



Strong cash flows from portfolios and repayment of the SEK 31M 18% subordinated notes

Highlights third quarter 2016

- Net collections increased by 124% to SEK 47.8M (Q3 2015: SEK 21.3M)
- Cash EBITDA increased by 93% and amounted to SEK 39.7M (Q3 2015: SEK 20.6M)
- Loss for the period of SEK 1.9M (Q3 2015: loss of SEK 9.9M)
- The SEK 31M 18% subordinated notes were repaid on their final maturity date of 30 September 2016, decreasing future financial expenses and the average cost of borrowing
- Pipeline of future transactions remains strong

Highlights nine months 2016

- Net collections increased by 97% to SEK 167.1M (9M 2015: SEK 84.7M)
- Cash EBITDA increased by 68% and amounted to SEK 141.2M (9M 2015: SEK 83.8M)
- Loss for the period of SEK 2.7M (9M 2015: loss of SEK 2.1M)
- The Hungarian transaction formally closed at the end of April 2016, resulting in stronger cash flows

| Amounts in SEK M (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 | 47.8 | 21.3 | 167.1 | 84.7 | 228.6 |
| Operating expenses | (8.1) | (0.7) | (25.9) | (0.9) | (25.9) |
| Cash EBITDA | 39.7 | 20.6 | 141.2 | 83.8 | 202.7 |
| Amortization and revaluation of invested assets | (38.3) | (11.3) | (122.4) | (47.5) | (99.2) |
| Operating profit | 1.4 | 9.4 | 18.8 | 36.3 | 103.4 |
| Profit / (loss) for the period | (1.9) | (9.9) | (2.7) | (2.1) | 36.0 |

Selected key figures

| | | | | | |
|-----------------------|-------|-------|-------|-------|-------|
| Total assets | 400.4 | 395.1 | 400.4 | 395.1 | 472.4 |
| Net debt | 271.2 | 302.5 | 271.2 | 302.5 | 277.8 |
| Adjusted equity ratio | 23.4% | 24.8% | 23.4% | 24.8% | 27.2% |

* Audited

Comment by the CEO

The third quarter of 2016 benefited from strong cash flows from existing portfolios, particularly in Hungary and the Czech Republic. We also continued to actively manage our portfolios and as a result in the third quarter we divested a portfolio in Poland in order to invest the funds in a beneficial alternative for investors. Combined with the strong cash flows, this enabled the full redemption of the SEK 31M 18% subordinated notes on their maturity date of 30 September 2016, which was financed using cash on hand. The redemption has enabled DDM Treasury Sweden AB to reduce its gross debt and its cost of debt.

Net collections in the third quarter of 2016 increased by 124% compared to the third quarter of 2015 driven by the collections from portfolios in Hungary and the Czech Republic, while for the first nine months of 2016 net collections increased by 97%.

Revaluation of invested assets had a negative SEK 6.2M impact in the third quarter of 2016, mainly driven by the aforementioned divestment of a portfolio in Poland. 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.

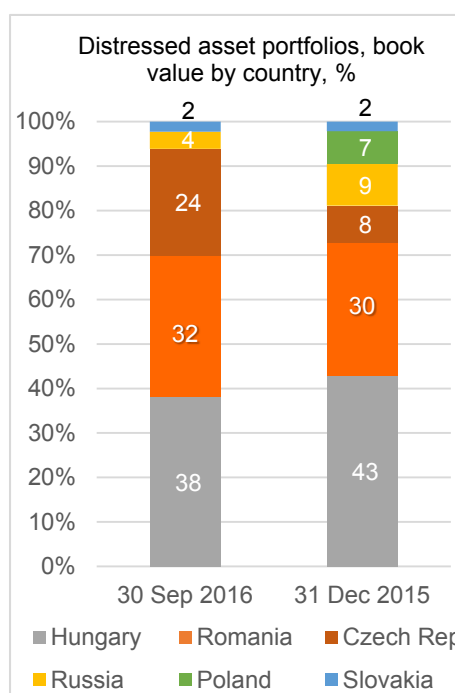
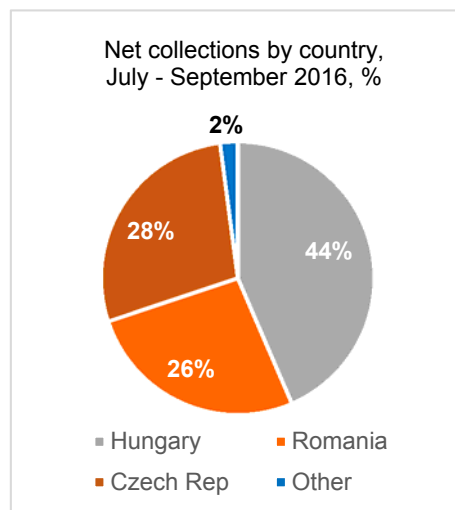
Cash EBITDA (net collections less operating expenses) for the third quarter amounted to SEK 39.7M, an increase of 93% compared to the same period of 2015. For the first nine months of 2016 cash EBITDA was SEK 141.2M, an increase of 68% compared to the first nine months of 2015.

Cash flow from operating activities before working capital changes for the third quarter of 2016 was SEK 32.5M, compared to negative SEK 17.2M for the third quarter of 2015, benefitting from the cash flows from the large Hungarian acquisition. Cash flow from operating activities before working capital changes for the first nine months of 2016 was SEK 121.9M, compared to SEK 52.1M for the same period in 2015.

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 are targeting a long-term and sustainable capital structure and costs. With the improved cash flows we remain positive on the outlook for DDM and feel confident that we will be able to continue to deliver according to our strategy.



**Gustav Hultgren, CEO,
DDM Treasury Sweden AB**

Financial calendar

DDM Treasury Sweden AB (publ) 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.

Stockholm, 10 November 2016

DDM Treasury Sweden AB (publ)

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 SEK M | 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 | 3 | 9.5 | 10.1 | 44.7 | 37.2 | 129.3 |
| Personnel expenses | | – | (0.1) | – | (0.4) | (0.5) |
| Consulting expenses | | (8.0) | 0.1 | (25.3) | 0.3 | (24.9) |
| Other operating expenses | | (0.1) | (0.7) | (0.6) | (0.8) | (0.5) |
| Operating profit | | 1.4 | 9.4 | 18.8 | 36.3 | 103.4 |
| Financial income | | – | 32.8 | – | 130.8 | 0.3 |
| Financial expenses | | (3.3) | (52.2) | (20.9) | (172.2) | (67.9) |
| Net financial income / (expense) | | (3.3) | (19.4) | (20.9) | (41.4) | (67.6) |
| Profit / (loss) before income tax | | (1.9) | (10.0) | (2.1) | (5.1) | 35.8 |
| Tax income / (expense) | | 0.0 | 0.1 | (0.6) | 3.0 | 0.2 |
| Profit / (loss) for the period | | (1.9) | (9.9) | (2.7) | (2.1) | 36.0 |

* Audited

Consolidated Statement of Comprehensive Income

| Amounts in SEK M | 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 | (1.9) | (9.9) | (2.7) | (2.1) | 36.0 |
| Other comprehensive income for the period | | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | – | – | – | – | – |
| <i>Items that may subsequently be reclassified to profit or loss:</i> | | | | | |
| Currency translation differences | (0.6) | (0.5) | (1.2) | 0.0 | 0.5 |
| Recognition of accumulated losses of subsidiaries | – | (57.1) | – | (57.1) | (57.1) |
| Other comprehensive income for the period, net of tax | (0.6) | (57.6) | (1.2) | (57.1) | (56.6) |
| Total comprehensive income for the period | (2.5) | (67.5) | (3.9) | (59.2) | (20.6) |
| Total comprehensive income for the period attributable to owners of the Parent Company | (2.5) | (67.5) | (3.9) | (59.2) | (20.6) |

* Audited

Consolidated Balance Sheet

| Amounts in SEK M | Notes | 30 September 2016 | 31 December 2015* |
|---|-------|----------------------|----------------------|
| ASSETS | | | |
| <i>Non-current assets</i> | | | |
| Interests in associates | | 5.8 | 5.5 |
| Distressed asset portfolios | 4 | 178.2 | 204.5 |
| Other long-term receivables from investments | 4 | 109.4 | 152.7 |
| Total non-current assets | | 293.4 | 362.7 |
| <i>Current assets</i> | | | |
| Accounts receivable | | 38.4 | 38.0 |
| Receivables from other group companies | | 60.7 | 38.8 |
| Prepaid expenses and accrued income | | 1.9 | 3.0 |
| Cash and cash equivalents | | 6.0 | 29.9 |
| Total current assets | | 107.0 | 109.7 |
| TOTAL ASSETS | | 400.4 | 472.4 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| <i>Shareholders' equity</i> | | | |
| Share capital | | 0.5 | 0.5 |
| Other contributed capital | | 124.2 | 124.2 |
| Reserves | | (0.3) | 0.3 |
| Retained earnings including net earnings for the period | | (30.7) | (27.4) |
| Total shareholders' equity attributable to Parent Company's shareholders | | 93.7 | 97.6 |
| LIABILITIES | | | |
| <i>Non-current liabilities</i> | | | |
| Bond loan | 5 | 277.2 | 277.0 |
| Total non-current liabilities | | 277.2 | 277.0 |
| <i>Current liabilities</i> | | | |
| Accounts payable | | 6.8 | 39.0 |
| Bond loan | 5 | – | 24.7 |
| Liabilities to other group companies | | 6.3 | – |
| Other liabilities | | 0.1 | 6.5 |
| Accrued expenses and deferred income | | 16.3 | 27.6 |
| Total current liabilities | | 29.5 | 97.8 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 400.4 | 472.4 |

* Audited

Consolidated Cash Flow Statement

| Amounts in SEK M | 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 | 1.4 | 9.4 | 18.8 | 36.3 | 103.4 |
| <i>Adjustments for non-cash items:</i> | | | | | |
| <i>Amortization of invested assets</i> | 32.1 | 6.0 | 116.1 | 45.0 | 57.8 |
| <i>Revaluation of invested assets</i> | 6.2 | 5.3 | 6.3 | 2.5 | 41.4 |
| <i>Other items not affecting cash**</i> | 14.7 | (3.5) | 24.0 | 17.5 | (220.1) |
| Interest paid | (21.9) | (34.4) | (43.3) | (49.2) | (73.4) |
| Interest received | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow from operating activities before working capital changes | 32.5 | (17.2) | 121.9 | 52.1 | (90.9) |
| Working capital adjustments | | | | | |
| (Increase) / decrease in accounts receivable | (3.4) | (2.6) | (0.4) | (6.2) | (29.8) |
| (Increase) / decrease in other receivables | (15.0) | (3.8) | (20.8) | 25.7 | 67.3 |
| Increase / (decrease) in accounts payable | (20.4) | 0.1 | (25.9) | (1.6) | 37.4 |
| Increase / (decrease) in other current liabilities | (10.8) | 0.4 | (17.7) | (26.0) | (0.6) |
| Net cash flow from operating activities | (17.1) | (23.1) | 57.1 | 44.0 | (16.6) |
| Cash flow from investing activities | | | | | |
| Purchases of distressed asset portfolios and other long-term receivables from investments | – | 3.4 | (71.8) | (102.1) | (15.8) |
| Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments | 21.8 | – | 21.8 | – | – |
| Purchases of associates | – | (0.1) | – | (5.6) | (5.5) |
| Net cash flow received / (used) in investing activities | 21.8 | 3.3 | (50.0) | (107.7) | (21.3) |
| Cash flow from financing activities | | | | | |
| Proceeds from issuance of loans | – | – | 17.3 | – | – |
| Repayment of loans | (31.0) | – | (48.2) | – | – |
| Net cash flow received / (used) in financing activities | (31.0) | – | (30.9) | – | – |
| Cash flow for the period | (26.3) | (19.8) | (23.8) | (63.7) | (37.9) |
| Cash and cash equivalents less bank overdrafts at beginning of the period | 32.8 | 22.8 | 29.9 | 67.3 | 67.3 |
| Foreign exchange gains / (losses) on cash and cash equivalents | (0.5) | 0.8 | (0.1) | 0.2 | 0.5 |
| Cash and cash equivalents less bank overdrafts at end of the period | 6.0 | 3.8 | 6.0 | 3.8 | 29.9 |

* 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 SEK M | Share capital | Other contributed capital | Reserves | Retained earnings | Total equity |
|--|---------------|---------------------------------|--------------|----------------------|-----------------|
| Balance at 1 January 2015* | 0.5 | 37.5 | 0.3 | (6.8) | 31.6 |
| Comprehensive income | | | | | |
| Profit / (loss) for the period | – | – | – | (2.1) | (2.1) |
| Other comprehensive income | | | | | |
| Recognition of accumulated losses of subsidiaries | – | – | 0.5 | (60.0) | (59.5) |
| Currency translation differences | – | – | (0.3) | 0.3 | 0.0 |
| Total comprehensive income | – | – | 0.2 | (61.8) | (61.6) |
| <i>Transactions with owners</i> | | | | | |
| Borrowings from related parties, equity part | – | 103.5 | – | – | 103.5 |
| Total transactions with owners | – | 103.5 | – | – | 103.5 |
| Balance at 30 September 2015 | 0.5 | 141.0 | 0.5 | (68.6) | 73.4 |
| Balance at 1 January 2016* | 0.5 | 124.2 | 0.3 | (27.4) | 97.6 |
| Comprehensive income | | | | | |
| Profit / (loss) for the period | – | – | – | (2.7) | (2.7) |
| Other comprehensive income | | | | | |
| Currency translation differences | – | – | (0.6) | (0.6) | (1.2) |
| Total comprehensive income | – | – | (0.6) | (3.3) | (3.9) |
| <i>Transactions with owners</i> | | | | | |
| Borrowings from related parties, equity part | – | – | – | – | – |
| Total transactions with owners | – | – | – | – | – |
| Balance at 30 September 2016 | 0.5 | 124.2 | (0.3) | (30.7) | 93.7 |

* Audited

Parent Company – Income Statement

| Amounts in SEK M | 1 Jul – 30 Sep 2016 | 1 Jul – 30 Sep 2015 | 1 Jan – 30 Sep 2016 | 1 Jan – 30 Sep 2015 | Full Year 2015* |
|---|------------------------|------------------------|------------------------|------------------------|--------------------|
| Revenue | 1.4 | 8.5 | 4.3 | 11.4 | 5.7 |
| Personnel expenses | – | (0.1) | – | (0.4) | (0.5) |
| Consulting expenses | (0.4) | (7.0) | (1.1) | (7.8) | (4.0) |
| Other operating expenses | (0.1) | (0.1) | (0.1) | (0.2) | (0.1) |
| Operating profit | 0.9 | 1.3 | 3.1 | 3.0 | 1.1 |
| Income from participation in Group companies | – | – | – | – | 5.9 |
| Financial income | 11.5 | 11.4 | 34.7 | 34.2 | 45.7 |
| Financial expenses | (12.1) | (15.0) | (38.2) | (37.2) | (50.6) |
| Net financial income / (expense) | (0.6) | (3.6) | (3.5) | (3.0) | 1.0 |
| Profit / (loss) before income tax | 0.3 | (2.3) | (0.4) | 0.0 | 2.1 |
| Tax income / (expense) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit / (loss) for the period | 0.3 | (2.3) | (0.4) | 0.0 | 2.1 |

* Audited

Parent Company – Statement of Comprehensive Income

| Amounts in SEK M | 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 | 0.3 | (2.3) | (0.4) | 0.0 | 2.1 |
| Other comprehensive income for the period, net of tax | | | | | |
| Items that will not be reclassified to profit or loss | – | – | – | – | – |
| Items that may subsequently be reclassified to profit or loss | – | – | – | – | – |
| Total other comprehensive income for the period, net of tax | – | – | – | – | – |
| Total comprehensive income for the period | 0.3 | (2.3) | (0.4) | 0.0 | 2.1 |

* Audited

Parent Company – Balance Sheet

| Amounts in SEK M | | 30 September 2016 | 31 December 2015* |
|---|---|----------------------|----------------------|
| ASSETS | | | |
| <i>Non-current assets</i> | | | |
| Shares in other group companies | 6 | 5.6 | 5.6 |
| Receivables from other group companies | | 273.6 | 312.9 |
| Total non-current assets | | 279.2 | 318.5 |
| <i>Current assets</i> | | | |
| Receivables from other group companies | | 165.2 | 204.9 |
| Prepaid expenses and accrued income | | 42.5 | 36.2 |
| Cash and cash equivalents | | 0.1 | 28.0 |
| Total current assets | | 207.8 | 269.1 |
| TOTAL ASSETS | | 487.0 | 587.6 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| <i>Shareholders' equity</i> | | | |
| Share capital | | 0.5 | 0.5 |
| Retained earnings including net earnings for the period | | 2.0 | 2.4 |
| Total shareholders' equity | | 2.5 | 2.9 |
| <i>Non-current liabilities</i> | | | |
| Bond loan | 5 | 277.2 | 277.0 |
| Total non-current liabilities | | 277.2 | 277.0 |
| <i>Current liabilities</i> | | | |
| Accounts payable | | 0.8 | 5.4 |
| Bond loan | 5 | – | 24.7 |
| Payables to other group companies | | 192.0 | 254.3 |
| Accrued expenses and deferred income | | 14.5 | 23.3 |
| Total current liabilities | | 207.3 | 307.7 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 487.0 | 587.6 |

* Audited

Parent Company – Cash Flow Statement

| Amounts in SEK M | 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 | 0.9 | 1.3 | 3.1 | 3.0 | 1.1 |
| Other items not affecting cash | 7.6 | 0.0 | 9.7 | (5.0) | 1.1 |
| Interest paid | (16.8) | (15.0) | (34.9) | (37.2) | (50.6) |
| Interest received | 16.8 | 11.4 | 28.2 | 34.3 | 45.7 |
| Cash flow from operating activities before working capital changes | 8.5 | (2.3) | 6.1 | (4.9) | (2.7) |
| Working capital adjustments | | | | | |
| (Increase) / decrease in other receivables | 17.7 | 52.0 | 72.7 | 179.0 | 197.5 |
| Increase / (decrease) in accounts payable | (1.0) | 0.0 | (4.6) | 0.0 | 0.0 |
| Increase / (decrease) in other current liabilities | (9.7) | (19.1) | (71.1) | (10.1) | 1.9 |
| Net cash flow from operating activities | 15.5 | 30.6 | 3.1 | 164.0 | 196.7 |
| Cash flow from investing activities | | | | | |
| Loans to group companies | – | (31.2) | – | (186.3) | (191.0) |
| Net cash flow received / (used) in investing activities | – | (31.2) | – | (186.3) | (191.0) |
| Cash flow from financing activities | | | | | |
| Repayment of loans | (31.0) | – | (31.0) | – | – |
| Net cash flow received / (used) in financing activities | (31.0) | – | (31.0) | – | – |
| Cash flow for the period | (15.5) | (0.6) | (27.9) | (22.3) | 5.7 |
| Cash and cash equivalents less bank overdrafts at beginning of the period | 15.6 | 0.6 | 28.0 | 22.3 | 22.3 |
| Cash and cash equivalents less bank overdrafts at end of the period | 0.1 | 0.0 | 0.1 | 0.0 | 28.0 |

* Audited

Parent Company – Statement of Changes in Equity

| Amounts in SEK M | | | |
|--|---------------|-------------------|--------------|
| | Share capital | Retained earnings | Total equity |
| Balance at 1 January 2015* | 0.5 | 0.3 | 0.8 |
| <i>Comprehensive income</i> | | | |
| Profit / (loss) for the period | – | 0.0 | 0.0 |
| <i>Other comprehensive income</i> | | | |
| Total comprehensive income | – | 0.0 | 0.0 |
| <i>Transactions with owners</i> | | | |
| Total transactions with owners | – | – | – |
| Balance at 30 September 2015 | 0.5 | 0.3 | 0.8 |
| Balance at 1 January 2016* | 0.5 | 2.4 | 2.9 |
| <i>Comprehensive income</i> | | | |
| Profit / (loss) for the period | – | (0.4) | (0.4) |
| <i>Other comprehensive income</i> | | | |
| Total comprehensive income | – | (0.4) | (0.4) |
| <i>Transactions with owners</i> | | | |
| Total transactions with owners | – | – | – |
| Balance at 30 September 2016 | 0.5 | 2.0 | 2.5 |

* Audited

Notes

Note 1. General information

DDM Treasury Sweden AB (publ) (“DDM Treasury” or “the Company”) and its subsidiaries (together “DDM Treasury Group” or “the Group”) provide liquidity to lenders in certain markets by acquiring distressed consumer debt, enabling the lenders to continue providing loans to companies and individuals. DDM Treasury Group then assists the consumers to restructure their overdue debt.

DDM Treasury was founded in 2013 as a wholly owned subsidiary of DDM Group AG, Baar, Switzerland. DDM Invest XX AG is wholly owned subsidiary of DDM Treasury. On 23 June 2015 DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG and DDM Invest X AG, Baar, Switzerland were acquired by DDM Treasury Sweden AB. They are wholly owned subsidiaries, therefore this acquisition was not considered as a business combination according to IFRS 3, as the transaction was done during the ordinary course of business among entities which are under common control of DDM Holding AG.

DDM Treasury acts solely as an issuer of financial instruments and extends this funding intra-group, whereas DDM Group AG acts as the investment manager and makes all decisions regarding investments and allocation of resources.

The Parent Company, DDM Treasury Sweden AB (publ) is a limited liability company with registered offices in Stockholm, Sweden and its Swedish Corporate ID No. is 556910-3053. The address of the main office and postal address is Västmannagatan 4, SE-111 24, Stockholm, Sweden.

All amounts are reported in million Swedish krona, SEK M, unless stated otherwise. Rounding differences might occur.

Note 2. Basis of preparation

This Interim Report has been prepared in compliance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as endorsed by the EU, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups issued by RFR, the Swedish Financial Reporting Board. The Parent Company’s financial statements have been prepared in compliance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities issued by RFR. The accounting policies that are most critical to the Group and Parent Company are stated in DDM Treasury’s Annual Report for 2015. Figures in tables and comments may be rounded.

Note 3. Revenue on invested assets by region

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 includes management fees received from co-investors, as DDM manages the operations of these assets. These fees are considered to be immaterial and have therefore not been disclosed separately.

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 notes 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 notes improves the transparency and understanding of DDM’s financial statements and performance, meeting the expectations of its investors.

| SEK M | 1 Jul – 30 Sep 2016 | 1 Jul – 30 Sep 2015 | 1 Jan – 30 Sep 2016 | 1 Jan – 30 Sep 2015 | Full Year 2015 |
|--|------------------------|------------------------|------------------------|------------------------|-------------------|
| Hungary | 20.8 | – | 91.0 | – | 122.0 |
| Czech Republic | 13.4 | 3.7 | 39.0 | 10.4 | 18.9 |
| Romania | 12.6 | 17.0 | 35.3 | 44.3 | 57.1 |
| Russia | 0.6 | (0.2) | 1.9 | 7.5 | 9.4 |
| Slovakia | 0.4 | 0.3 | 0.9 | 0.4 | 0.8 |
| Slovenia | – | 0.5 | – | 20.5 | 18.6 |
| Poland | – | 0.1 | (1.0) | 1.6 | 1.8 |
| Net collections | 47.8 | 21.3 | 167.1 | 84.7 | 228.6 |
| Amortization of invested assets | (32.1) | (6.0) | (116.1) | (45.0) | (57.8) |
| Interest income on invested assets before revaluation | 15.7 | 15.4 | 51.0 | 39.7 | 170.8 |
| Revaluation of invested assets | (6.2) | (5.3) | (6.3) | (2.5) | (41.4) |
| Revenue on invested assets | 9.5 | 10.1 | 44.7 | 37.2 | 129.3 |

The chief operating decision maker of DDM reviews the financial outcome as a whole. Analysis is performed on a portfolio-by-portfolio basis but the chief operating decision maker reviews the outcome of the group as a whole. Each portfolio is not considered to be an identifiable segment and the Group reports segment on an entity basis, i.e. one operating segment.

The Group discloses information regarding revenue on invested assets based on its key geographic areas.

DDM acquires its portfolios from financial institutions at a discount. Such discount gives DDM room to negotiate realistic instalment plans with debtors. DDM targets portfolios with a market value of EUR 3–30 million.

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

DDM Treasury Group 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 Group AG owns 100% of the shares in the local legal entities holding the leasing portfolios. However, the economic substance of the investments are the underlying portfolios of loans, which the DDM Treasury Group owns together with a co-investor. As a result, the underlying assets which represent other long-term receivables from investments are recognized in the DDM Treasury Group 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 following investments are treated in this manner:

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

The recognition of the acquisition of distressed asset portfolios and other long-term receivables from investments is based on the DDM Treasury Group's own forecast of future cash flows from acquired portfolios. Distressed asset portfolios and other long-term receivables from investments consist mainly of portfolios of non-performing consumer debts purchased at prices significantly below their principal value. Such assets are classified as non-current assets. Reporting follows the effective interest method, where the carrying value of each portfolio corresponds to the present value of all projected future cash flows discounted by an initial effective interest rate determined on the date the portfolio was acquired, based on the relation between purchase price and the projected future cash flows on the acquisition date. Changes in the carrying value of the portfolios are reported as amortization and revaluation for the period.

Distressed asset portfolios and other long-term receivables from investments are reported at amortized cost using the effective interest method. The initial effective interest rate is calculated for each portfolio / receivable based on its purchase price including transaction costs and estimated cash flows that, based on a probability assessment, are expected to be received from the debtors of the corresponding portfolio net of collection costs. Current cash flow projections are monitored over the course of the year and updated based on, among other things, achieved collection results and macroeconomic information. If the cash flow projections are revised, the carrying amount is adjusted to reflect actual and revised estimated cash flows. DDM Treasury Group recalculates the carrying amount by computing the present value of estimated future cash flows using the original effective interest rate. Both a reduction and an increase in the carrying amount is recorded in the income statement in the line "Revaluation of invested assets".

The DDM Treasury Group assesses at each reporting date 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 reliably estimated.

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.

If the Company 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").

The DDM Treasury Group invests in portfolios that are denominated in local currencies as well as portfolios denominated in EUR and USD. Therefore, fluctuations in the SEK exchange rate against these currencies affect net collections and operating profit / (loss) of the DDM Treasury Group.

Net collections are distributed by currency as follows:

| SEK M | 1 Jul – 30 Sep 2016 | 1 Jul – 30 Sep 2015 | 1 Jan – 30 Sep 2016 | 1 Jan – 30 Sep 2015 | Full Year 2015* |
|----------------------------|------------------------|------------------------|------------------------|------------------------|--------------------|
| HUF | 20.8 | – | 91.0 | – | 122.0 |
| CZK | 13.4 | 3.8 | 39.0 | 10.4 | 18.9 |
| EUR | 7.0 | 9.5 | 18.4 | 46.6 | 51.4 |
| RON | 5.9 | 6.8 | 17.6 | 20.0 | 25.9 |
| RUB | 0.6 | 1.2 | 1.9 | 6.7 | 9.4 |
| Other (MKD, USD, PLN, CHF) | 0.1 | 0.1 | (0.8) | 1.0 | 1.0 |
| Total | 47.8 | 21.3 | 167.1 | 84.7 | 228.6 |

In terms of balance sheet positions denominated in foreign currencies that are then recalculated in SEK, the carrying values of distressed asset portfolios and other long-term receivables from investments owned by the DDM Treasury Group are distributed as follows:

| SEK M | 30 September 2016 | 31 December 2015 |
|--------------|----------------------|---------------------|
| HUF | 109.4 | 152.7 |
| CZK | 69.0 | 29.5 |
| EUR | 62.1 | 73.6 |
| RON | 36.0 | 41.5 |
| RUB | 11.1 | 33.4 |
| CHF | – | 13.8 |
| PLN | – | 12.3 |
| USD | – | 0.4 |
| Total | 287.6 | 357.2 |

Note 5. Borrowings

The Group has outstanding bonds.

Bond loan SEK 300M

A bond loan was issued in June 2013, totaling SEK 300,000,000 at 13% interest, with maturity date of 26 June 2016 by 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 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, 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 DDM Group AG 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. 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 DDM Group AG repurchased SEK 6.0M of the junior bond loan that was issued in September 2013, at 18% interest, on the open market. This bond loan was repaid at the maturity date of 30 September 2016.

Long-term liabilities

| Group SEK M | 30 September 2016 | 31 December 2015 |
|----------------|----------------------|---------------------|
| Bond loan | 277.2 | 277.0 |
| Total | 277.2 | 277.0 |

Maturities of long-term borrowings

| Group SEK M | 30 September 2016 | 31 December 2015 |
|-----------------------|----------------------|---------------------|
| Between 1 and 2 years | – | – |
| Between 2 and 3 years | 277.2 | 277.0 |
| Between 3 and 4 years | – | – |
| Between 4 and 5 years | – | – |
| Total | 277.2 | 277.0 |

Long-term liabilities

| Parent Company SEK M | 30 September 2016 | 31 December 2015 |
|-------------------------|----------------------|---------------------|
| Bond loan | 277.2 | 277.0 |
| Total | 277.2 | 277.0 |

Maturities of long-term borrowings

| Parent Company SEK M | 30 September 2016 | 31 December 2015 |
|-------------------------|----------------------|---------------------|
| Between 1 and 2 years | – | – |
| Between 2 and 3 years | 277.2 | 277.0 |
| Between 3 and 4 years | – | – |
| Between 4 and 5 years | – | – |
| Total | 277.2 | 277.0 |

Note 6. Participations in Group companies

| Parent Company SEK M | 30 September 2016 | 31 December 2015 |
|-------------------------|----------------------|---------------------|
| Investment | 5.6 | 5.6 |
| Total | 5.6 | 5.6 |

The Parent Company holds shares in the following subsidiaries:

| SEK M Company | Corporate identity number | Domicile | Proportion of equity | Net book value | |
|-------------------|------------------------------|-------------|-------------------------|-------------------|------------------|
| | | | | 30 September 2016 | 31 December 2015 |
| DDM Invest I AG | CHE 113.863.850 | Switzerland | 100% | 1.4 | 1.4 |
| DDM Invest II AG | CHE 115.038.302 | Switzerland | 100% | 0.6 | 0.6 |
| DDM Invest III AG | CHE 115.238.947 | Switzerland | 100% | 0.6 | 0.6 |
| DDM Invest IV AG | CHE 317.413.116 | Switzerland | 100% | 0.8 | 0.8 |
| DDM Invest X AG | CHE 130.419.930 | Switzerland | 100% | 1.5 | 1.5 |
| DDM Invest XX AG | CHE 349.886.186 | Switzerland | 100% | 0.7 | 0.7 |
| Total | | | | 5.6 | 5.6 |

Note 7. Subsequent events

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

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 30 September 2016 provides a fair overview of the Parent Company's and the Group's operations, their financial positions and result. The material risks and uncertainties facing the Parent Company and the Group are described in the 2015 Annual report.

Stockholm, 10 November 2016

Kent Hansson
Chairman of the board

Fredrik Waker
Board member

Manuel Vogel
Board member

Gustav Hultgren
CEO

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.

Adjusted equity ratio

Adjusted equity as a percentage of balance sheet total assets. Adjusted equity includes subordinated debt (defined in IAS 32 as an instrument without a contractual obligation to deliver cash or other assets) and retained earnings.

Cash EBITDA

Net collections less operating expenses.

EBITDA

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

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 including subordinated debt, 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.

Reconciliation tables, non-IFRS measures

This section includes a reconciliation of certain non-IFRS financial measures to the most directly reconcilable line items in the financial statements. The presentation of non-IFRS financial measures has limitations as analytical tools and should not be considered in isolation or as a substitute for our related financial measures prepared in accordance with IFRS.

Non-IFRS financial measures are presented to enhance an investor's evaluation of ongoing operating results, to aid in forecasting future periods and to facilitate meaningful comparison of results between periods. Management uses these non-IFRS financial measures to, among other things, evaluate ongoing operations in relation to historical results and for internal planning and forecasting purposes.

The non-IFRS financial measures presented in this report may differ from similarly-titled measures used by other companies.

Net collections:

Net collections is comprised of gross collections from the distressed asset portfolios 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 notes 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 notes improves the transparency and understanding of DDM's financial statements and performance, meeting the expectations of its investors.

Amortization and revaluation of invested assets:

The recognition of the acquisition of distressed asset portfolios is based on the DDM Group's own forecast of future cash flows from acquired portfolios. Reporting follows the effective interest method, where the carrying value of each portfolio corresponds to the present value of all projected future cash flows discounted by an initial effective interest rate determined at the time the portfolio was purchased, based on the relation between cost and the projected future cash flows on the acquisition date. Changes in the carrying value of the portfolios are reported as amortization and revaluation for the period.

Operating expenses and Cash EBITDA:

| Amounts in SEK M (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 | 47.8 | 21.3 | 167.1 | 84.7 | 228.6 |
| Personnel expenses | – | (0.1) | – | (0.4) | (0.5) |
| Consulting expenses | (8.0) | 0.1 | (25.3) | 0.3 | (24.9) |
| Other operating expenses | (0.1) | (0.7) | (0.6) | (0.8) | (0.5) |
| Operating expenses | (8.1) | (0.7) | (25.9) | (0.9) | (25.9) |
| Cash EBITDA | 39.7 | 20.6 | 141.2 | 83.8 | 202.7 |

Net debt:

| | | | | | |
|------------------------------------|-------|-------|-------|-------|--------|
| 13% bond loan | 277.2 | 275.8 | 277.2 | 275.8 | 277.0 |
| 18% bond loan | – | 24.5 | – | 24.5 | 24.7 |
| 18% bond loan held by DDM Group AG | – | 6.0 | – | 6.0 | 6.0 |
| Less: Cash and cash equivalents | (6.0) | (3.8) | (6.0) | (3.8) | (29.9) |
| Net debt | 271.2 | 302.5 | 271.2 | 302.5 | 277.8 |

About DDM

DDM Treasury Sweden AB (NGM: DDM1) is a subsidiary of **DDM Holding AG** (First North: DDM) 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 is a company incorporated and domiciled in Baar, Switzerland and listed on Nasdaq First North in Stockholm, Sweden, since August 2014.



DDM Treasury Sweden AB (publ)

Västmannagatan 4
SE-111 24 Stockholm, Sweden
+41 8 4080 9030
<http://www.ddm-group.ch>
investor@ddm-group.ch

