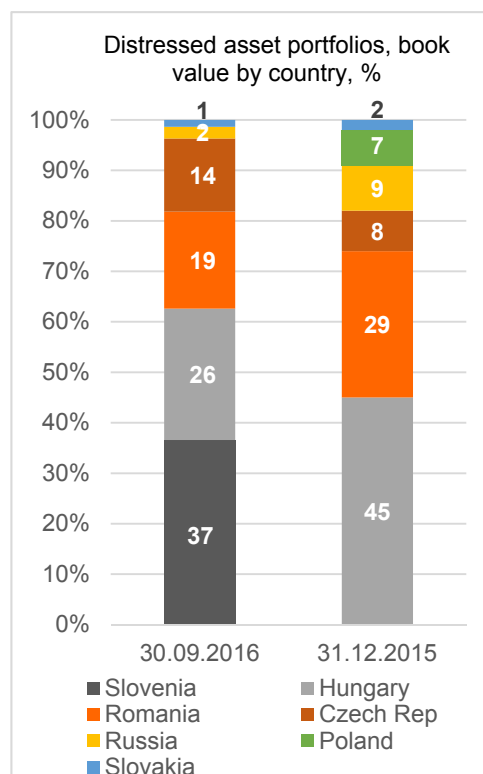
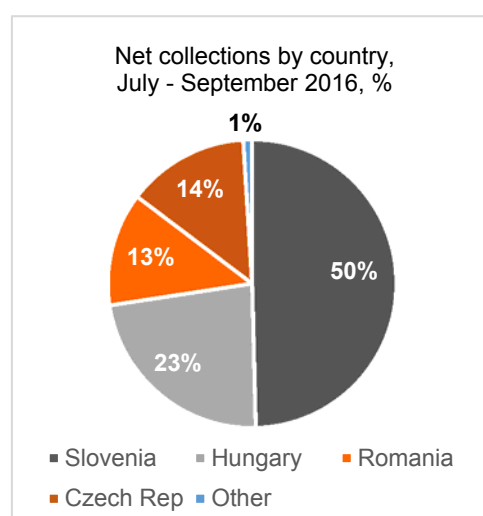
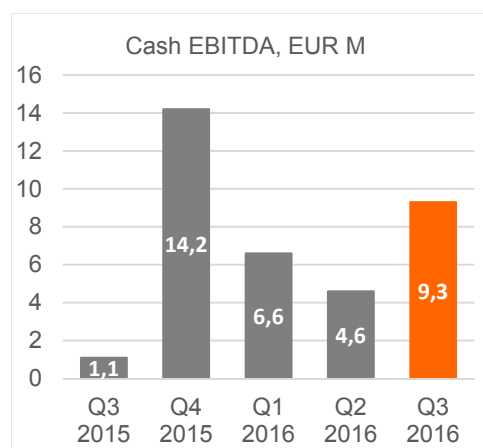
Net collections in the third quarter of 2016 increased by 330% compared to the third quarter of 2015 mainly as a result of the strong performance of the Slovenian acquisition in the quarter, while for the first nine months of 2016 net collections increased by 104%. Revenue from management fees were EUR 0.3M in the third quarter of 2016 and EUR 0.9M for the first nine months of 2016. Revenue from management fees will be a material revenue stream for the 2016 financial year and therefore we are now presenting it separately (previously included in net collections).

Operating expenses were EUR 1.5M in the quarter, slightly higher than the previous two quarters mainly driven by the acquisition in Slovenia. Cash EBITDA (net collections and revenue from management fees, less operating expenses) for the third quarter amounted to EUR 9.3M, an increase of 748% compared the same period of 2015. For the first nine months of 2016 cash EBITDA was EUR 20.5M, an increase of 172% compared to the first nine months of 2015.

Revaluation of invested assets had a negative EUR 0.5M impact in the third quarter of 2016, mainly driven by the divestment of a portfolio in Poland in order to invest the funds in a beneficial alternative for investors. In addition, due to the ongoing weak macroeconomic environment in Russia we made downwards revaluations of several Russian portfolios. The downward adjustments were partly offset by positive revaluation of a number of other portfolios, in particular the recent Hungarian portfolio which has continued to perform ahead of expectations.

Gross ERC at the end of the third quarter of 2016 was EUR 89.6M and increased by 57% compared to the same period in 2015, mainly due to the acquisition in Slovenia in the quarter.

Cash flow from operating activities before working capital changes was EUR 6.0M in the third quarter, compared to negative EUR 2.2M for the same period last year, benefitting from the large portfolios recently acquired in Hungary and Slovenia. Cash flow from operating activities before working capital changes for



the first nine months of 2016 was EUR 13.2M, compared to EUR 1.8M for the same period in 2015. On the back of the strong cash flows, significant loan repayments of approximately EUR 8M were made during the third quarter of 2016. The loan repayments include the full redemption of the SEK 31M (EUR 3.3M) 18% subordinated notes issued by DDM Treasury Sweden AB on their final maturity date of 30 September 2016, in addition to approximately EUR 3M of loan repayments relating to the recently issued EUR 11M bond, and EUR 2M of short-term borrowings.



***Gustav Hultgren, CEO,
DDM Holding AG***

Market outlook

We continue to see strong growth in the pipeline of portfolios for sale across our region. DDM continues to receive a significant number of invites to bid for large portfolios and we are well placed to continue the rapid expansion in our investment activities.

Given the large amount of investment opportunities, funding continues to be a key focus to sustain growth. We aim to raise additional funding, both equity and debt, targeting a long-term and sustainable capital structure. In 2017 we intend to invest EUR 50M and anticipate operating expenses of EUR 5.6M. Please also see the Q3 2016 earnings presentation for further information about DDM's business. With the improved financial position due to the recent significant acquisitions, we remain positive on the outlook for DDM and feel confident that we will be able to continue to grow the DDM Group.

Financial calendar

DDM intends to publish financial information on the following dates:

Year-end report for 2016: 28 February 2017

Annual report for 2016: 31 March 2017

Other financial information from DDM is available on DDM's website:

www.ddm-group.ch.

This report has not been reviewed by the Company's auditors.

Baar, 10 November 2016
DDM Holding AG
Gustav Hultgren, CEO

Presentation of the interim report

The interim report and presentation material are available at www.ddm-group.ch on 10 November 2016, at 08:00 a.m. CET.

CEO Gustav Hultgren and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 10 November 2016, starting at 10:00 a.m. CET. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers:

SE: +46 8 566 426 90, CH: +41 225 675 548 or UK: +44 203 008 9801.

Consolidated Income Statement

Amounts in EUR	Notes	1 Jul - 30 Sep 2016	1 Jul - 30 Sep 2015	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2015	Full Year 2015*
Revenue on invested assets	8	6,132,686	1,765,874	10,199,576	6,037,115	15,926,289
Reconciliation of revenue on invested assets:						
<i>Net collections</i>		10,448,355	2,428,376	23,780,285	11,635,165	27,507,520
<i>Amortization of invested assets</i>		(3,784,339)	(1,046,095)	(13,039,115)	(5,856,949)	(7,426,540)
<i>Revaluation of invested assets</i>		(531,330)	383,593	(541,594)	258,899	(4,154,691)
 Revenue from management fees	8	315,636	-	881,747	-	-
Personnel expenses		(909,139)	(989,885)	(2,535,096)	(2,792,933)	(3,826,928)
Consulting expenses		(344,628)	(164,577)	(722,016)	(699,246)	(1,206,642)
Other operating expenses		(234,912)	(179,790)	(864,981)	(603,840)	(778,582)
Amortization and depreciation of tangible and intangible assets		(34,530)	(35,676)	(102,577)	(105,207)	(147,355)
Operating profit		4,925,113	395,946	6,856,653	1,835,889	9,966,782
Financial income		31,950	9	31,955	102	30,152
Financial expenses		(1,849,825)	(1,419,961)	(4,945,608)	(4,243,519)	(5,961,069)
Unrealized exchange profit / (loss)		1,138,613	(326,169)	2,325,988	(371,531)	(1,706,652)
Realized exchange profit / (loss)		1,559	(58,297)	(182,894)	(289,690)	(426,702)
Net financial income / (expenses)		(677,703)	(1,804,418)	(2,770,559)	(4,904,638)	(8,064,271)
Profit / (loss) before income tax		4,247,410	(1,408,472)	4,086,094	(3,068,749)	1,902,511
Tax income / (expense)		(381,577)	(147,207)	(616,238)	166,811	(54,286)
Profit / (loss) for the period		3,865,833	(1,555,679)	3,469,856	(2,901,938)	1,848,225
Earnings per share before and after dilution		0.43	(0.22)	0.44	(0.41)	0.26
Average number of shares		9,040,298	7,100,000	7,949,766	7,100,000	7,100,000
Number of shares at the end of period		9,040,298	7,100,000	9,040,298	7,100,000	7,100,000

* Audited

Consolidated Statement of Comprehensive Income

Amounts in EUR	1 Jul - 30 Sep 2016	1 Jul - 30 Sep 2015	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2015	Full Year 2015*
Profit / (loss) for the period	3,865,833	(1,555,679)	3,469,856	(2,901,938)	1,848,225
Other comprehensive income for the period					
<i>Items that will not be reclassified to profit or loss:</i>					
Actuarial gain / (loss) on the defined benefit commitments (pension)	-	-	-	-	(303,811)
Deferred tax assets on post-employment benefit commitments	-	(34,436)	-	(34,436)	12,345
<i>Items that may subsequently be reclassified to profit or loss:</i>					
Currency translation differences	64,855	(29,698)	28,871	(3,499)	(61,863)
Other comprehensive income for the period, net of tax	64,855	(64,134)	28,871	(37,935)	(353,329)
Total comprehensive income for the period	3,930,688	(1,619,813)	3,498,727	(2,939,873)	1,494,896

* Audited

Consolidated Balance Sheet

Amounts in EUR	Notes	30 September 2016	31 December 2015*
ASSETS			
<i>Non-current assets</i>			
Goodwill	6	4,160,491	4,160,491
Intangible assets	6	1,664,769	1,748,213
Tangible assets	5	60,253	69,505
Interests in associates		600,000	600,000
Distressed asset portfolios	4	36,650,773	22,253,808
Other long-term receivables from investments	4	12,887,645	18,306,865
Deferred tax assets	3	–	108,032
Total non-current assets		56,023,931	47,246,914
<i>Current assets</i>			
Accounts receivable		4,304,317	4,130,762
Other receivables		288,150	299,955
Prepaid expenses and accrued income		150,571	142,181
Cash and cash equivalents		3,279,863	3,391,575
Total current assets		8,022,901	7,964,473
TOTAL ASSETS		64,046,832	55,211,387
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		7,540,117	5,785,676
Share premium		15,577,611	10,777,630
Other reserves		(510,436)	(547,390)
Retained earnings incl. net earnings for the period		(4,273,260)	(7,735,033)
Total shareholders' equity attributable to Parent Company's shareholders		18,334,032	8,280,883
<i>Long-term liabilities</i>			
Loans	7	30,812,012	30,144,539
Post-employment benefit commitments		812,178	812,178
Deferred tax liabilities	3	243,870	60,161
Total long-term liabilities		31,868,060	31,016,878
<i>Current liabilities</i>			
Liabilities to credit institutions (bank overdrafts)		16	–
Accounts payable		1,543,647	5,757,817
Accrued interest		1,340,855	2,519,292
Accrued expenses and deferred income		1,331,904	1,011,490
Loans	7	9,628,318	6,625,027
Total current liabilities		13,844,740	15,913,626
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		64,046,832	55,211,387

* Audited

Consolidated Cash Flow Statement

Amounts in EUR	1 Jul-30 Sep 2016	1 Jul-30 Sep 2015	1 Jan-30 Sep 2016	1 Jan-30 Sep 2015	Full Year 2015*
Cash flow from operating activities					
Operating profit	4,925,113	395,946	6,856,653	1,835,889	9,966,782
<i>Adjustments for non-cash items:</i>					
<i>Amortization of invested assets</i>	3,784,339	1 046 095	13,039,115	5,856,949	7,426,540
<i>Depreciation, amortization and impairment of tangible and intangible assets</i>	34,530	35,676	102,577	105,207	147,355
<i>Revaluation of invested assets</i>	531,330	(383,593)	541,594	(258,899)	4,154,691
<i>Other items not affecting cash**</i>	(932,632)	3	(2,534,591)	314,778	(16,435,602)
Interest paid	(2,352,591)	(3,269,447)	(4,795,746)	(6,098,056)	(7,801,487)
Interest received	–	–	5	–	–
Cash flow from operating activities before working capital changes	5,990,089	(2,175,320)	13,209,607	1,755,868	(2,541,721)
Working capital adjustments					
(Increase) / decrease in accounts receivable	(751,982)	(251,755)	(173,555)	2,212,096	(386,362)
(Increase) / decrease in other receivables	122,890	232,318	3,415	(187,118)	387,835
Increase / (decrease) in accounts payable	(55,037)	(45,905)	(912,271)	(4,661,548)	508,871
Increase / (decrease) in other current liabilities	(250,593)	(629,018)	(858,023)	(476,682)	(706,046)
Net cash flow from operating activities	5,055,367	(2,869,680)	11,269,173	(1,357,384)	(2,737,423)
Cash flow from investing activities					
Purchases of distressed asset portfolios and other long-term receivables from investments	(16,878,343)	1,102,655	(24,626,867)	(3,466,635)	(2,475,613)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	2,300,000	–	2,300,000	–	–
Purchases of associates	–	–	–	(600,000)	(600,000)
Purchases of tangible and intangible assets	(9,882)	(646)	(9,882)	(195,723)	(106,018)
Net cash flow received / (used) in investing activities	(14,588,225)	1,102,009	(22,336,749)	(4,262,358)	(3,181,631)
Cash flow from financing activities					
Proceeds from issuance of ordinary shares	–	–	1,754,441	–	–
Share premium	–	–	4,799,981	–	–
Proceeds from issuance of loans	10,453,000	–	14,967,249	–	1,341,938
Repayment of loans	(7,584,850)	(555,045)	(10,553,999)	(2,765,875)	(969,594)
Net cash flow received / (used) in financing activities	2,868,150	(555,045)	10,967,672	(2,765,875)	372,344
Cash flow for the period	(6,664,708)	(2,322,716)	(99,904)	(8,385,617)	(5,546,710)
Cash and cash equivalents less bank overdrafts at beginning of the period	10,090,470	3,008,641	3,391,575	9,000,148	9,000,148
Foreign exchange gains / (losses) on cash and cash equivalents	(145,915)	(74,895)	(11,824)	(3,501)	(61,863)
Cash and cash equivalents less bank overdrafts at end of the period	3,279,847	611,030	3,279,847	611,030	3,391,575

* Audited

** The majority of the Other items not affecting cash relates to investments where DDM owns the economic benefit of net collections from the cut-off date. This is not reflected in the cash flows as the economic benefit is offset against the cash purchase price. The investment in Hungary in December 2015 was not paid at the 31 December 2015 balance sheet date.

Consolidated Statement of Changes in Equity

Amounts in EUR	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2015*	5,785,676	10,777,630	(194,061)	(9,583,258)	6,785,987
Comprehensive income					
Profit / (loss) for the period	-	-	-	(2,901,938)	(2,901,938)
Other comprehensive income					
Actuarial gain / (loss) on defined benefit commitment	-	-	-	-	-
Currency translation differences	-	-	(3,499)	-	(3,499)
Deferred tax assets	-	-	(34,436)	-	(34,436)
Total comprehensive income	-	-	(37,935)	(2,901,938)	(2,939,873)
<i>Transactions with owners</i>					
Total transactions with owners	-	-	-	-	-
Balance at 30 September 2015	5,785,676	10,777,630	(231,996)	(12,485,197)	3,846,113
Balance at 1 January 2016*	5,785,676	10,777,630	(547,390)	(7,735,033)	8,280,883
Comprehensive income					
Profit / (loss) for the period	-	-	-	3,469,856	3,469,856
Other comprehensive income					
Actuarial gain / (loss) on defined benefit commitment	-	-	-	-	-
Currency translation differences	-	-	36,954	(8,083)	28,871
Deferred tax assets	-	-	-	-	-
Total comprehensive income	-	-	36,954	3,461,773	3,498,727
<i>Transactions with owners</i>					
New share issue	1,754,441	4,799,981	-	-	6,554,422
Total transactions with owners	1,754,441	4,799,981	-	-	6,554,422
Balance at 30 September 2016	7,540,117	15,577,611	(510,436)	(4,273,260)	18,334,032

* Audited

Notes

Note 1. Basis of preparation

The consolidated financial statements (the "financial statements") of DDM Holding AG and its subsidiaries (together "DDM" or "the Company") have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and are stated in Euros (EUR). These interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting.

In preparing these interim financial statements, the same accounting policies and methods of computation have been applied as in the DDM Holding AG consolidated annual financial statements for the period ended 31 December 2015. These interim financial statements are unaudited and should be read in conjunction with DDM Holding AG's audited consolidated financial statements included in the Annual Report 2015. In the opinion of management, all necessary adjustments were made for a fair presentation of the Group's financial position, results of operations and cash flows.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which DDM Holding AG has control. DDM Holding AG controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are de-consolidated from the date on which control ceases. Intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated.

DDM Finance AB, DDM Debt AB and DDM Invest VII AG are wholly owned subsidiaries of DDM Holding AG that were established during Q2 2016 in connection to the portfolio acquisition in Slovenia and associated debt issuance. DDM Invest VII d.o.o. is a wholly owned subsidiary of DDM Holding AG that was established during Q3 2016 in connection to the aforementioned transaction.

Subsidiaries	Consolidation method	Domicile	30 September 2016	30 September 2015	31 December 2015
DDM Group AG	Fully consolidated	Switzerland	100%	100%	100%
DDM Invest I AG	Fully consolidated	Switzerland	100%	100%	100%
DDM Invest II AG	Fully consolidated	Switzerland	100%	100%	100%
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%	100%
DDM Invest IV AG	Fully consolidated	Switzerland	100%	100%	100%
DDM Invest VII AG	Fully consolidated	Switzerland	100%	-	-
DDM Invest X AG	Fully consolidated	Switzerland	100%	100%	100%
DDM Invest XX AG	Fully consolidated	Switzerland	100%	100%	100%
DDM Treasury Sweden AB	Fully consolidated	Sweden	100%	100%	100%
DDM Finance AB	Fully consolidated	Sweden	100%	-	-
DDM Debt AB	Fully consolidated	Sweden	100%	-	-
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	100%	-	-

Associates

Associates are all entities over which DDM Holding AG has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method. The carrying amount (including goodwill) of equity accounted investments is tested annually for impairment.

Associates	Consolidation method	Domicile	30 September 2016	30 September 2015	31 December 2015
Profinance doo Beograd	Equity method	Serbia	49.67%	49.67%	49.67%

Post-employment benefit commitment

The post-employment benefit commitment is calculated on an annual basis, except when significant events occurs which would have a material impact on the commitment. The application of this treatment means that the quarterly adjustments are deemed to be immaterial and therefore the post-employment benefit commitment will not be booked for each interim financial statement.

Note 2. Currency translation

All entities prepare their financial statements in their functional currency. For DDM Treasury Sweden AB this is Swedish Kronor (SEK). For all other entities the functional currency is Euro (EUR). The financial statements of DDM Treasury Sweden AB are translated into EUR using the current rate method. The balance sheet is translated using the spot rate at the balance sheet date, with the exception of equity balances, which are translated using historical rates. The income statement is translated using an average exchange rate for the reporting period. All resulting consolidation adjustments are recognized in other comprehensive income as currency translation differences.

Exchange rates		30 September 2016	30 September 2015	31 December 2015
Balance sheet (spot rate balance sheet date)	SEK/EUR	9.6210	9.4083	9.1895
Income statement (average rate)	SEK/EUR	9.3350	9.3742	9.3681

Note 3. Deferred taxes

Income tax expense reported for the business year includes the income tax expense of consolidated subsidiaries (calculated from their taxable income with the tax rate applicable in the relevant country). Income tax expense also includes deferred taxes, which have been recognized on the temporary differences arising from the distressed asset portfolios and other long-term receivables from investments (difference between the reported book values for tax and accounting purposes). The Company does not have a group taxation in Switzerland; hence each legal entity is taxed separately. Under Swiss law, net operating losses can be carried forward for a period of up to seven years.

Note 4. Distressed asset portfolios and other long-term receivables from investments

DDM invests in distressed asset portfolios, where the receivables are directly against the debtor, and in other long-term receivables from investments, where the receivables are against the local legal entities holding the portfolios of loans.

Other long-term receivables from investments

DDM owns 100% of the shares in the local legal entities holding the leasing portfolios. However, for each investment there is a co-investor holding a majority stake in the leasing portfolio, and therefore DDM does not control the investment as the co-investor has significant rights which if exercised could block decisions related to relevant activities to collect the portfolios. The economic substance of the investments are the underlying portfolios of loans. As a result, the underlying assets which represent other long-term receivables from investments are recognized in the financial statements. The receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. The fair value of 100% of the equity is immaterial, and therefore equity accounting is not carried out.

The following investments are treated in this manner:

Entity	Domicile	30 September 2016	31 December 2015
FinAlp Zrt.	Hungary	100%	100%
Lombard Pénzügyi és Lízing Zrt.	Hungary	100%	100%
Lombard Ingatlan Lízing Zrt.	Hungary	100%	100%
Lombard Bérlet Kft.	Hungary	100%	100%

Distressed asset portfolios and other long-term receivables from investments are purchased at prices significantly below the nominal amount of the receivables. DDM determines the carrying value by calculating the present value of estimated future cash flows of each investment using its effective interest rate at initial recognition by DDM. The original effective interest rate is determined on the date the portfolio / receivable was acquired based on the relationship between the purchase price of the portfolio / receivable and the projected future cash flows as per the acquisition date. Changes in the carrying value of the portfolios / receivables include interest income on invested assets before revaluation for the period, as well as changes to the estimated projected future cash flows, and are recognized in the income statement under "Revenue on invested assets".

Cash flow projections are made at the portfolio / receivable level since each portfolio / receivable consists of a large number of homogeneous amounts of receivables. Assumptions must be made at each reporting date as to the expected timing and amount of future cash flows. Cash flows include the nominal amount, reminder fees, collection fees and late interest that are expected to be received from debtors less forecasted collection costs. These projections are updated at each reporting date based on actual collection information, planned collection actions as well as macroeconomic scenarios and the specific features of the assets concerned. Changes in cash flow forecasts are treated symmetrically i.e. both increases and decreases in forecast cash flows affect the portfolios' book value and as a result "Revenue on invested assets" (within the line "Revaluation of invested assets").

On each reporting date, DDM assesses whether there is objective evidence that a portfolio / receivable is impaired. A portfolio / receivable is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the portfolio / receivable that can be estimated reliably.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated income statement (within the line "Revaluation of invested assets").

If DDM sells a portfolio / receivable for a higher or lower amount than its carrying value, the resulting gain or loss on disposal is recognized in the consolidated income statement (within the line "Revaluation of invested assets").

Distressed asset portfolios and other long-term receivables from investments by currency, EUR	30 September 2016	31 December 2015
EUR	24,588,787	8,010,575
HUF	12,887,645	18,306,865
CZK	7,176,541	3,214,009
RON	3,732,413	4,516,209
RUB	1,151,593	3,637,888
USD	1,439	27,656
CHF	-	1,506,148
PLN	-	1,341,323
Total	49,538,418	40,560,673

Note 5. Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the income statement during the period in which they are incurred.

The major categories of tangible assets are depreciated on a straight-line basis as follows:

Furniture	5 years
Computer hardware	5 years

The Company distributes the amount initially recognized for a tangible asset between its significant components and depreciates each component separately. The carrying amount of a replaced component is derecognized when replaced. The residual value method of amortization and the useful lives of the assets are reviewed annually and adjusted if appropriate. Impairment and gains and losses on disposals of tangible assets are included in other operating expenses.

Note 6. Intangible assets

- (i) Identifiable intangible assets

The Company's identifiable intangible assets are stated at cost less accumulated amortization and include computer software developed in-house in cooperation with external IT consultancy firms that has a finite useful life. The system is the proprietary IT system which integrates investment data, case data, payment data and activity data into one effective and comprehensive IT system. This asset is capitalized and amortized on a straight-line basis in the income statement over its expected useful life of 20 years.

- (ii) Goodwill

On the date of acquisition the assets and liabilities of acquired subsidiaries or businesses are valued at fair value and in accordance with uniform group policies. The excess of the acquisition price over the revalued net assets of the acquired company or the acquired parts of the business is recognized as goodwill in the balance sheet. Goodwill is tested annually for impairment.

Note 7. Borrowings

The Group has the following outstanding borrowings.

Bond loan SEK 300M

A bond loan was issued in June 2013, totaling SEK 300,000,000 at 13% interest, with a maturity date of 26 June 2016 by DDM Treasury Sweden AB ("DDM Treasury"). On 18 May 2015, DDM Treasury initiated a written procedure to allow noteholders to vote on a restatement and certain amendments to the existing terms and conditions.

The Written Procedure was closed on 11 June 2015 and the Notes Exchange became effective on 23 June 2015. DDM Treasury made an additional cash payment of 4% on the effective date to the noteholders. In connection to the notes exchange DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG and DDM Invest X AG were transferred to the direct ownership of DDM Treasury and pledged as security.

The amended terms and conditions included the extension of the maturity to 27 December 2018, wider geographic scope in Europe, removal of cash-covenants and hedging restrictions, improved possibilities for future dividend payments and the introduction of an Inter-Creditor Agreement. The amended Terms and Conditions in their entirety are available on our website along with a summary of the amendments. Following the amendment and extension in June 2015 to the senior secured bonds

issued by DDM Treasury Sweden AB (publ), the Swiss Federal Tax Administration ruled that Swiss withholding tax of 35% is applicable. Holders of the bonds are entitled to a refund from the Swiss Federal Tax Administration, subject to them fulfilling the conditions for refund. There is no additional interest or withholding tax charge impacting the Company.

During the second quarter of 2016 the Company repurchased SEK 5.0M of the SEK 300M bond loan that was issued in June 2013, at 13% interest, on the open market.

Bond loan SEK 31M

A second bond loan was issued in September 2013, totaling SEK 31,000,000 at 18% interest rate with maturity date 30 September 2016 by DDM Treasury Sweden AB. The shares of DDM Invest XX AG are pledged under the shareholder's agreement. The bond loans are secured by these shares.

During the fourth quarter of 2014 the Company repurchased SEK 6.0M of the junior bond loan that was issued in September 2013, at 18% interest, on the open market. The SEK 31M junior bond loan was repaid at the maturity date of 30 September 2016.

Bond loan EUR 11M

A further bond loan totaling EUR 11M was issued by DDM Debt AB (publ) ("DDM Debt") in July 2016. The new bond at 13% interest has a maturity date of 15 July 2017 and will be repaid during the period. Repayments of approximately EUR 3M were made during the third quarter of 2016, in accordance with the terms and conditions.

Loan SEK 12.5M

On 31 December 2015 DDM was granted a loan of SEK 12,500,000 at 7% interest with maturity date 31 December 2016. This loan amount was transferred to a pledged bank account and was used for new investments. This was repaid during the second quarter of 2016.

Other loans

In March 2016, DDM was granted loans totaling EUR 4M with maturities within twelve months, in addition to EUR 2M of loans already held. EUR 2M of these loans were repaid during the third quarter of 2016.

Maturity profile of borrowings:

EUR	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 30 September 2016						
Bond loan, 13% (issued 2013)	–	–	28,812,012	–	–	28,812,012
Bond loan, 13% (issued 2016)	7,628,318	–	–	–	–	7,628,318
Loans	2,000,000	–	–	2,000,000	–	4,000,000
Bank borrowings	16	–	–	–	–	16
Total	9,628,334	–	28,812,012	2,000,000	–	40,440,346
at 31 December 2015						
Bond loan, 13% (issued 2013)	–	–	30,144,539	–	–	30,144,539
Bond loan, 18%	2,683,181	–	–	–	–	2,683,181
Loans	3,941,846	–	–	–	–	3,941,846
Bank borrowings	–	–	–	–	–	–
Total	6,625,027	–	30,144,539	–	–	36,769,566

Note: Bond loans are initially reported at fair value net of transaction costs incurred and subsequently stated at amortized cost using the effective interest method.

Note 8. Revenue recognition

Revenue on invested assets is the net amount of the cash collections (net of direct collection costs), amortization of invested assets and revaluation of invested assets.

Net collections is comprised of gross collections from the distressed asset portfolios and other long-term receivables held by DDM, minus commission and fees to collection agencies. As the collection procedure is outsourced, the net amount of cash collected is recorded as "Net collections" within the line "Revenue on invested assets" in the consolidated income statement. DDM discloses the alternative performance measure "Net collections" in the consolidated income statement separately, as it is an important measurement for DDM to monitor the performance of the portfolios and measure the cash available for operating expenses and to service its debt. DDM believes that disclosing net collections as a separate performance measure in the consolidated income statement improves the transparency and understanding of DDM's financial statements and performance, meeting the expectations of its investors.

Collection costs are comprised of all expenses directly attributable to the collection of distressed asset portfolios and other long-term receivables from investments, such as collection fees, commission, transaction costs, non-recoverable VAT on amounts collected and Swiss VAT where applicable. The collection costs differ from portfolio to portfolio depending on the country/jurisdiction and the specific features of the assets concerned.

EUR	1 Jul – 30 Sep 2016	1 Jul – 30 Sep 2015	1 Jan – 30 Sep 2016	1 Jan – 30 Sep 2015	Full Year 2015
Slovenia	5,182,033	-	5,182,033	2,150,000	2,000,000
Hungary	2,401,392	314,615	10,459,779	2,730,373	16,070,713
Czech Republic	1,431,579	378,253	4,183,108	1,092,836	2,029,607
Romania	1,329,158	1,497,912	3,765,560	4,653,812	6,130,417
Russia	66,345	199,199	206,209	785,562	1,010,049
Slovakia	43,556	31,494	95,960	46,921	73,725
Poland	(5,708)	6,903	(112,364)	175,661	193,009
Net collections	10,448,355	2,428,376	23,780,285	11,635,165	27,507,520
Amortization of invested assets	(3,784,339)	(1,046,095)	(13,039,115)	(5,856,949)	(7,426,540)
Interest income on invested assets before revaluation	6,664,016	1,382,281	10,741,170	5,778,216	20,080,980
Revaluation of invested assets	(531,330)	383,593	(541,594)	258,899	(4,154,691)
Revenue on invested assets	6,132,686	1,765,874	10,199,576	6,037,115	15,926,289
Revenue from management fees	315,636	-	881,747	-	-

Revenue from management fees relates to revenue received from co-investors where DDM manages the operations of the assets, but does not own 100% of the portfolio. These fees are calculated based on the performance of the corresponding portfolio, and are received on a monthly basis. These fees were considered to be immaterial in 2015 and were therefore not disclosed separately. Revenue from management fees will be a material revenue stream for the 2016 financial year and therefore it has been decided to present it separately (previously included in net collections).

Note 9. Subsequent events

There were no significant events occurring after the balance sheet date and through the date of issuance of this report.

Definitions

DDM

DDM Holding AG and its subsidiaries, including DDM Group AG, DDM Treasury Sweden AB (publ), DDM Debt AB (publ) and their subsidiaries.

Amortization of invested assets

The carrying value of distressed asset portfolios and other long-term receivables from investments are amortized over time according to the effective interest rate method.

Cash EBITDA

Net collections and revenue from management fees, less operating expenses.

Earnings per share/EPS

Net earnings for the period, attributable to owners of the Parent Company, divided by the weighted average number of shares during the period.

EBITDA

Earnings before interest, taxes, depreciation of fixed assets and amortization of intangible assets as well as amortisation and revaluation of invested assets.

Estimated Remaining Collections / ERC

Estimated Remaining Collections refers to the sum of all future projected cash collections before collection costs from acquired portfolios. ERC is not a balance sheet item, however it is provided for informational purposes.

Equity

Shareholders' equity at the end of the period.

Net collections

Gross collections in respect of the debt portfolios held by DDM minus commission to collection agencies.

Net debt

Long-term and short-term loans, liabilities to credit institutions (bank overdrafts) less cash and cash equivalents.

Non-recurring items

One-time costs not affecting the Company's run rate cost level.

Operating expenses

Personnel, administration, consulting, legal, audit and similar expenses & repairs and maintenance expenses.

Revaluation of invested assets

Distressed asset portfolios and other long-term receivables from investments are reviewed at each reporting date and revalued if there is objective evidence that one or more events have taken place that will have a positive or negative impact on future cash flows.

About DDM

DDM Holding AG (First North: DDM) is a key acquirer and manager of distressed assets, offering the prospect of attractive returns from the expanding Eastern European market for distressed assets and non-performing loans. Since 2007, the DDM Group has built a successful platform in Eastern Europe, currently managing 2.3 million receivables with a nominal value of over EUR 2 billion.

For sellers (banks and financial institutions), management of portfolios of distressed assets is a sensitive issue as it concerns the relationship with their customers. For these sellers it is therefore critical that the acquirer handles the underlying individual debtors professionally, ethically and with respect. DDM has longstanding relations with sellers of distressed assets, based on trust and the Company's status as a credible acquirer.

The banking sector in Eastern Europe is subject to increasingly stricter capital ratio requirements resulting in distressed assets being more expensive for banks to keep on their balance sheets. As a result, banks are increasingly looking to divest portfolios of distressed and other non-core assets.

DDM Holding AG, the Parent Company, is a company incorporated and domiciled in Baar, Switzerland and listed on Nasdaq First North in Stockholm, Sweden, since August 2014.



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