DDM HOLDING AG

2016 ANNUAL REPORT

ddm

MULTINATIONAL INVESTOR AND MANAGER OF DISTRESSED ASSETS

The DDM Holding AG
2016 Annual Report

DDM Holding AG ("DDM" or the "Company") is a Swiss company headquartered in Baar. Corporate registration number CHE-115906312. DDM together with its subsidiaries are referred to as the "Group".

Values are expressed in euro (EUR), thousands of euros as EUR 000s and millions of euros as EUR M. Unless otherwise stated, figures in parentheses relate to the preceding financial year, 2015.

Data on markets and competitors are DDM's own estimates, unless another source is specified. This report contains forward-looking statements that are based on the current expectations of DDM's management. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of factors including changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors.

Erik Penser Bank AB is DDM Holding AG's Certified Adviser.

DDM's annual and interim reports are available in English from the Company's website >>.

Any questions regarding financial data published by DDM may be submitted to: DDM's Investor Relations, tel. +46 8 4080 9030 or email: investor@ddm-group.ch

Photos: Shutterstock (cover), Jacqueline Fellmann (p. 6, 8 and 19–20). Illustration: Idéfolket (p. 10).

Cover illustration: DDM secures your ultimate business ambitions.

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2016

Q1

DDM acquired a new portfolio in the Czech Republic, securing additional debt financing to fund the acquisition.

Q2

APRIL: DDM, in cooperation with a global investment manager, finalized the acquisition of Lombard, a large Hungarian leasing company.
MAY: DDM Holding AG issued 1,940,298 new shares to investors at a price of SEK 33.50 per share, resulting in total cash proceeds of approximately EUR 7M (SEK 65M) before transaction costs.
JUNE: DDM Holding AG held its Annual General Meeting in Zug, Switzerland.

Q3

JULY: DDM completed a landmark transaction in Slovenia and issued a bond of EUR 11 million.
END OF Q3: DDM made significant loan repayments of about EUR 8M, including the redemption of its 18% subordinated notes

Q4

DDM made further significant loan repayments, as announced shortly after the end of the year

ERC 2016 +11%

Estimated Remaining Collections ("ERC") on 31 December 2016 amounted to EUR 79.8M, an increase of 11% compared with the end of 2015.

For more information, see Accounting policies, page 42. Glossary and Financial definitions can be found on page 75.

For an overview of our financial results over the past three years, see page 74.

2016 Highlights

This is DDM

Experienced specialist in an expanding sector

DDM is a specialist acquirer and manager of distressed assets, offering the prospect of attractive returns from the expanding Central and Eastern European market for both performing and non-performing loans. Formed in 2007 by individuals who had previously been successful in building similar businesses, DDM is today a multinational investor in, and manager of, distressed asset portfolios.

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. Changing economic policies and business conditions have also stimulated international banks to review their strategies across Central and Eastern Europe. As a result, banks are increasingly looking to divest portfolios of distressed and other non-core assets. During the few last years, a number of larger financial institutions are exiting a number of countries in Central and Eastern Europe.

For sellers, management of portfolios of distressed assets is a sensitive issue as it concerns the relationship with their customers. It is therefore critical for sellers of portfolios 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. DDM's expertize is key to assess the portfolios, as well as to decide how to open up a dialogue with the debtors. The goal is to establish an instalment plan and in the end achieve an amicable settlement where the debtor has repaid the outstanding amount. DDM evaluates a significant number of investment opportunities every year, resulting in a deep understanding of the market and the ability to identify the best investment opportunities.

The strong trend of increased transaction volumes is expected to continue. This, in combination with DDM's understanding of the complete collection process and a working model where DDM uses specialized local collection agencies instead of their own organization gives DDM a unique advantage on the market. That combined with the proprietary IT-system, FUSION, relations with co-investors and a flexible business model supports DDM's continued growth and its ambitions to maximize shareholder value.

Financial overview

EUR M	2016	2015	% change
Income statement:			
Net collections	**34.2**	**27.5**	24
Revenue from management fees	**1.2**	**–**	n.a.
Cash EBITDA	**29.3**	**21.7**	35
Operating profit	**9.8**	**10.0**	(1)
Net profit for the year	**5.3**	**1.8**	189
Earnings per share, EUR	**0.65**	**0.26**	149
Cash flow statement:			
Cash flow from operating activities before working capital changes	**20.2**	**(2.5)**	n.a.
Cash purchases of distressed asset portfolios and other long-term receivables from investments	**24.6**	**2.5**	895
Balance sheet:			
Total assets	**66.4**	**55.2**	20
Net debt	**28.8**	**33.4**	(14)
Other:			
Average number of shares outstanding during the year	**8,223,888**	**7,100,000**	16
Total number of shares outstanding at the end of the year	**9,040,298**	**7,100,000**	27
Proposed dividend / dividend per share, EUR	**0.00**	**0.00**	–
Average number of employees	**22**	**24**	(8)

2016 Highlights

Further steps in our growth strategy

Landmark transaction results in continued expansion

During 2016 DDM continued to expand with further investments in the Czech Republic and Slovenia. The investment in the first quarter of 2016 in the Czech Republic was the second portfolio we have acquired from the seller, once again confirming our transaction capabilities and DDM as a reputable buyer. The acquisition in Slovenia in July 2016 was the largest in the history of DDM where we hold 100% of the portfolio. In order to finance the transaction we completed a share capital increase of 1,940,298 new shares, raising approximately EUR 7M in equity capital before transaction costs. In addition, we successfully issued our first Euro denominated bond, which matches the currency denomination of the assets in Slovenia. With this large acquisition we established a solid foothold on the important Slovenian market, further demonstrated DDM's transaction capabilities and confirmed our strong reputation in the market

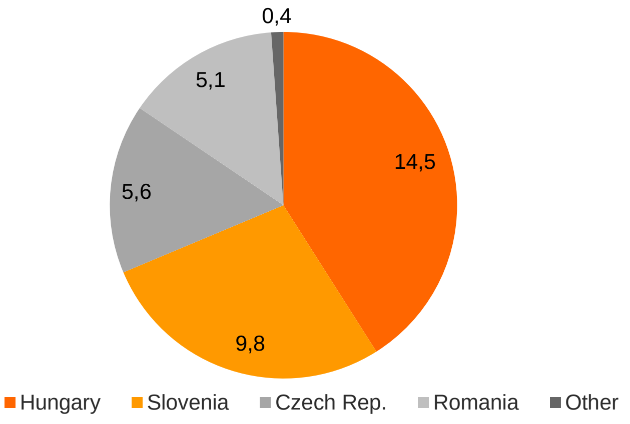
The year also involved significant work with the large Hungarian leasing company acquired at the end 2015 as DDM was appointed to manage the portfolio by the co-investor, a major international investment manager. This portfolio holds both performing and non-performing assets and has performed ahead of expectations in 2016, contributing to DDM's financial results and demonstrating our management capabilities. The portfolio also provides DDM with an on-going management fee from the co-investor.

As we have been present in the market for a number of years, we are gaining ever more trust among the players in the market that view us as a reliable partner that can handle large and complex transactions in the debt market. This provides us with an increasing number of invitations to participate in sales processes both in our existing markets and in new geographies, which fits our plan for further expansion and continued growth.

The challenge for DDM is to match the investment opportunities with an efficient funding structure. We are targeting a long-term and sustainable capital structure and costs. As our reputation is becoming stronger, we expect that this will provide us with better opportunities for funding.

Our continued expansion will be driven by our expertise, strong track-record and relationships in the market. We have an agile and flexible operating model that enables an opportunistic investment strategy, allowing us to capitalise on the opportunities available in the market.

Net collections* by country 2016, EUR M



* Net collections includes revenue from management fees

DDM's progress

2007
- Incorporation of DDM
- Unique business model

2008
- Initial investments made in Russia
- First external funding

2009
- Seven additional portfolios acquired in Romania and Russia, leveraging on data from initial investments
- Start of development of DDM's proprietary IT system, Fusion

2010
- Annual investments in 17 portfolios, totaling EUR 11M

2011
- Strengthened the organization
- Acquired 8 portfolios

2012
- Acquired 15 portfolios

2013
- Embarked on its strategy to significantly scale up its operations
- Issued senior secured bonds of SEK 300M with subsequent listing on the NGM market place in Sweden
- Acquired 17 portfolios

2014
- New issue of 2.6 million shares
- Listing of DDM Holding AG on Nasdaq First North, Stockholm, raising SEK 130M in equity capital
- Broadened geographic scope, entered Slovenia, Poland and re-entered Czech Republic
- Acquired 13 portfolios

2015
- In cooperation with large investment partners, DDM made significant investments in Hungary
- Refinanced the SEK 300M bond loan
- Acquired 5 portfolios

2016
- **New share issue of 1,940,298 shares, raising approximately EUR 7M (SEK 65M) in equity capital before transaction costs**
- **Issued first Euro denominated bond of EUR 11M**
- **A landmark transaction for DDM was completed in July, with EUR 17M invested in Slovenia**
- **Acquired 2 portfolios**

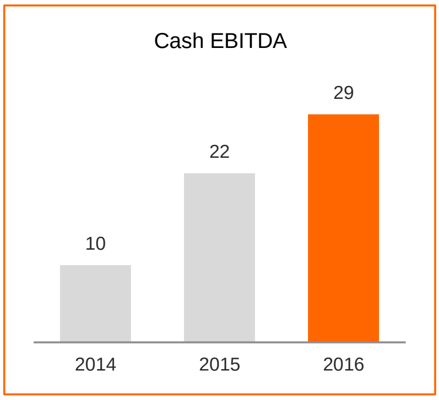
2016 Highlights

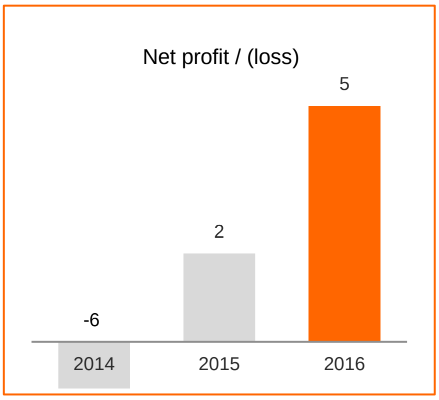
Financial KPI's

"The past 12-24 months have shown a strong positive trend, with 2016 being a landmark year. We ended the year larger, stronger and well-positioned to continue to grow the company significantly in 2017."

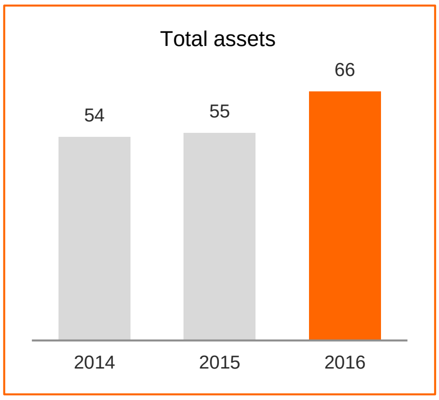
Gustav Hultgren,
CEO of DDM

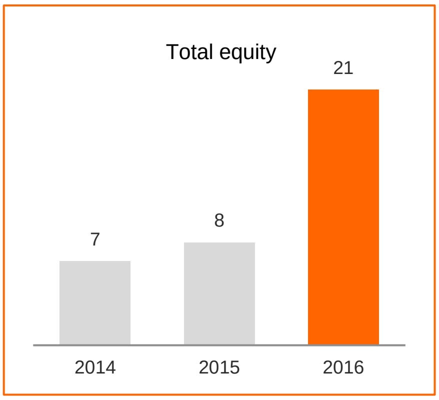
Profitability



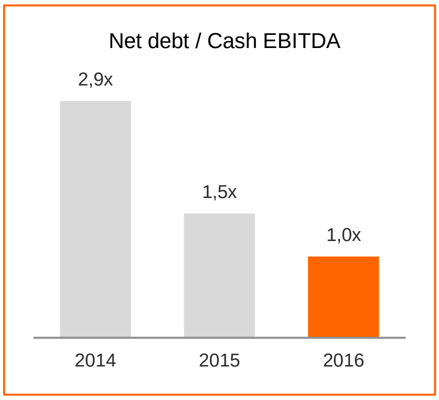


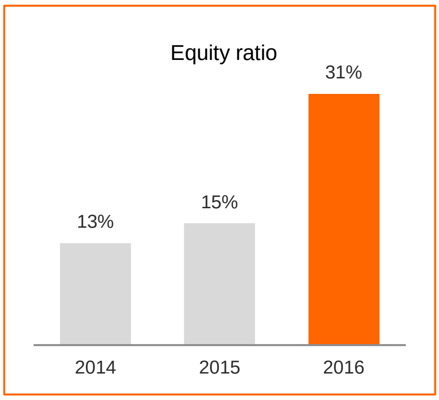
Balance sheet



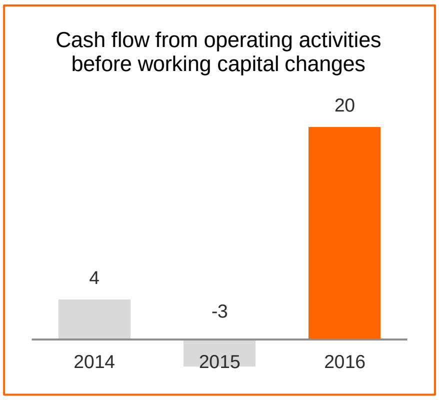


Leverage





Cash Flow



All figures are in EUR million, unless stated otherwise.

CEO'S REPORT

Strong performance from portfolios

Gustav Hultgren,
CEO of DDM

"Our recent transactions have performed ahead of expectations during the year, resulting in significant cash flows. This reconfirms DDM's position as a top-tier regional investor and manager of distressed assets."

DDM's financial year 2016 can largely be summarized by the strong performance of the portfolios acquired both during the year and at the end of 2015. These acquisitions have reconfirmed our transaction capabilities and DDM as a reputable buyer, demonstrating our asset management capabilities to generate value.

Our achievements in 2016 have demonstrated that we have the right resources and people in place to achieve our goals. Our expertize and the trust DDM enjoys in the market enables us to secure and manage large and complex transactions.

Management of acquisitions

During the year we have focused on the implementation and realization of our most recent transactions in Hungary, the Czech Republic and Slovenia, as well as our existing portfolios. In aggregate the portfolios have performed ahead of expectations during the year, benefitting from our management capabilities.

After final approval from the Hungarian National Bank the first cash flows from collections were received in early May from the acquisition made at the end of 2015. We also continued to deliver on our investment strategy across Central and Eastern Europe with the acquisition of a new portfolio in the Czech Republic in the first quarter of 2016. This was the second portfolio we have acquired from the seller, once again confirming our transaction capabilities and DDM as a reputable buyer.

In July 2016 we closed a landmark transaction for DDM when we invested approximately EUR 17M in Slovenia in a portfolio of non-performing banking claims, establishing a solid foothold in the Slovenian market. The acquisition was funded by a share capital increase of 1,940,298 new shares, raising approximately EUR 6.5M in equity capital after transaction costs, and a new bond of EUR 11M issued in July. The bond at 13% interest matures in 12 months and will be repaid during the period.

Relations with partners

An increasing number of international banks are reviewing their strategies and choosing to reduce their geographical footprint, thus reducing their exposures in or exiting Central and Eastern Europe. As a consequence, we are contiuing to see a strong increase in interest to sell financial assets.

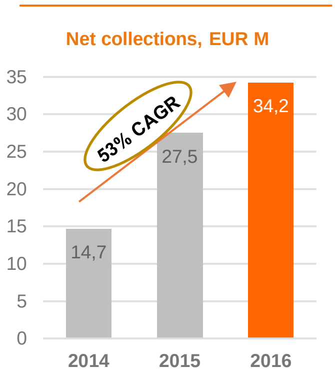
Having been present in the region for a number of years, DDM has built trust among financial institutions seeking a partner that can handle such complex transactions – be it a seller or an investor looking to co-invest funds into our markets.

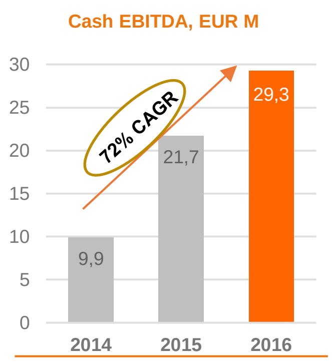
Our geographic focus has shifted over time to the broader Central and Eastern European markets with DDM today an established purchaser of distressed assets in large and growing markets such as the Czech Republic, Hungary, Romania and Slovenia.

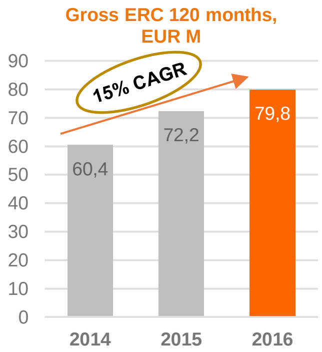
Earnings 2016

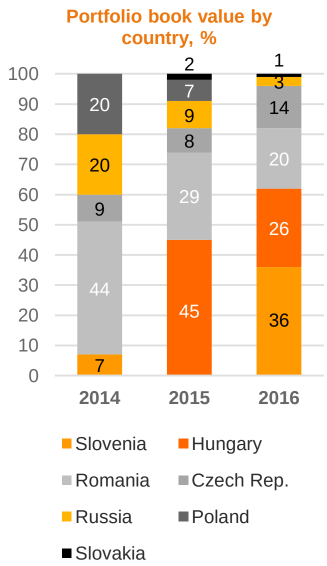
On 31 December 2016, we managed distressed assets with a total nominal value of more than EUR 2 billion spread between 2.3 million cases. As a result of the recent acquisitions ERC grew to EUR 79.8M, an increase of 11% compared to the end of 2015.

For the full year 2016, net collections amounted to EUR 34.2M, an increase of 24 percent compared with 2015. Revenue from management fees amounted to EUR 1.2M in 2016. Cash EBITDA, that is, net collections and revenue from management fees, less operating expenses, amounted to EUR 29.3M, an improvement of 35 percent over the previous year. Cash EBITDA is an important measure for DDM as this measures the cash available for servicing debt and guides the potential for growth based on current funding.









CEO'S REPORT

We continued to manage our portfolios during the year 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 significant debt repayments in addition to the full redemption of the SEK 31M 18% subordinated notes on their maturity date of 30 September 2016. The repayments have enabled DDM to reduce its gross debt and its cost of debt.

Market outlook

In most of the world, capital requirements of financial institutions are increasing. Combined with strategic decisions resulting in financial institutions choosing to exit certain geographic markets and/or product segments, we see strong prospects for continued healthy market growth. Given the large amount of investment opportunities, funding continues to be a key focus to sustain DDM's growth. Our strategy is to seek additional funding, targeting further improvements in our capital structure.

In a market with many investment options, it remains important that we maintain our requirements on portfolio quality and return, consistent with DDM's long track record of successful investments.

We have continued to accomplish a great deal in 2016 through the favourable development of our business and the strengthening of our relationships, making DDM ready for the next stage of our growth journey. I would like to thank all of our colleagues, customers, investors and partners, who have made this possible and look forward to another successful year ahead!

"Our portfolio has performed ahead of expectations during the year, benefitting from our management capabilities."

LETTER FROM THE CHAIRMAN

Kent Hansson,
Chairman of the DDM Board

"Acquisitions are always in line with our strategy to focus on favorable returns based on correct treatment of all debtors."

Dear Shareholders,

In today's financial world banks and other financial institutions have a need to reduce the amount of capital that they have tied up in distressed assets. DDM plays an important role as a partner in this process by acquiring assets from banks in Central and Eastern Europe, most of which are Western European-owned. In each country, DDM then outsources the recovery efforts to leading servicing companies that have all undergone a rigorous selection process and are under strict service level agreements. All recovery efforts are tightly controlled to ensure the fair and ethical treatment of the debtors. Naturally, this is one of the cornerstones of our business, since DDM is essentially handling the customers of a bank. This enables the banks to continue to pursue their core operations – lending to companies and individuals to support economic growth.

Today we play an important role as a partner to leading banks in the Central and Eastern European market, acquiring and managing their distressed assets in a manner that results in DDM continually gaining even stronger confidence from the sellers. This was evidenced both by the major transaction in Hungary at the end of 2015 and the landmark portfolio acquisition in Slovenia in 2016. DDM has evolved in recent years to be able to acquire and manage more complex transactions, building a strong reputation in the market as a true partner to the banks.

In addition, DDM is assisting each individual debtor to restructure their debt with dignity, which will enable them to return to the credit market. DDM's systems and understanding of creditors' requirements is optimized and paired with respect for debtors. Together in DDM we have more than 50 years of experience in the management of distressed assets across the European continent, which is the foundation of our success and key to our future growth.

2016 was an important year for DDM where we strengthened our position as a partner to leading banks as we executed and successfully managed larger transactions. These transactions take substantial time to establish and we are only invited to bid for these portfolios thanks to our longstanding relationships with leading banks and other financial institutions in the Central and Eastern European market. Our business rests on our competence in, and respect for, the laws and regulations governing financial services. The framework of EU regulations, combined with national legislation, is necessary in building a foundation for a well-functioning credit industry and in safeguarding the positions of all parties involved. We maintain a close dialogue with numerous financial institutions that face a significant restructuring of their balance sheets, driven by regulations such as Basel III and the Asset Quality Review. In this process, DDM is a reliable partner that is willing and capable of acquiring and managing distressed assets from institutions.

We strive to always have a leading position as a specialist acquirer and manager of distressed assets. These ambitions include not only quantitative measures, such as assets under management and profitability, but also the integration of qualitative standards, such as Corporate Governance as building blocks for sustainable growth.

DDM's business model requires strong relationships with all parties with whom we interact, and we are confident in our abilities in this key aspect. Internal policies and instructions are crucial since they elucidate roles, responsibilities and authority in each specific area – including information security, compliance and risk management. Corporate Governance is important for, and an integral part of, the daily operations. This will continue to strengthen our corporate culture and encourages individual responsibility and our understanding of the rules and regulations that govern the industry. More information on our efforts in corporate governance can be found on page 23.

LETTER FROM THE CHAIRMAN

Relationships are what give DDM the strength and stability to drive our business model forward. Although growth in geographic areas and segments is important, good relations with investors and sellers of portfolios will always be crucial. Our flexibility means that acquisitions can be of either a smaller or larger scale, but are always in line with our strategy to focus on favorable returns based on correct and ethical management of all debtors.

DDM continues to focus on opportunistic investments in emerging markets. We perceive favorable opportunities in several Central and Eastern European countries and whilst Hungary, Czech Republic and Slovenia were our focus in 2016 we continue to analyse a number of potential opportunities in a number of other jurisdictions. As a result of a broadened strategic approach, DDM has in recent years also invested in portfolios of performing loans in addition to traditional unsecured and secured non-performing loans.

The challenge for DDM is to match the investment opportunities with an efficient funding structure. As we have been a successful partner in this business for many years our reputation is becoming stronger which will provide us with better opportunities for funding for further interesting investments. In line with our strategic intent to further establish DDM as a multinational investor in Europe, we will continue to invest in assets with a high rate of return. To facilitate this, the Board has proposed that no dividend be paid out for the financial year 2016.

The other members of the Board of Directors of DDM Holding AG and I have read and approved the contents of this annual report. It is our assessment that the document provides a balanced and accurate description of the Company and its operations, which can be used to assess our continued development.

I would like to take this opportunity to thank all shareholders, management and members of the DDM team for your continued enthusiasm and commitment in developing our company. We look forward to a strong 2017 and I hope to welcome all shareholders to DDM's upcoming Annual General Meeting, which will take place on 31 May, in Zürich this year.

"As our reputation strengthens, better opportunities for funding should enable us to make further investments with high rates of return"

BUSINESS MODEL

Capabilities to manage assets

DDM is a specialist acquirer and manager of portfolios of performing and non-performing assets with a focus on Central and Eastern Europe. Our focus is primarily on portfolios of Non-Performing Loans ("NPLs"), which we acquire from financial institutions.

Revenues in the industry stem from the margin created by acquiring loan portfolios at a discount and then collecting the outstanding debt. There are two main categories of distressed assets. Corporate is made up of distressed obligations held by one company against another. In this segment, it is quite common that the holder sells portfolios of debt to professional third parties, such as DDM. Some of the major international investment banks are active as acquirers of this type of portfolios.

The second category is distressed consumer debt, i.e. debt held against consumers that for some reason is not fully and/or promptly served. The traditional way for a company that holds such debt has been to give an assignment to a collection company. The collection company would then, acting as an agent, attempt to collect as much as possible and for this service charge a commission based on the collected amount.

DDM acquires distressed assets mainly consisting of non-performing loans with an investment value of EUR 3–30M. Sellers are primarily financial institutions, typically international banks with presence in several countries in Central and Eastern Europe. We have established relationships with sellers throughout the industry and as DDM is able to take on a leading position, we get repeat business as well as access to financial co-investors. Historically DDM has primarily acquired portfolios of unsecured assets, however in 2015 we made two significant acquisitions where the majority of assets are secured and the landmark acquisition in Slovenia in 2016 contains a significant portion of secured assets.

DDM key market segments, performing and non-performing assets

Geography	W Europe	CE Europe	Africa	N America	Latin America	Asia
Seller	Utility companies	Financial institutions	Telecom companies	Other		
Type	Consumer (credit cards, auto loans & mortgages)	Corporate				
Collateral	Secured	Un-secured				
Underlying assets	Performing	Non-performing				
Size	< EUR 3M	EUR 3–30M	EUR 31–100M	EUR 101–500M	>EUR 500M	
Collection method	In-house	Outsourced				

DDM's activities (in orange) are focusing on specific segments of the overall market.

Our business model is supporting sellers and debtors

DDM's business model is based on our proprietary data in combination with independent debt collection agencies providing the services according to DDM's specifications.

In general, the market players can be divided into two strategic groups by the business models prevalent, namely: debt collection through in-house or external collection agencies. DDM is different from most of its peers due to our business model, which is based on outsourcing debt collection to external collection agencies and our in-house technology platform.

Incentives for sellers to use DDM

Banks in Central and Eastern Europe are generally subject to the same driving forces as Western European banks when it comes to selling their distressed assets. These include their need to focus on their core operations and to improve their capital adequacy ratios and cash positions.

Incentive 1

In many cases, removing distressed assets from their balance sheets helps banks meet regulatory requirements.

We acquire portfolios of distressed assets outright, removing them from our clients' balance sheets, and providing immediate liquidity and freeing up reserves. Generally, selling to us enables clients to recover capital much faster than through a traditional debt collection company.

Incentive 2

Selling distressed assets allows banks to focus on their core activities as distressed asset management can be difficult and divert management focus and other scarce resources.

Incentive 3

By selling distressed assets to a respected debt purchaser such as DDM, banks reduce their reputational risk. Banks and financial institutions seeking to sell portfolios of distressed assets often work directly with us.

This is attributable to our track-record, experience in closing transactions and our method of both managing the performance of our portfolios, and of carefully selecting our collection partners.

BUSINESS MODEL

The acquiring and managing of debt and the subsequent collection on debts, together the distressed assets industry, is an integral part of the finance and credit systems. As an experienced investor and manager DDM understands the sellers' demands and expectations. In combination with a strict ethical approach throughout the process, DDM has gained a strong reputation within this growing industry and enjoys strong business relationships with sellers, mainly major banks and other financial institutions in the countries in which we are operating.

DDM has created a proprietary software system that drives efficiency and productivity, as well as providing significant intellectual property to further provide time and cost-efficient processes. This enables DDM to deliver effective and reliable solutions to assure the sellers' their reputation and successfully manage and support the debt recovery process.

An open dialogue with the debtor is key to reaching an amicable settlement. DDM's goal is to reach mutual understanding of the situation in order to offer an affordable instalment plan for the individual. There are different reasons for each debtor to become delinquent, however the majority want to overcome their difficulties. With a professional approach, we are able to resolve their financial condition and the former debtor is again a potential consumer.

Business drivers

Key drivers and trends

The industry is influenced by the general state of the economy in Europe, and regulatory changes of bank capital requirements. In particular, the major trends observed are:

- Increased adoption of selling loan portfolios
- Introduction of the third Basel accord (Basel III)
- Implementation of regulations (European Central Bank's Asset Quality Review, "Vienna" initiative and Comprehensive assessment by the ECB)
- Improved portfolio pricing
- Creation of "bad banks"
- Government reforms

The first trend observed is that banks continue to strengthen their balance sheets, by deleveraging and cutting costs, in order to improve their capital adequacy ratios and cash positions. The European wide bank stress test results released in 2016 revealed that certain European banks still need to work on strengthening their capital buffers. The increased amount of transactions in the NPL market depicts a trend that the market is continuing to develop.

Furthermore, there are several benefits that banks can capture through loan portfolio sales, which promote further adoption: by enabling them to focus on their core business, reducing reputational risks and ensuring correct treatment of customers through professional debt collection. The attractiveness for investors has also increased as banks have started to show a willingness to work with small and medium sized enterprises by dividing and selling their portfolios in smaller pieces.

Competition overview

Although the scenario varies somewhat between the different countries, the Central and Eastern European NPL markets offer substantial opportunities for growth as they remain less developed than their Western counterparts, while lending operations increasingly resemble those in more developed markets.

DDM operates in a different way than other actors on the market. The biggest difference is our proprietary IT system Fusion, a critical tool in both originating and managing asset portfolios and the fact that we work with a large network of trusted debt collection agencies that collect the assets on behalf of DDM instead of having our own collections operations. That, together with a highly skilled experienced organization and a strong relationship with selling banks that view DDM as a trusted and reputable partner makes us unique. Other actors on the markets include local investors, such as Kruk Group in Poland and Romania, international investors in NPLs, including Intrum Justitia, B2Holding, Lindorff and EOS Group; as well as larger international financial institutions, such as Deutsche Bank and AnaCap Financial Partners, who have been known to invest in portfolios in some of the markets where we operate on a more opportunistic basis.

BUSINESS MODEL

The value chain

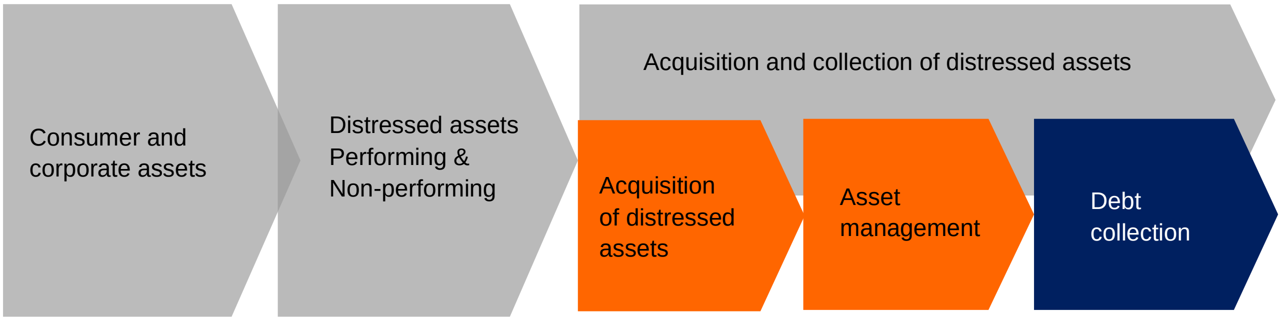
DDM focuses on the most profitable part of the distressed asset value chain – the acquisition and recovery management of assets mainly sold by financial institutions in Central and Eastern Europe.

DDM's view that Central and Eastern Europe is an immature market, where flexibility, speed in decision-making, and reputation while maintaining standardized processes are key success factors. As a result, Central and Eastern Europe presents an interesting potential, as the adoption of selling loan portfolios is a relatively new and increasing feature in comparison to mature Western European markets.

Below is an illustration of the value chain with DDM key activities marked in orange. To be successful in the acquisition process, DDM has developed state-of-the-art processes for analysis, pricing and management of the acquired portfolios based on the team's deep industry experience.

To manage the acquired portfolios, DDM's strategy is to partner up with a multitude of outsourced collection agencies in each local market, in order to optimize collections from each portfolio. These processes are built into DDM's proprietary IT system FUSION, either as business rules or as an automated process. As a result of DDM outsourcing the collection process, the Company can select the best-suited collection agency for a specific group of receivables.

Overview of the value chain – DDM's activities are marked in orange.



Acquisition of distressed assets

Historically, banks have sold loan portfolios in larger chunks, which require significant resources available for investment and capacity to hold the portfolio for the duration between investment and collection. Although banks have started to split these in smaller portions, the business experiences idiosyncratic risks, which promotes the need for enterprises to invest heavily in different prospects for diversification purposes.

As a reference on the cost and size of portfolios, DDM typically targets portfolios with an investment value of EUR 3-30M. In addition to having access to capital, enterprises engaged in loan portfolio transactions need to have the knowledge and resources to evaluate potential prospects to be successful. This holds especially true during the turmoil associated with recessions, where increase in NPLs drive portfolio prices down, while at the same time increasing the risks of not being able to collect the outstanding debt. To address this issue, advanced integrated systems are used to evaluate loan portfolio attractiveness.

Asset management

DDM manages this through its proprietary IT system called FUSION. One of the most critical factors when acquiring portfolios is that enterprises must have access to an efficient collection process, which includes correct and ethical treatment of debtors, since selling banks and financial institutions are concerned about maintaining their reputation and relationship with clients, as well as debtors. Consequently, this implies that even though an enterprise has the required cash and enough knowledge to enter the industry, it may prove impossible to actually acquire and initiate a relationship with selling financial institutions if unable to ensure that it can handle debtors appropriately.

DDM has a strong network of well-reputed collection agencies in all countries where the Company operates.

Our processes

When DDM is presented with an opportunity to acquire a portfolio, an analysis of the available data is performed and an indicative price is calculated. Typical data requested includes:

- Outstanding principal, interest and fees amount per debtor and case, age of debt and monthly payment history per case, debtor contact information, date of birth and other related debtor information, co-debtors and/or guarantor information
- Vendors underwriting standards; historical collection approach and current collection stage (pre-legal, legal, etc.), number of ongoing instalment programs
- Detailed information about collaterals or other securities (if applicable), types, age, location and related values.

With the above input data, an analysis is performed with emphasis on:

- Checking all of the data, searching for and reconciling inconsistencies
- Considering the key factors affecting success rates in collection, including age and scale of the assets, collateral, bailiff procedures and availability of contact information
- Analyzing the reported recovery rates, looking for trends, inconsist-encies and potential to improve
- Considering what collection strategy has been applied, and for how long
- Taking existing payment plans into account and how they have been serviced.

Based on this analysis, we evaluate the portfolio and produce a forecast for future collections on case level. Key factors include:

- Conducting scenario analysis (i.e. best case, worst case) based on notional decay rates in the value of a portfolio, based on collection history as well as internal and external benchmarks
- Enhancing the current collection strategy by applying the best tool and selecting the best agent for every case
- Looking for seasonality, i.e. a predictable change in a time series that recurs or repeats over a one-year period, and applying these in the forecast
- Capturing recurring patterns that could affect the performance of the portfolio (holidays, additional monthly salary/bonuses, tax refunds)

BUSINESS MODEL

Asset acquisition process

In essence, the sales process for a distressed asset portfolio can be conducted as an open tender, direct sales or forward-flow transaction.

Open tender

In an open tender, DDM bids on a particular portfolio offered. Approximately 60 percent of DDM's portfolio acquisitions have been conducted as open tenders (based on acquired nominal value).

Direct sales

In a direct sales process, DDM engages with the seller bilaterally and negotiates tailored terms. Direct sales transactions are generally beneficial for DDM as price transparency and price pressure are generally low, and as they give DDM a greater influence over the final composition of the portfolio and thereby the possibility to tailor it to fit the prevailing investment appetite.

For some sellers of portfolios, the sales process is highly sensitive from a marketing perspective and therefore the seller sometimes prefers to perform sales on a bilateral basis rather than through an open tender. DDM has made a significant part of its past historical investments from such bilateral transactions, something that highlights its deep and extensive contact-network and deal-making capability in its core markets. Approximately 30 percent of DDM's portfolio acquisitions have been conducted as direct sales (based on acquired nominal value).

Forward-flow transactions

In forward-flow transactions, an agreement is made for purchases of portfolios of cases that fulfil certain criteria on an on-going, regular basis. Forward-flow transactions might be a part of building long-term business relationships, as well as reducing transaction costs. Forward-flow transactions have historically made up less than 10 percent of DDM's acquisitions, however no such transactions are in place currently.

Portfolio management process

Operating in the distressed asset industry, DDM is aware of the importance of managing its collection-partner relations for various reasons, including but not limited to, protecting the seller's reputation and ensuring correct and ethical debtor treatment as well as data confidentiality.

Referral

As DDM outsources the collections process it can select a collection agency suitable for collection of a particular asset. Stemming from its geographic focus on Central and Eastern Europe and early presence in some of these markets, DDM has strong relationships with top collectors in its markets and knows their relative strengths. Examples of selection criteria of a debt collector include size, age, type and geography of the acquired asset portfolio.

Monitoring

After a portfolio has been placed with a collection agency, DDM monitors the collection performance, in order to optimize the conversion level within the required cost budget and time frame. A daily data file with actions taken is delivered to DDM, which could trigger an immediate action from DDM's side if there is a deviation from the plan.

An additional level of control includes scheduled on-site visits and an impromptu visit to ensure the highest level of quality of DDM's partner agencies. These visits normally include various evaluation aspects, carefully selected and refined over the course of the past nine years.

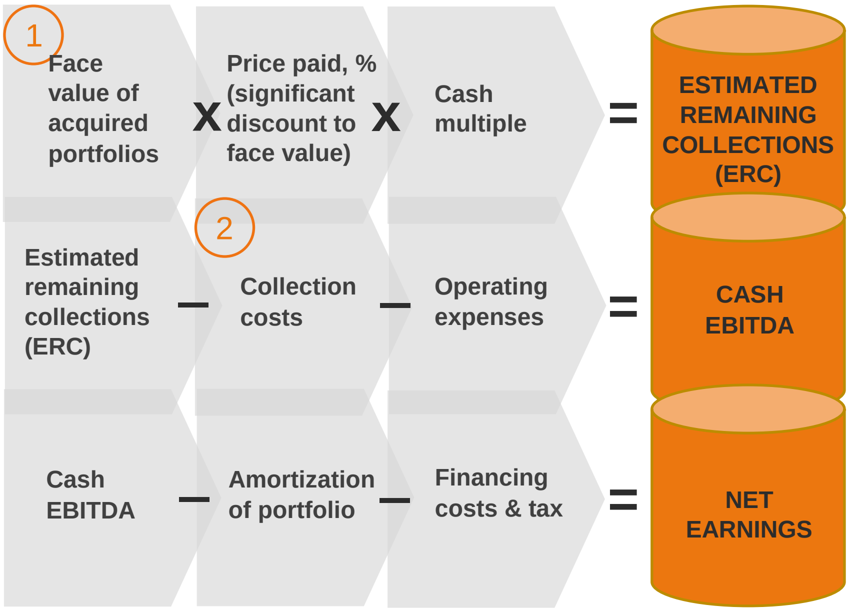
As an ordinary practice, DDM collects various data and information from the agencies. It is a complex and multifaceted process, including a thorough description of daily debtor payments, an in depth description of agency commission, samples of standard process documentation and much more.

BUSINESS MODEL

Illustrative economics

Collections normally start to generate cash flow after a few weeks and cash flows typically peak in the first twelve months of recovery. The rate of collections varies with variables such as year of origination, average age, average amount per case, type of underlying product and previous treatment.

DDM's business model can be explained in a simplified way according to the below:



1. The starting point is the face (nominal) value of the acquired asset portfolios times the price paid as a percentage of the nominal value, which typically is at a significant discount to the face value. Multiplying the purchase price with the assumed gross cash multiple results in the anticipated future cash flows which equals the gross Estimated Remaining Collections ("ERC"). The gross ERC is the sum of future, undiscounted projected cash collections before commission & fees.

2. If deducting the collection costs (commission & fees) and operating expenses from the gross ERC it results in the Cash EBITDA (net collections and revenue from management fees less operating expenses). Cash EBITDA could also be described as the remaining amount the company has available to pay interest on its debt, if excluding the potential impact of foreign exchange.

If in addition, deducting amortization on the portfolios, financing costs and tax from Cash EBITDA it results in the Net earnings.

MARKET

Distressed assets in Central and Eastern Europe

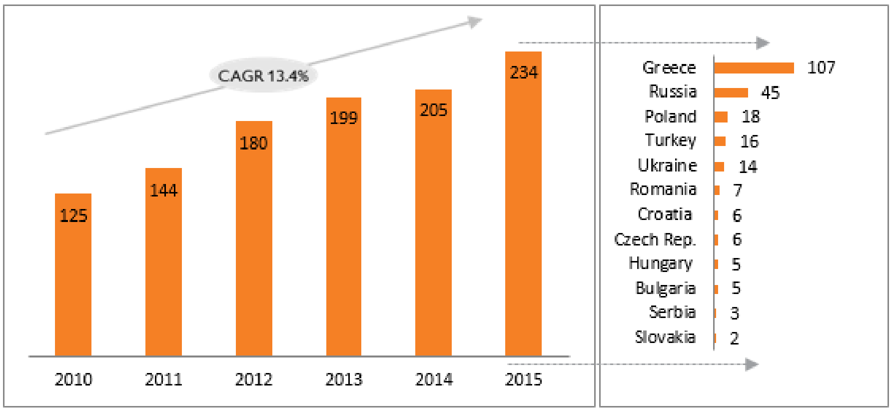
Market overview

Banks in Central and Eastern Europe are generally subject to the same driving forces as Western European banks when it comes to selling their distressed assets. These include their need to focus on their core operations and to improve their capital adequacy ratios and cash positions.

As of now, Central and Eastern Europe constitutes a small portion of the total European market for sales of loan portfolios. In 2015, six of the largest Western European countries had total NPLs of approximately EUR 730 billion out of EUR 1,100 billion in total (for the total European market), leaving a rather small amount split among the rest. This is in line with DDM's view that Central and Eastern Europe is a relatively immature market, where flexibility, speed in decision-making, and reputation, while maintaining standardised processes are key success factors. As a result, Central and Eastern Europe presents an untapped potential, as the adoption of selling loan portfolios is a relatively new feature. Below is an illustration of the development in certain Central and Eastern European countries, which saw an annual increase of 13 per cent during the period 2010-2015.

"Increased regulation, governmental reforms and higher capital requirements have increased the pressure on banks to divest"

NPL development for selected Central and Eastern European countries (EUR billion)*



** Based on availability of data*

An explanation for the low maturity of the Central and Eastern European markets is the generally low penetration of consumer credits. Although the level of consumer NPLs still remains relatively higher than in Western Europe, the tendency to outsource distressed debt for collection is still in its infancy. As a reference point, the first professional debt collection agency in Russia was formed in 2005. Portfolio sales on a larger scale started only a couple of years later, and the selling banks are still undergoing a learning process where some have not yet started to sell their NPL portfolios.

Key trends and drivers

The industry is influenced by the general state of the economy in Europe, as well as regulatory changes of bank capital requirements. In addition, the following major industry trends are observed:

Increased adoption of selling loan portfolios

Banks continue to strengthen their balance sheets, by deleveraging and cutting costs, in order to improve their capital adequacy ratios and cash positions. The European-wide bank stress test results released in 2016 revealed that several European banks need to further strengthen their capital buffers. The increased amount of transactions in the NPL market depicts a trend that the market is continuing to develop.

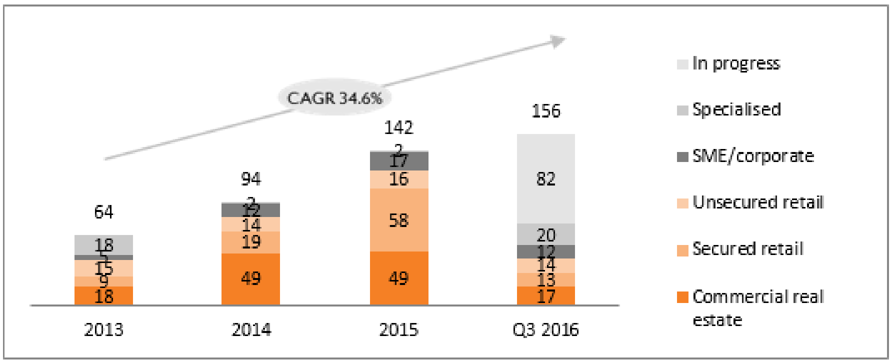
Furthermore, there are several benefits that banks can capture through loan portfolio sales, which promote further adoption: by enabling them to focus on their core business, reducing reputational risks and ensuring correct treatment of customers through professional debt collection. The attractiveness for investors has also increased as banks have started to show a willingness to work with small and medium sized enterprises by dividing and selling their NPLs in smaller portfolios.

Sources:
PWC European Portfolio Advisory Group, "Market Update Q1 2016"
PWC European Portfolio Advisory Group, "Market Update Q3 2016"
Ernst & Young (2013), "Flocking to Europe"

MARKET

European non-core loan transactions 2013-2016e

Face value, EUR billion



Note: The above graph shows the loan transactions that have occurred in Europe, not only Central and Eastern Europe

In 2015, the total market size of NPLs was estimated to be approximately EUR 1,100 billion in Europe. Over the past years, the industry has continuously expanded, mainly driven by the economic downturn in Southern Europe. Simultaneously, the amount of non-core loan transactions have steadily increased, and approximately EUR 142 billion of face value debt was traded in 2015 and projections imply an increase to around EUR 156 billion in 2016.

Despite the growing adoption of selling portfolios, one of the major obstacles for growth of the European NPL market is the fact that banks have to recognise a loss, which reduces their capital as well as profits. Consequently, smaller banks are reluctant to sell their NPLs as they fear not being able to absorb such losses.

Implementation of regulations

Increased regulatory pressure and supervision (through, inter alia, continuation of annual European Banking Authority stress-tests and stronger supervisory mechanisms, such as Single Supervisory Mechanism, Single Resolution Board and European Systemic Risk Board) and higher capital requirements for financial institutions as a result of Revised Basel III coupled with the implementation of new accounting standard IFRS 9 (effective for annual periods beginning on or after 1 January 2018), is expected to further drive banks to strengthen their balance sheets and increase NPL sales. Furthermore, the European Central Bank's Quantitative Easing, which was designed to prevent a credit crisis, has led many banks to engage in "pretend and extend" practices with regard to their non-performing assets and loans. As a results capital is tied up and consequently, the banks are unable to meet potential private and corporate credit demand.

Improved portfolio pricing

An issue often associated with sales of NPLs is the difficulties in portfolio pricing. However, reduction in expectations mismatch between potential sellers and acquirers is expected to create a more efficient NPL market in Europe. In the past few years, for example, portfolios sold in the UK and Ireland have been discounted from as little as 20 per cent to as much as 90 per cent of the outstanding claim amount.

The creation of "bad banks" and government reforms

Several European countries have created national, government supported "bad banks", which are designed to absorb NPLs from commercial banks. Such bad banks established in distressed EU countries present a trade-off for European Union's aid in resolving the country's national banking sector difficulties. It is believed that these bad banks may become major players in the European NPL market in the near future.

Sustainable economy

Our objective is to provide a pivotal service in a sound and sustainable economy. Our role and position in the value chain enables us to add value for credit providers on the one hand, while alleviating debtors from imminent financial hardship and helping them settle their debts under terms they can afford.

DDM's stakeholders

DDM's overarching goal for corporate responsibility is to build sustainable long-term values together with our key stakeholders.

DDM's primary stakeholders are sellers of distressed assets, employees, debtors, shareholders, investors, business partners, authorities and the local community. These groups are important for our long-term success.

SELLERS
DDM is dedicated to managing our clients' reputation and ensuring a long-term relationship.

BUSINESS PARTNERS
In co-operation with our partners, DDM strives to implement best practice and sustainable collection methods.

EMPLOYEES
DDM is striving to attract committed colleagues, and to be a collaborative and effective organization.

SOCIETY
DDM strives to actively contribute to a well-structured management of distressed debt of corporations as well as individuals.

DEBTORS
DDM encourages a dialogue aimed at reaching an amicable, correct and quick settlement in a respectful manner.

AUTHORITIES
All business and other activities of DDM shall be carried out in compliance with applicable laws and under the principles of good corporate citizenship.

SHAREHOLDERS / BONDHOLDERS / INVESTORS
DDM shall create enduring value for its investors by opportunistic deal sourcing and optimal management of distressed assets.

Our approach to Corporate Responsibility

We seek to be part of a solution in the credit market whereby we initiate opportunities for banks and financial institutions to divest their portfolios of distressed assets to better meet new and future regulations regarding capital adequacy. This, in turn, bolsters the stability of the banking sector by helping avoid artificially inflated balance sheets. By doing this, we not only help banks "cut their losses" vis-à-vis distressed assets, we also alleviate them of the burden of managing and collecting on those assets.

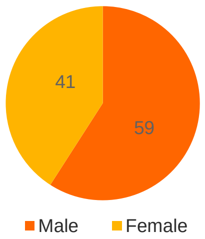
We select partner collection agencies carefully, making sure they apply professional, respectful and ethical methods. We work closely with them to determine which agencies are appropriate for collection on certain assets and what measures are appropriate.

Respectful and ethical treatment of debtors is central to our efforts and the banks who sell their portfolios to us pay considerable attention to correct treatment of their customers. Over the years, we have demonstrated an ability to actively control the measures and processes implemented by the collection agencies.

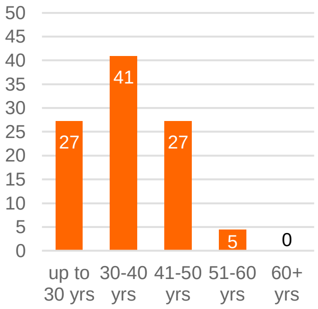
CORPORATE AND SOCIAL RESPONSIBILITY

Investing in Corporate and Social Responsibility

Employees by gender, %



Employees by age;%



Human resources

DDM Group's head office is located in Baar, Switzerland. The composition of the DDM team reflects the Group's European outreach.

At the end of 2016, DDM employed 22 people (2015: 24). All of our staff are permanently employed. The majority of our employees have a university-level degree or higher. The average age of DDM employees is 35 years (2015: 35).

DDM's policy is to hire the best possible talent and at the same time embracing diversity in all levels in the Group, including the Executive Management Committee, as well as the Board of Directors.

Code of Conduct

DDM Holding AG, its business units and subsidiaries are committed to carrying out business in a sustainable way. According to DDM's Code of Conduct, the DDM Group shall conduct its business in compliance with applicable laws, and under the principles of good corporate citizenship in each country where such activities take place.

DDM offers a platform for economic growth by allowing banks and other financial institutions the opportunity to manage their credit exposure. DDM accepts its responsibility in society by helping businesses and consumers to restructure and optimize their lending and borrowing. The Company strives to maintain the highest legal and ethical standards in all its business practices.

The Environment

Due to the nature of business activities, DDM's most significant impact on the environment is through business travel and the production of material. The Code of conduct is in place to increase employee awareness of environmental issues and complies with relevant regulatory requirements.

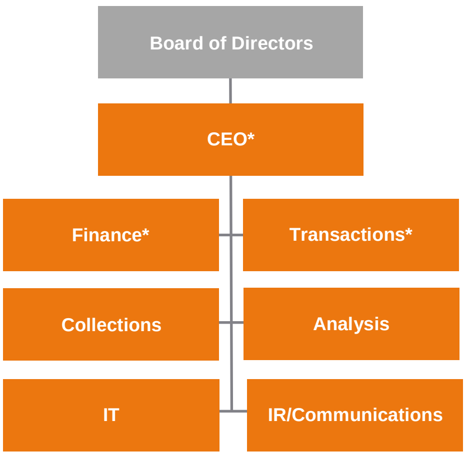
Anti-corruption

No DDM company or any of its employees may, directly or indirectly, promise, offer, pay, solicit, or accept bribes or kickbacks of any kind, including money, benefits, services or anything of value. Such payments and favors may be considered bribery, which violates local legislation and internationally recognized principles for combating corruption and bribery.

Each employee is expected to act responsibly and with integrity and honesty, and to comply with the Company's Code of Conduct and its underlying policies and instructions.

GROUP FUNCTIONS

DDM Group functions, which support both the Executive Management Committee and operations, strategically and in day-to-day operations, are divided into the following teams; Analysis, Collections, Finance, IT, IR/Communications and Transactions. The teams work independently with defined goals and coordinate their work in dialogue with each other.



* Head of department is a member of the Executive Management Committee

BOARD OF DIRECTORS

KENT HANSSON • Board member since 2007* • Chairman of the Board of Directors since 2013 • Chairman of the remuneration committee • Member of the investment committee
Born: 1966 • **Nationality:** Swedish
Education: MBA, Copenhagen Business School
Other assignments: Member of the boards of directors of Ulixxes Group AB, MAFI Aktiebolag and Nordiska kreditmarknadsaktiebolaget (publ)
Previous assignments (last five years): Chairman of the boards of directors of Shareflake AB and Nick Söderblom AB
Dependence: Dependent in relation to the Company and its principal owners as a major shareholder
Shareholding:** 2,295,924 shares, of which 225,000 via a wholly-owned company

MANUEL VOGEL • Board member since 2008* • Member of the audit committee
Born: 1969 • **Nationality:** Swiss
Education: Master degree in economics, University of St Gallen. Ph.D. in international VAT-Law and a Dr. oec., University of St Gallen. Certified tax expert. CAS FH in company succession
Other assignments: Board member of Drake Enterprises AG (chairman), Goebel Capital GmbH, The Verification Company AG and Xantis Pharma AG and CEO of a&o accta ortag AG. Board member of several other Swiss companies
Previous assignments (last five years): Previously CFO of DDM and board member of BB Treuhand AG. Previously a board member of several other Swiss companies
Dependence: Dependent in relation to the Company and its principal owners as a major shareholder
Shareholding:** 1,705,490 shares

FREDRIK WAKER • Board member since 2013 • Chairman of the audit committee
Born: 1966 • **Nationality:** Swedish
Education: M.Sc. in Business and Economics, Stockholm University
Other assignments: Owner, deputy CEO and chairman of the board of directors of Wakers Consulting AB, and CEO and board member of Wakers Affärsrådgivning AB. Chairman of Wakers Holding AB, and board member of Srf konsulterna AB, Rekaw Konsult AB, Frewako Waker Löttiger Aktiebolag, Fredrik Waker AB, PARTOR AB, P2 Energi AB, P2 Projektpartner AB and deputy board member of Nybroviken Development AB and limited partner of EXPLICIT företagsplanering Kommanditbolag
Previous assignments (last five years): CEO of Wakers Holding AB, and member of the boards of directors of Lekit AB, Nick Söderblom AB, Wakers Partnership AB and deputy board member of Maskin Lindell Aktiebolag
Dependence: Independent in relation to the Company and its principal owners
Shareholding:** 0 shares

TORGNY HELLSTRÖM • Board member since 2014 • Member of the remuneration committee • Chairman of the investment committee
Born: 1958 • **Nationality:** Swedish
Education: LL.M., Stockholm University. IBM Executive Education with Thunderbird (University of Phoenix). Swedish Army War Academy.
Other assignments: Chairman of the board of directors of Precise Biometrics AB, Chairman of the board of directors of MagComp AB, board member of True Heading AB and board member of Ruddex International AB (wholly owned by Torgny Hellström)
Previous assignments (last five years): None
Dependence: Independent in relation to the Company and its principal owners
Shareholding:** 0 shares

DOVILĖ BURGIENĖ • Board member since 2016 • Member of the audit committee
Born: 1977 • **Nationality:** Lithuanian
Education: Executive MBA, Baltic Management Institute. LL.M. in European Law, Stockholm University. Master of Laws degree, Vilnius University
Other assignments: Partner and Head of the Corporate and M&A practice group at Ellex Valiunas and officer of the International Bar Association (IBA) Corporate and M&A committee. Member of the boards of directors of VB Investicijos, J Investicijos, the Lithuanian Financial Markets Institute and the Lithuanian Business Confederation (ICC Lithuania)
Previous assignments (last five years): Member of the Advisory Board of the Law Firm Management Committee, IBA and Co-Chair of the European Forum, IBA. Member of the Sunset Commission at the Government of Lithuania and member of the European Corporate Governance Institute
Dependence: Independent in relation to the Company and its principal owners
Shareholding:** 0 shares

* Member of the Board of Directors in the DDM group's parent company
** Shareholding (own and related party holdings) on 31 December 2016

EXECUTIVE MANAGEMENT COMMITTEE

GUSTAV HULTGREN • Chief Executive Officer
Born: 1974 • **Nationality:** Swedish
Employed: 2013
Education: BA (Hons) International Business Administration, European Business School
Other assignments: None
Previous assignments (last five years): CEO of Gutrade LLC
Shareholding*: 225,000 shares

FREDRIK OLSSON • Chief Financial Officer
Born: 1980 • **Nationality:** Swedish
Employed: 2014
Education: B.Sc. in Accounting and Finance, University of Lund
Other assignments: None
Previous assignments (last five years): Finance Manager at LyondellBasell Industries NV, Head of Investor Relations and other management positions at Petroplus Marketing AG
Shareholding*: 90,000 shares

KONSTANTIN KRAISS • Vice President, Head of Transactions
Born: 1983 • **Nationality:** Latvian
Employed: 2012
Education: B.Sc. in Business and Economics, Stockholm School of Economics in Riga
Other assignments: None
Previous assignments (last five years): Manager at Deloitte
Shareholding*: 0 shares

* Shareholding (own and related party holdings) on 31 December 2016

THE DDM SHARE

DDM share and shareholders

Share capital

On 31 December 2016, DDM Holding AG's share capital amounted to CHF 9,040,298 distributed among 9,040,298 shares with a nominal value per share of CHF 1. Each share entitles the holder to one vote and an equal share in the Company's assets and earnings.

DEVELOPMENT OF THE SHARE CAPITAL IN DDM HOLDING AG

Date	Description	Change in the number of shares	Change in share capital	Total number of shares	Total share capital (CHF)	Nominal value (CHF)
16 August 2010	Incorporation	100,000	100,000	100,000	100,000	1
25 July 2012	Ordinary capital increase	132,000	132,000	232,000	232,000	1
10 October 2013	Ordinary capital increase	4,268,000	4,268,000	4,500,000	4,500,000	1
5 August 2014	Ordinary capital increase	2,600,000	2,600,000	7,100,000	7,100,000	1
2 June 2016	Ordinary capital increase	1,940,298	1,940,298	9,040,298	9,040,298	1

Shareholders

At the end of 2016 DDM had approximately 244 shareholders. At 31 December 2016, Kent Hansson, founder and chairman of DDM, was the Company's largest shareholder with a holding representing 25.4 per cent of votes and share capital. The three members of the Executive Management Committee held a combined 315,000 shares in DDM at the end of 2016. DDM held 0 treasury shares at the end of 2016.

SHAREHOLDER STRUCTURE PER 31 DECEMBER 2016

Name	Total number of shares	Percentage of capital and votes
Hansson, Kent	2,295,924	25.4
Vogel, Manuel	1,705,490	18.9
Danske Bank International S.A.	1,517,014	16.8
Praktikertjänst	530,000	5.9
Strategic Investments	448,567	5.0
Göransson, Richard	298,507	3.3
Hultgren, Gustav	225,000	2.5
Avanza Pension Försäkrings AB	163,877	1.8
Sirén, Sverker	149,254	1.7
Humle Småbolagsfond	149,254	1.7
Förvaltnings AB Hummelsbosholm	149,254	1.7
Total; largest owners	**7,632,141**	**84.4**
Summary others	1,408,157	15.6
Total	**9,040,298**	**100.0**

Holdings include direct and indirect holdings.

Sources: Euroclear, SIX and DDM Holding AG

DISTRIBUTION OF SHARES PER 31 DECEMBER 2016

Number of shares	Number of shareholders	Percentage of total number of shares, %
1 – 1,000	137	0.5
1,001 – 5,000	47	1.6
5,001 – 10,000	21	1.8
10,001 – 50,000	21	6.2
50,001 – 100,000	7	5.5
100,001 – 500,000	7	17.5
500,001 –	4	66.9
Total	**244**	**100.0**

Sources: Euroclear and SIX

Share data

Market place: Nasdaq First North, Stockholm

Date of listing: 5 August 2014

Ticker symbol: DDM

ISIN code: CH0246292343

Currency: SEK

Key data per share

EUR	2016	2015
Earnings before and after dilution	**0.65**	**0.26**
Proposed dividend / Dividend	**0.00**	**0.00**
Number of shares at the year-end	**9,040,298**	**7,100,000**
Average number of shares – fully diluted	**8,223,888**	**7,100,000**

Certified Adviser

DDM Holding AG's Certified Adviser on Nasdaq First North is:

Erik Penser Bank AB
Apelbergsgatan 27
P.O. Box 7405
SE-103 91 Stockholm
Sweden
Telephone: +46 8 463 80 00

THE DDM SHARE

Stock option program

DDM currently has no outstanding stock option program in use, and no convertible debentures, warrants or other financial instruments which would imply a dilutive effect for the holders of shares in the Company. However, it should be noted that the Annual General Meeting 2015 approved the creation of conditional capital in the amount of up to CHF 500,000 in order to establish a program for employees and members of the Board of Directors.

Dividend policy and dividend for 2016

Decisions relating to dividend proposals take into account DDM's future revenues, financial position, capital requirements and the situation in general. The Company is in a phase in which exploiting identified opportunities for growth is prioritized. Consequently, shareholders should not expect to receive dividends in the next few years.

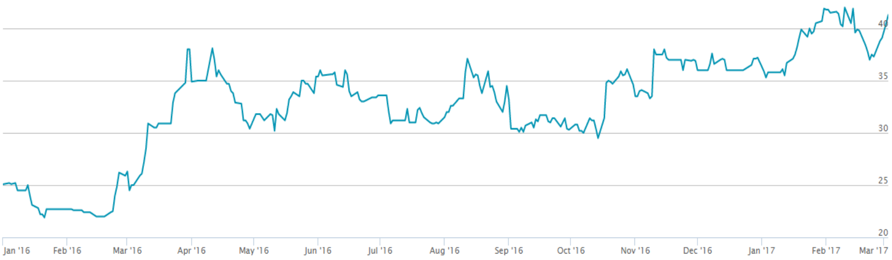
The Board of Directors proposes that no dividend be paid for the 2016 financial year.

Share price and trading

DDM Holding AG's share has been listed on Nasdaq First North, Stockholm, since 5 August 2014. Opening price on the first day of trading was SEK 50.00. During the period from 1 January to 31 December 2016, 2,221,380 shares were traded, on average 10,997 shares per trading day.

The highest closing price during the period from 1 January to 31 December 2016 was SEK 38.10 on 11 April and the lowest was SEK 21.87 on 21 January. The share price on 31 December 2016 was SEK 37.20 (last price paid). During the period from 1 January to 31 December 2016, DDM's share price increased by 50 percent.

SHARE PRICE, 1 JANUARY 2016 – 3 MARCH 2017, SEK



>> *Source: Nasdaq First North*

Communication policy

DDM's communication aims to comply with the laws and regulations applicable in the countries where the company operates and those from which it is managed and in which its shares are traded. Our communications shall be timely, transparent, accurate and fair. Continuity shall be maintained in the manner in which information is published and confidentiality is maintained until such time that an official disclosure is made.

Further information is available to our employees and other concerned parties of the rules and regulations applicable to the dissemination of information by DDM and the special requirements imposed on persons who are active in a listed company with regards to, e.g. price-sensitive information. In this context, DDM has also established routines for handling the dissemination of information yet to be made public (commonly referred to as a logbook). These can include insiders, but also other individuals who have insider information without being registered as insiders.

More details available on the Company's website >>

Quiet periods

DDM's quiet period starts at least 20 days prior to publication of the year-end or interim report, and ends on the day of the report. During this period, the Company will not comment on its financials. Exceptions from this rule can be made in order to correct obvious errors or inaccuracies. Investor Relations will respond to questions related to press releases issued during this period.

Press releases 2016

23 November: DDM Holding AG to present at Erik Penser Bank's "Bolagsdag" on November 24

10 November: Interim report January–September 2016

4 October: DDM Holding AG appoints Hans Uhrus as Investor Relations Manager

3 October: DDM makes significant loan repayments in excess of EUR 8M, including the redemption of its 18% subordinated notes

11 August: Interim report January–June 2016

20 July: DDM completes a landmark transaction in Slovenia and issues new bond of EUR 11 million

11 July: DDM Holding AG has appointed Erik Penser Bank as its new Certified Adviser and Liquidity Provider

28 June: DDM Holding AG's Annual General Meeting 2016

2 June: DDM Holding AG has successfully completed a share capital increase of SEK 65 million

1 June: Notice to attend Annual General Meeting of Shareholders of DDM Holding AG

20 May: DDM Holding AG decides to issue a maximum of 2 million registered shares, raising proceeds of up to SEK 65 million

12 May: Interim report January–March 2016

2 May: Postponement of DDM Holding AG's Annual General Meeting 2016 to 28 June 2016

29 April: DDM Holding AG's acquisition of Hungarian leasing company finalized

8 April: Notice to attend Annual General Meeting of Shareholders of DDM Holding AG

31 March: DDM Holding AG publishes its Annual Report 2015

22 February: Year-end report 2015

Financial calendar 2017 / 2018

Annual General Meeting 2017:
31 May 2017

Interim report January–March 2017:
11 May 2017

Interim report January–June 2017:
3 August 2017

Interim report January–September 2017:
2 November 2017

Q4 and full year report 2017:
February 2018

2017 Annual Report:
March 2018

General Framework

The aim of corporate governance is to ensure that DDM is managed as effectively as possible in the interest of its shareholders, but also in compliance with the rules required by legislators and the Nasdaq First North Rulebook.

This Corporate Governance section explains the principles of management and control at the highest level of the DDM Group.

The information contained in this report for the financial year 2016 is valid as at 31 December 2016, unless stated otherwise. The principles and rules on corporate governance in DDM Holding AG are laid down in the articles of association (the "Articles"), the Business Rules for the Board of Directors (the "Board Rules"), the regulations of the Board of Directors' committees and the internal corporate governance policies.

Corporate Governance

DDM Holding AG (or the "Company") is a Swiss limited liability company with its shares admitted to trading on a multilateral trading facility, the Nasdaq First North in Stockholm, Sweden. Thus, the corporate governance of DDM is subject to Swiss, Swedish and EU rules and regulations, including e.g. the EU Market Abuse Regulation, as further described below.

Implementation of the Minder Ordinance

The Swiss Federal Council (the executive branch of the Swiss federal government) has adopted rules against excessive remuneration in listed companies by implementing the Ordinance Against Excessive Compensation at Listed Companies (*D. Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften*) (the "VegüV"). The VegüV applies to corporations organised under Swiss law whose shares are listed on a stock exchange in or outside Switzerland. DDM intends to implement the VegüV in 2017.

The Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance applies to all companies with shares listed on a regulated market in Sweden, such as the main market of Nasdaq Stockholm. The Swedish Code shall be fully applied from the time a company's shares are admitted to trading. Non-Swedish companies listed on a regulated market in Sweden may however opt to apply the applicable corporate governance code in the country where the company is domiciled. However, although being a Swiss company and not yet listed on the Nasdaq Stockholm main market, DDM aims to comply with applicable rules in the Swedish Code.

The EU Market Abuse Regulation

The EU's Market Abuse Regulation ("MAR") is applicable to DDM as from 3 July 2016. MAR is supplemented by a series of delegated regulations and implementing regulations issued by the EU Commission and by guidelines issued by the European Securities and Markets Authority (ESMA). MAR aims to enhance market integrity and investor protection and applies in respect of e.g. issuers and financial instruments admitted to trading on regulated markets, multilateral trading facilities and organised trading facilities.

MAR contains, among other things, rules regarding a prohibition on insider dealing, unlawful disclosure and market manipulation; rules prescribing the manner in which issuers are to handle and publicly disclose inside information; rules imposing an obligation on issuers to maintain an insider list (log); and rules regarding reporting obligations in respect of transactions performed by persons discharging managerial responsibilities at an issuer or persons closely associated with them.

The Board of Directors of the Company has adopted internal policies to facilitate and safeguard DDM's compliance with MAR and related rules and regulations.

Governance of the DDM Group

DDM Holding AG (CHE-115906312) is a company incorporated under Swiss law on 16 August 2010, with its legal seat in Baar, canton Zug, Switzerland. DDM currently has sixteen subsidiaries, all of which are wholly-owned. DDM Treasury Sweden AB (publ) is the issuer of the bond issued in June 2013 and DDM Debt AB (publ) is the issuer of the bond issued in July 2016.

The purpose of corporate governance is to ensure that the Company is managed as effectively as possible in the interests of the shareholders, but also that DDM Holding AG complies with the rules required by legislators and the stock exchange, among other things in the form of corporate governance.

In addition to compliance with rules and regulations, DDM Holding AG applies internal governance instruments, such as the Company Handbook, together with policies in a number of areas such as DDM's Code of Conduct with which all employees must be familiar and in accordance with which they must conduct themselves.

CORPORATE GOVERNANCE

Articles of Association

According to the Articles, the purpose of DDM Holding AG is to purchase, sell and manage participations in other companies, their administration and financing.

For further information see the Articles section on the Company's website >>.

Shareholders' Meetings

General

Shareholders' rights to resolve on company matters are exercised at the shareholders' meeting. An ordinary shareholders' meeting is to be held yearly within six months following the close of the business year. It is called by the Board of Directors or, if necessary, by the auditors.

Extraordinary shareholders' meetings may be called by the Board of Directors, the liquidators or the auditors as often as necessary to safeguard the interests of the Company. Shareholders' meetings are held at the domicile of the Company or at such other place as the Board of Directors shall determine.

The Board of Directors, the CEO and the Executive Management Committee, which assists the CEO, are responsible for the DDM Group's administration and operations.

The shareholders' meetings will be held in English and information and material will be available in English only. The report from the shareholders' meetings will be published on DDM's website.

Right to attend shareholders' meetings

All shareholders (i) who hold their DDM shares through Computershare Schweiz AG must be registered in the share register of DDM with voting rights or (ii) who hold their DDM shares through Euroclear Sweden AB must be registered in the register of shareholders kept by Euroclear Sweden AB and obtain an admission card from DDM in order to be entitled to attend the shareholders' meeting and vote according to the number of DDM shares they hold.

Shareholders may attend shareholders' meetings in person or through a proxy. Shareholders may register for shareholders' meetings in the ways described in the meeting convening letter.

Notice of shareholders' meetings and shareholder initiatives

Notice of a shareholders' meeting is given by means of a publication in the Swiss Commercial Gazette or by letter to the shareholders of record as well as through a press release. Between the day of the publication or the mailing of the notice and the day of the meeting there must be a time period of not less than 20 calendar days. The notice of the shareholders' meeting must indicate the agenda and the motions. The notice will also be published on DDM's website.

Stating the purpose of the meeting and the agenda to be submitted, one or more shareholders representing at least ten percent of the share capital may request the Board of Directors, in writing to call an extraordinary shareholders' meeting. In such case, the Board of Directors must call a shareholders' meeting in due course.

The Annual General Meeting 2016

At the end of 2016, DDM had 244 shareholders (end of 2015: 131) and the biggest single shareholders were Kent Hansson (chairman and founder of DDM), Manuel Vogel (board member of DDM) and Danske Bank International S.A. For further information on the DDM shareholder structure, see pages 21–22 of the Annual Report and DDM's website >>.

The Meeting resolved:

- To adopt the 2015 Annual Report, the Parent Company's 2015 financial statements and the Group's 2015 consolidated financial statements.
- To appropriate DDM's available earnings in accordance with the Board of Directors' proposal in the 2015 Annual Report.
- That no dividend is paid for the 2015 financial year.
- To discharge the Board of Directors and the Executive Management Committee from liability.
- To re-elect Kent Hansson, Torgny Hellström, Dr. Manuel Vogel and Fredrik Waker as Members of the Board of Directors.
- To elect Mrs. Dovilė Burgienė as a new member of the Board of Directors.
- To re-elect PricewaterhouseCoopers AG, Luzern, as the Company's Independent Auditors until the next AGM.

The 2017 Annual General Meeting will be held on 31 May in Zürich, Switzerland.

The Board of Directors

The Board of Directors is appointed by DDM Holding AG's owners to bear ultimate responsibility for the Company's organization and the management of the Company's affairs in the best interests of both DDM Holding AG and the shareholders.

The composition of the Board of Directors is set out in section "Board of Directors" on page 19 in this Annual Report and the members of the Board were elected by the Shareholders' Meeting for a term of office expiring at the Annual General Meeting 2017.

DDM's Board of Directors shall, under the provisions of the Articles of Association, comprise a minimum of one member, elected by the Annual General Meeting. The Board of Directors, which is elected for one year at a time, has comprised five members, all elected by the Annual General Meeting. The Board of Directors constitutes itself, as set out in the Articles.

Kent Hansson is Chairman and Manuel Vogel is deputy Chairman. DDM's Chief Executive Officer and Chief Financial Officer also usually attend the Meetings on behalf of the Executive Management Committee. Other members of the Group management and other executives may also attend and present reports on individual issues as required.

Re-election is permitted. The term of office of a member of the Board of Directors will, however, end irrevocably on the date of the Annual General Meeting following the 70th birthday of the particular member of the Board of Directors.

The Board of Directors is entrusted with the ultimate management of the Company, as well as with the supervision and control of the management.

The Board of Directors is the ultimate executive body of the Company and shall determine the principles of the business strategy and policies. The Board of Directors shall exercise its function as required by law, the Articles and the Board Rules.

The Board of Directors shall be authorized to pass resolutions on all matters that are not reserved to the general meeting of shareholders or to other executive bodies by applicable law, the Articles or the Board Rules.

By Swiss law, the Board of Directors has the following non-transferable and inalienable duties:

a) The ultimate management of the Company and the issuance of the necessary directive;
b) The establishment of the organization;
c) The structuring of the accounting system and of the financial controls as well as the financial planning insofar as this is necessary to manage the Company;
d) The appointment and removal of the persons entrusted with the management and representation of the Company;
e) The ultimate supervision of the persons entrusted with the management, in particular in relation to compliance with the law, the Articles, regulations, charters and directives;
f) Preparation of the business report consisting of the annual financial statements and consolidated financial statements;
g) The preparation of the general meeting of shareholders of the Company and the implementation of its resolutions;
h) Notification to the judge in case of a capital loss ("Unterbilanz") of the Company and in case of over indebtedness ("Überschuldung"; art. 725-725a CO); and
i) Preparation of the remuneration report.

By Swiss law, the Board of Directors also has the following non-transferable competencies: Decisions in connection with capital increases pursuant to art. 651a, 652g, 653g CO (acknowledgement of capital increase) and art. 651 IV CO (increase of share capital in the case of authorized capital); decisions pursuant to art. 634a I CO (shares not fully paid in) and resolutions pursuant to the Swiss Merger Act.

The Board of Directors held 20 meetings in 2016.

Board of Directors attendance

	Attendance 2016			
	Board meetings	Audit Committee**	Remuneration Committee	Investment Committee
Kent Hansson	20/20	–	7/7	–
Torgny Hellström	20/20	1/1	7/7	–
Manuel Vogel	18/20	3/3	–	–
Fredrik Waker	18/20	3/3	–	–
Dovilė Burgienė*	11/11	2/2	–	–
Savvas Liasis*	4/9	–	–	–

* Dovilė Burgienė was elected as a new member of the Board of Directors at the Annual General Meeting held on 28 June 2016, with Savvas Liasis ceasing to be a member of the Board of Directors on that date.

** Dovilė Burgienė was appointed as a member of the Audit Committee on 28 June 2016, replacing Torgny Hellström on that date.

The Board's committees

The overall responsibility of the Board of Directors cannot be delegated, however the Board may, within itself, set up committees which prepare, follow up on and evaluate issues within their respective spheres ahead of decisions by the Board. The Board set up an audit committee and a remuneration committee in March 2015, and an investment committee in March 2016. The committees' members are appointed at the Board Meeting following election held after the Annual General Meeting and their work is governed by the committees' formal work plans and instructions.

Audit Committee

The audit committee prepares a number of issues for consideration by the Board and thereby supports the Board in its endeavors to fulfil its responsibilities within the areas of auditing and internal control and with assuring the quality of DDM's financial reporting. The audit committee meets on a regular basis. The audit committee comprised Fredrik Waker (Chair), Torgny Hellström and Manuel Vogel until 28 June 2016, when Dovile Burgienė replaced Torgny Hellström. The committee's meetings are also attended by DDM's CFO. The committee held three meetings in 2016. Special attention was paid in 2016 to the auditors' reviews, internal controls, the acquisitions in Hungary and the procurement of audit services.

The audit committee works on the basis of a set of "Instructions for the audit committee" adopted every year by the Board of Directors and reports back to the Board on the results of its work.

Remuneration Committee

The remuneration committee submits proposals for resolution by the Board regarding salary and other terms of employment for the CEO, and follows up on and evaluates CEO performance as well as programs for variable remuneration for the Executive Management Committee. The remuneration committee also approves proposals regarding salaries and other terms of employment for the Executive Management Committee, as proposed by the CEO. The remuneration committee is, furthermore, tasked with submitting proposals regarding remuneration principles for the CEO and Executive Management Committee – proposals which are then submitted to the Board. The application of the guidelines and relevant remuneration structures and levels within the Company is also followed up by the committee.

The remuneration committee works on the basis of a set of "Instructions for the remuneration committee" adopted every year by the Board of Directors and reports back to the Board on the results of its work. The remuneration committee comprises Kent Hansson (Chair) and Torgny Hellström. The committee held seven meetings during the year.

Investment Committee
The investment committee has been delegated by the Board to assist the Board with selected investment-related matters, including strategy matters, significant investment approvals and supervision. The Committee is responsible for determining investment goals, reviewing the financial aspects of significant proposed transactions and for making specific investment decisions. The Committee is also responsible for review of compliance and performance relative to objectives, with a particular focus on risk identification and Management's mitigation of such risks legally and/or commercially in the Sales and Purchase Agreements, both prior to signing and during execution.

The investment committee works on the basis of a set of "Instructions for the investment committee" adopted every year by the Board of Directors and reports back to the Board on the results of its work. The investment committee comprises Torgny Hellström (Chair) and Kent Hansson.

If the Board considers it more appropriate, the entire Board may perform the investment committee's tasks. The Investment Committee's tasks were performed by the Board in 2016.

Internal governance systems

The most important internal steering instrument consists of the Articles that are adopted by the general meeting of shareholders. For the purpose of handling specific matters and exercising better supervision of DDM, the Board of Directors established an audit committee and a remuneration committee in March 2015, and an investment committee in March 2016.

Other steering instruments include the Board Rules and the Board of Directors' instructions for the CEO. In addition, from April 2015 the Board of Directors adopted a number of policies and instructions containing rules, including but not limited to: Code of Conduct, Communication Policy, Insider Policy and Guidelines, Policy for Risk Control, Finance Policy, Outsourcing Policy, Information Security Policy, and HR Policy for the entire Company's operations.

Individuals with an insider position

The members of the Board of Directors, the Executive Management Committee, the Company's auditor, a number of employees/contract personnel in DDM and individuals with certain functions in the Company's subsidiaries, who have a position that can normally be assumed to provide access to non-public, price sensitive information, have been registered as insiders in DDM. These individuals are obligated to report changes in their holdings of financial instruments in DDM Holding AG, DDM Treasury Sweden AB and DDM Debt AB.

DDM upholds a logbook of individuals who are employed or contracted by the Company and have access to insider information relating to the Company.

External auditor

The Annual General Meeting 2016 appointed Pricewaterhouse Coopers AG (Werftestrasse 3, CH-6002 Luzern, Switzerland) as the independent auditor until the Annual General Meeting 2017.

Norbert Kühnis, born 1971, is the auditor in charge. Norbert Kühnis is a certified accountant and member of the Swiss Institute of Certified Accountants and Tax Experts.

RISK FACTORS

Investment in DDM is associated with a number of risks

Numerous factors affect or may affect our operations, both directly and indirectly. Risk factors and major circumstances deemed to be of importance for DDM's business and future development are described on the right, in no particular order of priority and without claim to be exhaustive.

Risk awareness and management is an integral part of all employees' roles and responsibilities.

Albeit having a continuous process for monitoring risk, other risks as yet unknown to us, or which we at present deem to be insignificant, may in the future have a material adverse effect on DDM's business, results of operations or financial condition.

Market, financial and business related risks

Economic conditions in the markets in which DDM operates affect the business

DDM is exposed to the economic, market and fiscal conditions in the markets in which the Group operates and any positive or negative developments regarding these conditions. If the economy suffers a material and adverse downturn for a prolonged period of time that, in turn, increases the unemployment rate and/or impacts interest rates and the availability of credit, DDM may not be able to perform debt collection at levels consistent with historic levels due to the inability of debtors to make payments, at the same levels or at all, which could have an adverse effect on the Group's financial results. In addition, should the level of inflation increase, the real term carrying value of DDM's distressed asset portfolios may decrease.

There is a risk that economic conditions will not improve or remain at the same level in the markets in which DDM operates, or that the net effect of any change in economic conditions will not be positive. An improvement in the economic conditions in the markets in which DDM operates could impact the business and performance in various ways including, but not limited to, reducing the number of attractive portfolio opportunities that are available for purchase and increasing the competitiveness of the pricing for portfolios that the Group purchases. There is a risk that the business and results of operations will not develop positively in this environment. Conversely, while adverse economic conditions and increased levels of unemployment may lead to higher default rates on claims, which in turn may increase the stock of portfolios available for DDM to purchase and increase the amount of loans and other overdue receivables, there is a risk that such potential increase in the amount of debt available to purchase will not compensate for the adverse effects of an economic downturn. Accordingly, any of these developments could have a material adverse effect on DDM's business, results of operations or financial condition.

The asset acquisition industry is competitive

DDM operates in a fragmented and highly competitive industry and is exposed to both domestic and international competition. DDM may face bidding competition in acquisition of distressed asset portfolios and believes that successful bids are awarded based on price and a range of other factors including, but not limited to, service, compliance, reputation and relationships with the sellers of distressed asset portfolios. Some of the Group's current competitors, and potential new competitors, may have more effective pricing and collection models, greater adaptability to changing market needs and more established relationships in the industry and geographic markets where the Group operates. Moreover, competitors may elect to pay prices for distressed asset portfolios that DDM determine are not economically sustainable and, in that event, the volume of debt portfolio purchases may be diminished. There is a risk that DDM cannot compete successfully with existing or future competitors and that existing or potential sellers of distressed asset portfolios will continue to sell their portfolios at attractive levels or at all, or that DDM will continue to offer competitive bids for distressed asset portfolios.

Some of DDM's current competitors, and potential new competitors, may have substantially greater financial resources, less expensive funding or lower return requirements than the Group currently has. Additionally, in the future DDM may not have the financial resources to offer competitive bids for portfolio purchases and debt collection contracts, especially when competing with competitors who have greater financial resources. There is a risk that DDM will not be able to develop and expand its business or adapt to changing market needs as well as current or future competitors. Any of these developments could have a material adverse effect on the Group's business, results of operations or financial condition.

DDM is exposed to regulatory risks

DDM operates in a variety of jurisdictions and must comply with applicable laws, regulations, licenses and codes of practice across all jurisdictions, including, among other things, with respect to statutes of limitation. Changes to the regulatory or political environments in which the Group operates, a failure to comply with applicable laws, regulations, licenses and codes of practice or failure of any employees to comply with internal policies and procedures may negatively affect DDM's business. DDM is subject to complex regulations in the jurisdictions in which the Group operates, including, but not limited to, laws and regulations regarding data protection, debt collection, debt purchasing and anti-money laundering and terrorist financing at the national and supranational level. There is a risk that DDM's policies and procedures will not prevent breaches of applicable laws and regulations or that any investigations will not identify such breaches in a timely manner or at all. Any such delay or failure could have a material adverse effect on DDM's business, results of operations or financial condition. Supervisory authorities in each country in which DDM operates may determine that the Group does not fully comply with, is in violation of, or in the past has violated applicable rules, regulations or administrative guidelines. If DDM's policies and procedures are deemed not to be in compliance, or are deemed not to have previously been in compliance, with relevant legal requirements or applicable legal requirements or applicable laws, regulations or administrative guidelines, this could have a material adverse effect on the Group's business, results of operations or financial condition.

The Swiss Federal Council (the executive branch of the Swiss federal government) has adopted rules against excessive remuneration in listed companies by implementing the Ordinance Against Excessive Compensation at Listed Companies (*D. Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften*) (the "VegüV"). The VegüV applies to corporations organised under Swiss law whose shares are listed on a stock exchange in or outside Switzerland. Non-compliance with the VegüV regime may result in personal liability for the members of the board of directors or the management of a company and/or in a company's remuneration arrangements for its members of the Board of Director or management being null and void. DDM has decided to adapt its governance to the VegüV as soon as practically possible. In the event that DDM is found not to comply (or not to have complied) with, or is found not to have timely or adequately adapted to the VegüV regime, this could have a material adverse effect on the Group's business, results of operations or financial condition.

Compliance with the extensive regulatory framework is expensive and labor intensive. Failure to comply with applicable laws, regulations and rules, or failure to comply with a contractual compliance obligation, could result in investigations and enforcement actions, licenses that the Group needs to do business not being renewed, being revoked or being made subject to more onerous or disadvantageous conditions, fines or the suspension or termination of its ability to conduct collections. In addition, such failure to comply or revocation of a license, or other actions by DDM, may damage the Group's reputation. Damage to DDM's reputation, whether because of a failure to comply with applicable laws, regulations or rules, or revocation of a license or any other regulatory action or failure to comply with a contractual compliance obligation, could have a material adverse effect on the Group's business, results of operations or financial condition.

DDM is dependent on its employees and exposed to risks associated with their activities

DDM's future development depends largely on the skills, experience and commitment of the Group's employees. Therefore it is important for DDM's future business activities and development that it is able to retain and, where necessary, also recruit skilled employees. Should the Group become unable to retain or recruit suitable employees, this could have a material adverse effect on the Group's business, results of operations or financial condition. Further, individual employees may act against the Group's instructions or internal policies and either inadvertently or deliberately violate applicable law, including, but not limited to, competition laws and regulations by engaging in prohibited activities such as price fixing or colluding with competitors regarding markets or clients. Any such actions could have a material adverse effect on the Group's business, results of operations or financial condition.

DDM is dependent on key business relationships and third parties

DDM's future development depends largely on the key business relationships with sellers, debt collection agencies, advisors and other parties. It is therefore important for DDM's future business activities and development that it is able to maintain existing relationships and develop further relationships with such parties if necessary. Should the Group become unable to maintain or develop further key business relationships it could have a material adverse effect on the Group's business, results of operations or financial condition. Further, the third parties that the Group engage to carry out debt collection services are subject to limited supervision, which may expose the Group to additional risks in relation to these services, such as potential non-compliance and business integrity issues or if there were to be any breach in the data protection of any of these third party providers, all of which could significantly harm the Group's reputation. Additionally, the Group or its partners may utilise bailiffs to assist with seizure of property and other court ordered solutions and to enforce certain successfully resolved legal claims. There is a risk that the Group will not successfully eliminate the risk that a third party does not meet the agreed service levels or may act outside of the applicable frameworks or the Group's own policies and procedures. Any such actions could have a material adverse effect on the Group's business, results of operations or financial condition.

DDM may not be able to collect sufficient amounts on distressed asset portfolios

Due to the length of time involved in collecting non-performing debt on acquired distressed asset portfolios, DDM may not be able to identify economic trends or make changes in acquiring strategies in a timely manner. This could result in a loss of value in a portfolio after acquisition. Analytical models may not identify changes that originators make in the quality of the distressed asset portfolios that they sell. If DDM overpays for distressed asset portfolios, and thus the value of acquired assets and cash flows from operations are less than anticipated, the Group may have difficulty servicing debt obligations and may not be able to acquire new portfolios. Further, if purchased portfolios do not generate expected cash flows over specified time horizons it may be necessary to make downward revaluations of the portfolios, all of which could have a material adverse effect on the Group’s business, results of operations or financial condition.

DDM’s models and analytical tools to value and price portfolios may prove to be inaccurate

DDM uses internally developed models to value and price portfolios that the Group considers for purchase and to project the remaining cash flow generation from distressed asset portfolios. There is a risk that the Group will not be able to achieve the recoveries forecasted by the models used to value the portfolios, that the models are not transferable to other types of assets or that the models are flawed. There is a risk that the models will not appropriately identify or assess all material factors and yield correct or accurate forecasts as historical collections may not reflect current or future realities. Further, employees could make misjudgments or mistakes when utilising the Group’s statistical models and analytical tools. In addition, the Group’s statistical models and analytical tools assess information which to some extent is provided by third parties, such as credit agencies, consultants performing asset valuation services, consultants performing audits of for example loan documentation, and other mainstream or public sources, or generated by software products. DDM only has limited control over the accuracy of such information received from third parties. If such information is not accurate, portfolios may be incorrectly priced at the time of purchase, the recovery value for portfolios may be calculated inaccurately, the wrong collection strategy may be adopted and lower collection rates or higher operating expenses may be experienced.

Further, historical information about portfolios may not be indicative of the characteristics of subsequent portfolios purchased from the same debt originator or within the same industry due to changes in business practices or economic development. Any of these events may have a material adverse effect on DDM’s business, results of operations or financial condition.

DDM may make new investments or pursue co-investments that prove unsuccessful

DDM has historically invested primarily in consumer debt portfolios. In the future DDM may consider acquiring distressed assets portfolios with other types of underlying assets, such as corporate debt portfolios or leasing receivables portfolios, and/or apply new transaction structures including, but not limited to, acquiring minority interest or entire companies or businesses in DDM's current geographical markets or in new markets. Such investments are exposed to a number of risks and uncertainty including, but not limited to, with respect to collections, ownership, rights, assets, liabilities, taxation, accounting treatment, licenses and permits, legal proceedings, financial resources and other aspects. These risks may be greater, more difficult or more extensive to analyse if DDM acquires new asset types and/or enters into unfamiliar countries or regions. Further, such investments involve risks due to difficulties in integrating operations, models, technology, information technology and hiring competent personnel. Any difficulties relating to new asset types, entering other markets or applying new transaction structures could require DDM to divert attention or funds from DDM's current core operations, which may affect the ability to generate a return on capital, service financing obligations, purchase portfolios and pursue portfolio acquisitions or other strategic opportunities and may impact DDM's future growth potential, and could have a material adverse effect on DDM's business, results of operations or financial condition.

There may not be a sufficient supply of distressed asset portfolios, or appropriately priced assets, to acquire

The availability of distressed asset portfolios at prices that generate profits depends on a number of factors, many of which are outside of DDM’s control. If originators choose to rely more heavily on collection agencies, there would be a reduction in the availability of assets that are early in the financial difficulty cycle and have had little or no exposure to collection activity. These “fresher” assets typically have higher collection expectations. If originators were to perform more of their own collections, or were to further outsource collections to collection agencies, the volume of assets for sale or the quality of assets sold could decrease and consequently, DDM may not be able to buy the type and quantity of assets at prices consistent with its historic return targets. If DDM is unable to acquire non-performing asset portfolios at appropriate prices, the Group could lose a potential source of revenue and its business may be harmed. If DDM does not continually replace serviced portfolios with additional portfolios, this could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM may be unable to collect debts or it could take several years to realise cash returns on investments in acquired portfolios

DDM may not be able to collect debts contained in its acquired portfolios. DDM acquires distressed asset portfolios at a discount to face value and collects the outstanding debt. There is a risk that assets contained in DDM’s portfolios cannot eventually be collected by the Group or its partners. The risk in this business is that DDM upon acquisition of invested assets would overestimate its ability to collect amounts, underestimate the costs of collection or misjudge whether the acquired assets are valid, existing and enforceable. If DDM were to become unable to collect the expected amounts contained in its portfolios it could have a material adverse effect on the Group’s business, results of operations or financial condition. Further, after taking into consideration direct and indirect operating costs, financing costs, taxes and other factors, it may take several years for DDM to recoup the original acquisition price of investment in distressed asset portfolios. During this period, significant changes may occur in the economy, the regulatory environment or DDM’s business or markets, which could lead to a substantial reduction in expected returns or reduce the value of the distressed asset portfolios that have been acquired which could have a material adverse effect on the Group’s business, results of operations or financial condition.

The seasonality of DDM’s business may lead to volatility in cash flow

DDM’s business depends on the ability to collect on distressed asset portfolios and purchase of such portfolios. Debt collection is highly affected by seasonal factors including, but not limited to, the number of work days in a given month, the propensity of customers to take holidays at particular times of the year and annual cycles in disposable income. Accordingly, collections within portfolios tend to have high seasonal variances, resulting in high variances of margins and profitability between quarters. Furthermore, DDM’s debt portfolio purchases are likely to be uneven during the year due to fluctuating supply and demand within the market. The combination of seasonal collections and uneven purchases may result in low cash flow at a time when attractive distressed asset portfolios become available. There is a risk that in the future the Group will not be able to obtain interim funding from shareholders or make other borrowings. A lack of cash flow could prevent DDM from purchasing otherwise desirable distressed asset portfolios or prevent the Group to meet obligations, e.g. to pay interest, either of which could have a material adverse effect on the Group’s business, results of operations or financial condition.

DDM is exposed to the risk of currency fluctuations

DDM’s revenue on invested assets is primarily denominated, inter alia, in EUR, Hungarian forint, Romanian leu and Czech koruna while the Group reports financial results in EUR. Further, DDM acquires portfolios with accounts denominated mainly in EUR, Romanian leu, Hungarian forint and Czech koruna and will service these accounts through the placement and collections process. Historically, bonds issued in Swedish krona have to a large extent funded DDM, however in the first quarter of 2017 the outstanding bonds were refinanced and replaced by a new EUR denominated bond. DDM may further be exposed to additional currencies as a consequence of geographically expanding its business operations. DDM’s headquarter is located in Switzerland, where the majority of the employees are employed and from where the distressed assets are managed. The Group is thereby also exposed to fluctuations in the CHF.

The exchange rates between some of these currencies and EUR have fluctuated significantly in recent years and DDM's local currencies may in the future fluctuate significantly. Consequently, to the extent that foreign exchange rate exposures are not hedged, fluctuations in currencies may adversely affect the Group's financial results in ways unrelated to the operations and could affect the Group’s financial statements when the results of its portfolios are translated into EUR for reporting purposes. Any of these developments could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM is exposed to errors in the collection process and other operational issues or negative attention and news regarding the debt collection industry, individual debt collectors or sellers of portfolios

Debtors may become more reluctant to pay their debts in full or at all or become more willing to pursue legal actions against DDM. Print, television or online media may, from time to time, publish stories about the debt collection or asset acquisition industry that may cite specific examples of real or perceived abusive collection practices. These stories can be published on websites, which can lead to the rapid dissemination of the story and increase the exposure to negative publicity about DDM or the industry. There are websites where debtors may list their concerns about the activities of debt collectors and financial institutions and seek guidance from other users on how to handle the situation. These websites are increasingly providing debtors with legal forms and other strategies to protest collection efforts and to try to avoid their obligations. To the extent that these forms and strategies are based upon erroneous legal information, there is a risk that the cost of collections is increased. Debtor blogs and claims management companies are becoming more common and add to the negative attention given to the industry. Certain of these organizations may also enable debtors to negotiate a larger discount on their payments than DDM would otherwise agree to. As a result of this publicity, debtors may be more reluctant to pay their debts or could pursue legal action against DDM regardless of whether those actions are warranted. These actions could impact DDM’s ability to collect on the assets acquired and could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM may acquire portfolios that contain accounts that are not eligible to be collected or could be the subject of fraud when acquiring distressed asset portfolios

In the normal course of portfolio acquisitions, there is a risk that assets may be included in the portfolios that fail to conform to the terms of the acquisition agreements and DDM may seek to return these assets to the seller for refund or replacement of new cases. However, there are no guarantees that the provisions of the relevant acquisition agreement allow for such returns, that the seller will be able to meet its obligations or that DDM will identify non-conforming accounts soon enough to qualify for recourse. Accounts that would be eligible for recourse if discovered in a timely fashion but that DDM is unable to return to sellers are likely to yield no return. If DDM acquires portfolios containing a large amount of non-conforming accounts or containing accounts that are otherwise uncollectible, the Group may be unable to recover a sufficient amount for the portfolio acquisition to be profitable, which would have a material adverse effect on DDM's business, results of operations or financial condition.

In addition, due to fraud by a seller or by one of DDM’s employees, DDM could acquire so-called “phantom portfolios” that have been sold to more than one person or where the assets are not valid, existing and enforceable or the debtor is not an existing person. DDM would not be able to collect on a portfolio to which it has no legal ownership, or would need to spend time and resources establishing its legal ownership of the portfolio if such ownership is uncertain. The internal controls DDM has in place to detect such types of fraud may fail. If DDM is the victim of fraud, it could have an impact on the Group’s cash flow or reduce its collections from invested assets, in either case potentially adversely impacting DDM's business, results of operations or financial condition.

DDM’s collections may decrease if the number of debtors becoming subject to personal insolvency procedures increases

DDM recovers on assets that become subject to insolvency procedures under applicable laws, and acquires accounts that are, at the time of the acquisition, subject to insolvency proceedings. Various economic trends and potential changes to existing legislation may contribute to an increase in the number of debtors subject to insolvency procedures. Under some insolvency procedures a person’s assets may be sold to repay creditors, but since the non-performing assets may be unsecured, DDM may not be able to collect on those assets. DDM’s ability to successfully collect on its distressed asset portfolios may decline following an increase in personal insolvency procedures or a change in insolvency laws, regulations, practices or procedures. If actual collections with respect to a distressed asset portfolio are significantly lower than projected when DDM acquired the portfolio, this would have a material adverse effect on DDM's business, results of operations or financial condition.

DDM may not be able to successfully maintain and develop its IT or data analysis systems

DDM's proprietary IT System, FUSION, provides possibilities to analyse and bid for new investments and manage current assets, and is essential for DDM to carry out its business. IT and telecommunications technologies are evolving rapidly. DDM may not be successful in anticipating, managing or adopting technological changes on a timely basis and may not be successful in implementing improvements to the Group's IT or data analysis systems. The costs for such improvements could be higher than anticipated or result in management not being able to devote sufficient attention to other areas of the Group's business. Also, any security breach in DDM's IT system, or any temporary or permanent failure in the system or loss of data, could disrupt operations and have a material adverse effect on DDM's business, results of operations or financial condition.

The Group is exposed to refinancing risk

DDM's business is to a large extent funded by bonds with final maturity in January 2020. The bonds may, however, under certain circumstances set out in the terms and conditions of the bonds, be redeemed by DDM or accelerated by the bondholders prior to such final maturity date. There is not necessarily any correlation in time between collecting on sufficient assets under DDM's portfolios and the maturity of DDM's funding. Therefore, DDM is dependent on the ability to refinance borrowings upon their maturity and there is a risk that DDM will not be able to successfully refinance the bond loans upon their maturity or only succeeds in securing funding at substantially increased costs, which could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM is exposed to the risk of inaccurate application of, and future changes in tax legislation

DDM manages its operations in a number of countries. The business, including transactions between DDM companies, is operated according to DDM's understanding or interpretation of current tax laws, tax treaties and other tax law stipulations and in accordance with DDM's understanding and interpretation of the requirements of the tax authorities concerned. However, there is a risk that DDM's understanding or interpretation of the above-mentioned laws, treaties and other regulations is not correct in every aspect. There is a risk that the tax authorities of the countries concerned will make assessments and take decisions that deviate from DDM's understanding or interpretation of the abovementioned laws, treaties and other regulations. DDM's tax position both for previous years and the present year may change as a result of the decisions of the tax authorities concerned or as a result of changed laws, treaties and other regulations. Such decisions or changes, possibly retroactive, could have a material adverse effect on DDM's business, results of operations or financial condition.

Dependence on licenses in Hungary and Slovenia

DDM is dependent on licenses in order to carry out its business in Hungary and Slovenia. If the relevant authorities were to withdraw such licenses for any reason, there is a risk that DDM might have to cease part or all of its business in Hungary and Slovenia, having an adverse impact on DDM's business, results of operations or financial condition.

Certain investment strategies, including co-investments and joint ventures, may limit DDM's control over particular investments.

If DDM makes co-investments together with third parties, such as the co-investments pertaining to the portfolios of Finalp and Lombard, or enters into joint ventures with third parties, DDM's ability to exercise control over these investments may be limited. Further, the interests of DDM's co-investment partners and any persons with which it pursues joint ventures may conflict with DDM's interests. There is a risk that any such conflict would not be resolved in DDM's favor which could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM is dependent on future financing on attractive terms

DDM's business model and strategy entails that it regularly acquires additional distressed asset portfolios in existing or new markets. This business model and strategy may require additional debt or equity funding. The access to and the terms of such additional financing are affected by a number of factors including, but not limited to, successful collection on current distressed asset portfolios, terms and conditions of DDM's financing arrangements and related security arrangements, the general availability of capital and DDM's credit worthiness and credit capacity. Disruptions and uncertainty in the credit and capital markets may also limit access to additional capital. Should DDM become unable to secure additional funding, or only succeeds in securing additional funding on unfavorable terms, it could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM may not have adequate insurance coverage

DDM believes that it maintains the types and amounts of insurance customary in the industry and countries in which it operates. However, there is a risk of DDM's existing insurance coverage not being adequate for possible future needs and of DDM not being able to maintain the existing insurance coverage at a reasonable cost or maintain adequate insurance coverage. Moreover, the coverage that DDM obtains via its insurance policies may be limited, for example on account of monetary limits and the need to pay an excess or by the insurance company not compensating the full loss. It may be difficult and time-consuming to obtain compensation from insurance companies for losses covered by DDM's policies. Consequently, there is a risk that DDM's insurance cover will not cover all potential losses, whatever the cause, or of relevant insurance coverage not always being available at an acceptable cost, which could have a material adverse effect on the DDM's business, results of operations or financial condition. Claims against DDM may also, regardless of the insurance coverage, result in an increase in the premiums DDM pays under its insurance contracts. Significant increases in insurance premiums may have a material adverse effect on DDM's business, results of operations or financial condition.

Litigation, investigations and proceedings may negatively affect DDM's business

DDM may be adversely affected by judgments, settlements, unanticipated costs or other effects of legal and administrative proceedings that are pending or may be instituted in the future, or from investigations by regulatory bodies or administrative agencies. DDM may also become subject to claims and a number of judicial and administrative proceedings considered normal in the course of the Group's operations including, but not limited to, consumer credit disputes, labor disputes, contract disputes, intellectual property disputes, government audits and proceedings, other disputes and tort claims. In some proceedings, the claimant may seek damages as well as other remedies, which, if granted, would require expenditures and may ultimately incur costs relating to these proceedings that exceed DDM's present or future financial accruals or insurance coverage. Even if the Group or its directors, officers and employees (as the case may be) are not ultimately found to be liable, defending claims or lawsuits could be expensive and time consuming, divert management resources, damage DDM's reputation and attract regulatory inquiries. Any of these developments could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM's geographic presence and expansion exposes the Group to local risks in several European markets

DDM currently owns acquired portfolios and pursues debt collection mainly in Slovenia, Hungary, the Czech Republic, Romania, Russia, Slovakia and Macedonia. The Group's business is subject to local risks due to the operations in multiple Central and Eastern European markets including, but not limited to, multiple national and local regulatory and compliance requirements relating to labor, licensing requirements, consumer credit, data protection, anti-corruption, anti-money laundering and other regulatory regimes, potential adverse tax consequences, antitrust regulations, an inability to enforce remedies in certain jurisdictions and geopolitical and social conditions in certain sectors of relevant markets. While entering new markets DDM could face additional risks including, but not limited to, incurring startup losses for several years due to lower levels of business, ramp up and training costs, the lack of expertise in such markets, the lack of adequate and available management teams to monitor these operations, unfavorable commercial terms and difficulties in maintaining uniform standards, control procedures and policies. Any negative impact caused by the foregoing risks could have a material adverse effect on the Group's business, results of operations or financial condition. In addition, if DDM expands into new jurisdictions, the business will be subject to applicable laws, regulations and any licensing requirements in such new jurisdictions, which may be different or more stringent than the jurisdictions in which the Group currently operates.

DDM IN FIGURES

THE BOARD OF DIRECTORS OF DDM HOLDING AG IS PLEASED TO PRESENT THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2016

This report is dated 30 March 2017 and is signed on behalf of the Board of DDM Holding AG by

Kent Hansson	Gustav Hultgren
Chairman	*Chief Executive Officer*

FINANCIAL STATEMENTS AND NOTES

DDM HOLDING GROUP

DDM HOLDING AG

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December Amounts in EUR	Notes	2016	2015
Revenue on invested assets	6, 7	**14,919,364**	**15,926,289**
Reconciliation of revenue on invested assets:			
Net collections		*34,225,117*	*27,507,520*
Amortization of invested assets		*(18,623,472)*	*(7,426,540)*
Revaluation and impairment of invested assets		*(682,281)*	*(4,154,691)*
Revenue from management fees	6	**1,206,648**	–
Personnel expenses	8	(3,949,123)	(3,826,928)
Consulting expenses	9	(1,247,499)	(1,206,642)
Other operating expenses	10	(952,191)	(778,582)
Amortization and depreciation of tangible and intangible assets		(134,000)	(147,355)
Operating profit		**9,843,199**	**9,966,782**
Financial income	11	32,028	30,152
Financial expenses	11	(6,663 378)	(5,961,069)
Unrealized exchange profit / (loss)	11	2,111,163	(1,706,652)
Realized exchange loss	11	(256,829)	(426,702)
Net financial expenses		**(4,777,016)**	**(8,064,271)**
Profit before income tax		**5,066,183**	**1,902,511**
Tax income / (expense)	12	274,578	(54,286)
Net profit for the year		**5,340,761**	**1,848,225**
Earnings per share before and after dilution	13	0.65	0.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December Amounts in EUR	2016	2015
Net profit for the year	**5,340,761**	**1,848,225**
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss:		
Actuarial gain / (loss) on the defined benefit commitments (pension)	550,716	(303,811)
Deferred tax assets on post-employment benefit commitments	(33,859)	12,345
Items that may subsequently be reclassified to profit or loss:		
Currency translation differences	(51,843)	(61,863)
Other comprehensive income for the year, net of tax	**465,014**	**(353,329)**
Total comprehensive income for the year	**5,805,775**	**1,494,896**

The notes on pages 42 to 61 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December Amounts in EUR	Notes	2016	2015
ASSETS			
Non-current assets			
Goodwill	20	4,160,491	4,160,491
Intangible assets	21	1,636,954	1,748,213
Tangible assets	19	62,948	69,505
Interests in associates	16	600,000	600,000
Distressed asset portfolios	17	32,471,721	22,253,808
Other long-term receivables from investments	18	11,447,384	18,306,865
Deferred tax assets	26	1,288,752	108,032
Other non-current assets	22	1,332,496	–
Total non-current assets		**53,000,746**	**47,246,914**
Current assets			
Accounts receivable	15	1,660,415	4,130,762
Other receivables	15	909,887	299,955
Prepaid expenses and accrued income	15	204,959	142,181
Cash and cash equivalents	14	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	28	7,540,117	5,785,676
Share premium	28	15,511,912	10,777,630
Other reserves		(583,880)	(547,390)
Accumulated losses including net earnings for the year		(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	24	31,191,913	30,144,539
Post-employment benefit commitments	25	473,592	812,178
Deferred tax liabilities	26	231,370	60,161
Total long-term liabilities		**31,896,875**	**31,016,878**
Current liabilities			
Accounts payable	23	1,568,110	5,757,817
Accrued interest	23	2,417,823	2,519,292
Accrued expenses and deferred income	23	1,733,005	1,011,490
Loans	23, 24	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**

The notes on pages 42 to 61 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December Amounts in EUR	Notes	2016	2015
Cash flow from operating activities			
Operating profit		9,843,199	9,966,782
Adjustments for non-cash items:			
Amortization of invested assets	*17, 18*	*18,623,472*	*7,426,540*
Revaluation and impairment of invested assets	*17, 18*	*682,281*	*4,154,691*
Depreciation, amortization and impairment of tangible and intangible assets	*19, 21*	*134,000*	*147,355*
Other items not affecting cash		*(3,354,292)*	*(16,435,602)*
Interest paid		(5,480,564)	(7,801,487)
Interest received		78	–
Tax paid		(275,392)	–
Cash flow from operating activities before working capital changes		**20,172,782**	**(2,541,721)**
Working capital adjustments			
(Increase) / decrease in accounts receivable		2,470,347	(386,362)
(Increase) / decrease in other receivables		(2,005,206)	387,835
Increase / (decrease) in accounts payable		(887,808)	508,871
Increase / (decrease) in other current liabilities		500,046	(706,046)
Net cash flow from operating activities		**20,250,161**	**(2,737,423)**
Cash flow from investing activities			
Purchases of distressed asset portfolios and other long-term receivables from investments	17, 18	(24,626,867)	(2,475,613)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	17, 18	2,300,000	–
Purchases of associates	16	–	(600,000)
Purchases of tangible and intangible assets	19, 21	(9,882)	(106,018)
Net cash flow received / (used) in investing activities		**(22,336,749)**	**(3,181,631)**
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	28	1,754,441	–
Share premium	28	4,734,282	–
Proceeds from issuance of loans	23, 24	14,967,249	1,341,938
Repayment of loans	24	(12,138,999)	(969,594)
Net cash flow received / (used) in financing activities		**9,316,973**	**372,344**
Cash flow for the year		**7,230,385**	**(5,546,710)**
Cash and cash equivalents less bank overdrafts at beginning of the year		**3,391,575**	**9,000,148**
Foreign exchange gains / (losses) on cash and cash equivalents		(22,894)	(61,863)
Cash and cash equivalents less bank overdrafts at end of the year	**14**	**10,599,066**	**3,391,575**

The notes on pages 42 to 61 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in EUR	Notes	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	25	–	–	(303,811)	–	**(303,811)**
Currency translation differences		–	–	(61,863)	–	**(61,863)**
Deferred tax assets	26	–	–	12,345	–	**12,345**
Total comprehensive income		–	–	**(353,329)**	**1,848,225**	**1,494,896**
Transactions with owners						
New share issue	28	–	–	–	–	–
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	25	–	–	–	550,716	**550,716**
Currency translation differences		–	–	(2,631)	(49,212)	**(51,843)**
Deferred tax assets	26	–	–	(33,859)	–	**(33,859)**
Total comprehensive income		–	–	**(36,490)**	**5,842,265**	**5,805,775**
Transactions with owners						
New share issue	28	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**

At 31 December 2016 the number of outstanding shares in DDM Holding AG amounted to 9,040,298 shares and at 31 December 2015 the number of outstanding shares amounted to 7,100,000 shares.

NOTE 1. GENERAL INFORMATION
DDM Holding AG and its subsidiaries (together "DDM" or the "Company") is an investor in portfolios of distressed assets and other long-term receivables from investments. DDM primarily buys portfolios from international banks with lending operations in Central and Eastern Europe, and the majority of the assets in which DDM has invested originate in Slovenia, Romania, Hungary, the Czech Republic, Russia and Slovakia. The Company is based in the canton of Zug in Switzerland where the majority of its staff is located. The address of DDM's registered office is Schochenmühlestrasse 4, 6340 Baar, Switzerland. The Company was founded in 2007 and is listed on Nasdaq First North, Stockholm since September 2014, under the ticker DDM.

These financial statements were authorized for publication by the Board of Directors on 30 March 2017.

NOTE 2. BASIS OF PREPARATION
The consolidated financial statements of DDM Holding AG have been prepared in accordance with IFRS as adopted by the EU. In accordance with Article 962 of the Swiss Code of Obligation (CO), DDM Holding AG has to prepare financial statements in accordance with a recognised financial reporting standard. The Swiss Federal Council has issued an ordinance defining the IFRS as approved by the IASB as a recognised financial reporting standard. DDM Holding AG has evaluated the differences between the IFRS as adopted by the EU and the IFRS approved by the IASB with influence on the DDM group's financial statements, and concluded that there are no material differences.

The financial statements have been prepared on the basis of historical cost modified with the revaluation of financial assets and financial liabilities at fair value through profit or loss. Distressed asset portfolios, other long-term receivables from investments and borrowings are measured at amortized cost using the effective interest rate method, adjusted for revaluation and impairment.

The financial statements have been prepared on a going concern basis.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Consolidation
The financial statements consolidate the accounts of DDM Holding AG and its subsidiaries.

Subsidiaries
Subsidiaries are all 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.

Entities included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2016	31 Dec 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 for impairment in accordance with the policy described in note 3.

Entities not included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2016	31 Dec 2015
Profinance doo Beograd	Equity accounted	Serbia	(49.67%)	(49.67%)

Foreign currency translation
(i) Functional and presentation currency
Items included in the financial statements of each consolidated entity in DDM Holding AG are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of DDM Holding AG is Euro. The consolidated financial statements are presented in ("EUR") which is the Group's presentation currency. The financial statements of entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities at the closing rate on the balance sheet date, equity at historical rates and income and expenses at the average rate for the period (as this is considered a reasonable approximation of the actual rates prevailing on the dates of the individual transactions). All resulting consolidation adjustments are recognized in other comprehensive income as cumulative translation adjustments.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction dates. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entities' functional currency are recognized in the income statement in "net financial income / (expenses)".

Translation differences on non-monetary financial assets and liabilities are recognized in profit or loss as part of the fair value gain or loss.

The following exchange rates were applied:

Exchange rates		31 Dec 2016	31 Dec 2015
Balance sheet (spot rate balance sheet date)	EUR/SEK	9.5525	9.1895
Income statement (average rate)	EUR/SEK	9.4250	9.3681
Balance sheet (spot rate balance sheet date)	EUR/CHF	1.0739	1.0835
Income statement (average rate)	EUR/CHF	1.0907	1.0756
Balance sheet (spot rate balance sheet date)	EUR/CZK	27.021	27.022
Income statement (average rate)	EUR/CZK	27.034	27.331
Balance sheet (spot rate balance sheet date)	EUR/HUF	309.79	315.96
Income statement (average rate)	EUR/HUF	311.66	309.55
Balance sheet (spot rate balance sheet date)	EUR/RON	4.5390	4.5240
Income statement (average rate)	EUR/RON	4.4897	4.4410

Cash and cash equivalents
Cash and cash equivalents include cash deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Overdrafts are disclosed separately under liabilities and presented as "Liabilities to credit institutions". Please see Note 14.

Financial instruments
In line with IAS 39 "Financial Instruments: recognition and measurement" financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has, for all intents and purposes, transferred all of the risks and rewards of ownership. Financial liabilities are derecognized when the contractual commitment is discharged, cancelled or expires.

Classification, recognition and measurement
At initial recognition, the Company classifies its financial instruments as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade receivables and cash and cash equivalents and are included in current assets due to their short-term nature. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

NOTE 3. ***SUMMARY OF SIGNIFICANT…*** *continued*

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment of financial assets
On each reporting date the Company assesses whether there is objective evidence that a financial asset is impaired. The objective criteria used to determine impairment include:

a) significant financial difficulty of the obligor;
b) delinquencies in interest or principal payments; and
c) it is likely that the borrower will enter bankruptcy or other financial reorganization.

If such evidence exists, the Company recognizes an impairment loss as follows:

Financial assets carried at amortized cost
The loss is the difference between the amortized cost of the asset and the present value of the estimated future cash flows discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

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 Dec 2016	31 Dec 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. The Company 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, the Company 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 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 lines "Revaluation of invested assets" or "Impairment of invested assets" respectively).

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 for 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 recognized in connection with disposals of tangible assets are included among administration expenses (within the line "other operating expenses").

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, and that has a finite useful life. "Fusion" is the proprietary IT system that integrates investment data, case data, payment data and activity data into one effective and comprehensive IT system. This asset is capitalized and amortized in the income statement on a straight-line basis 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.

NOTE 3. ***SUMMARY OF SIGNIFICANT… continued***

Impairment of non-financial assets
Goodwill is reviewed for impairment annually or at any time if an indication of impairment exists. Management monitors goodwill for internal purposes based on its Cash Generating Units ("CGU") which are its operating segment.

The Company evaluates impairment losses other than goodwill impairment for potential reversals when events or circumstances warrant such consideration. Accordingly, goodwill is assessed for impairment together with the assets and liabilities of the related segment. The Company has only one CGU, which corresponds to the activities of the entire Group.

Tangible and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units or "CGUs").

The recoverable amount is an asset's fair value less costs to sell or its value in use (being the present value of the expected future cash flows of the relevant asset or CGU as determined by management), whichever is higher.

Post-employment benefit commitments
DDM employees located in Switzerland have entitlements under the Company's pension plans which are either defined contribution or defined benefit pension plans. For defined benefit plans, the level of benefit provided is based on the length of service and the earnings of the individual concerned.

The cost of defined contribution pension plans is expensed as the contributions become payable. The cost of defined benefit plans is determined using the projected unit credit method. The related pension liability recognized in the Balance Sheet is the present value of the defined benefit commitment at the end of the reporting period less the fair value of plan assets. Actuarial valuations for defined benefit plans are carried out annually. The discount rate applied in arriving at the present value of the pension liability represents the yield on high quality corporate bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income without recycling to the Income Statement in subsequent periods. Amounts recognized in other comprehensive income are recognized immediately in retained earnings. Current service cost, the recognized element of any past service cost and the interest expense arising on the pension liability are included in the "Personnel expenses" item in the Income Statement as the related compensation cost. Past service costs are recognized immediately to the extent the benefits are vested and are otherwise amortized on a straight-line basis over the average period until the benefits become vested.

Provisions
(i) Termination benefits
The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing benefits as a result of an offer made to encourage voluntary termination. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(ii) Other liabilities
Provisions for restructuring costs, warranties and legal claims are recognized in other liabilities when the Company has a present legal or constructive commitment as a result of past events; it is more likely than not that an outflow of resources will be required to settle the commitment; and the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the commitment at the end of the reporting period and are discounted where the effect is material.

Borrowings
Borrowings from credit institutions and other long-term payables are initially reported at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is reported in the income statement over the period of the borrowings, using the effective interest method for long-term borrowings and the straight-line method for borrowings with a total contract length of less than 12 months.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Costs to secure financing are amortized across the term of the loan as financial expenses in the consolidated income statement. The amount is recognized in the balance sheet as a deduction to the loan liability. All other borrowing costs (interest expenses and transaction costs) are reported in the income statement in the period to which they refer.

Current and deferred income tax
Income tax comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity in which case the income tax is also recognized directly in other comprehensive income or equity respectively.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. In general deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted as per the balance sheet date and are expected to apply when the deferred tax asset is realized or the liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and liabilities are presented as non-current.

Revenue on invested assets and revenue from management fees
Revenue on invested assets is the result of the application of the amortized cost method (please see Note 5 and Note 6). 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. Under IFRS, revenue is recognized only when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

Share capital
Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Dividend distribution
Dividends on common shares are recognized in the Company's financial statements in the period in which the dividends are approved by the Board of Directors.

Earnings per share
Basic earnings per share are computed by dividing the profit / (loss) attributable to the equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are computed by dividing the adjusted profit / (loss) attributable to the equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, adjusted to include any potential dilutive common shares.

Accounting standards and amendments issued but not yet adopted in 2016
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements.

The following standards and amendments are applicable but are not expected to have a significant effect on the consolidated financial statements of the Company:

(i) IFRS 15 Revenue from contracts with customers
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer, replacing the existing notion of risks and rewards. Effective date: 1 January 2018.

NOTE 3. SUMMARY OF SIGNIFICANT… continued

(ii) IFRS 16 Leases
IFRS 16 will primarily affect the accounting of lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. Effective date: 1 January 2019.

(iii) IFRS 9 "Financial instruments"
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard is effective for accounting periods beginning on, or after, 1 January 2018. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through the Income Statement.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through the Income Statement with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit loss (ECL) model that replaces the incurred loss impairment model used in IAS 39. The ECL model involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. DDM has this relevant data as this is a key competence for DDM when performing due diligence and negotiating a portfolio acquisition. DDM's current interpretation is that the ECL model will not have an impact on the distressed asset portfolios, as the lifetime ECLs are included in the estimated cash flows when calculating the effective interest rate on initial recognition of such assets. In contrast, the ECL model would be fully applicable for assets which are not distressed at initial recognition, such as financial lease assets or other consumer debts. Influenced by the timing of the acquisition, the recognition of the day-one-loss would have a potential negative impact on the income statement for the period. However, as this is not its main business, DDM in general does not expect a significant impact. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

DDM continues to assess the impact of IFRS 9 on its current accounting treatment for invested assets. In general, DDM does not expect that this will have a material impact due to the fact that the Group's business model is to invest in distressed assets. However, in rare circumstances it might be the case that collateralized assets will fail the SPPI-test (that an asset's contractual cash flows represent 'solely payment of principal and interest'), and therefore have to be treated differently. However, DDM has concluded that this will not have a material impact on the recognition and valuation of the assets.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

NOTE 4. FINANCIAL RISK MANAGEMENT

Risk management is handled by employees and the Executive Management Committee who report to the Board on the basis of the policy adopted by the Board. The Company identifies, evaluates and mitigates financial risks relating to the operating activities of the Company. The Board determines and adopts an overall internal policy for risk management. This policy is divided into different sections addressing specific areas such as currency risk, interest rate risk, credit risk, liquidity risk, purchased debts risk and financing risk. The Company reports to the Board on compliance with and state of the risk policy in terms of the different financial risks.

The Company defines risk as all factors which could have a negative impact on the ability of the Company to achieve its business objectives. All business activity is associated with risk. In order to manage risk in a balanced way it must first be identified and assessed.

The following summary offers examples of risk factors which are considered to be especially important for the Company's future development, but is by no means comprehensive.

(i) Economic fluctuations
The debt collection industry is negatively affected by a weakened economy. However, the Company's assessment is that, historically, it has been less affected by economic fluctuations than many other sectors. Risks associated with changes in economic conditions are managed through ongoing monitoring of each country's economic situation and development.

(ii) Changes in regulations
With regard to risks associated with changes in regulations in its markets, the Company continuously monitors the regulatory efforts to be able to indicate potentially negative effects and to work for favorable regulatory changes. Changes in regulations can lead to a short-term impact on the results, such as deferred collections. However, in the long-term, the operations have historically adapted to the new circumstances.

(iii) Market risks
Market risks consist of risks related to changes in exchange rates and interest rate levels. The Company's financing and financial risks are managed in accordance with the policy established by the Board of Directors. The policy contains rules for managing activities, delegating responsibility, measuring, identifying and reporting risks, and limiting these risks. Operations are concentrated to the headquarters in Switzerland to achieve efficiencies when pricing financial transactions.

(a) Foreign exchange risk
DDM is an international group with operations in several countries. DDM's reporting currency is euro. This exposes the Group to foreign exchange risk due to fluctuations in foreign exchange rates that may impact DDM's results and equity. Exposure to currency fluctuations is usually specified according to two main categories: transaction exposure and translation exposure.

a) i) Transaction exposure
In terms of currency risk, in each country where the Company invests, revenues and most collection costs are denominated in local currencies. DDM does not use any hedging instruments. As part of cash management DDM is striving to maintain the required amount of cash in the different local currencies.

a) ii) Translation exposure
When the balance sheet positions denominated in foreign currencies are recalculated to DDM's functional currency, a translation exposure arises that affects investor value.

(b) Interest rate risk
Interest rate risks relate primarily to the Company's interest-bearing debt, which mainly consists of a long-term bond (13% interest rate) and a short-term bond (13% interest rate). Borrowings issued at fixed rates expose DDM to fair value interest rate risk.

(iv) Liquidity risk
The Company has deposited its liquid assets with established financial institutions where the risk of loss is considered remote. The Company's cash and cash equivalents consist solely of bank balances. The Company prepares regular liquidity forecasts with the purpose of optimizing liquid funds so that the net interest expense and currency exchanges are minimized without incurring difficulties in meeting external commitments.

(v) Credit risk
Credit risk is the risk that the counterparty in a financial transaction will not fulfil its obligations on the maturity date. Credit risk is managed on a group basis and arises from cash and cash equivalents, and deposits with banks and financial institutions.

NOTE 4. FINANCIAL RISK MANAGEMENT… continued

A second source of credit risk arises in connection to funds collected during the ordinary course of business. Funds are either collected directly on DDM's bank accounts, or are paid in to client fund accounts held by the respective debt collection agencies to separate DDM's funds from the general funds of the agency. In the second instance, twice per month there is a reconciliation-process, and based on this received and allocated funds are transferred from the client fund accounts. Should a debt collection agency become insolvent between such reconciliation events monies collected and not yet reconciled could be frozen on the account pending the outcome of the insolvency. In selecting debt collection partners DDM makes efforts to control and monitor the financial standing of its partners and also to maintain a balance of the work allocated between agencies to minimize the potential risk of such a situation. Amounts expected to be recovered from a solvent counterparty are recognized as accounts receivable in the balance sheet.

(vi) Risks inherent in the acquisition of distressed assets
To minimize the risks in this business, caution is exercised in investment decisions. Purchased debt portfolios are usually purchased at prices significantly below the nominal value of the receivables and DDM retains the entire amount it collects, including interest and fees, after deducting costs directly relating to debt collection.

The Company places return requirements on acquired distressed asset portfolios. Before every acquisition, a careful assessment is made based on a projection of future cash flows (collected amounts) from the portfolio.

In its calculations, the Company is aided by its long experience in collection management and its scoring models. Scoring entails the individual consumer's payment capacity being assessed with the aid of statistical analysis as well as suggesting the actions needed to achieve optimal returns. The Company therefore believes that it has the expertise required to evaluate these types of distressed assets. To facilitate the purchase of larger portfolios at attractive risk levels, the Company works in cooperation with other institutions. Risks are further diversified by acquiring distressed assets from clients in different countries.

(vii) Financing risk
DDM's borrowings contain a number of financial covenants, including limits on certain financial indicators. The Company'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.

(viii) Capital management
The Company's objectives when managing its capital structure is to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTE 5. CRITICAL ESTIMATES AND ASSUMPTIONS IN APPLYING THE COMPANY'S ACCOUNTING PRINCIPLES

The Company undertakes estimates and assumptions concerning future developments. The resulting accounting estimates will by definition seldom equal actual results. The estimates and assumptions entailing a significant risk of a material adjustment to the book values of assets and liabilities within the next financial year are outlined below.

Revenue recognition and measurement of acquired portfolios and other long-term receivables from investments
Distressed asset portfolios and other long-term receivables from investments are financial instruments that are accounted for under IAS 39 and are measured at amortized cost using the effective interest rate method ("EIR"). The effective interest rate method is a method of calculating the amortized cost of a distressed asset portfolio/receivable and of allocating interest income over the expressed life of the portfolio/receivable; the allocated interest income is recorded as revenue on invested assets, in the financial statements. The EIR is the rate that discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio/receivable. The EIR is determined at the time of purchase of the portfolio. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy.

If the fair value of the investment at the acquisition date exceeds the purchase price, as in some cases DDM owns the economic benefit of net collections from the cut-off date, 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). This results in a benefit to cash flows, as the economic benefit is offset against the cash purchase price.

Upward revaluations are recognized as revenue. Subsequent reversals of such upward revaluations are recorded in the revenue line.

The portfolios/receivables are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios/receivables exhibit objective evidence of impairment, an adjustment is recorded to the carrying value. If the forecasted collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value and is included in revenue on invested assets. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy. Estimates of cash flows that determine the EIR are established for each purchased portfolio/receivable and are based on the collection history with respect to portfolios/receivables comprising similar attributes and characteristics such as date of purchase, original credit grantor, type of receivable, customer payment histories and customer location. Revaluations of portfolios/receivables are based on the rolling 120-month ERC ("Estimated remaining collections") at the revaluation date. The ERC is updated quarterly using a proprietary model. ERC represents an estimate of the undiscounted cash flows from the distressed asset portfolios and other long-term receivables from investments at a point in time.

The Company estimates that a continuous decrease of net collections by 10% would result in a 10% decrease of the net present value, or carrying value, assuming that the forecasted collection curves remain unchanged. If collections consistently would exceed the originally forecasted amounts by 10%, the net present value, or book value, would be expected to increase by 10%. In addition, if collections would start later than originally forecasted, the net present value, and book value, are expected to be negatively impacted, while be positively impacted should collections start earlier than originally forecasted.

DDM recognised the acquisition of the shares of Lombard Pénzügyi és Lízing Zrt., being the sole shareholder of Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft in its financial statements for the year ended 31 December 2015 as the transaction was deemed as virtually closed in 2015. The approval by the National Bank of Hungary (NBH) was the last step in the acquisition process and was deemed to be virtually certain due to a number of factors. The Lombard acquisition was settled as expected. See note 3 for details of the accounting treatment of other long-term receivables from investments.

See notes 17 and 18 for the carrying value of distressed asset portfolios and other long-term receivables from investments.

Goodwill impairment
As also indicated in Note 20, impairment testing of goodwill is performed annually or more frequently if there are indications that goodwill might be impaired. The goodwill was generated in relation to the acquisition of 50% of DDM Group AG in the year 2012. The Company considers that it has only one CGU which the goodwill relates to. Impairment testing is based on key assumptions about the future, although the actual outcome may of course diverge from these assumptions.

Useful lifetimes of intangible assets
Group management establishes assessed useful lifetimes and thus consistent amortization for the Group's intangible assets, which include the "Fusion" computer software that was developed in-house in cooperation with external IT consultancy firms, and that has a finite useful life. Useful lifetimes and estimated residual values are tested on each balance sheet date and adjusted when necessary. See Note 21 for recognized values at each balance sheet date for intangible assets.

Assessment of deferred tax assets
Deferred tax assets for tax losses carried forward or other future tax deductions are recognized to the extent that it is deemed likely that the deduction can be made against future taxable surpluses. Carrying amounts for deferred tax assets on each balance sheet date are provided in Note 26.

NOTE 6. RECONCILIATION OF REVENUE ON INVESTED ASSETS AND REVENUE FROM MANAGEMENT FEES

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

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.

For the year ended 31 December EUR	2016	2015
Net collections	34,225,117	27,507,520
Amortization of invested assets	(18,623,472)	(7,426,540)
Interest income on invested assets before revaluation and impairment	**15,601,645**	**20,080,980**
Revaluation of invested assets	2,978,808	(4,154,691)
Impairment of invested assets	(3,661,089)	–
Revenue on invested assets	**14,919,364**	**15,926,289**

For the year ended 31 December EUR	2016	2015
Revenue from management fees	**1,206,648**	**–**

NOTE 7. SEGMENT INFORMATION

The Company represents a single reportable segment, which consists of one operating segment. The operational and investing activities of the Company are not divided according to geographical regions. The relevant reporting to allocate resources and assess the performance of the Company received on a regular basis by the Chief Operating Decision Maker (“CODM”) is based on information consistent with the IFRS reporting. The CODM is considered to be the Board of Directors collectively. Collection information is available for each portfolio and country where the company acquired the distressed assets portfolios and other long-term receivables from investments. The table below presents an overview of revenue on invested assets and revenue from management fees by country.

For the year ended 31 December EUR		2016	2015
Czech Republic	Revenue on invested assets	3,307,949	1,064,798
Hungary	Revenue on invested assets	6,174,893	15,142,994
Hungary	Revenue from management fees	1,196,575	–
Macedonia	Revenue on invested assets	–	(162)
Poland	Revenue on invested assets	(1,025,721)	(1,294,634)
Poland	Revenue from management fees	1,508	–
Romania	Revenue on invested assets	2,248,937	2,755,084
Romania	Revenue from management fees	8,565	–
Russia	Revenue on invested assets	(2,642,344)	(1,653,167)
Slovakia	Revenue on invested assets	(146,793)	91,126
Slovenia	Revenue on invested assets	7,002,443	(179,750)
Total revenue on invested assets and revenue from management fees		**16,126,012**	**15,926,289**

The table below presents an overview of impairment of invested assets by country:

For the year ended 31 December EUR		2016	2015
Macedonia	Impairment of invested assets	(35)	–
Poland	Impairment of invested assets	(762,019)	–
Romania	Impairment of invested assets	(52,472)	–
Russia	Impairment of invested assets	(2,765,031)	–
Slovakia	Impairment of invested assets	(81,532)	–
Total impairment of invested assets		**(3,661,089)**	–

No individual debtor generates more than ten percent of the Group’s total revenues.

NOTE 8. PERSONNEL EXPENSES

For the year ended 31 December EUR	2016	2015
Salary	(3,318,591)	(3,319,101)
Social security expenses	(467,613)	(343,823)
Expenses related to post-employment benefit commitments	(162,919)	(164,004)
Total	**(3,949,123)**	**(3,826,928)**

Compensation (including personnel and consulting expenses) for the Board of Directors amounted to EUR 754,705 in 2016 (EUR 780,701 in 2015). Compensation for the Executive Management Committee amounted to EUR 788,330 in 2016 (EUR 527,654 in 2015).

NOTE 9. CONSULTING EXPENSES

The Company uses third party suppliers for various services such as auditing and legal services. Consulting services are also used when the Company enters new markets and expert advice is needed. The Company's shareholders have elected PwC as its external auditors in Switzerland and Sweden.

For the year ended 31 December EUR	2016	2015
Consultancy / Service fees	(460,646)	(688,669)
Tax and legal services	(406,283)	(326,387)
PwC		
Audit assignments	(337,038)	(191,586)
Tax assignments	(43,532)	–
Total	**(1,247,499)**	**(1,206,642)**

NOTE 10. OTHER OPERATING EXPENSES

Other operating expenses are expenditure that the company incurs as a result of performing its normal business operations.

For the year ended 31 December EUR	2016	2015
Business travel expenses	(304,158)	(223,977)
Administrative expenses	(214,782)	(95,925)
IT maintenance	(193,113)	(207,724)
Rental expenses	(117,174)	(129,329)
Other operating expenses	(122,964)	(121,627)
Total other operating expenses	**(952,191)**	**(778,582)**

NOTE 11. NET FINANCIAL EXPENSES

For the year ended 31 December EUR	2016	2015
Amortization of transaction costs	(1,028,198)	(498,198)
Bank charges	(10,540)	(30,773)
Interest expense	(5,461,274)	(5,050,588)
Other financial items	(163,366)	(381,510)
Realized exchange loss	(256,829)	(426,702)
Unrealized exchange profit / (loss)	2,111,163	(1,706,652)
Total financial expenses	**(4,809,044)**	**(8,094,423)**

For the year ended 31 December EUR	2016	2015
Interest income	118	29,603
Other financial income	31,910	549
Total financial income	**32,028**	**30,152**

For the year ended 31 December EUR	2016	2015
Total financial expenses	(4,809,044)	(8,094,423)
Total financial income	32,028	30,152
Net financial expenses	**(4,777,016)**	**(8,064,271)**

Please see below detailed information about net interest expense:

For the year ended 31 December EUR	2016	2015
Interest on senior bond 13% (27 June 2013 – 27 Dec 2018)	(3,933,967)	(4,186,845)
Interest on senior bond 13% (15 July 2016 – 15 July 2017)	(518,429)	–
Interest on junior bond 18% (30 Sept 2013 – 30 Sept 2016)	(356,818)	(599,041)
Interest on other loans	(590,820)	(264,702)
Interest income / (expense) other	(61,122)	29,603
Total net interest expenses	**(5,461,156)**	**(5,020,985)**

NOTE 12. TAX INCOME / (EXPENSE)

For the year ended 31 December EUR	2016	2015
Current tax		
Current tax on profit for the year	(483,496)	55,013
Adjustments in respect of prior years	(420,195)	(27,359)
Total current tax	**(903,691)**	**27,654**
Deferred tax		
Origination and reversal of temporary differences	116,203	(82,238)
Adjustments in respect of prior years	(171,242)	–
Adjustment in deferred tax asset in tax value of capitalized losses carried forward	1,233,308	–
Total deferred tax	**1,178,269**	**(82,238)**
Tax income / (expense) in income statement	**274,578**	**(54,584)**

The tax on the Company's profit / (loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profit / (loss) of the consolidated entities as follows:

For the year ended 31 December EUR	2016	2015
Profit before tax	5,066,183	1,902,511
Tax calculated at domestic tax rates applicable to profits in the respective countries	(506,618)	(190,251)
Tax effects of:		
Effect of different tax rates in other countries	3,822	–
Deferred income tax asset recognized relating to tax losses carried forward	1,233,308	135,667
Adjustments for previous years and others	(455,934)	–
Tax income / (expense) in income statement	**274,578**	**(54,584)**
The weighted average applicable tax rate was:	10%	10%

Based on the performance of the Company, management resolved in 2016 to utilize net operating losses carried forward (an element of deferred tax assets) in the amount of EUR 1,233,308 (2015: EUR 135,667). Under Swiss law, net operating losses may be carried forward for a period of up to seven years. The deferred income tax has been recognized based on this approach.

NOTE 13. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The Company has no ordinary shares purchased by the Company and held as treasury shares. The Company has no convertible preference shares which may be exchanged for ordinary shares.

For the year ended 31 December EUR	2016	2015
Net profit from continuing operations attributable to owners of the Parent Company	5,340,761	1,848,225
Total	**5,340,761**	**1,848,225**
Weighted average number of ordinary shares	8,223,888	7,100,000
Earnings per share before dilution	0.65	0.26
Total potential dilutive shares	–	–
Weighted average number of shares outstanding – fully diluted	8,223,888	7,100,000
Diluted earnings per share	0.65	0.26

The Board of Directors proposes that no dividend be paid for the 2016 financial year.

NOTE 14. CASH AND CASH EQUIVALENTS / BANK OVERDRAFTS

Cash and cash equivalents include the following for the purpose of the consolidated cash flow statement:

EUR	31 December 2016	31 December 2015
Cash and cash equivalents	10,599,066	3,391,575
Liabilities to credit institutions (bank overdrafts)	–	–
Total	**10,599,066**	**3,391,575**

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

NOTE 15. CURRENT RECEIVABLES

EUR	31 December 2016	31 December 2015
Accounts receivable	1,660,415	4,130,762
Less: provision for impairment of trade receivables	–	–
Accounts receivable – net	1,660,415	4,130,762
Prepaid expenses and accrued income	204,959	142,181
Other receivables	909,887	299,955
Total	**2,775,261**	**4,572,898**

The fair value of current receivables approximates their respective carrying value.

EUR	31 December 2016	31 December 2015
Accounts receivable < 30 days	1,573,365	3,996,754
Accounts receivable 31-60 days	29,711	67,445
Accounts receivable 61-90 days	2,558	53,432
Accounts receivable > 91 days	54,781	13,131
Total	**1,660,415**	**4,130,762**

No provision was made for impairment of trade receivables in 2016 (in 2015 there was no provision), as management does not expect any significant shortfalls.

Trade and other receivables are presented in the following currencies:

EUR	Currency	31 December 2016	31 December 2015
Accounts receivable	HUF	506,527	–
	EUR	445,114	247,643
	RON	317,115	248,930
	CZK	290,586	165,512
	RUB	101,017	95,367
	PLN	–	3,363,675
	Other (USD, CHF)	56	9,635
Total accounts receivable		**1,660,415**	**4,130,762**
Other receivables	EUR	842,452	–
	CHF	49,579	280,634
	Other (USD, CZK, SEK)	17,856	19,321
Total other receivables		**909,887**	**299,955**
Prepaid expenses and accrued income	HUF	101,217	–
	CHF	73,848	47,752
	RUB	20,404	27,267
	EUR	5,120	55,114
	Other (USD, RON, PLN, SEK)	4,370	12,048
Total prepaid expenses and accrued income		**204,959**	**142,181**
Total		**2,775,261**	**4,572,898**

The Group's overall foreign exchange risk is explained in Note 27 "Financial Instruments".

NOTE 16. INTERESTS IN ASSOCIATES

Set out below are the associates of DDM as at 31 December 2016 and as at 31 December 2015 which are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

		% of ownership interest		Nature of	Measurement	Carrying amount	
Name of entity	**Domicile**	**2016**	**2015**	**relationship**	**method**	**2016**	**2015**
Profinance doo Beograd	Serbia	49.67%	49.67%	Associate	Equity method	EUR 600,000	EUR 600,000

Summarized financial information for associates

The financial results of Profinance doo Beograd have not been included in the consolidated financial statements of the DDM group as no reliable financial information was available at the date of disclosure of the annual report.

NOTE 17. DISTRESSED ASSET PORTFOLIOS

EUR	31 December 2016	31 December 2015
Opening accumulated acquisition cost	**72,205,888**	**77,950,679**
Acquisitions	22,831,069	2,732,163
Disposals	(2,406,519)	(4,057,373)
Revaluation (including forex differences)	2,238,315	(4,419,581)
Closing accumulated acquisition cost	**94,868,753**	**72,205,888**
Opening accumulated amortization and impairment	**(49,952,080)**	**(43,708,203)**
Amortization for the period (including forex differences)	(9,239,404)	(5,913,734)
Impairment	(2,857,354)	–
Reversal of impairment losses	–	–
Disposals	(348,194)	(330,143)
Closing accumulated amortization and impairment	**(62,397,032)**	**(49,952,080)**
Closing net book value	**32,471,721**	**22,253,808**

A portfolio in Poland was divested in the fourth quarter of 2015 that was not meeting investment return requirements. In the third quarter of 2016 a further portfolio in Poland was divested in order to invest the funds in a beneficial alternative for investors, resulting in a loss on disposal of EUR 762,019.

Distressed asset portfolios by currency:

Currency	31 December 2016	31 December 2015
EUR	21,601,941	8,010,575
CZK	6,343,349	3,214,009
RON	3,341,328	4,516,209
RUB	1,183,745	3,637,888
CHF	–	1,506,148
PLN	–	1,341,323
USD	1,358	27,656
Total	**32,471,721**	**22,253,808**

NOTE 18. OTHER LONG-TERM RECEIVABLES FROM INVESTMENTS

In 2015 DDM acquired 100% of the shares in certain legal entities holding leasing portfolios (see Note 3). The fair value of 100% of the equity is immaterial, with the economic substance of the investments being 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.

EUR	31 December 2016	31 December 2015
Opening accumulated acquisition cost	**19,489,528**	**–**
Acquisitions	**–**	19,224,638
Revaluation (including forex differences)	2,629,036	264,890
Closing accumulated acquisition cost	**22 118 564**	**19,489,528**
Opening accumulated amortization and impairment	**(1,182,663)**	**–**
Amortization for the period (including forex differences)	(9,488,517)	(1,182,663)
Impairment	–	–
Reversal of impairment losses	–	–
Closing accumulated amortization and impairment	**(10,671,180)**	**(1,182,663)**
Closing net book value	**11,447,384**	**18,306,865**

Other long-term receivables from investments by currency:

Currency	31 December 2016	31 December 2015
HUF	11,447,384	18,306,865
Total	**11,447,384**	**18,306,865**

NOTE 19. TANGIBLE ASSETS

EUR	Furniture	Computer hardware	Total
Year ended 31 December 2015			
at 1 January 2015	**5,631**	**15,647**	**21,278**
Additions	16,519	61,425	**77,944**
Disposals	–	–	–
Depreciation	(3,157)	(26,560)	**(29,717)**
Impairment	–	–	–
at 31 December 2015	**18,993**	**50,512**	**69,505**
at 31 December 2015			
At cost	23,508	184,222	**207,730**
Accumulated depreciation	(4,515)	(133,710)	**(138,225)**
Net book value	**18,993**	**50,512**	**69,505**
Year ended 31 December 2016			
at 1 January 2016	**18,993**	**50,512**	**69,505**
Adjustment	–	6,302	**6,302**
Additions	–	9,882	**9,882**
Disposals	–	–	–
Depreciation	(3,102)	(19,639)	**(22,741)**
at 31 December 2016	**15,891**	**47,057**	**62,948**
at 31 December 2016			
At cost	23,507	193,295	**216 802**
Accumulated depreciation	(7,616)	(146,238)	**(153 853)**
Net book value	**15,891**	**47,057**	**62 948**

NOTE 20. GOODWILL

The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The goodwill was generated in relation to the acquisition of 50% of DDM Group AG in the year 2012. The Company considers that it has only one CGU which the goodwill relates to.

The recoverable amount of this CGU is determined from value in use calculations and no impairment has been identified. Value in use is based on pre-tax cash flow projections based on financial budgets approved by management covering a five-year period, discounted to present value by using a pre-tax, market-determined rate that reflects the current assessment of the time value of money and the risks specific to the asset for which the cash-flow estimates have not been adjusted.

The key assumptions for the value in use calculations are those regarding terminal growth rate, gross collections minus commissions, fees and operating expenses. The expected amounts of gross collections minus commissions and fees are determined based on management's past experience along with external sources of information. The pre-tax rate used to discount the forecast cash flows from this CGU is 20% (prior year 20%). A terminal growth rate of 3% (prior year 3%) has been applied.

The same rates are applicable for the goodwill impairment test as of 31 December 2015. In projected net cash flow collections, the recoverable amount calculated based on value in use exceeded the carrying value in 2016. The goodwill impairment assessment is highly sensitive to changes in estimates. An adverse change in projected net cash flows of more than 1%, or a decrease in the assumed terminal growth rate by more than 0.5%, would, all changes taken in isolation, result in an impairment trigger as the recoverable amount would be less than the carrying amount.

At the beginning and end of the financial year the recoverable amount of the CGU was in excess of its book value and therefore management deem it reasonable not to recognize any impairment in the carrying amount for goodwill.

EUR	Goodwill
Year ended 31 December 2015	
at 1 January 2015	**4,160,491**
Additions	–
Disposals	–
Impairment	–
at 31 December 2015	**4,160,491**
at 31 December 2015	
At cost	4,160,491
Accumulated impairment	–
Net book value	**4,160,491**
Year ended 31 December 2016	
at 1 January 2016	**4,160,491**
Additions	–
Disposals	–
Impairment	–
at 31 December 2016	**4,160,491**
at 31 December 2016	
At cost	**4,160,491**
Accumulated impairment	–
Net book value	**4,160,491**

NOTE 21. INTANGIBLE ASSETS

EUR	IT software "Fusion"
Year ended 31 December 2015	
At 1 January 2015	**1,837,778**
Additions	27,978
Disposals	–
Amortization	(117,543)
Impairment	–
at 31 December 2015	**1,748,213**
at 31 December 2015	
At cost	2,225,165
Accumulated depreciation	(476,952)
Net book value	**1,748,213**
Year ended 31 December 2016	
at 1 January 2016	**1,748,213**
Additions	–
Disposals	–
Amortization	(111,259)
Impairment	–
at 31 December 2016	**1,636,954**
at 31 December 2016	
At cost	2,225,165
Accumulated depreciation	(588,211)
Net book value	**1,636,954**

Each significant addition to the Fusion system is amortized in the income statement on a straight-line basis over its expected useful life of 20 years. The average remaining amortization period of the Fusion software at 31 December 2016 is 15 years.

NOTE 22. OTHER NON-CURRENT ASSETS

The majority of the other non-current assets relate to a long-term receivable due from DDM's investment in Lombard, as a result of collections held in the legal entity.

Other non-current assets by currency:

EUR	31 December 2016	31 December 2015
HUF	1,326,708	–
SEK	4,370	–
EUR	1,418	–
Total	**1,332,496**	**–**

NOTE 23. CURRENT LIABILITIES

EUR	Less than 3 months	More than 3 months	Total
at 31 December 2016			
Accounts payable	1,568,110	–	**1,568,110**
Accrued interest	2,417,823	–	**2,417,823**
Accrued expenses and deferred income	358,206	1,374,799	**1,733,005**
Loans, including 13% bond issued in 2016	5,641,106	2,542,773	**8,183,879**
Total	**9,985,245**	**3,917,572**	**13,902,817**
at 31 December 2015			
Accounts payable	5,757,817	–	**5,757,817**
Accrued interest	2,519,292	–	**2,519,292**
Accrued expenses and deferred income	–	1,011,490	**1,011,490**
Loans, including 18% bond	–	6,625,027	**6,625,027**
Total	**8,277,109**	**7,636,517**	**15,913,626**

Current liabilities are presented in the following currencies:

EUR	Currency	31 December 2016	31 December 2015
Accounts payable	CHF	1,042,478	391,010
	EUR	236,362	532,670
	RON	139,149	172,020
	RUB	25,245	109,042
	HUF	–	3,591,832
	PLN	–	584,454
	Other (SEK, USD)	124,876	376,789
Total accounts payable		**1,568,110**	**5,757,817**
Accrued interest	SEK	1,951,576	2,418,470
	EUR	466,247	100,822
Total accrued interest		**2,417,823**	**2,519,292**
Accrued expenses and deferred income	CHF	793,703	914,475
	EUR	778,417	48,200
	SEK	145,539	–
	Other (PLN, RON, RUB, USD)	15,346	48,815
Total accrued expenses and deferred income		**1,733,005**	**1,011,490**
Loans, including short-term bonds	EUR	8,183,879	2,000,000
	SEK	–	4,025,119
	CHF	–	599,908
Total loans, including short-term bonds		**8,183,879**	**6,625,027**
Total		**13,902,817**	**15,913,626**

NOTE 24. LOANS AND 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**

Bond loan SEK 300M
A bond loan was issued in June 2013, totaling SEK 300,000,000 at 13% interest with a maturity date of 26 June 2016 by DDM Treasury Sweden AB. The bond loan contains certain restrictions limiting the ability to transfer cash or other assets to or from the DDM Treasury group.

On 18 May 2015, DDM Treasury initiated a written procedure to allow the noteholders to vote on a restatement and certain amendments to the existing terms and conditions of the SEK 300M bond at 13% interest. 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 with 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. 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 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.

DDM Treasury Sweden AB's financial instruments contain a number of financial covenants, including limits on certain financial indicators. DDM 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. Please therefore refer to the financial statements of DDM Treasury Sweden AB. DDM Treasury Sweden AB complied with all bond covenants for the years ending 31 December 2016 and 31 December 2015.

Bond loan SEK 31M
A second bond loan was issued in September 2013, totaling SEK 31,000,000 at 18% interest with a maturity date of 30 September 2016 by DDM Treasury Sweden AB.

During the fourth quarter of 2014 DDM Group AG repurchased SEK 6.0M of the junior bond loan on the open market.

The 18% junior bond loan was repaid on its maturity date of 30 September 2016.

Bond loan EUR 11M
A 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 4.5M were made during 2016, in accordance with the terms and conditions. DDM Debt AB's financial instrument contains a number of limits on certain financial indicators, all of which were complied with for the year ending 31 December 2016.

The financial instrument also contains certain restrictions limiting the ability to transfer cash or other assets to or from the DDM Debt group. DDM Debt AB has pledged the shares in its subsidiaries DDM Invest VII AG and DDM Invest VII d.o.o. as security under the terms and conditions of the EUR 11M bond issued in July 2016. In addition, DDM Finance AB has pledged the shares in DDM Debt AB. Certain bank accounts held by DDM Invest VII AG and DDM Invest VII d.o.o. were also assigned to the bond agent as part of the bond terms. DDM Holding AG and DDM Finance AB are guarantors of the EUR 11M bond.

Loan SEK 12.5M
On 31 December 2015, DDM was granted a loan of SEK 12,500,000 at 7% interest with a maturity date of 31 December 2016. This loan amount was transferred to a pledged bank account and was used in early 2016 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.

NOTE 25. POST-EMPLOYMENT BENEFIT COMMITMENTS

The Company sponsors a pension plan according to the national regulations in Switzerland. The Swiss plan is outsourced to and operated through a collective foundation with an insurance company which is legally independent. The pension plan is funded by employees' and employers' contributions. Swiss pension schemes have certain characteristics of defined benefit plans and the pension plan is therefore regarded as a defined benefit plan in line with IAS 19. The post-employment benefit liability is measured based on the Projected Unit Credit Method.

In 2016, 26 employees and in 2015, 28 employees participated in the defined benefit plans. Employees are insured for death, disability and for retirement benefits. The table below provides where the Company's post-employment amounts and activity are included in the financial statements.

EUR	31 December 2016	31 December 2015
Balance sheet commitments for:		
– Defined pension benefits	(473,592)	(812,178)
Defined benefit asset / (liability)	**(473,592)**	**(812,178)**
Income statement charge for:		
– Defined pension benefits	(162,919)	(164,004)

The amounts recognized in the balance sheet are determined as follows:

EUR	31 December 2016	31 December 2015
Defined benefit obligation	(1,198,978)	(1,659,475)
Fair value of plan assets	725,386	847,297
Deficit of funded plans	**(473,592)**	**(812,178)**
Defined benefit asset / (liability)	**(473,592)**	**(812,178)**

The movement in the defined benefit liability during the year is as follows:

EUR	Defined benefit obligation	Fair value of plan assets	Total
at 1 January 2015	**(724,892)**	**380,529**	**(344,363)**
Current service cost	(160,182)	–	**(160,182)**
Interest (expense) / income	(9,933)	6,111	**(3,822)**
	(170,115)	**6,111**	**(164,004)**
Re-measurements:			
– Gain / (loss) from change in demographic experience	(367,633)	–	**(367,633)**
– Gain / (loss) from change in financial assumptions	(67,557)	–	**(67,557)**
– Experience gains / (losses)	–	20,765	**20,765**
	(435,190)	**20,765**	**(414,425)**
Contributions:			
– Employer	–	110,614	**110,614**
– Plan participants	(110,614)	110,614	**–**
Payments from plans:			
– Benefit payments	(218,664)	218,664	**–**
at 31 December 2015	**(1,659,475)**	**847,297**	**(812,178)**
at 1 January 2016	**(1,659,475)**	**847,297**	**(812,178)**
Current service cost	(218,652)	–	**(218,652)**
Interest (expense) / income	(16,984)	9,638	**(7,346)**
	(235,636)	**9,638**	**(225,998)**
Re-measurements:			
– Return on plan assets greater / (less) than the discount rate	–	(17,714)	**(17,714)**
– Gain / (loss) from change in demographic assumptions	73,817	–	**73,817**
– Gain / (loss) from change in financial assumptions	(27,053)	–	**(27,053)**
– Experience gains / (losses)	521,667	–	**521,667**
	568,431	**(17,714)**	**550,717**
Contributions:			
– Employer	–	63,079	**63,079**
– Plan participants	(63,079)	63,079	**–**
Payments from plans:			
– Benefit payments	291,572	(291,572)	**–**
Translation differences	(100,791)	51,579	**(49,212)**
at 31 December 2016	**(1,198,978)**	**725,386**	**(473,592)**

Methods and Assumptions Used in Sensitivity Analysis

The discount rate sensitivity includes a corresponding change in the interest crediting rate as well as the BVG minimum interest crediting rate assumptions.

The following significant actuarial assumptions were used at 31 December 2016:

		Sensitivity analysis	Effect on DBO, EUR
Discount rate	0.75%	0.25% increase	(42,088)
Discount rate	0.75%	0.25% decrease	45,155
Mortality	BVG 2015 Generational tables	Increase of 1 year in expected lifetime of plan participants at age 65	18,072
Mortality	BVG 2015 Generational tables	Decrease of 1 year in expected lifetime of plan participants at age 65	(17,930)

NOTE 25. POST-EMPLOYMENT BENEFIT COMMITMENTS... continued

Mortality
The mortality tables are the Swiss BVG 2015 generational mortality tables for males and females.
The expected lifetime of a participant who is aged 65 and the expected lifetime (from age 65) of a participant who will be age 65 in 15 years are shown in years below based on the above mortality tables.

Age	Males	Females
65	22.4	24.4
65 in 15 years	23.9	25.9

Retirement
100% of males retire at age 65. 100% of females retire at age 64.

The significant actuarial assumptions were as follows:

	2016	2015
Discount rate	0.75%	1.00%
Price inflation	1.00%	1.25%
Salary increases	3.00%	3.25%
Future increases in social security	1.25%	1.50%
Assumed pension increases	0.00%	0.00%

Description of pension plan characteristics and associated risks
DDM Group AG meets its commitments under Switzerland's mandatory company-provided second pillar pension system to provide contribution-based cash balance retirement and risk benefits to employees via a contract with a collective foundation. The Company retains overall responsibility for deciding on such fundamental aspects as the level and structure of plan benefits at each contract renewal and remains responsible for providing the benefits to members if the collective foundation contract is cancelled or the collective foundation is unable to meet its commitments.

Companies within the Swiss regulatory environment have substantial freedom to define their pension plan design (e.g. with regards to the salary covered, level of retirement credits, or even overall plan design) provided the benefits are always at least equal to the minimum requirements as defined by the law (second pillar mandatory minimum benefits). Most employers provide higher benefits than those required by law. The minimum level of retirement benefit is expressed by a cash balance formula with age-related contribution rates (or "retirement credits") on an insured salary defined by law and a required interest crediting rate, which is set by government (1.00% in 2017).

There are a number of guarantees provided within the plan which potentially expose the Company to risks which may require them to provide additional financing (if the collective foundation fails or the company chooses to discontinue the insurance arrangements). The main risks that they are exposed to include:
- Investment risk: there is a guaranteed return on account balances of at least 0% per annum on the total account balance as well as the rate set by the government (1.00% in 2017) on the mandatory minimum benefits.
- Pensioner longevity and investment risk: the pension plan offers a lifelong pension in lieu of the cash balance lump sum upon retirement. The plan has defined rates for converting the lump sum to a pension and there is the risk that the members live longer than implied by these conversion rates and that the pension assets fail to achieve the investment return implied by these conversion rates.

Determination of economic benefit available
No determination of the economic benefit available has been made since the plan has a funded status deficit.

Description of asset-liability matching strategies
DDM Group AG invests in a collective foundation in which assets are selected to match pension plan liabilities.
DDM Group AG does not have flexibility in the choice of investment.

The expected contributions for the year ending 31 December 2017 are:
1) Employer EUR 70,638
2) Plan participants EUR 70,638

The weighted average duration of defined benefit commitments is 21.7 years.

Maturity profile of defined benefit commitments:

Expected benefit payments during the fiscal year ending:	EUR
31 December 2017	56,147
31 December 2018	58,458
31 December 2019	59,888
31 December 2020	60,746
31 December 2021	60,791
31 December 2022 through 31 December 2026	296,478

Analysis of defined benefit commitments by participant category:
1) Active participants: EUR 1,198,978
2) Deferred participants: EUR 0
3) Pensioners: EUR 0

Plan asset information:

	Allocation percentage 31 December 2016	Allocation percentage 31 December 2015
Equity securities	25.25%	25.75%
Debt securities	36.00%	36.50%
Real estate-property	10.00%	10.00%
Cash and cash equivalents	0.50%	0.50%
Derivatives	0.00%	0.00%
Other	28.25%	27.25%
Total	**100.0%**	**100.0%**

NOTE 26. DEFERRED TAXES

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax assets EUR	Loss carried forward	Post-employment benefit	Software amortization	Other	Total
at 1 January 2015	**95,689**	**34,436**	**–**	**–**	**130,125**
(Charged) / credited to the Income statement	(95,689)	–	–	(45,860)	**(141,549)**
(Charged) / credited to Other comprehensive income	–	12,345	–	61,251	**73,596**
Reclassifications	–	–	–	45,860	**45,860**
at 31 December 2015	**–**	**46,781**	**–**	**61,251**	**108,032**
at 1 January 2016	**–**	**46,781**	**–**	**61,251**	**108,032**
(Charged) / credited to the Income statement	1,233,308	34,437	–	4,789	**1,272,534**
(Charged) / credited to Other comprehensive income	–	(33,859)	–	(66,040)	**(99,899)**
Reclassifications	–	–	8,085	–	**8,085**
at 31 December 2016	**1,233,308**	**47,359**	**8,085**	**–**	**1,288,752**

Deferred tax liabilities EUR	Goodwill	Distressed Asset Portfolio	Software amortization	Others	Total
at 1 January 2015	**(104,012)**	**–**	**(10,708)**	**45,860**	**(68,860)**
(Charged) / credited to the Income statement	–	–	(14,300)	–	**(14,300)**
(Charged) / credited to Other comprehensive income	–	–	–	68,859	**68,859**
Reclassifications	–	–	–	(45,860)	**(45,860)**
at 31 December 2015	**(104,012)**	**–**	**(25,008)**	**68,859**	**(60,161)**
at 1 January 2016	**(104,012)**	**–**	**(25,008)**	**68,859**	**(60,161)**
(Charged) / credited to the Income statement	104,012	(231,370)	33,093	–	**(94,265)**
(Charged) / credited to Other comprehensive income	–	–	–	(68,859)	**(68,859)**
Reclassifications	–	–	(8,085)	–	**(8,085)**
at 31 December 2016	**–**	**(231,370)**	**–**	**–**	**(231,370)**

The Group's deferred tax assets have been recognised in accordance with IAS 12 as, based on historical performance and future budgets, the Board of Directors believe that it is probable that there will be sufficient taxable profits against which the assets will be reversed.

NOTE 27. FINANCIAL INSTRUMENTS

The key risks and uncertainties faced by the Company are managed within an established risk management framework. The Company's day-to-day working capital is funded by its cash and cash equivalents. The key risks identified for the Company are discussed below. The Company has exposure to credit risk, market risk and liquidity risk, which arises throughout the normal course of the Company's business.

Fair values

The directors consider there to be no material differences between the financial asset values in the consolidated balance sheet and their fair value. Invested assets are classified as loan receivables and recognized at amortized cost according to the effective interest rate method. The Company determines the carrying value by calculating the present value of estimated future cash flows at the invested assets' original effective interest rate. Adjustments are recognized in the income statement. In the Company's opinion, the market's yield requirements in the form of effective interest rates on new invested assets have remained fairly constant, despite turbulence in global financial markets in recent years. With this valuation method, the carrying value is the best estimate of the fair value of invested assets.

EUR	IAS 39 category	Fair value category	31 December 2016	31 December 2015
Assets	**Fair value and carrying value of financial instruments**			
Accounts receivable	Loans and receivables at amortized cost	Level 2	1,660,415	4,130,762
Other receivables	Loans and receivables at amortized cost	Level 2	909,887	299,955
Distressed asset portfolios	Loans and receivables at amortized cost	Level 3	32,471,721	22,253,808
Other long-term receivables from investments	Loans and receivables at amortized cost	Level 3	11,447,384	18,306,865
Liabilities	**Fair value and carrying value of financial instruments**			
Accounts payable	Financial liabilities at amortized cost	Level 2	1,568,110	5,757,817
Other payables	Financial liabilities at amortized cost	Level 2	4,150,828	3,530,782
Short-term loans	Financial liabilities at amortized cost	Level 2	8,183,879	6,625,027
Long-term borrowings and loans	Financial liabilities at amortized cost	Level 2	31,191,913	30,144,539

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).
  The valuation technique for invested assets, as well as valuation sensitivity for changes in material data are described in the accounting principles and in Note 5.

Credit risk

Credit risk consists of the risk that counterparties of the Company are unable to meet their commitments. The credit risk is considered upon the acquisition of a financial asset by assessing the expected return. The Company manages this risk by monitoring the performance of the financial asset throughout its economic life. Cash collections are continually monitored, and the carrying value of the asset is impaired where it is deemed that, based on collections profiles, the asset is underperforming compared to the initial expected return determined at the acquisition date. The financial assets subjected to credit risk are cash and cash equivalents, accounts receivable, distressed asset portfolios and other long-term receivables from investments. Depending on the distressed asset portfolio or other long-term receivables from investments, the loans in the portfolio / receivable may contain underlying assets such as cars and houses as collateral for the loans. This collateral is considered when determining the recoverability and carrying amount of the portfolio / receivable. The maximum credit exposure for each class of financial assets therefore corresponds to the carrying amount.

At 31 December 2016 and at 31 December 2015, the majority of the DDM group bank accounts were held with banks with credit ratings ranging from AA- to BB- as rated by Standard and Poor's. No credit ratings are available for the other financial assets held by DDM.

EUR	31 December 2016	31 December 2015
Cash and cash equivalents	10,599,066	3,391,575
Accounts receivable	1,660,415	4,130,762
Distressed asset portfolios	32,471,721	22,253,808
Other long-term receivables from investments	11,447,384	18,306,865
Total	**56,178,586**	**48,083,010**

At 31 December 2016 bank accounts totaling EUR 822,145 were assigned to the bond agent under the terms and conditions of the EUR 11M bond issued in July 2016. In addition, DDM Debt AB had a bank guarantee of EUR 5,234 at 31 December 2016.

Liquidity risk / Financing risk

The Company actively monitors its liquidity and cash flow position to ensure that it has sufficient cash and distressed asset portfolio financing in order to fund its activities. The Executive Management Committee monitors cash through bi-weekly reporting, the management accounts and periodic review meetings.

The table below specifies the undiscounted cash flows arising from the Company's loans and borrowings (see note 24) in the form of financial instruments, based on the remaining period to the earliest contractual maturity date as at the balance sheet date. Amounts in foreign currencies and amounts that are to be paid based on floating interest rates are estimated using the exchange and interest rates applicable on the balance sheet date.

EUR	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years	Total
At 31 December 2016	13,241,191	37,061,814	3,012,375	–	–	**53,315,380**
At 31 December 2015	11,635,033	4,074,221	37,078,020	–	–	**52,787,274**

NOTE 27. ***FINANCIAL INSTRUMENTS…*** *continued*

Market risk
Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises currency risk and interest rate risk considered further below.

As the Company has no variable interest-bearing assets or liabilities, its income and operating cash flows are predominantly independent of any changes in market interest rate. For further information, refer to note 24 “Loans and borrowings”.

Foreign exchange rate risk
Foreign exchange rate risk is the risk that fluctuations in exchange rates will negatively affect the Company’s income statement, balance sheet and/or cash flows. The most important currencies for the Company, other than Euro (EUR), are Hungarian forint (HUF), Swedish krona (SEK), Romanian leu (RON), Swiss franc (CHF), Czech koruna (CZK) and Russian rouble (RUB).

Foreign exchange rate risk can be divided into transaction exposure and translation exposure. Transaction exposure consists of net operating and financial receipts and disbursements in different currencies. Translation exposure consists of the effects from the translation of the financial reports of foreign subsidiaries into EUR.

Transaction exposure
In each country, the majority of income and most operating expenses are denominated in local currencies, and thus currency fluctuations have only a limited impact on the Company’s operating earnings in local currency. Income and expenses in local currency are thereby hedged in a natural way, which limits transaction exposure. The currency exposure that arises within the operating activities is limited to the extent by which it pertains to international collection operations. DDM is monitoring its currency exposure to be able to take actions if necessary. As part of cash management DDM is striving to maintain the required amount of cash in the different local currencies. The company does not have a hedging program in place.

Translation exposure
The results and financial position of subsidiaries are reported in the relevant foreign currencies and later translated into EUR for inclusion in the consolidated financial statements. Consequently, fluctuations in the EUR exchange rate against these currencies affect consolidated income and earnings, as well as equity and other items in the financial statements.

Foreign exchange exposure table
The table below shows the impact on the income statement when the EUR appreciates or depreciates against the respective foreign currency:

Currency	EUR	31 December 2016 Actual Amount	31 December 2016 10% appreciation	31 December 2016 10% depreciation	31 December 2015 Actual Amount	31 December 2015 10% appreciation	31 December 2015 10% depreciation
	Assets	294,029	(29,403)	29,403	1,599,451	(159,945)	159,945
CHF	Liabilities	(1,836,183)	183,618	(183,618)	(1,905,393)	190,539	(190,539)
	Net	**(1,542,154)**	**154,215**	**(154,215)**	**(305,942)**	**30,594**	**(30,594)**
	Assets	7,319,460	(731,946)	731,946	3,379,585	(337,959)	337,959
CZK	Liabilities	-	-	-	-	-	-
	Net	**7,319,460**	**(731,946)**	**731,946**	**3,379,585**	**(337,959)**	**337,959**
	Assets	13,964,592	(1,396,459)	1,396,459	18,308,189	(1,830,819)	1,830,819
HUF	Liabilities	-	-	-	(3,591,832)	359,183	(359,183)
	Net	**13,964,592**	**(1,396,459)**	**1,396,459**	**14,716,357**	**(1,471,636)**	**1,471,636**
	Assets	-	-	-	4,705,025	(470,503)	470,503
PLN	Liabilities	-	-	-	(584,454)	58,445	(58,445)
	Net	**-**	**-**	**-**	**4,120,571**	**(412,057)**	**412,057**
	Assets	3,999,706	(399,971)	399,971	4,789,611	(478,961)	478,961
RON	Liabilities	(153,211)	15,321	(15,321)	(172,020)	17,202	(17,202)
	Net	**3,846,495**	**(384,650)**	**384,650**	**4,617,591**	**(461,759)**	**461,759**
	Assets	1,469,458	(146,946)	146,946	3,922,274	(392,227)	392,277
RUB	Liabilities	(26,529)	2,653	(2,653)	(109,042)	10,904	(10,904)
	Net	**1,442,929**	**(144,293)**	**144,293**	**3,813,232**	**(381,323)**	**381,323**
	Assets	1,468,820	(146,882)	146,882	3,047,691	(304,769)	304,769
SEK	Liabilities	(31,408,713)	3,140,871	(3,140,871)	(36,808,677)	3,680,868	(3,680,868)
	Net	**(29,939,893)**	**2,993,989**	**(2,993,989)**	**(33,760,986)**	**3,376,099**	**(3,376,099)**

NOTE 28. SHARE CAPITAL AND SHARE PREMIUM

EUR	Number of shares (quantity)	Ordinary shares	Share premium	Total
at 1 January 2015	**7,100,000**	**5,785,676**	**10,777,630**	**16,563,306**
Issue of additional shares	–	–	–	–
at 31 December 2015	**7,100,000**	**5,785,676**	**10,777,630**	**16,563,306**
Issue of additional shares	1,940,298	1,754,441	4,734,282	**6,488,723**
at 31 December 2016	**9,040,298**	**7,540,117**	**15,511,912**	**23,052,029**

On 19 May 2016, the Board of Directors of DDM Holding AG resolved to issue up to a maximum of 2,000,000 new shares through a directed new share issue to a limited number of Swedish and international investors. The price of the new shares was set at the market closing price on 19 May 2016 of SEK 33.50 per share. 1,940,298 new shares were issued, corresponding to a gross equity raise of approximately EUR 7M (approximately SEK 65M). Transaction costs associated with the 2016 share capital increase of approximately EUR 0.5M were accounted for as a deduction from equity. Following the issue, the number of shares in DDM Holding AG amounts to 9,040,298 shares with a nominal value of CHF 1 per share.

All shares have been issued and fully paid.

The Annual General Meeting on 27 May 2015 resolved to amend DDM Holding AG's articles of association for the following changes to the authorized and conditional capital:

	Authorized capital (number of shares)	Conditional capital (number of shares)
Number of shares created on 27 May 2015	**3,550,000**	**500,000**
Used	(1,940,298)	–
Open capital	**1,609,702**	**500,000**

The authorized capital is available for issuance until 27 May 2017, while the conditional capital has no time restriction.

NOTE 29. RELATED PARTIES

The Company has defined its Executive Management Committee, Board of Directors and owners of the Company, including the companies associated with them, as related parties.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

The following transactions were carried out with related parties (excluding board member fees):

For the year ended 31 December EUR	Type of transaction	Name	2016	2015
Income Statement	Legal expenses	Meyerlustenberger Lachenal (related to Manuel Vogel)	–	(65,070)
	Consulting / personnel	Kent Hansson (and owned companies)	(314,686)	(375,266)
	expenses	Manuel Vogel (and owned companies)	(102,280)	(116,915)
	Office rent expense	Kent Hansson and Manuel Vogel	(95,777)	(121,277)
Income Statement, Total			**(512,743)**	**(678,528)**

At 31 December 2015, the major shareholders were Kent Hansson, who held 2,295,924 shares (32.3% participation) and Dr. Manuel Vogel, who held 1,692,490 shares (23.8% participation).

At 31 December 2016, the major shareholders were Kent Hansson, who held 2,295,924 shares (25.4% participation) and Dr. Manuel Vogel, who held 1,705,490 shares (18.9% participation).

NOTE 30. CONTINGENT LIABILITIES AND COMMITMENTS

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

For the year ended 31 December EUR	2016	2015
Software	–	14,752

The Company has an office rental lease contract. The term of the lease agreement ends in November 2026 and is thereafter subject to a six month termination notice period. The contractually bound leasing commitments for the next twelve months are as follows:

For the year ended 31 December EUR	2016	2015
Office rental expenses	95,777	80,885

NOTE 31. 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 part of the proceeds used to refinance the outstanding principal on the EUR 11M bond loan, the SEK 300M bond loan and a EUR 2M direct loan. The remaining proceeds will be used to acquire additional distressed asset portfolios. 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 are listed on the Corporate Bond list at 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, which was approved by an extraordinary general meeting on 8 March 2017. The rights issue was carried out to further strengthen DDM's balance sheet and lower the 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. The rights issue was fully subscribed.

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Report of the statutory auditor
to the General Meeting of DDM Holding AG, Baar

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of DDM Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 38 to 61) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: EUR 665 000

We concluded full scope audit work at four reporting units in two countries. All other units within the Group are considered according to their statutory audit requirements. In addition, specified procedures were performed on Invested assets and Revenue from Invested assets through all units of the Group. Our audit addresses full coverage of the Group's Invested assets and of the Group's Revenue from invested assets.

As key audit matters the following area of focus has been identified:

Valuation of Invested assets and Recognition of Revenue from Invested assets.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	EUR 665 000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, the invested assets are a relevant metric used by the readers of the consolidated financial statements. Profit before tax is a more commonly applied benchmark, however, in our view, this would not have been an appropriate benchmark given that DDM is in a state of rapid growth and the volatility observed in the income statements of recent years.

We agreed with the Audit Committee that we would report to them misstatements above EUR 33 250 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Invested assets and Recognition from Revenue in invested assets

Key audit matter	*How our audit addressed the key audit matter*
As DDM is a multinational investor and manager of distressed assets, the Invested assets are the most significant position in the financial statements. The Invested assets also represents the ability of the company to generate cash flows and further profits in the coming periods. The Invested assets is considered as a key audit matter due to the size of the balance (EUR 44 Mio, representing 66% of the total assets) as well as considerable judgement with respect to the assumptions about the future cash flow forecasts. DDM had invested in distressed asset portfolios, where the receivables are directly from the debtor, and in other long-term receivables from investments, where the receivables are from local entities holding the portfolio of the loan (together “Invested assets”). The valuation of these Invested assets is based on the expected future cash flow (ERC, “Estimated remaining collections”). The procedures of the company to determine the ERC is set out in note 5 *Critical estimates and assumptions in applying the company’s accounting principles.* The Revenue on invested assets represents the economical profit of the Invested assets for the period, applying	Our audit approach included, among others, an assessment of the company’s assumptions for the valuation of the invested assets (distressed asset portfolios and other long-term receivables from investments). This includes mainly the following procedures: • We checked the initial recognition by reviewing the contractual basis for the initial measurement. We obtained supporting documents from the due diligence process and challenged the management assumptions of the expected future cash flows. In addition, we assessed whether the accounting memorandums created by the management are in compliance with IAS 39. • We considered the appropriateness of the estimates and assumptions management uses in the valuation models. This includes checking the expected future cash flows and internal rate of return (IRR) used in the model with the initially approved figures. We also challenged the reasonableness of the assumptions made by the management with market data and industry available data.

the amortized cost method, including also the reassessment of future cash flows.

We focussed on this area due to the size of the balances and the fact that there is judgement involved in assessing the expected future cash flows. The Net collections respectively the Revenue on invested assets amounts to EUR 34 Mio respectively EUR 15 Mio.

- We evaluated the back-testing to validate that the cause of observed deviations of actual collections from previous forecasts are understood by management, and that forecasts have been appropriately revised in consideration of new knowledge.
- We performed an independent assessment of the reasonableness of the ending valuation and of the decay curve of forecasted cash flows based on the experience and data available for similar transactions and portfolios.

We found the carrying values of the invested assets acceptable based on the range of valuation that we independently calculated and our testing of the process and method set out by the management for the estimates used.

The collection process is outsourced to local collection agencies, selected by DDM and suitable for collection of a particular market or class of asset. With focus on collection, which is a key driver for reassessment of future cash flows and therefore revenue on invested assets, we performed the following procedures:

- We tested the correct accounting treatment regarding recognition of the Invested assets based on the methodology as set out in the notes 3 *Summary of significant accounting policies* and 6 *Reconciliation of Revenue on invested assets and Revenue from management fees*.
- We performed testing on the control which ensures that the collection reports issued by the collection agencies is agreed between the collection agencies and DDM's collection managers and the cash settlement occurs according to the collection report.
- We performed testing on the monitoring of the collection agencies by considering the initial and continuous due diligence on collection agencies. We checked, if the collection agencies are periodically (re)assessed and DDM's collection managers perform audits on site.
- We tested substantively a sample of collections occurred to validate that collections are correctly recognised.
- We tested substantively on a sample basis to validate that cash settlements were in accordance with collection reports.
- We performed testing of the IT environment. We focused on IT general controls, especially for the asset management system *Fusion*. We also tested the application controls within the system *Fusion* for the acceptance protocols with the collection agencies. (ITGC and application controls).

Based on our audit procedures performed, we concluded that the Net collections have been received, recognized correctly and the Revenue from invested assets is free from material misstatement.

Other information in the annual report
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of DDM Holding AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Norbert Kühnis	Valentin Studer
Audit expert Auditor in charge	Audit expert

Luzern, 30 March 2017

DDM HOLDING AG, BAAR

Standalone Financial Statements

INCOME STATEMENT

DDM HOLDING AG, BAAR

For the year ended 31 December	2016 EUR	2016 CHF	2015 EUR	2015 CHF
Operating income	**690,000**	**752,571**	**650,000**	**690,737**
Personnel expenses	(196,060)	(213,840)	(159,514)	(169,511)
Other operating expenses	(766,892)	(836,436)	(914,202)	(971,498)
Operating result	**(272,952)**	**(297,705)**	**(423,716)**	**(450,272)**
Financial income	23,631	25,774	2	2
Financial income from group companies	575,106	627,258	–	–
Financial expenses	(95,171)	(103,801)	(94,945)	(100,895)
Profit / (loss) before taxes	**230,614**	**251,526**	**(518,659)**	**(551,165)**
Direct taxes	(38,891)	(42,418)	–	–
Net profit / (loss) for the year	**191,723**	**209,108**	**(518,659)**	**(551,165)**

BALANCE SHEET

DDM HOLDING AG, BAAR

As at 31 December Amounts in EUR	2016 EUR	2016 CHF	2015 EUR	2015 CHF
ASSETS				
Current assets				
Cash and cash equivalents	21,255	22,826	2,596	2,813
Other current receivables	–	–	4,517	4,894
Accrued income and prepaid expenses				
due from third parties	49	53	2,514	2,724
due from direct / indirect investments	1,519,287	1,631,563	650,000	704,275
Total current assets	**1,540,591**	**1,654,442**	**659,627**	**714,706**
Non-current assets				
Financial assets				
Loans to direct / indirect investments	12,363,113	13,276,753	7,909,873	8,570,345
Loans to direct / indirect investments (subordinated)	5,267,223	6,148,045	3,702,000	4,452,463
Investments	4,097,413	5,501,885	4,097,413	5,501,885
Total non-current assets	**21,727,749**	**24,926,683**	**15,709,286**	**18,524,693**
TOTAL ASSETS	**23,268,340**	**26,581,125**	**16,368,913**	**19,239,399**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Short-term liabilities				
Trade payables	86,747	93,158	148,052	160,414
Other short-term liabilities	7,440	7,990	6,507	7,050
Accrued expenses and deferred income				
due to third parties	309,907	332,809	30,555	33,105
Total short-term liabilities	**404,094**	**433,957**	**185,114**	**200,569**
Total liabilities	**404,094**	**433,957**	**185,114**	**200,569**
Shareholders' equity				
Share capital	7,540,117	9,040,298	5,785,676	7,100,000
Legal reserves				
Reserves from capital contribution*	15,474,807	18,288,650	10,740,524	13,051,951
Statutory retained earnings	11,910	14,356	11,910	14,356
Exchange variation reserve	–	(1,050,618)	–	(772,851)
Profit / (loss) brought forward	(354,311)	(354,626)	164,348	196,539
Profit / (loss) for the year	191,723	209,108	(518,659)	(551,165)
Total shareholders' equity	**22,864,246**	**26 147 168**	**16,183,799**	**19,038,830**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**23,268,340**	**26,581,125**	**16,368,913**	**19,239,399**

* The Reserves from capital contribution are not yet confirmed by the Federal Tax Administration.

NOTE 1. CORPORATE INFORMATION

DDM Holding AG is incorporated and domiciled in Switzerland. Its registered office is at Schochenmühlestrasse 4, CH-6340 Baar, Switzerland. DDM Holding AG operates under the Swiss Code of Obligations (“CO”) as a stock corporation (Aktiengesellschaft). DDM Holding AG’s shares are admitted to trading on a multilateral trading facility, the Nasdaq First North in Stockholm, Sweden. The purpose of the corporation is to hold the DDM group companies, which operate as a multinational investor in, and manager of, distressed asset portfolios.

NOTE 2. ACCOUNTING PRINCIPLES APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The DDM Holding AG standalone financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since 1 January 2013). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Dispensations in the standalone financial statements
As DDM Holding AG prepares consolidated financial statements in accordance with a recognised financial reporting standard (International Financial Reporting Standard, IFRS) DDM Holding AG is exempt from various disclosures in the standalone financial statements and therefore dispensed with the requirement to present the additional information in the notes, the cash flow statement and the management report (article 961d para 2 Swiss CO).

Foreign currencies
As the majority of the business activities of DDM Holding AG is in euro, the functional currency is the euro. The exchange rates used for balance sheet items are the rates prevailing on 31 December; the exchange rates used for transactions conducted during the course of the year and for items in the profit and loss statement are average rates for the respective financial year. Equity, participations and subordinated loans are translated at historical rates.

The following exchange rates were applied:

Exchange rates		31 December 2016	31 December 2015
Balance sheet (spot rate balance sheet date)	EUR/CHF	1.0739	1.0835
Income statement (average rate)	EUR/CHF	1.0907	1.0756

Financial assets
Financial assets include loans to direct and indirect investments within the DDM group with a long-term holding period. Financial assets are measured at cost less impairment.

Investments in subsidiaries
Investments in subsidiaries are equity interests which are held for the purpose of DDM Holding AG’s business activities. They include all directly held subsidiaries through which DDM conducts its business. The investments are measured individually and carried at cost less impairment.

Operating income
Income relating to management services provided to its subsidiaries is recognized in operating income in the period in which it occurred.

NOTE 3. INVESTMENTS IN EQUITY PARTICIPATIONS

Directly held equity participations as of 31 December:

Company	Corporate identity number	Registered office	Primary business	2016 Share capital (CHF)	2016 Interest	2015 Share capital (CHF)	2015 Interest
DDM Group AG	CHE 115.278.533	Baar (CH)	Business operation	232,000	100%	232,000	100%

Indirectly held equity participations as of 31 December:

Company	Corporate identity number	Registered office	Primary business	2016 Share capital (CHF)	2016 Interest	2015 Share capital (CHF)	2015 Interest
DDM Invest I AG	CHE 113.863.850	Baar (CH)	Investment activities	232,000	100%	232,000	100%
DDM Invest II AG	CHE 115.038.302	Baar (CH)	Investment activities	100,000	100%	100,000	100%
DDM Invest III AG	CHE 115.238.947	Baar (CH)	Investment activities	100,000	100%	100,000	100%
DDM Invest IV AG	CHE 317.413.116	Baar (CH)	Investment activities	100,000	100%	100,000	100%
DDM Invest VII AG	CHE 153.128.633	Baar (CH)	Investment activities	100,000	100%	–	–
DDM Invest X AG	CHE 130.419.930	Baar (CH)	Investment activities	100,000	100%	100,000	100%
DDM Invest XX AG	CHE 349.886.186	Baar (CH)	Investment activities	100,000	100%	100,000	100%
DDM Treasury Sweden AB [1)]	556910-3053	Stockholm (SE)	Provision of funding	71,275	100%	71,275	100%
DDM Finance AB [2)]	559053-6214	Stockholm (SE)	Holding company	6,100	100%	–	–
DDM Debt AB [3)]	559053-6230	Stockholm (SE)	Provision of funding	58,519	100%	–	–
DDM Invest VII d.o.o. [4)]	7109806000	Slovenia	Investment activities	8,153	100%	–	–
Profinance doo Beograd [5)]	20298928	Serbia	Factoring services	432,484	49.67%	432,484	49.67%

1) The share capital of DDM Treasury Sweden AB is SEK 500,000.
2) The share capital of DDM Finance AB is EUR 5,629.
3) The share capital of DDM Debt AB is EUR 54,000.
4) The share capital of DDM Invest VII d.o.o. is EUR 7,500.
5) 100% of the share capital of Profinance doo Beograd is RSD 48,545,815.

NOTE 4. PERSONNEL

DDM Holding AG had no employees as of and during the year ended 31 December 2016 (31 December 2015: 0). All employees of the consolidated DDM group were employed by subsidiaries of DDM Holding AG.

NOTE 5. CONTINGENT LIABLITIES

DDM Holding AG is jointly and severally liable for the value added tax (VAT) liability of Swiss subsidiaries (DDM Group AG, DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG, DDM Invest X AG and DDM Invest XX AG) that belong to its VAT group.

NOTE 6. SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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, which was approved by an extraordinary general meeting on 8 March 2017. The rights issue was carried out to further strengthen DDM's balance sheet and lower the cost of capital, facilitating the issuance of more debt within the DDM Group, with the intention of increasing the DDM Group's ability to capture attractive growth opportunities in the Group's markets over the foreseeable future. The rights issue was fully subscribed.

PROPOSED APPROPRIATION OF THE AVAILABLE EARNINGS

The Board of Directors proposes the following appropriation to the shareholders:

	2016		2015	
	EUR	**CHF**	**EUR**	**CHF**
Net profit / (loss) for the year	191 723	209 108	(518,659)	(551,165)
Retained profit / (loss) carried forward	(354,311)	(354,626)	164,348	196,539
Amount at the disposal of the shareholders	**(162,588)**	**(145,518)**	**(354,311)**	**(354,626)**
Proposal				
Allocation to statutory retained earnings	–	–	–	–
To be carried forward	**(162,588)**	**(145,518)**	**(354,311)**	**(354,626)**

Report of the statutory auditor
to the General Meeting of DDM Holding AG, Baar

Report on the audit of the financial statements

Opinion
We have audited the financial statements of DDM Holding AG, which comprise the balance sheet as at 31 December 2016, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 67 to 70) as at 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: EUR 232 000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matters the following area of focus has been identified:

Valuation of the Investments, including loans

Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	EUR 232 000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the most appropriate benchmark for a holding company which has limited operating activities and which holds mainly investments in subsidiaries and intra-group loans.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the Investments, including loans

Key audit matter	*How our audit addressed the key audit matter*
The purpose of DDM Holding AG is to hold the group companies of DDM. The Investments including loans contain the following positions in the balance sheet: • Loans to direct / indirect investments, • Loans to direct / indirect investments (subordinated) and • Investments The direct and indirect investments hold by DDM Holding AG are listed in note 3 to the financial statements. Investments including the loans are measured at cost less impairment (carrying value) according to the accounting principles in note 2. Impairment is recognised when the carrying amount exceeds the recoverable amount. Management uses judgement when determining the recoverable amount of the investment units. This judgement relates to the estimation of the future cash flows of the invested assets held by the investment units. As the investments basically only contain the invested assets, these are the only relevant driver for the value of these investment units. Due to the size and the applied managements' judgement, the investments including the loans are considered a key audit matter as the amount of EUR 21.7 Mio represents 93% of the total assets.	Our focus for testing the investments including the loans was the invested assets held by the investment units, as the invested assets are the key driver for the value of the investments and include significant management judgement. We therefore compared the values of the invested assets as determined in the consolidated financial statements applying IFRS with the carrying value of the investments including loans. We considered our audit procedures performed concerning the valuation of the invested assets in the consolidated financial statements to assess the recoverable amount of these invested assets. In doing the above procedures we particularly challenged management through substantive review of the business plan, including budget and liquidity plan, as the valuation of the invested assets is highly dependent on the business plan and the investing activities of DDM group. Based on our audit procedures performed, we agree with management's assessment and judgement applied for the valuation of the investments including loans.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Norbert Kühnis	Valentin Studer
Audit expert Auditor in charge	Audit expert

Luzern, 30 March 2017

THREE-YEAR OVERVIEW

For the year ended 31 December Amounts in EUR	2016	2015	2014
Consolidated income statement summary			
Net collections	34,225,117	27,507,520	14,686,676
Revenue from management fees	1,206,648	-	-
Operating expenses*	(6,148,813)	(5,812,152)	(4,799,879)
Cash EBITDA	29,282,952	21,695,368	9,886,797
Amortization, revaluation and impairment of distressed asset portfolios	(19,305,753)	(11,581,231)	(9,464,619)
Operating profit	9,843,199	9,966,782	1,828,495
Net profit / (loss) for the year	5,340,761	1,848,225	(6,354,254)
Earnings per share before and after dilution	0.65	0.26	(1.14)
Consolidated balance sheet summary			
Total assets	66,375,073	55,211,387	53,967,489
Net debt	28,776,726	33,377,991	28,281,531
Selected key ratios			
Cash flow from operating activities before working capital changes	20,172,782	(2,541,721)	3,817,377
Cash investments in distressed asset portfolios and other long-term receivables from investments	24,626,867	2,475,613	15,593,485
Gross ERC 120 months, EUR M	79.8	72.2	60.4
Number of shares outstanding at end of the year	9,040,298	7,100,000	7,100,000
Average number of employees	22	24	22

* Operating expenses do not include other operating income, depreciation and amortization of tangible and intangible assets.

GLOSSARY

AGM
Annual General Meeting

Bn
Billion

CAGR
Compound annual growth rate

Central and Eastern Europe
The countries in EuroVoc's definition plus Greece and the Baltic states

Certified Adviser
All companies with shares traded on Nasdaq First North have a Certified Adviser that monitors the companies' compliance with the rules and regulations of First North concerning disclosure of information to the market and investors

CHF
Swiss franc, the currency of Switzerland

Computershare Schweiz
Swiss service provider, Computershare Schweiz AG (formerly SIX SAG AG), takes care of post-trade processes ranging from clearing and settlement through to securities custody, and maintains share registers and special registers

CZK
Czech koruna, the currency of the Czech Republic

DCA
Debt Collection Agency

DDM, the Company or the Group
DDM Holding AG, reg. no. CHE-115906312, and its subsidiaries.

EUR
Refer to the single currency of the participating member states in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time

Euroclear
Euroclear Sweden AB, reg. no. 556112-8074

First North
Nasdaq First North, Stockholm

Fusion
DDM's proprietary IT system, which integrates investment data, case data, payment data and activity data into one effective and comprehensive IT system

HUF
Hungarian forint, the currency of Hungary

M
Million

NPL
Non-performing loans

PARENT COMPANY
DDM Holding AG, CHE-115906312

PLN
Polish zloty, the currency of Poland

RON
Romanian leu, the currency of Romania

SEK
Swedish krona, the currency of Sweden

USD
U.S. dollar, the currency of the United States

FINANCIAL DEFINITIONS

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 average number of shares

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation of fixed assets as well as amortization, revaluation and impairment of invested assets

EBIT margin
EBIT as a percentage of revenue on invested assets and revenue from management fees

Estimated Remaining Collections / ERC
The sum of all undiscounted future projected cash collections 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
Equity as a percentage of total assets

Interest-bearing net debt
Interest-bearing provisions and liabilities less interest-bearing assets

Net collections
Gross collections from the distressed asset portfolios and other long-term receivables 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

MULTINATIONAL INVESTOR AND MANAGER OF DISTRESSED ASSETS

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 DDM'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

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