DDM HOLDING AG

Corporate Registration Number: CHE-115906312

Q3 interim report | 1 January – 30 September 2017

Significant increase in ERC and new revolving credit facility supporting continued rapid expansion

Highlights third quarter 2017

- Entered Greece, investing EUR 50M
- Further portfolio acquired in the Czech Republic for approximately EUR 12M
- Significantly increased investment guidance by 140% to EUR 120M for 2017
- Super senior revolving credit facility of EUR 17M successfully secured, continuing to lower the cost of funding
- Gross ERC at the end of September 2017 was EUR 255M, a significant increase of 183% (Q3 2016: EUR 90M)*
- Net collections decreased by 37% to EUR 6.6M (Q3 2016: EUR 10.4M)
- Cash EBITDA decreased by 45% and amounted to EUR 5.1M (Q3 2016: EUR 9.3M)
- Net profit for the period of EUR 0.7M (Q3 2016: profit of EUR 3.9M)

Highlights nine months 2017

- Investments in Greece, Croatia, the Czech Republic and Slovenia, totaling approximately EUR 96M
- Net collections increased by 4% to EUR 24.7M (9M 2016: EUR 23.8M)
- Cash EBITDA increased by 3% and amounted to EUR 21.1M (9M 2016: EUR 20.5M)
- Adjusted net profit of EUR 2.0M, excluding non-recurring items related to the refinancing in Q1 2017
- Net loss for the period of EUR 1.1M (9M 2016: profit of EUR 3.5M) due to non-recurring items totaling approximately EUR 3.1M related to the refinancing
- EUR 85M of senior secured bonds at 9.5% issued and listed on Nasdaq Stockholm
- Fully subscribed share issue with pre-emptive subscription rights for existing shareholders of approximately EUR 11M before issuance costs

Significant events after the third quarter

- The second Croatian acquisition was finalized, following regulatory approval

Amounts in EUR '000s (unless specified otherwise)	**1 Jul–30 Sep 2017**	**1 Jul–30 Sep 2016**	**1 Jan–30 Sep 2017**	**1 Jan–30 Sep 2016**	**Full Year 2016****
Net collections	6,611	10,448	24,721	23,780	34,225
Revenue from management fees	297	316	1,323	882	1,207
Operating expenses	(1,806)	(1,489)	(4,927)	(4,122)	(6,149)
Cash EBITDA	5,102	9,275	21,117	20,540	29,283
Amortization, revaluation and impairment of invested assets	(2,009)	(4,316)	(12,387)	(13,581)	(19,306)
Operating profit	3,047	4,925	8,620	6,857	9,843
Net profit / (loss) for the period***	735	3,866	(1,104)	3,470	5,341
Selected key figures					
Total assets	120,056	64,047	120,056	64,047	66,375
Net debt	83,656	37,160	83,656	37,160	28,777
Equity ratio	24.3%	28.6%	24.3%	28.6%	31.0%
Cash flow from operating activities before working capital changes	598	5,990	12,775	13,210	20,173
Gross ERC 120 months (EUR M)*	255	90	255	90	80
Earnings per share before and after dilution (EUR)	0.05	0.43	(0.09)	0.44	0.65
Average number of shares during the period	13,560,447	9,040,298	12,070,288	7,949,766	8,223,888
Total number of shares at the end of the period	13,560,447	9,040,298	13,560,447	9,040,298	9,040,298

* Gross ERC at 30 September 2017 does not include the second transaction in Croatia

** Audited

*** The YTD result for 2017 was negatively impacted by c. EUR 3.1M of non-recurring items due to the bond refinancing in Q1

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 2 November 2017 at 08:00 CET.

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

Comment by the CEO

I am very happy to have been appointed as the CEO of DDM in September and to have been given the opportunity to contribute to the continued success of the company together with the rest of the DDM team. The Company has grown and developed at a fast pace over the last few years and is in an extremely expansive phase, which is shown by our Estimated Remaining Collections (ERC) more than tripling in size since the beginning of this year.

DDM made a number of significant transactions in the quarter, including our first transaction in Greece which completed in early August, establishing a first mover advantage in the country with the highest non-performing loan ratio in Europe. The sizeable portfolio, representing 48% of the total portfolio at the end of the third quarter, is in the process of being on-boarded and the workout has been initiated. The EUR 50M investment not only contributes significantly to DDM's growth but also offers strong potential for further transactions in Greece.

The Company also acquired a portfolio in the Czech Republic in the quarter for approximately EUR 12M. The portfolio was purchased from a seller we have previously acquired portfolios from, confirming DDM's reputation as a preferred buyer. Shortly after the end of the third quarter DDM finalized its second Croatian transaction, the previously announced acquisition of a distressed asset portfolio containing secured corporate receivables.

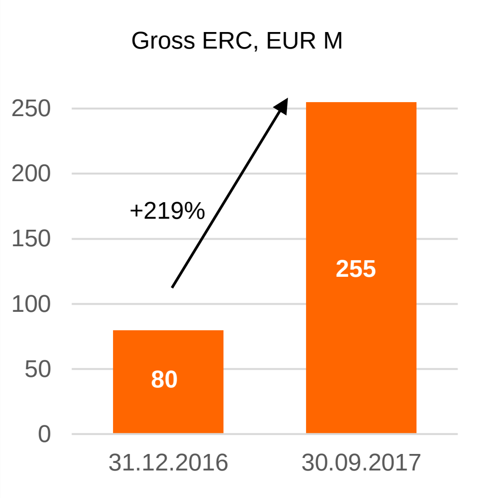
The investments in 2017 total EUR 96M to date, which combined with a continued strong pipeline of portfolios, means we are on track to achieve our revised investment target for 2017 of EUR 120M.

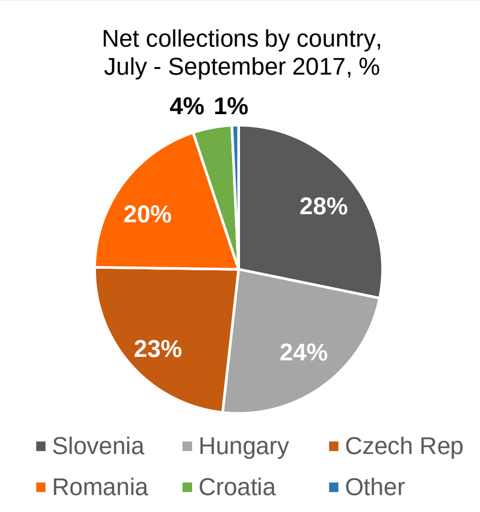
The investments year to date have been funded by cash on hand, following the debt and equity financing activities in the first half of the year, cash flow from operations and the recently announced new super senior revolving credit facility of EUR 17M which was successfully secured at the end of the third quarter. The RCF is another important step in diversifying our funding and continuing to lower our funding cost. We also continue to work actively on the capital structure to match the increased investment target for 2017.

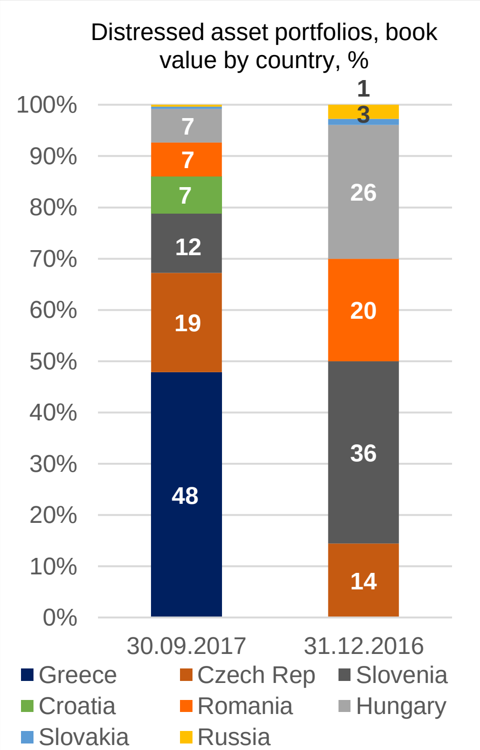
As the recently acquired large portfolios have not yet started to contribute significantly and the prior year benefitted from the large Slovenian acquisition in the quarter, net collections for Q3 2017 decreased by 37% compared to Q3 2016. Net collections increased by 4% for the first nine months of 2017 compared to the same period last year, driven by strong performance YTD from the larger Hungarian portfolio and the larger Slovenian acquisition.

Cash EBITDA for the third quarter amounted to EUR 5.1M, a decrease of 45% compared to the same period in 2016, mainly due to the lower net collections. For the first nine months of 2017 cash EBITDA was EUR 21.1M, 3% higher than the first nine months of 2016. The net result was a profit of EUR 0.7M for the third quarter and a profit of EUR 2.0M for the first nine months of 2017, on an adjusted basis, excluding non-recurring items totaling approximately EUR 3.1M related to the bond refinancing in Q1 2017.

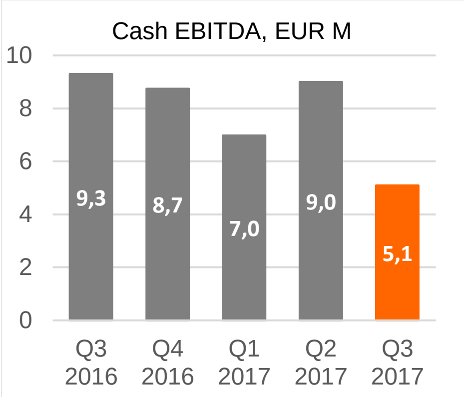
Financial expenses were EUR 2.2M in the third quarter and EUR 9.1M for the first nine months of 2017. The bond refinancing in Q1 2017 resulted in total negative non-recurring items of approximately EUR 3.1M in the quarter due to the non-cash write off of about EUR 1.9M for the remaining transaction costs on the old bonds, in addition to the call premium of approximately EUR 1.2M for the SEK 300M bond. The refinancing resulted in a significantly lower interest rate and an improved cost of funding that the company benefits from.







Gross ERC at the end of the third quarter of 2017 was EUR 255M, a substantial increase of 183% compared to the same period in 2016, as the significant recent acquisitions more than offset amortization, revaluation and impairment on existing portfolios in the past 12 months.



Cash flow from operating activities before working capital changes was EUR 0.6M in the third quarter compared to EUR 6.0M in Q3 2016, due to the lower net collections and higher interest paid in the quarter compared to the prior year. For the first nine months of 2017, cash flow from operating activities before working capital changes was EUR 12.8M compared to EUR 13.2M for the same period last year, due to the negative impact from the aforementioned call premium of EUR 1.2M.

DDM has had strong profitable growth over the past two years, and we expect this trend to continue. However, the Group's rate of growth and financial results will continue to 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.

Market outlook

We continue to see a very strong pipeline of portfolios across our region in both existing and new markets, and a number of sizeable transactions are expected to close before year end. We will continue our rapid expansion as we continue to source attractive portfolios given our proven transaction closing capabilities and strong reputation. We remain positive on the outlook for DDM and feel confident to be able to continue to grow the DDM Group.

Baar, 2 November 2017
DDM Holding AG
Andreas Tuczka, CEO

Financial calendar

DDM intends to publish financial information on the following dates:

Q4 and full-year report for January – December 2017:	28 February 2018
Annual report 2017:	29 March 2018

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.

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 2 November 2017, at 08:00 CET.

CEO Andreas Tuczka and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 2 November 2017, starting at 10:00 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 96, CH: +41 225 675 548 or UK: +44 203 008 9802.

Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Jul – 30 Sep 2017	1 Jul – 30 Sep 2016	1 Jan – 30 Sep 2017	1 Jan – 30 Sep 2016	Full Year 2016*
Revenue on invested assets	**8**	**4,602**	**6,133**	**12,334**	**10,200**	**14,919**
Reconciliation of revenue on invested assets:						
Net collections		*6,611*	*10,448*	*24,721*	*23,780*	*34,225*
Amortization of invested assets		*(2,007)*	*(3,784)*	*(12,597)*	*(13,039)*	*(18,623)*
Revaluation and impairment of invested assets		*(2)*	*(531)*	*210*	*(542)*	*(682)*
Revenue from management fees	**8**	**297**	**316**	**1,323**	**882**	**1,207**
Personnel expenses		(1,006)	(909)	(2,619)	(2,535)	(3,949)
Consulting expenses		(505)	(345)	(1,499)	(722)	(1,247)
Other operating expenses		(295)	(235)	(809)	(865)	(952)
Amortization and depreciation of tangible and intangible assets		(46)	(35)	(110)	(103)	(134)
Operating profit		**3,047**	**4,925**	**8,620**	**6,857**	**9,843**
Financial income		–	32	–	32	32
Financial expenses**		(2,218)	(1,850)	(9,089)	(4,946)	(6,663)
Unrealized exchange (loss) / profit		(136)	1,139	(455)	2,326	2,111
Realized exchange profit / (loss)		47	2	100	(183)	(257)
Net financial expenses		**(2,307)**	**(678)**	**(9,444)**	**(2,771)**	**(4,777)**
Profit / (loss) before income tax		**740**	**4,247**	**(824)**	**4,086**	**5,066**
Tax (expense) / income		(5)	(382)	(280)	(616)	275
Net profit / (loss) for the period		**735**	**3,866**	**(1,104)**	**3,470**	**5,341**
Net profit / (loss) for the period attributable to:						
Owners of the Parent Company		**735**	**3,866**	**(1,104)**	**3,470**	**5,341**
Earnings per share before and after dilution (EUR)		0.05	0.43	(0.09)	0.44	0.65
Average number of shares		13,560,447	9,040,298	12,070,288	7,949,766	8,223,888
Number of shares at the end of period		13,560,447	9,040,298	13,560,447	9,040,298	9,040,298

* Audited

** The bond refinancing in Q1 2017 resulted in total negative non-recurring items of approximately EUR 3.1M in the first quarter due to the non-cash write off of about EUR 1.9M for the remaining transaction costs on the old bonds, in addition to the call premium of approximately EUR 1.2M for the SEK 300M bond

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Jul – 30 Sep 2017	1 Jul – 30 Sep 2016	1 Jan–30 Sep 2017	1 Jan–30 Sep 2016	Full Year 2016*
Net profit / (loss) for the period	**735**	**3,866**	**(1,104)**	**3,470**	**5,341**
Other comprehensive income for the period					
Items that will not be reclassified to profit or loss:					
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	–	551
Deferred tax on post-employment benefit commitments	–	–	–	–	(34)
Items that may subsequently be reclassified to profit or loss:					
Currency translation differences	–	65	–	29	(52)
Other comprehensive income for the period, net of tax	–	**65**	–	**29**	**465**
Total comprehensive income for the period	**735**	**3,931**	**(1,104)**	**3,499**	**5,806**
Total comprehensive income for the period attributable to:					
Owners of the Parent Company	**735**	**3,931**	**(1,104)**	**3,499**	**5,806**

* Audited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	30 September 2017	31 December 2016*
ASSETS			
Non-current assets			
Goodwill	6	4,160	4,160
Intangible assets	6	1,554	1,637
Tangible assets	5	55	63
Interests in associates		600	600
Distressed asset portfolios	4	100,176	32,472
Other long-term receivables from investments	4	6,977	11,447
Deferred tax assets	3	1,162	1,289
Other non-current assets		1,573	1,332
Total non-current assets		**116,257**	**53,001**
Current assets			
Accounts receivable		958	1,660
Other receivables		476	910
Prepaid expenses and accrued income		604	205
Cash and cash equivalents		1,761	10,599
Total current assets		**3,799**	**13,374**
TOTAL ASSETS		**120,056**	**66,375**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		11,780	7,540
Share premium		21,030	15,512
Other reserves		(584)	(584)
Accumulated losses incl. net loss / profit for the period		(2,997)	(1,893)
Total shareholders' equity attributable to Parent Company's shareholders		**29,229**	**20,575**
Long-term liabilities			
Loans	7	85,417	31,192
Post-employment benefit commitments		611	474
Deferred tax liabilities	3	231	231
Total long-term liabilities		**86,259**	**31,897**
Current liabilities			
Accounts payable		962	1,568
Tax liabilities		554	–
Accrued interest		1,390	2,418
Accrued expenses and deferred income		1,662	1,733
Loans	7	–	8,184
Total current liabilities		**4,568**	**13,903**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**120,056**	**66,375**

* Audited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Jul - 30 Sep 2017	1 Jul - 30 Sep 2016	1 Jan - 30 Sep 2017	1 Jan - 30 Sep 2016	Full Year 2016*
Cash flow from operating activities					
Operating profit	3,047	4,925	8,620	6,857	9,843
Adjustments for non-cash items:					
Amortization of invested assets	*2,007*	*3,784*	*12,597*	*13,039*	*18,623*
Revaluation and impairment of invested assets	*2*	*531*	*(210)*	*542*	*682*
Depreciation, amortization and impairment of tangible and intangible assets	*46*	*35*	*110*	*103*	*134*
Other items not affecting cash	*(87)*	*(933)*	*259*	*(2,535)*	*(3,354)*
Interest paid	(4,417)	(2,353)	(8,569)	(4,796)	(5,481)
Interest received	–	–	6	–	–
Tax paid	–	–	(38)	–	(275)
Cash flow from operating activities before working capital changes	**598**	**5,990**	**12,775**	**13,210**	**20,173**
Working capital adjustments					
(Increase) / decrease in accounts receivable	2,314	(752)	461	(174)	2,470
(Increase) / decrease in other receivables	(202)	123	(778)	3	(2,005)
Increase / (decrease) in accounts payable	(678)	(55)	(606)	(912)	(888)
Increase / (decrease) in other current liabilities	1,103	(251)	1,203	(858)	500
Net cash flow from operating activities	**3,135**	**5,055**	**13,055**	**11,269**	**20,250**
Cash flow from investing activities					
Purchases of distressed asset portfolios and other long-term receivables from investments	(69,069)	(16,878)	(74,662)	(24,627)	(24,627)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	–	2,300	–	2,300	2,300
Purchases of tangible and intangible assets	(4)	(10)	(19)	(10)	(10)
Net cash flow received / (used) in investing activities	**(69,073)**	**(14,588)**	**(74,681)**	**(22,337)**	**(22,337)**
Cash flow from financing activities					
Proceeds from issuance of ordinary shares	–	–	4,240	1,754	1,754
Share premium	–	–	5,518	4,800	4,734
Proceeds from issuance of loans	–	10,453	83,023	14,967	14,967
Repayment of loans	–	(7,585)	(39,645)	(10,554)	(12,139)
Net cash flow received / (used) in financing activities	**–**	**2,868**	**53,136**	**10,968**	**9,317**
Cash flow for the period	**(65,938)**	**(6,665)**	**(8,490)**	**(100)**	**7,230**
Cash and cash equivalents less bank overdrafts at beginning of the period	**67,725**	**10,090**	**10,599**	**3,392**	**3,392**
Foreign exchange gains / (losses) on cash and cash equivalents	(26)	(146)	(348)	(12)	(23)
Cash and cash equivalents less bank overdrafts at end of the period	**1,761**	**3,280**	**1,761**	**3,280**	**10,599**

* Audited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Share premium	Other reserves	Accumulated losses incl. net loss / profit for the period	Total equity
Balance at 1 January 2016*	**5,786**	**10,778**	**(547)**	**(7,735)**	**8,281**
Net (loss) / profit for the period	–	–	–	3,470	**3,470**
Other comprehensive income					
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	–	**–**
Currency translation differences	–	–	37	(8)	**29**
Deferred tax on post-employment benefit commitments	–	–	–	–	–
Total comprehensive income	**–**	**–**	**37**	**3,462**	**3,499**
Transactions with owners					
New share issue	1,754	4,800	–	–	**6,554**
Total transactions with owners	**1,754**	**4,800**	–	–	**6,554**
Balance at 30 September 2016	**7,540**	**15,578**	**(510)**	**(4,273)**	**18,334**
Balance at 1 January 2017*	**7,540**	**15,512**	**(584)**	**(1,893)**	**20,575**
Net (loss) / profit for the period	–	–	–	(1,104)	**(1,104)**
Other comprehensive income					
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	–	–
Currency translation differences	–	–	–	–	–
Deferred tax on post-employment benefit commitments	–	–	–	–	**–**
Total comprehensive income	**–**	**–**	–	**(1,104)**	**(1,104)**
Transactions with owners					
New share issue	4,240	5,518	–	–	**9,758**
Total transactions with owners	**4,240**	**5,518**	–	–	**9,758**
Balance at 30 September 2017	**11,780**	**21,030**	**(584)**	**(2,997)**	**29,229**

* 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. All amounts are reported in thousands of Euros (EUR k), unless stated otherwise. Rounding differences may occur. These interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting.

As of 1 January 2017 there are clarifications of several IFRS standards. IAS 12 Income Taxes has been amended regarding recognition of deferred tax assets for unrealized losses. IAS 7 Statements of Cash Flows has been amended and IFRS 12 Disclosure of Interests in Other Entities has been clarified. These amendments were applicable as of 1 January 2017, but have not yet been endorsed by the EU. The changes are not expected to have a material effect on the financial statements of the Group.

In all other material aspects, 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 2016. 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 2016, which also includes a description of the material risks and uncertainties facing the Company. 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.

Subsidiaries	Consolidation method	Domicile	30 September 2017	31 December 2016
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%	100%
DDM Invest X AG	Fully consolidated	Switzerland	100%	100%
DDM Invest XX AG	Fully consolidated	Switzerland	100%	100%
DDM Debt AB	Fully consolidated	Sweden	100%	100%
DDM Finance AB	Fully consolidated	Sweden	100%	100%
DDM Treasury Sweden AB	Fully consolidated	Sweden	100%	100%
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	100%	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 2017	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. In 2016 the total annual expense was recorded in Q4 2016. From 1 January 2017 one quarter of the estimated annual post-employment benefit commitment has been recorded in the consolidated interim financial statements of DDM Holding AG per quarter. Management decided that it was appropriate to keep the actuarial assumptions unchanged compared to year-end 2016.

Note 2. Currency translation

All entities prepare their financial statements in their functional currency. For DDM Treasury Sweden AB this was Swedish Kronor (SEK) until 31 December 2016. From 1 January 2017 DDM Treasury Sweden AB's functional currency, along with all other fully consolidated group entities, is Euro (EUR).

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 have group taxation; 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	30 September 2017	31 December 2016
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
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”.

If the fair value of the investment at the acquisition date exceeds the purchase price, the difference results in a “gain on bargain purchase” in the income statement within the line “net collections”. The gain on bargain purchase relates to the fair value measurement of the investment (purchase price allocation).

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 lines “Revaluation of invested assets” or “Impairment of invested assets” respectively).

The carrying values of distressed asset portfolios and other long-term receivables from investments are distributed by currency as follows:

Distressed asset portfolios and other long-term receivables from investments by currency EUR ‘000s	**30 September 2017**	**31 December 2016**
EUR	68,578	21,602
CZK	20,707	6,343
HRK	7,807	–
HUF	6,977	11,447
RON	2,709	3,341
RUB	374	1,184
USD	1	1
Total	**107,153**	**43,919**

The directors consider there to be no material differences between the financial asset values in the consolidated balance sheet and their fair value.

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 the “FUSION” computer software that was developed in-house in cooperation with external IT consultancy firms that has a finite useful life. FUSION 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 or at any time if an indication of impairment exists.

Note 7. Borrowings

The Group had the following outstanding borrowings at the balance sheet dates of 30 September 2017 and/or 31 December 2016:

Revolving credit facility EUR 17M
DDM Debt AB (publ) ("DDM Debt") agreed a super senior revolving credit facility of EUR 17M with a Swedish bank on 29 September 2017, however this was not drawn-down at the end of the third quarter. The revolving credit facility is available to finance acquisitions and for general corporate purposes. The facility is for an initial six month term, with the possibility to be extended for a further six months. The revolving credit facility is permitted under the current EUR 85 million senior secured bond framework (ISIN: SE0009548332).

Bond loan EUR 85M
EUR 50M of senior secured bonds at 9.5% were issued by DDM Debt AB (publ) on 30 January 2017, within a total framework amount of EUR 85M. The bonds with ISIN number SE0009548332 have a final maturity date of 30 January 2020 and are listed on the Corporate Bond list at Nasdaq Stockholm. The proceeds were used to refinance existing debt within the DDM Group, with the remaining balance of about EUR 10M used for portfolio acquisitions.

In April 2017, DDM Debt successfully completed a EUR 35M tap issue under the EUR 85M senior secured bond framework. The bond tap issue was placed at a price of 101.5%, representing a yield to maturity of c. 9%.

DDM Debt's financial instrument contains a number of financial covenants, including limits on certain financial indicators. DDM's management carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded.

DDM Debt AB has pledged the shares in its subsidiaries as security under the terms and conditions. Certain bank accounts are also pledged in favor of the bond agent and the bondholders as part of the bond terms. DDM Finance AB is a guarantor of the bonds. In addition, the investors receive a first ranking share pledge over the shares of DDM Debt AB and any downstream loans to DDM Debt AB's subsidiaries are pledged to the investors as intercompany loans. The Terms and Conditions of DDM Debt's senior secured bonds contain a number of restrictions, including relating to distributions, the nature of the business, financial indebtedness, disposals of assets, dealings with related parties, negative pledges, new market loans, mergers and demergers, local credits and intercompany loans. The Terms and Conditions are available in their entirety on our website.

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, and EUR 2M was repaid during the first quarter of 2017. The outstanding EUR 2M loan has a maturity date of 1 October 2019.

Bond loan SEK 300M
A bond loan was issued in June 2013, totaling SEK 300M 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 closed on 11 June 2015 and the Notes Exchange became effective on 23 June 2015.

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. Following the amendment and extension in June 2015, the Swiss Federal Tax Administration ruled that Swiss withholding tax of 35% is applicable. Holders of the bonds were entitled to a refund from the Swiss Federal Tax Administration, subject to them fulfilling the conditions for refund. There was 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.

The bonds were voluntarily fully redeemed by DDM Treasury on 20 February 2017 in connection with the issuance of the EUR 50M bond loan (see "Bond loan EUR 85M" section above for details). In connection with the redemption, the bond holders were paid the applicable call option amount, being 104% of the nominal amount, plus accrued but unpaid interest.

Bond loan EUR 11M
A bond loan totaling EUR 11M was issued by DDM Debt in July 2016. The bond at 13% interest had a maturity date of 15 July 2017 and mandatory repayments during the period. Repayments of approximately EUR 4.5M were made in 2016, and further repayments of EUR 3.4M were made in January 2017. DDM Debt voluntarily fully redeemed the remaining outstanding nominal amount of the bonds of EUR 3.1M plus accrued but unpaid interest on 20 February 2017, in connection with the issuance of the EUR 50M bond loan (see "Bond loan EUR 85M" section above for details).

Maturity profile and carrying value of borrowings:

EUR '000s	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 2017						
Bond loan, 9.5%	–	–	83,417	–	–	**83,417**
Loans	–	–	2,000	–	–	**2,000**
Total	**–**	**–**	**85,417**	**–**	**–**	**85,417**
at 31 December 2016						
Bond loan, 13% (issued 2013)	–	29,192	–	–	–	**29,192**
Bond loan, 13% (issued 2016)	6,184	–	–	–	–	**6,184**
Loans	2,000	–	2,000	–	–	**4,000**
Total	**8,184**	**29,192**	**2,000**	**–**	**–**	**39,376**

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.

Fair value of borrowings:

EUR '000s	IAS 39 category	Fair value category	Fair value	Carrying value
at 30 September 2017				
Bond loan, 9.5%	Financial liabilities at amortized cost	Level 2	87,975	83,417
Loans	Financial liabilities at amortized cost	Level 2	2,000	2,000
Total			**89,975**	**85,417**
at 31 December 2016				
Bond loan, 13% (issued 2013)	Financial liabilities at amortized cost	Level 2	29,192	29,192
Bond loan, 13% (issued 2016)	Financial liabilities at amortized cost	Level 2	6,184	6,184
Loans	Financial liabilities at amortized cost	Level 2	4,000	4,000
Total			**39,376**	**39,376**

The levels in the hierarchy are:

- Level 1 – Quoted prices on active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (such as prices) or indirectly (such as derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

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 '000s	1 Jul – 30 Sep 2017	1 Jul – 30 Sep 2016	1 Jan–30 Sep 2017	1 Jan–30 Sep 2016	Full Year 2016
Net collections by country:					
Slovenia	1,865	5,182	8,324	5,182	9,788
Hungary	1,558	2,401	7,162	10,460	13,320
Czech Republic	1,550	1,432	4,895	4,183	5,623
Romania	1,300	1,329	3,813	3,766	5,135
Croatia	289	–	289	–	–
Russia	33	66	143	206	319
Slovakia	16	44	95	96	153
Poland	–	(6)	–	(112)	(112)
Net collections	**6,611**	**10,448**	**24,721**	**23,780**	**34,225**
Amortization of invested assets	(2,007)	(3,784)	(12,597)	(13,039)	(18,623)
Interest income on invested assets before revaluation and impairment	**4,604**	**6,664**	**12,124**	**10,741**	**15,602**
Revaluation of invested assets	388	241	813	360	2,979
Impairment of invested assets	(390)	(772)	(603)	(901)	(3,661)
Revenue on invested assets	**4,602**	**6,133**	**12,334**	**10,200**	**14,919**
Revenue from management fees	**297**	**316**	**1,323**	**882**	**1,207**

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.

Note 9. Subsequent events

DDM finalized the previously announced acquisition of a distressed asset portfolio containing secured corporate receivables in Croatia from a leading international bank. DDM received the approval from the Croatian National Bank and finalized the acquisition, as set out in the press release dated 30 June 2017. The investment amounts to approximately EUR 21 million. The acquisition was financed by a combination of cash on hand and the recently announced revolving credit facility.

Definitions

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

Amortization of invested assets
The carrying value of invested assets 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 amortization, 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
Invested assets 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.

Invested assets
DDM's invested assets consist of purchases of distressed asset portfolios and other long-term receivables from investments.

Net collections
Gross collections in respect of the invested assets held by DDM minus commission and fees 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, consulting and other operating expenses.

Revaluation of invested assets
Invested assets 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 multinational investor in and manager of distressed assets, offering the prospect of attractive returns from the expanding Southern, Central and Eastern European market. Since 2007, the DDM Group has built a successful platform in Southern, Central and Eastern Europe, currently managing 2.3 million receivables with a nominal value of over EUR 3.5BN.

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 Southern, 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

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