



## Milestone transactions, strong portfolio performance and significantly increased investment guidance

### Highlights second quarter 2017

- **Acquisitions of two portfolios** in Croatia totaling c. EUR 28M
- **Net collections** increased by 67% to EUR 10.0M (Q2 2016: EUR 6.0M)
- **Cash EBITDA** increased by 95% and amounted to EUR 9.0M (Q2 2016: EUR 4.6M)
- **Net profit for the period** of EUR 0.7M (Q2 2016: loss of EUR 0.5M)
- **Gross ERC** at the end of June 2017 was EUR 86.7M, an increase of 36% (Q2 2016: EUR 63.7M)\*
- **EUR 35M of senior secured bonds** were issued in April in a tap issue under the EUR 85M senior secured bond framework at a price of 101.5%, representing a yield to maturity of c. 9%

### Highlights six months 2017

- **Investments** in Croatia, the Czech Republic and Slovenia, totaling approximately EUR 34M
- **Net collections** increased by 30% to EUR 18.1M (H1 2016: EUR 13.9M)
- **Cash EBITDA** increased by 42% and amounted to EUR 16.0M (H1 2016: EUR 11.3M)
- **Adjusted net profit** of EUR 1.3M, excluding non-recurring items related to the refinancing in Q1 2017
- **Net loss for the period** of EUR 1.8M (H1 2016: loss of EUR 0.4M) due to non-recurring items totaling approximately EUR 3.1M related to the refinancing
- **EUR 85M of senior secured bonds at 9.5%** issued to refinance existing debt with the remaining balance for portfolio acquisitions. The bonds are currently trading above par
- **Fully subscribed share issue** with pre-emptive subscription rights for existing shareholders of approximately EUR 11M before issuance costs

### Significant events after the second quarter

- **Entered Greece through a milestone transaction**, with an investment commitment of approximately EUR 50M
- **Significantly increased investment guidance** by 140% to EUR 120M for 2017

Amounts in EUR '000s (unless specified otherwise)	1 Apr–30 Jun 2017	1 Apr–30 Jun 2016	1 Jan–30 Jun 2017	1 Jan–30 Jun 2016	Full Year 2016**
Net collections	9,963	5,960	18,110	13,898	34,225
Revenue from management fees	680	–	1,026	–	1,207
Operating expenses***	(1,614)	(1,339)	(3,121)	(2,633)	(6,149)
Cash EBITDA	9,029	4,621	16,015	11,265	29,283
Amortization, revaluation and impairment of invested assets	(5,954)	(4,012)	(10,378)	(9,265)	(19,306)
Operating profit	3,043	577	5,573	1,932	9,843
Net profit / (loss) for the period****	708	(470)	(1,839)	(396)	5,341
<b>Selected key figures</b>					
Total assets	128,177	57,810	128,177	57,810	66,375
Net debt	17,543	27,738	17,543	27,738	28,777
Equity ratio	22.2%	24.9%	22.2%	24.9%	31.0%
Cash flow from operating activities before working capital changes	8,980	2,851	12,192	7,220	20,173
Gross ERC 120 months (EUR M)*	86.7	63.7	86.7	63.7	79.8
Earnings per share before and after dilution (EUR)	0.05	(0.06)	(0.16)	(0.05)	0.65
Average number of shares during the period	13,560,447	7,697,015	11,312,859	7,398,507	8,223,888
Total number of shares at the end of the period	13,560,447	9,040,298	13,560,447	9,040,298	9,040,298

\* Gross ERC at 30 June 2017 does not include one of the transactions in Croatia and the transaction in Greece

\*\* Audited

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

\*\*\*\* The result for H1 2017 was negatively impacted by c. EUR 3.1M of non-recurring items due to the bond refinancing in Q1

The information in this interim report requires DDM Holding AG to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 3 August 2017 at 08:00 CET.

## Comment by the CEO

I am very happy with the progress made during the past months. In addition to solid second quarter results, DDM has made a number of milestone transactions, entering new geographies with significant amounts invested. This further proves DDM's operational capabilities, and the scalability and flexibility of the business model. The acquisition in Greece, where DDM's investment commitment amounts to approximately EUR 50M, is one of the first and largest transactions in the Greek non-performing loan market, and allows us to establish a first mover advantage in the country with the highest non-performing loan ratio in Europe. The underlying portfolio consists of secured and unsecured retail and corporate receivables and has a nominal value of about EUR 1.3BN. The transaction includes one of the very few servicing licenses in Greece, in which we also see great potential for future transactions.

The Company also acquired two portfolios in Croatia totaling c. EUR 28M at the end of the second quarter. These acquisitions are in line with our strategy to grow our investments and to rapidly expand our presence across the region. Following significant due diligence work we are entering Croatia, a new market, which has strong potential for future growth. The acquisitions also increase our exposure to the corporate receivables segment, further diversifying our portfolio of investments in line with our strategy.

The investments, including commitments, in 2017 total EUR 84M to date and thereby significantly exceed the previous expectations of EUR 50M of investments for the full year. This, combined with a continued strong pipeline of portfolios currently amounting to about EUR 900M, has resulted in us increasing our investment target for 2017 by 140% to EUR 120M.

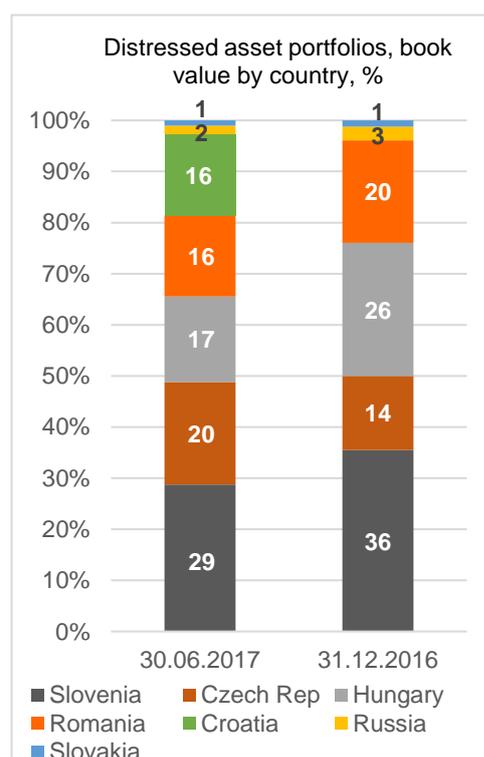
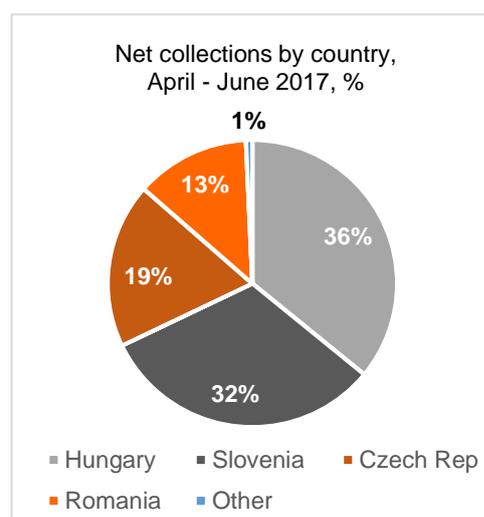
The recently announced investments, including commitments, totaling EUR 78M are funded by cash on hand, following the debt and equity financing activities in first half of the year, cash flow from operations and further debt financing. We also continue to work actively on the capital structure to match the increased investment target for 2017.

In the second quarter the portfolios continued to perform strongly, with net collections increasing 67% compared to the same period last year. The performance is a result of continued portfolio growth, focus on portfolio management and significant contributions by the investments in Hungary and Slovenia. The strong performance resulted in a profit of EUR 0.7M for the second quarter and a profit of EUR 1.3M for the first six months of 2017, on an adjusted basis.

Net collections for Q2 2017 increased by 67% compared to Q2 2016, and by 30% for H1 2017 compared to the same period last year. The increase was driven by significant collections from the larger Hungarian portfolio, in addition to the continued strong performance of the larger Slovenian acquisition. Revenue from management fees was EUR 0.7M in the second quarter of 2017 and EUR 1.0M for H1 2017, whereas it was included in net collections in H1 2016 (presented separately from Q3 2016). The increase in revenue from management fees in the second quarter was due to the significant collections in Hungary.

The strong net collections and revenue from management fees resulted in significant cash EBITDA for the second quarter of EUR 9.0M and EUR 16.0M for H1 2017, increases of 95% and 42% respectively compared to the corresponding periods in 2016.

Financial expenses decreased to EUR 2.1M in the second quarter compared to EUR 4.8M in the first quarter of 2017. The bond refinancing in Q1 2017 resulted in total negative non-recurring items of approximately EUR 3.1M in the quarter

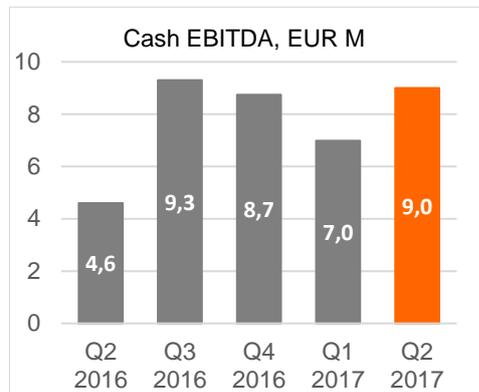


due to the non-cash write off of about EUR 1.9M for the remaining transaction costs on the old bonds, in addition to the call premium of approximately EUR 1.2M for the SEK 300M bond. The refinancing resulted in a significantly lower interest rate and an improved cost of funding that the company benefits from.

Gross ERC at the end of the second quarter of 2017 was EUR 86.7M, an increase of 36% compared to the same period in 2016, as acquisitions in the past 12 months more than offset amortization, revaluation and impairment on existing portfolios.

DDM's cash flow benefitted from the strong operational performance and net collections in the quarter. Cash flow from operating activities before working capital changes was EUR 9.0M in the second quarter compared to EUR 2.9M in Q2 2016. For H1 2017, cash flow from operating activities before working capital changes was EUR 12.2M compared to EUR 7.2M for the same period last year, despite the negative impact from the above-mentioned call premium of EUR 1.2M.

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



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

**Market outlook**

We continue to see a very strong pipeline of portfolios currently amounting to about EUR 900M across our region in both existing and new markets, with returns and characteristics that match our investment criteria. We will continue our rapid expansion as we continue to source attractive portfolios given our proven transaction closing capabilities and strong reputation. We remain positive on the outlook for DDM and feel confident to be able to continue to grow the DDM Group. Following the recent acquisitions, we are now targeting investments of EUR 120M in new portfolios in 2017.

Baar, 3 August 2017  
DDM Holding AG  
Gustav Hultgren, CEO

**Annual General Meeting 2017**

DDM Holding AG held its Annual General Meeting (“AGM”) on 31 May 2017. All resolutions proposed by the Board of Directors of DDM were unanimously approved. The AGM resolved to re-elect Kent Hansson, Torgny Hellström, Dr. Manuel Vogel and Fredrik Waker as members of the Board of Directors, and to elect Erik Fällström and Andreas Tuczka, representing the new main investor Aldridge EDC Specialty Finance Ltd., as new members of the Board of Directors. Please see our website [www.ddm-group.ch](http://www.ddm-group.ch), for further information about the resolutions passed at the AGM.

**Financial calendar**

DDM intends to publish financial information on the following dates:  
 Interim report for January – September 2017: 2 November 2017  
 Q4 and full-year report for January – December 2017: February 2018  
 Annual report 2017: March 2018

Other financial information from DDM is available on DDM's website: [www.ddm-group.ch](http://www.ddm-group.ch).

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

**Presentation of the report**

The report and presentation material are available at [www.ddm-group.ch](http://www.ddm-group.ch) on 3 August 2017, at 08:00 CET.

CEO Gustav Hultgren and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 3 August 2017, starting at 10:00 CET. The presentation can be followed live at [www.ddm-group.ch](http://www.ddm-group.ch) and/or by telephone with dial-in numbers: SE: +46 8 566 426 95, CH: +41 225 675 548 or UK: +44 203 008 9818.

## Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Apr – 30 Jun 2017	1 Apr – 30 Jun 2016	1 Jan – 30 Jun 2017	1 Jan – 30 Jun 2016	Full Year 2016*
<b>Revenue on invested assets</b>	<b>8</b>	<b>4,009</b>	<b>1,948</b>	<b>7,732</b>	<b>4,633</b>	<b>14,919</b>
Reconciliation of revenue on invested assets:						
<i>Net collections</i>		9,963	5,960	18,110	13,898	34,225
<i>Amortization of invested assets</i>		(5,865)	(3,944)	(10,590)	(9,255)	(18,623)
<i>Revaluation and impairment of invested assets</i>		(89)	(68)	212	(10)	(682)
<b>Revenue from management fees</b>	<b>8</b>	<b>680</b>	<b>–</b>	<b>1,026</b>	<b>–</b>	<b>1,207</b>
Personnel expenses		(842)	(798)	(1,613)	(1,626)	(3,949)
Consulting expenses		(487)	(206)	(994)	(377)	(1,247)
Other operating expenses		(285)	(335)	(514)	(630)	(952)
Amortization and depreciation of tangible and intangible assets		(32)	(32)	(64)	(68)	(134)
<b>Operating profit</b>		<b>3,043</b>	<b>577</b>	<b>5,573</b>	<b>1,932</b>	<b>9,843</b>
Financial income		–	–	–	–	32
Financial expenses**		(2,063)	(1,648)	(6,871)	(3,096)	(6,663)
Unrealized exchange (loss) / profit		(57)	706	(319)	1,187	2,111
Realized exchange profit / (loss)		3	(66)	53	(184)	(257)
<b>Net financial expenses</b>		<b>(2,117)</b>	<b>(1,008)</b>	<b>(7,137)</b>	<b>(2,093)</b>	<b>(4,777)</b>
<b>Profit / (loss) before income tax</b>		<b>926</b>	<b>(431)</b>	<b>(1,564)</b>	<b>(161)</b>	<b>5,066</b>
Tax (expense) / income		(218)	(39)	(275)	(235)	275
<b>Net profit / (loss) for the period</b>		<b>708</b>	<b>(470)</b>	<b>(1,839)</b>	<b>(396)</b>	<b>5,341</b>
Earnings per share before and after dilution (EUR)		0.05	(0.06)	(0.16)	(0.05)	0.65
Average number of shares		13,560,447	7,697,015	11,312,859	7,398,507	8,223,888
Number of shares at the end of period		13,560,447	9,040,298	13,560,447	9,040,298	9,040,298

\* Audited

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

## Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Apr–30 Jun 2017	1 Apr–30 Jun 2016	1 Jan–30 Jun 2017	1 Jan–30 Jun 2016	Full Year 2016*
<b>Net profit / (loss) for the period</b>	<b>708</b>	<b>(470)</b>	<b>(1,839)</b>	<b>(396)</b>	<b>5,341</b>
<b>Other comprehensive income for the period</b>					
<i>Items that will not be reclassified to profit or loss:</i>					
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	–	551
Deferred tax on post-employment benefit commitments	–	–	–	–	(34)
<i>Items that may subsequently be reclassified to profit or loss:</i>					
Currency translation differences	–	(41)	–	(36)	(52)
<b>Other comprehensive income for the period, net of tax</b>	<b>–</b>	<b>(41)</b>	<b>–</b>	<b>(36)</b>	<b>465</b>
<b>Total comprehensive income for the period</b>	<b>708</b>	<b>(511)</b>	<b>(1,839)</b>	<b>(432)</b>	<b>5,806</b>

\* Audited

## Consolidated Balance Sheet

Amounts in EUR '000s	Notes	30 June 2017	31 December 2016*
<b>ASSETS</b>			
<i>Non-current assets</i>			
Goodwill	6	4,160	4,160
Intangible assets	6	1,581	1,637
Tangible assets	5	69	63
Interests in associates		600	600
Distressed asset portfolios	4	39,232	32,472
Other long-term receivables from investments	4	7,894	11,447
Deferred tax assets	3	1,193	1,289
Other non-current assets		1,317	1,332
<b>Total non-current assets</b>		<b>56,046</b>	<b>53,001</b>
<i>Current assets</i>			
Accounts receivable		3,528	1,660
Other receivables		270	910
Prepaid expenses and accrued income		608	205
Cash and cash equivalents		67,725	10,599
<b>Total current assets</b>		<b>72,131</b>	<b>13,374</b>
<b>TOTAL ASSETS</b>		<b>128,177</b>	<b>66,375</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<i>Shareholders' equity</i>			
Share capital		11,780	7,540
Share premium		21,030	15,512
Other reserves		(584)	(584)
Accumulated losses incl. net loss / profit for the period		(3,732)	(1,893)
<b>Total shareholders' equity attributable to Parent Company's shareholders</b>		<b>28,494</b>	<b>20,575</b>
<i>Long-term liabilities</i>			
Loans	7	85,268	31,192
Post-employment benefit commitments		566	474
Deferred tax liabilities	3	231	231
<b>Total long-term liabilities</b>		<b>86,065</b>	<b>31,897</b>
<i>Current liabilities</i>			
Accounts payable		9,053	1,568
Accrued interest		3,452	2,418
Accrued expenses and deferred income		1,113	1,733
Loans	7	–	8,184
<b>Total current liabilities</b>		<b>13,618</b>	<b>13,903</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>128,177</b>	<b>66,375</b>

\* Audited

## Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Apr - 30 Jun 2017	1 Apr - 30 Jun 2016	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016	Full Year 2016*
<b>Cash flow from operating activities</b>					
Operating profit	3,043	577	5,573	1,932	9,843
<i>Adjustments for non-cash items:</i>					
<i>Amortization of invested assets</i>	5,865	3,944	10,590	9,255	18,623
<i>Revaluation and impairment of invested assets</i>	89	68	(212)	10	682
<i>Depreciation, amortization and impairment of tangible and intangible assets</i>	32	32	64	68	134
<i>Other items not affecting cash</i>	324	(1,368)	361	(1,602)	(3,354)
Interest paid	(355)	(402)	(4,152)	(2,443)	(5,481)
Interest received	6	–	6	–	–
Tax paid	(24)	–	(38)	–	(275)
<b>Cash flow from operating activities before working capital changes</b>	<b>8,980</b>	<b>2,851</b>	<b>12,192</b>	<b>7,220</b>	<b>20,173</b>
<b>Working capital adjustments</b>					
(Increase) / decrease in accounts receivable	(1,873)	3,102	(1,868)	578	2,470
(Increase) / decrease in other receivables	(147)	109	(576)	(119)	(2,005)
Increase / (decrease) in accounts payable	(68)	(576)	72	(857)	(888)
Increase / (decrease) in other current liabilities	(1,053)	652	100	(608)	500
<b>Net cash flow from operating activities</b>	<b>5,839</b>	<b>6,138</b>	<b>9,920</b>	<b>6,214</b>	<b>20,250</b>
<b>Cash flow from investing activities</b>					
Purchases of distressed asset portfolios and other long-term receivables from investments	–	(3,302)	(5,593)	(7,749)	(24,627)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	–	–	–	–	2,300
Purchases of tangible and intangible assets	(6)	–	(15)	–	(10)
<b>Net cash flow received / (used) in investing activities</b>	<b>(6)</b>	<b>(3,302)</b>	<b>(5,608)</b>	<b>(7,749)</b>	<b>(22,337)</b>
<b>Cash flow from financing activities</b>					
Proceeds from issuance of ordinary shares	–	1,754	4,240	1,754	1,754
Share premium	–	4,800	5,518	4,800	4,734
Proceeds from issuance of loans	34,571	515	83,023	4,515	14,967
Repayment of loans	–	(2,969)	(39,645)	(2,969)	(12,139)
<b>Net cash flow received / (used) in financing activities</b>	<b>34,571</b>	<b>4,100</b>	<b>53,136</b>	<b>8,100</b>	<b>9,317</b>
<b>Cash flow for the period</b>	<b>40,404</b>	<b>6,936</b>	<b>57,448</b>	<b>6,565</b>	<b>7,230</b>
<b>Cash and cash equivalents less bank overdrafts at beginning of the period</b>	<b>27,553</b>	<b>3,038</b>	<b>10,599</b>	<b>3,392</b>	<b>3,392</b>
Foreign exchange gains / (losses) on cash and cash equivalents	(232)	116	(322)	134	(23)
<b>Cash and cash equivalents less bank overdrafts at end of the period</b>	<b>67,725</b>	<b>10,090</b>	<b>67,725</b>	<b>10,090</b>	<b>10,599</b>

\* Audited

## Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Share premium	Other reserves	Accumulated losses incl. net loss / profit for the period	Total equity
<b>Balance at 1 January 2016*</b>	<b>5,786</b>	<b>10,778</b>	<b>(547)</b>	<b>(7,735)</b>	<b>8,281</b>
Net (loss) / profit for the period	–	–	–	(396)	<b>(396)</b>
<b>Other comprehensive income</b>					
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	–	–
Currency translation differences	–	–	(33)	(3)	<b>(36)</b>
Deferred tax on post-employment benefit commitments	–	–	–	–	–
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>(33)</b>	<b>(399)</b>	<b>(432)</b>
<i>Transactions with owners</i>					
New share issue	1,754	4,800	–	–	<b>6,554</b>
<b>Total transactions with owners</b>	<b>1,754</b>	<b>4,800</b>	<b>–</b>	<b>–</b>	<b>6,554</b>
<b>Balance at 30 June 2016</b>	<b>7,540</b>	<b>15,578</b>	<b>(580)</b>	<b>(8,134)</b>	<b>14,403</b>
<b>Balance at 1 January 2017*</b>	<b>7,540</b>	<b>15,512</b>	<b>(584)</b>	<b>(1,839)</b>	<b>20,575</b>
Net (loss) / profit for the period	–	–	–	(1,839)	<b>(1,839)</b>
<b>Other comprehensive income</b>					
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	–	–
Currency translation differences	–	–	–	–	–
Deferred tax on post-employment benefit commitments	–	–	–	–	–
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1,839)</b>	<b>(1,839)</b>
<i>Transactions with owners</i>					
New share issue	4,240	5,518	–	–	<b>9,758</b>
<b>Total transactions with owners</b>	<b>4,240</b>	<b>5,518</b>	<b>–</b>	<b>–</b>	<b>9,758</b>
<b>Balance at 30 June 2017</b>	<b>11,780</b>	<b>21,030</b>	<b>(584)</b>	<b>(3,732)</b>	<b>28,494</b>

\* Audited

## Notes

### Note 1. Basis of preparation

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

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

In all other material aspects, in preparing these interim financial statements, the same accounting policies and methods of computation have been applied as in the DDM Holding AG consolidated annual financial statements for the period ended 31 December 2016. These interim financial statements are unaudited and should be read in conjunction with DDM Holding AG's audited consolidated financial statements included in the Annual Report 2016, which also includes a description of the material risks and uncertainties facing the Company. In the opinion of management, all necessary adjustments were made for a fair presentation of the Group's financial position, results of operations and cash flows.

#### Subsidiaries

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

Subsidiaries	Consolidation method	Domicile	30 June 2017	31 December 2016
DDM Group AG	Fully consolidated	Switzerland	100%	100%
DDM Invest I AG	Fully consolidated	Switzerland	100%	100%
DDM Invest II AG	Fully consolidated	Switzerland	100%	100%
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Invest IV AG	Fully consolidated	Switzerland	100%	100%
DDM Invest VII AG	Fully consolidated	Switzerland	100%	100%
DDM Invest X AG	Fully consolidated	Switzerland	100%	100%
DDM Invest XX AG	Fully consolidated	Switzerland	100%	100%
DDM Debt AB	Fully consolidated	Sweden	100%	100%
DDM Finance AB	Fully consolidated	Sweden	100%	100%
DDM Treasury Sweden AB	Fully consolidated	Sweden	100%	100%
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	100%	100%

#### Associates

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

Associates	Consolidation method	Domicile	30 June 2017	31 December 2015
Profinance doo Beograd	Equity method	Serbia	49.67%	49.67%

#### Post-employment benefit commitment

The post-employment benefit commitment is calculated on an annual basis. In 2016 the total annual expense was recorded in Q4 2016. From 1 January 2017 one quarter of the estimated annual post-employment benefit commitment has been recorded in the consolidated interim financial statements of DDM Holding AG per quarter. Management decided that it was appropriate to keep the actuarial assumptions unchanged compared to year-end 2016.

### Note 2. Currency translation

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

### Note 3. Deferred taxes

Income tax expense reported for the business year includes the income tax expense of consolidated subsidiaries (calculated from their taxable income with the tax rate applicable in the relevant country). Income tax expense also includes deferred taxes, which have been recognized on the temporary differences arising from the distressed asset portfolios and other long-term receivables from investments (difference between the reported book values for tax and accounting purposes). Deferred income tax assets on temporary differences and tax losses carried forward are reported to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized. The amount of deferred tax assets is reduced when they are utilized or when it is no longer deemed likely that they will be utilized. The Company does not have group taxation; hence each legal entity is taxed separately. Under Swiss law, net operating losses can be carried forward for a period of up to seven years.

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

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

#### *Other long-term receivables from investments*

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

The following investments are treated in this manner:

Entity	Domicile	30 June 2017	31 December 2016
FinAlp Zrt.	Hungary	100%	100%
Lombard Pénzügyi és Lízing Zrt.	Hungary	100%	100%
Lombard Ingatlan Lízing Zrt.	Hungary	100%	100%
Lombard Bérlet Kft.	Hungary	100%	100%

#### *Distressed asset portfolios and other long-term receivables from investments*

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

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

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

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

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

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

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

Distressed asset portfolios and other long-term receivables from investments by currency EUR '000s	30 June 2017	31 December 2016
EUR	18,726	21,602
CZK	9,452	6,343
HUF	7,894	11,447
HRK	7,460	–
RON	2,773	3,341
RUB	820	1,184
USD	1	1
<b>Total</b>	<b>47,126</b>	<b>43,919</b>

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

#### Note 5. Tangible assets

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

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

Furniture	5 years
Computer hardware	5 years

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

#### Note 6. Intangible assets

- (i) Identifiable intangible assets

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

- (ii) Goodwill

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

#### Note 7. Borrowings

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

##### Bond loan EUR 85M

EUR 50M of senior secured bonds at 9.5% were issued by DDM Debt AB (publ) (“DDM Debt”) on 30 January 2017, within a total framework amount of EUR 85M. The bonds with ISIN number SE0009548332 have a final maturity date of 30 January 2020 and

are listed on the Corporate Bond list at Nasdaq Stockholm. The proceeds were used to refinance existing debt within the DDM Group, with the remaining balance of about EUR 10M for portfolio acquisitions.

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

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

DDM Debt AB has pledged the shares in its subsidiaries as security under the terms and conditions. Certain bank accounts are also assigned to the bond agent as part of the bond terms. DDM Finance AB is a guarantor of the bonds. In addition, the investors receive a first ranking share pledge over the shares of DDM Debt AB and any downstream loans to DDM Debt AB's subsidiaries are pledged to the investors as intercompany loans. The Terms and Conditions are available in their entirety on our website.

#### Other loans

In March 2016, DDM was granted loans totaling EUR 4M with maturities within twelve months, in addition to EUR 2M of loans already held. EUR 2M of these loans were repaid during the third quarter of 2016, and EUR 2M was repaid during the first quarter of 2017. The outstanding EUR 2M loan has a maturity date of 1 October 2019.

#### Bond loan SEK 300M

A bond loan was issued in June 2013, totaling SEK 300M at 13% interest, with a maturity date of 26 June 2016 by DDM Treasury Sweden AB ("DDM Treasury"). On 18 May 2015, DDM Treasury initiated a written procedure to allow noteholders to vote on a restatement and certain amendments to the existing terms and conditions. The Written Procedure closed on 11 June 2015 and the Notes Exchange became effective on 23 June 2015.

The amended terms and conditions included the extension of the maturity to 27 December 2018, wider geographic scope in Europe, removal of cash-covenants and hedging restrictions, improved possibilities for future dividend payments and the introduction of an Inter-Creditor Agreement. Following the amendment and extension in June 2015, the Swiss Federal Tax Administration ruled that Swiss withholding tax of 35% is applicable. Holders of the bonds were entitled to a refund from the Swiss Federal Tax Administration, subject to them fulfilling the conditions for refund. There was no additional interest or withholding tax charge impacting the Company.

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

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

#### Bond loan EUR 11M

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

#### Maturity profile of borrowings:

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
<b>at 30 June 2017</b>						
Bond loan, 9.5%	–	–	83,268	–	–	<b>83,268</b>
Bond loan, 13% (issued 2013)	–	–	–	–	–	–
Bond loan, 13% (issued 2016)	–	–	–	–	–	–
Loans	–	–	2,000	–	–	<b>2,000</b>
<b>Total</b>	<b>–</b>	<b>–</b>	<b>85,268</b>	<b>–</b>	<b>–</b>	<b>85,268</b>
<b>at 31 December 2016</b>						
Bond loan, 13% (issued 2013)	–	29,192	–	–	–	<b>29,192</b>
Bond loan, 13% (issued 2016)	6,184	–	–	–	–	<b>6,184</b>
Loans	2,000	–	2,000	–	–	<b>4,000</b>
<b>Total</b>	<b>8,184</b>	<b>29,192</b>	<b>2,000</b>	<b>–</b>	<b>–</b>	<b>39,376</b>

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

## Note 8. Revenue recognition

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

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

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

EUR '000s	1 Apr - 30 Jun 2017	1 Apr - 30 Jun 2016	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016	Full Year 2016
<b>Net collections by country:</b>					
Hungary	3,579	3,263	5,604	8,618	13,320
Slovenia	3,184	–	6,459	–	9,788
Czech Republic	1,852	1,165	3,345	2,752	5,623
Romania	1,277	1,376	2,513	2,441	5,135
Russia	58	116	110	140	319
Slovakia	13	31	79	52	153
Poland	–	9	–	(105)	(112)
<b>Net collections</b>	<b>9,963</b>	<b>5,960</b>	<b>18,110</b>	<b>13,898</b>	<b>34,225</b>
Amortization of invested assets	(5,865)	(3,944)	(10,590)	(9,255)	(18,623)
<b>Interest income on invested assets before revaluation and impairment</b>	<b>4,098</b>	<b>2,016</b>	<b>7,520</b>	<b>4,643</b>	<b>15,602</b>
Revaluation of invested assets	(89)	–	425	119	2,979
Impairment of invested assets	–	(68)	(213)	(129)	(3,661)
<b>Revenue on invested assets</b>	<b>4,009</b>	<b>1,948</b>	<b>7,732</b>	<b>4,633</b>	<b>14,919</b>
<b>Revenue from management fees</b>	<b>680</b>	<b>–</b>	<b>1,026</b>	<b>–</b>	<b>1,207</b>

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. Revenue from management fees was previously considered to be immaterial and therefore was included in net collections. Since becoming a material revenue stream, revenue from management fees has been presented separately from Q3 2016.

## Note 9. Subsequent events

On 4 July, DDM announced that it enters Greece through a milestone transaction. The underlying portfolio consists of secured and unsecured retail and corporate receivables and has a nominal value of about EUR 1.3BN. DDM's investment commitment amounts to approximately EUR 50M. The transaction includes one of the very few servicing licenses in Greece.

# Definitions

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## **DDM**

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

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## **Amortization of invested assets**

The carrying value of invested assets are amortized over time according to the effective interest rate method.

## **Cash EBITDA**

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

## **Earnings per share/EPS**

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

## **EBITDA**

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

## **Estimated Remaining Collections / ERC**

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

## **Equity**

Shareholders' equity at the end of the period.

## **Equity ratio**

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

## **Impairment of invested assets**

Invested assets are reviewed at each reporting date and impaired if there is objective evidence that one or more events have taken place that will have a negative impact on the amount of future cash flows.

## **Invested assets**

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

## **Net collections**

Gross collections in respect of the invested assets held by DDM minus commission to collection agencies.

## **Net debt**

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

## **Non-recurring items**

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

## **Operating expenses**

Personnel, consulting and other operating expenses.

## **Revaluation of invested assets**

Invested assets are reviewed at each reporting date and revalued if there is objective evidence that one or more events have taken place that will have a positive impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows.

## About DDM

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**DDM Holding AG** (First North: DDM) is a multinational investor in and manager of distressed assets, offering the prospect of attractive returns from the expanding 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 2BN.

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

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

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



## DDM Holding AG

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