DDM HOLDING AG

Corporate Registration Number: CHE-115906312

ddm

Q4 and full year report | **1 January – 31 December 2016**

Net profit of EUR 5.3 million and strong cash flows for the year

Highlights 2016

- Net collections increased by 24% to EUR 34.2M (2015: EUR 27.5M)
- Cash EBITDA increased by 35% and amounted to EUR 29.3M (2015: EUR 21.7M)
- Net profit for the year of EUR 5.3M (2015: profit of EUR 1.8M)
- A landmark transaction for DDM was completed in July, with EUR 17M invested in Slovenia
- EUR 11M bond at 13% interest was issued in July to finance a portfolio acquisition in Slovenia
- Loan repayments of about EUR 9.2M in H2 2016
- Pipeline of future transactions remains strong

Highlights fourth quarter 2016

- Net collections decreased by 34% to EUR 10.4M (Q4 2015: EUR 15.9M)
- Cash EBITDA decreased by 38% and amounted to EUR 8.7M (Q4 2015: EUR 14.2M)
- Net profit for the period of EUR 1.9M (Q4 2015: profit of EUR 4.8M)
- Gross ERC at the end of December 2016 was EUR 79.8M, an increase of 11% (Q4 2015: EUR 72.2M)
- Cash flows continued to be significantly stronger following the acquisition in Slovenia

Significant events after the end of the year

- Further loan repayments of approximately EUR 3.4M were made in January 2017
- A further portfolio was acquired in the Czech Republic for approximately EUR 5M
- EUR 50M of senior secured bonds at 9.5% were issued in January 2017, with the proceeds used to refinance existing debt within the DDM Group and for future portfolio acquisitions
- Share issue with pre-emptive subscription rights for the existing shareholders of up to SEK 104 million (approximately EUR 11 million) was proposed by the Board of Directors to support the expected continued growth in core markets

Amounts in EUR (unless specified otherwise)	**1 Oct - 31 Dec 2016**	**1 Oct - 31 Dec 2015**	**Full Year 2016**	**Full Year 2015***
Net collections	10,444,832	15,872,355	34,225,117	27,507,520
Revenue from management fees	324,901	–	1,206,648	–
Operating expenses**	(2,026,720)	(1,716,133)	(6,148,813)	(5,812,152)
Cash EBITDA	8,743,013	14,156,222	29,282,952	21,695,368
Amortization, revaluation and impairment of invested assets	(5,725,044)	(5,983,181)	(19,305,753)	(11,581,231)
Operating profit	2,986,546	8,130,893	9,843,199	9,966,782
Net profit for the period	1,870,905	4,750,163	5,340,761	1,848,225
Selected key figures				
Total assets	66,375,073	55,211,387	66,375,073	55,211,387
Net debt	28,776,726	33,377,991	28,776,726	33,377,991
Equity ratio	31.0%	15.0%	31.0%	15.0%
Cash flow from operating activities before working capital changes	6,963,175	(4,297,589)	20,172,782	(2,541,721)
Gross ERC 120 months (EUR M)	79.8	72.2	79.8	72.2
Earnings per share	0.21	0.67	0.65	0.26
Average number of shares during the period	9,040,298	7,100,000	8,223,888	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

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

The information in this interim and full year 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 28 February 2017 at 8:00 a.m. CET.

DDM Holding AG is a specialized multinational investor and manager of distressed assets.

Comment by the CEO

We are very proud to present strong results for the year as we continued to deliver on our strategy through a number of significant and important steps in growing and developing the company over the past 12 months. We successfully completed a share capital increase in the second quarter of 2016. These proceeds, along with a EUR 11M bond, were used to acquire a landmark portfolio for DDM in July. Strong performance from both this and the large Hungarian portfolio acquired at the end of 2015 generated significant cash flows and enabled DDM to make substantial loan repayments of about 9.2M in H2 2016.

These positive developments have continued in 2017 and DDM successfully issued EUR 50M of senior secured bonds in January. The new bonds have a final maturity date in January 2020 and a 9.5% coupon rate, which is significantly lower than our previous financing cost. This is another important step in improving the capital structure and lowering our cost of funding. Part of the proceeds were used to refinance existing debt within the DDM Group, with the balance to be used for future portfolio acquisitions. Following the refinancing, on 13 February 2017 the Board of Directors of DDM proposed a share issue, with pre-emptive subscription rights for the existing shareholders of up to SEK 104 million (approximately EUR 11 million), to be approved by an extraordinary general meeting. The Rights Issue is carried out to further strengthen DDM's balance sheet, lower our cost of capital, facilitating the issuance of more debt and increasing DDM's ability to capture attractive growth opportunities in the Company's markets.

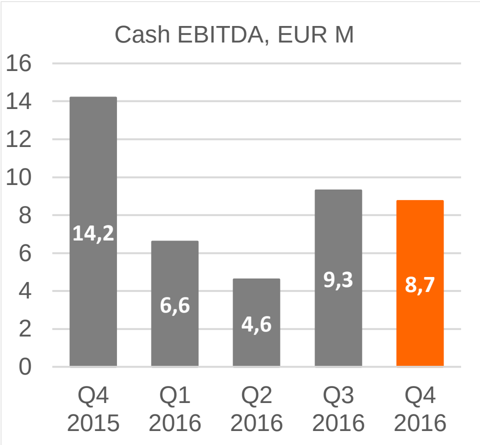
We continue to have a significant and strong pipeline, and are pursuing several attractive investment opportunities that are expected to close in Q2 and Q3 2017. The focus continues to be on our existing markets, in addition to some neighboring countries where we are evaluating both consumer and corporate portfolios. Consistent with DDMs track-record we are now working intensively on the due diligence processes, confirming that the portfolios meet our investment and return requirements.

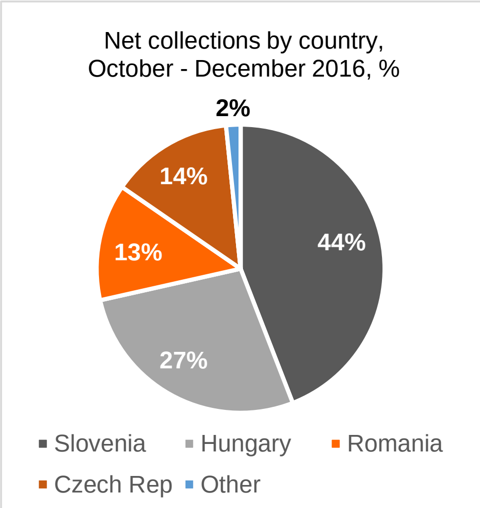
Net collections in the fourth quarter of 2016 decreased by 34% compared to the fourth quarter of 2015 despite the strong performance of the recent Slovenian acquisition, as the prior year benefitted from the significant Hungarian acquisition in the quarter. However, for the full year 2016 net collections increased by 24% compared to the full year 2015. Revenue from management fees were EUR 0.3M in the fourth quarter of 2016 and EUR 1.2M for the full year 2016. Revenue from management fees is a material revenue stream in 2016 and therefore it is now presented separately (previously included in net collections).

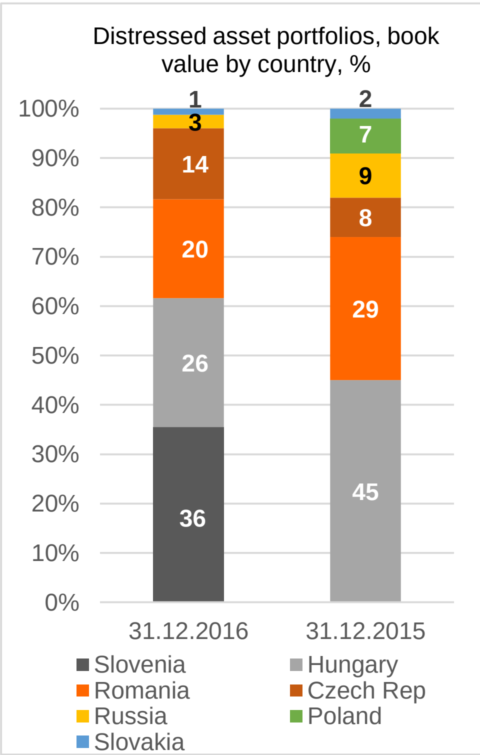
Operating expenses were EUR 2.0M in the quarter and EUR 6.1M for the full year, with the increase in the fourth quarter partially driven by some non-recurring operating expenses in addition to the acquisition in Slovenia. Cash EBITDA for the fourth quarter amounted to EUR 8.7M, a decrease of 38% compared the same period in 2015, driven by the lower net collections. For the full year 2016 cash EBITDA was EUR 29.3M, an increase of 35% compared to 2015.

Financial expenses decreased to EUR 1.7M in the fourth quarter compared to EUR 1.8M in the third quarter. This was due to the full redemption on 30 September of the SEK 31M (EUR 3.3M) subordinated notes and the repayment of EUR 2M of short-term borrowings in Q3, in addition to EUR 4.5M of repayments made by 31 December 2016 relating to the recently issued EUR 11M bond.

The net profit for Q4 2016 of EUR 1.9M benefitted from a tax income of EUR 0.9M, mainly due to the recognition of deferred tax assets on tax losses carried forward. The full year 2016 result was supported by foreign exchange gains of about EUR 1.9M, compared to a foreign exchange loss of approximately EUR 2.1M in 2015.







Gross ERC at the end of 2016 was EUR 79.8M, an increase of 11% compared to the end of 2015, as acquisitions in 2016 more than offset amortization, revaluation and impairment on existing portfolios.

Gustav Hultgren, CEO, DDM Holding AG

Cash flow from operating activities before working capital changes was EUR 7.0M in the fourth quarter, compared to negative EUR 4.3M for the same period last year, benefitting from the large portfolios in Slovenia and Hungary. Cash flow from operating activities before working capital changes for the full year 2016 was EUR 20.2M, compared to negative EUR 2.5M in 2015. On the back of the strong cash flows, further loan repayments of approximately EUR 1.6M were made during the fourth quarter of 2016 relating to the recently issued EUR 11M bond.

At 31 December 2016 DDM had a significant cash balance of EUR 10.6M. Since the end of the year further loan repayments of approximately EUR 3.4M were made in January 2017 on the recently issued EUR 11M bond, and DDM has acquired a further portfolio in the Czech Republic for approximately EUR 5M. This was the third portfolio that we have acquired from the seller, confirming DDM's reputation as a trustworthy buyer.

While considering that DDM has had strong profitable growth over the past twelve months, and we expect this trend to continue going forward, the Group's rate of growth and financial results will vary from quarter to quarter, impacted by the timing of significant acquisitions. In addition, the bond refinancing will result in a write-off of about EUR 2M of capitalized transaction costs relating to the old bonds in the first quarter of 2017. 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.

Market outlook

We continue to see a strong pipeline of portfolios for sale across our region, with returns and characteristics that match our investment criteria. DDM continues to receive a significant number of invites to bid for attractive portfolios and we are well placed to continue our rapid expansion. Given the large amount of investment opportunities, funding continues to be a key focus to sustain growth. As previously communicated, our strategy is to seek additional funding, both equity and debt, targeting further improvements in our capital structure. In 2017 our target is to invest more than EUR 50M in new portfolios. With the improved financial position owing to the refinancing of the existing debt and the significant recent acquisitions made, 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:

Extraordinary General Meeting:	8 March 2017
Annual report for 2016:	31 March 2017
Interim report for January – March 2017:	11 May 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, 28 February 2017
DDM Holding AG
Gustav Hultgren, CEO

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 28 February 2017, 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 28 February 2017, 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 62, CH: +41 225 675 548 or UK: +44 203 008 9801.

Consolidated Income Statement

Amounts in EUR	Notes	1 Oct - 31 Dec 2016	1 Oct - 31 Dec 2015	Full Year 2016	Full Year 2015*
Revenue on invested assets	**8**	**4,719,788**	**9,889,174**	**14,919,364**	**15,926,289**
Reconciliation of revenue on invested assets:					
Net collections		*10,444,832*	*15,872,355*	*34,225,117*	*27,507,520*
Amortization of invested assets		*(5,584,357)*	*(1,569,591)*	*(18,623,472)*	*(7,426,540)*
Revaluation and impairment of invested assets		*(140,687)*	*(4,413,590)*	*(682,281)*	*(4,154,691)*
Revenue from management fees	**8**	**324,901**	–	**1,206,648**	–
Personnel expenses		(1,365,895)	(1,033,995)	(3,949,123)	(3,826,928)
Consulting expenses		(425,452)	(507,396)	(1,247,499)	(1,206,642)
Other operating expenses		(235,373)	(174,742)	(952,191)	(778,582)
Amortization and depreciation of tangible and intangible assets		(31,423)	(42,148)	(134,000)	(147,355)
Operating profit		**2,986,546**	**8,130,893**	**9,843,199**	**9,966,782**
Financial income		73	–	32,028	30,152
Financial expenses		(1,717,770)	(1,687,500)	(6,663,378)	(5,961,069)
Unrealized exchange profit / (loss)		(214,825)	(1,335,121)	2,111,163	(1,706,652)
Realized exchange profit / (loss)		(73,935)	(137,012)	(256,829)	(426,702)
Net financial expenses		**(2,006,457)**	**(3,159,633)**	**(4,777,016)**	**(8,064,271)**
Profit before income tax		**980,089**	**4,971,260**	**5,066,183**	**1,902,511**
Tax income / (expense)		890,816	(221,097)	274,578	(54,286)
Net profit for the period		**1,870,905**	**4,750,163**	**5,340,761**	**1,848,225**
Earnings per share before and after dilution		0.21	0.67	0.65	0.26
Average number of shares		9,040,298	7,100,000	8,223,888	7,100,000
Number of shares at the end of period		9,040,298	7,100,000	9,040,298	7,100,000

* Audited

Consolidated Statement of Comprehensive Income

Amounts in EUR	**1 Oct - 31 Dec 2016**	**1 Oct - 31 Dec 2015**	**Full Year 2016**	**Full Year 2015***
Net profit for the period	**1,870,905**	**4,750,163**	**5 340 761**	**1,848,225**
Other comprehensive income for the period				
Items that will not be reclassified to profit or loss:				
Actuarial gain / (loss) on the defined benefit commitments (pension)	550,716	(303,811)	550,716	(303,811)
Deferred tax assets on post-employment benefit commitments	(33,859)	46,781	(33,859)	12,345
Items that may subsequently be reclassified to profit or loss:				
Currency translation differences	(80,714)	(58,361)	(51,843)	(61,863)
Other comprehensive income for the period, net of tax	**436,143**	**(315,391)**	**465,014**	**(353,329)**
Total comprehensive income for the period	**2,307,048**	4,434,772	**5,805,775**	**1,494,896**

* Audited

Consolidated Balance Sheet

Amounts in EUR	Notes	31 December 2016	31 December 2015*
ASSETS			
Non-current assets			
Goodwill	6	4,160,491	4,160,491
Intangible assets	6	1,636,954	1,748,213
Tangible assets	5	62,948	69,505
Interests in associates		600,000	600,000
Distressed asset portfolios	4	32,471,721	22,253,808
Other long-term receivables from investments	4	11,447,384	18,306,865
Deferred tax assets	3	1,288,752	108,032
Other non-current assets		1,332,496	–
Total non-current assets		**53,000,746**	**47,246,914**
Current assets			
Accounts receivable		1,660,415	4,130,762
Other receivables		909,887	299,955
Prepaid expenses and accrued income		204,959	142,181
Cash and cash equivalents		10,599,066	3,391,575
Total current assets		**13,374,327**	**7,964,473**
TOTAL ASSETS		**66,375,073**	**55,211,387**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		7,540,117	5,785,676
Share premium		15,511,912	10,777,630
Other reserves		(583,880)	(547,390)
Accumulated losses incl. net earnings for the period		(1,892,768)	(7,735,033)
Total shareholders' equity attributable to Parent Company's shareholders		**20,575,381**	**8,280,883**
Long-term liabilities			
Loans	7	31,191,913	30,144,539
Post-employment benefit commitments		473,592	812,178
Deferred tax liabilities	3	231,370	60,161
Total long-term liabilities		**31,896,875**	**31,016,878**
Current liabilities			
Accounts payable		1,568,110	5,757,817
Accrued interest		2,417,823	2,519,292
Accrued expenses and deferred income		1,733,005	1,011,490
Loans	7	8,183,879	6,625,027
Total current liabilities		**13,902,817**	**15,913,626**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**66,375,073**	**55,211,387**

* Audited

Consolidated Cash Flow Statement

Amounts in EUR	1 Oct - 31 Dec 2016	1 Oct - 31 Dec 2015	Full Year 2016	Full Year 2015*
Cash flow from operating activities				
Operating profit	2,986,546	8,130,893	9,843,199	9,966,782
Adjustments for non-cash items:				
Amortization of invested assets	*5,584,357*	*1,569,591*	*18,623,472*	*7,426,540*
Depreciation, amortization and impairment of tangible and intangible assets	*31,423*	*42,148*	*134,000*	*147,355*
Revaluation and impairment of invested assets	*140,687*	*4,413,590*	*682,281*	*4,154,691*
*Other items not affecting cash***	*(819,701)*	*(16,750,380)*	*(3,354,292)*	*(16,435,602)*
Interest paid	(684,818)	(1,703,431)	(5,480,564)	(7,801,487)
Interest received	73	–	78	–
Tax paid	(275,392)	–	(275,392)	–
Cash flow from operating activities before working capital changes	**6,963,175**	**(4,297,589)**	**20,172,782**	**(2,541,721)**
Working capital adjustments				
(Increase) / decrease in accounts receivable	2,643,902	(2,598,458)	2,470,347	(386,362)
(Increase) / decrease in other receivables	(2,008,621)	574,953	(2,005,206)	387,835
Increase / (decrease) in accounts payable	24,463	5,170,419	(887,808)	508,871
Increase / (decrease) in other current liabilities	1,358,069	(229,364)	500,046	(706,046)
Net cash flow from operating activities	**8,980,988**	**(1,380,039)**	**20,250,161**	**(2,737,423)**
Cash flow from investing activities				
Purchases of distressed asset portfolios and other long-term receivables from investments	–	991,021	(24,626,867)	(2,475,613)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	–	–	2,300,000	–
Purchases of associates	–	–	–	(600,000)
Purchases of tangible and intangible assets	–	89,705	(9,882)	(106,018)
Net cash flow received / (used) in investing activities	**–**	**1,080,726**	**(22,336,749)**	**(3,181,631)**
Cash flow from financing activities				
Proceeds from issuance of ordinary shares	–	–	1,754,441	–
Share premium	(65,699)	–	4,734,282	–
Proceeds from issuance of loans	–	1,341,938	14,967,249	1,341,938
Repayment of loans	(1,585,000)	1,796,281	(12,138,999)	(969,594)
Net cash flow received / (used) in financing activities	**(1,650,699)**	**3,138,219**	**9,316,973**	**372,344**
Cash flow for the period	**7,330,289**	**2,838,906**	**7,230,385**	**(5,546,710)**
Cash and cash equivalents less bank overdrafts at beginning of the period	**3,279,847**	**611,030**	**3,391,575**	**9,000,148**
Foreign exchange gains / (losses) on cash and cash equivalents	(11,070)	(58,361)	(22,894)	(61,863)
Cash and cash equivalents less bank overdrafts at end of the period	**10,599,066**	**3,391,575**	**10,599,066**	**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.

Consolidated Statement of Changes in Equity

Amounts in EUR	Share capital	Share premium	Other reserves	Accumulated losses	Total equity
Balance at 1 January 2015*	**5,785,676**	**10,777,630**	**(194,061)**	**(9,583,258)**	**6,785,987**
Comprehensive income					
Net profit for the year	–	–	–	1,848,225	**1,848,225**
Other comprehensive income					
Actuarial gain / (loss) on defined benefit commitment	–	–	(303,811)	–	**(303,811)**
Currency translation differences	–	–	(61,863)	–	**(61,863)**
Deferred tax assets	–	–	12,345	–	**12,345**
Total comprehensive income	**–**	**–**	**(353,329)**	**1,848,225**	**1,494,896**
Transactions with owners					
Total transactions with owners	–	–	–	–	–
Balance at 31 December 2015	**5,785,676**	**10,777,630**	**(547,390)**	**(7,735,033)**	**8,280,883**
Balance at 1 January 2016*	**5,785,676**	**10,777,630**	**(547,390)**	**(7,735,033)**	**8,280,883**
Comprehensive income					
Net profit for the year	–	–	–	5,340,761	**5,340,761**
Other comprehensive income					
Actuarial gain / (loss) on defined benefit commitment	–	–	–	550,716	**550,716**
Currency translation differences	–	–	(2,631)	(49,212)	**(51,843)**
Deferred tax assets	–	–	(33,859)	–	**(33,859)**
Total comprehensive income	**–**	**–**	**(36,490)**	**5,842,265**	**5,805,775**
Transactions with owners					
New share issue	1,754,441	4,734,282	–	–	**6,488,723**
Total transactions with owners	**1,754,441**	**4,734,282**	–	–	**6,488,723**
Balance at 31 December 2016	**7,540,117**	**15,511,912**	**(583,880)**	**(1,892,768)**	**20,575,381**

* 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	31 December 2016	31 December 2015
DDM Group AG	Fully consolidated	Switzerland	100%	100%
DDM Invest I AG	Fully consolidated	Switzerland	100%	100%
DDM Invest II AG	Fully consolidated	Switzerland	100%	100%
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Invest IV AG	Fully consolidated	Switzerland	100%	100%
DDM Invest VII AG	Fully consolidated	Switzerland	100%	–
DDM Invest X AG	Fully consolidated	Switzerland	100%	100%
DDM Invest XX AG	Fully consolidated	Switzerland	100%	100%
DDM Treasury Sweden AB	Fully consolidated	Sweden	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	31 December 2016	31 December 2015
Profinance doo Beograd	Equity method	Serbia	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		31 December 2016	31 December 2015
Balance sheet (spot rate balance sheet date)	SEK/EUR	9.5525	9.1895
Income statement (average rate)	SEK/EUR	9.4250	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). Deferred income tax assets on temporary differences and tax losses carried forward are reported to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized. The amount of deferred tax assets is reduced when they are utilized or when it is no longer deemed likely that they will be utilized. The Company does not benefit from 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, adjusted for revaluation and 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	31 December 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 and impairment 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”. If there is objective evidence that one or more events have taken place that will have a positive impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows then this is recorded 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 amount of future cash flows of the portfolio / receivable and can be estimated reliably. This is recorded within the line “Impairment of invested assets”.

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 “Impairment 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 "Impairment of invested assets").

Distressed asset portfolios and other long-term receivables from investments by currency, EUR	31 December 2016	31 December 2015
EUR	21,601,941	8,010,575
HUF	11,447,384	18,306,865
CZK	6,343,349	3,214,009
RON	3,341,328	4,516,209
RUB	1,183,745	3,637,888
USD	1,358	27,656
CHF	–	1,506,148
PLN	–	1,341,323
Total	**43,919,105**	**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 had the following outstanding borrowings at 31 December 2016:

<u>Bond loan SEK 300M</u>
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 were pledged under the shareholder's agreement. The bond loans were 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 bond at 13% interest has a maturity date of 15 July 2017 and will be repaid during the period. Repayments of approximately EUR 1.6M were made during the fourth quarter of 2016, in accordance with the terms and conditions, which are available in their entirety on our website. The total repayments in 2016 were approximately EUR 4.5M.

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 31 December 2016						
Bond loan, 13% (issued 2013)	–	29,191,913	–	–	–	**29,191,913**
Bond loan, 13% (issued 2016)	6,183,879	–	–	–	–	**6,183,879**
Loans	2,000,000	–	2,000,000	–	–	**4,000,000**
Bank borrowings	–	–	–	–	–	**–**
Total	**8,183,879**	**29,191,913**	**2,000,000**	**–**	**–**	**39,375,792**
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, revaluation and impairment 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 Oct - 31 Dec 2016	1 Oct - 31 Dec 2015	Full Year 2016	Full Year 2015*
Slovenia	4,605,801	(150,000)	9,787,834	2,000,000
Hungary	2,860,618	13,340,340	13,320,397	16,070,713
Czech Republic	1,439,625	936,771	5,622,733	2,029,607
Romania	1,369,663	1,476,605	5,135,223	6,130,417
Russia	112,571	224,487	318,780	1,010,049
Slovakia	56,554	26,804	152,514	73,725
Poland	–	17,348	(112,364)	193,009
Net collections	**10,444,832**	**15,872,355**	**34,225,117**	**27,507,520**
Amortization of invested assets	(5,584,357)	(1,569,591)	(18,623,472)	(7,426,540)
Interest income on invested assets before revaluation and impairment	**4,860,475**	**14,302,764**	**15,601,645**	**20,080,980**
Revaluation of invested assets	–	(4,413,590)	2,978,808	(4,154,691)
Impairment of invested assets	(140,687)	–	(3,661,089)	–
Revenue on invested assets	**4,719,788**	**9,889,174**	**14,919,364**	**15,926,289**
Revenue from management fees	**324,901**	–	**1,206,648**	–

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 is a material revenue stream for the 2016 financial year and therefore we are now presenting it separately (previously included in net collections).

Note 9. Subsequent events

Since the end of the year DDM has acquired a portfolio of distressed assets from a leading bank in the Czech Republic. The total investment amounted to approximately EUR 5M which was fully financed by cash on hand within DDM. In addition, loan repayments of approximately EUR 3.4M were made in January 2017 on the EUR 11M bond issued in July.

EUR 50M of senior secured bonds at 9.5% were issued by DDM Debt AB in January, with the proceeds used to refinance existing debt within the DDM Holding Group and for future portfolio acquisitions. The offering attracted very strong demand from the Nordic investor base where institutional demand dominated the oversubscribed order book. The bonds were issued with a final maturity in January 2020, and the company has applied for the admission of the bonds to trading on Nasdaq Stockholm.

On 13 February 2017 the Board of Directors of DDM proposed an issue of new shares with pre-emptive subscription rights for the existing shareholders of up to SEK 104 million (approximately EUR 11 million), to be approved by an extraordinary general meeting. The Rights Issue is carried out to further strengthen DDM’s balance sheet and lower our cost of capital, facilitating the issuance of more debt, with the intention of increasing DDM’s ability to capture attractive growth opportunities in the Company’s markets over the foreseeable future.

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, revaluation and impairment 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.

Equity ratio
The ratio of shareholders' equity to total assets at the end of the period.

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

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 impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows.

About DDM

DDM Holding AG (First North: DDM) is a leading acquirer and manager of distressed assets, offering the prospect of attractive returns from the expanding Central and Eastern European market. Since 2007, the DDM Group has built a successful platform in Central and 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 Central and 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.

ddm

DDM Holding AG

Schochenmühlestrasse 4
CH-6340 Baar, Switzerland
+41 417 661 420
http://www.ddm-group.ch
investor@ddm-group.ch