



## Strong cash flows from portfolios

### Highlights 2016

- Net collections decreased by 2% to SEK 223.1M (2015: SEK 228.6M)
- Cash EBITDA decreased by 7% and amounted to SEK 189.0M (2015: SEK 202.7M)
- Net loss for the year of SEK 2.9M (2015: profit of SEK 36.0M)
- A large Hungarian transaction formally closed at the end of April 2016, resulting in significantly stronger cash flows
- The SEK 31M 18% subordinated notes were repaid on their final maturity date of 30 September 2016, decreasing future financial expenses and the average cost of borrowing

### Highlights fourth quarter 2016

- Net collections decreased by 61% to SEK 56.0M (Q4 2015: SEK 143.9M)
- Cash EBITDA decreased by 60% and amounted to SEK 47.8M (Q4 2015: SEK 118.9M)
- Net profit for the period of SEK 13.7M (Q4 2015: profit of SEK 38.1M)

### Significant events after the end of the year

- A further portfolio was acquired in the Czech Republic for approximately SEK 48M
- The SEK 300M 13% senior secured bonds were fully redeemed in February 2017, following the issuance of EUR 50M of senior secured bonds at 9.5% by DDM Debt AB in January

Amounts in SEK M (unless specified otherwise)	1 Oct – 31 Dec 2016	1 Oct – 31 Dec 2015	Full year 2016	Full year 2015*
Net collections	56.0	143.9	223.1	228.6
Operating expenses	(8.2)	(25.0)	(34.1)	(25.9)
Cash EBITDA	47.8	118.9	189.0	202.7
Amortization, revaluation and impairment of invested assets	(30.1)	(51.8)	(152.5)	(99.2)
Operating profit	17.7	67.1	36.5	103.4
Net profit / (loss) for the period	13.7	38.1	(2.9)	36.0

### Selected key figures

Total assets	447.3	472.4	447.3	472.4
Net debt	225.5	277.8	225.5	277.8
Adjusted equity ratio	23.6%	27.2%	23.6%	27.2%

\* Audited

## Comment by the CEO

Cash flows from existing portfolios continued to be strong in the fourth quarter of 2016, particularly in Hungary and the Czech Republic.

Net collections in the fourth quarter of 2016 decreased by 61% compared to the fourth quarter of 2015, as the prior year benefitted from the large acquisition in Hungary at the end of the year. For the full year 2016 net collections decreased by 2% compared to the prior year.

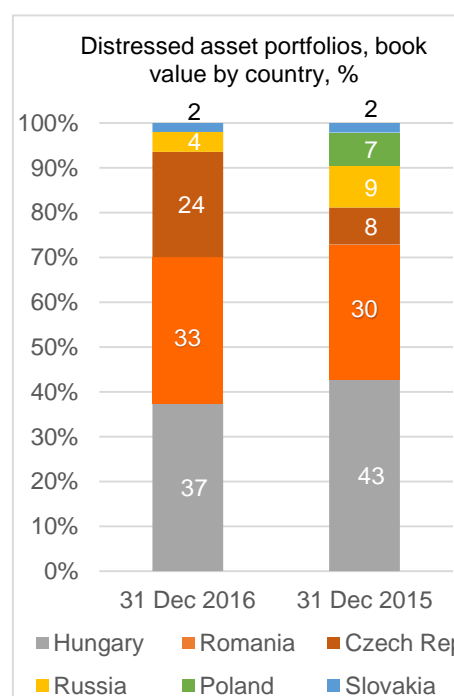
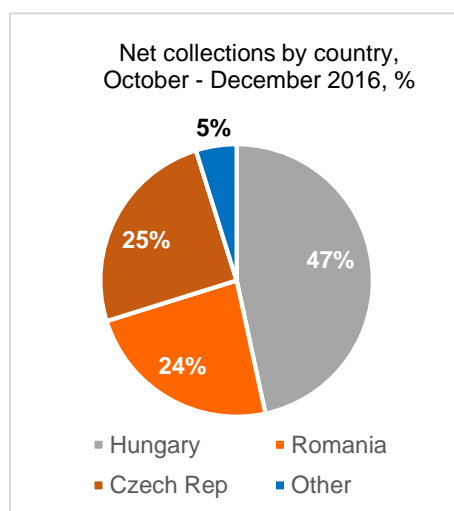
Cash EBITDA (net collections less operating expenses) for the fourth quarter amounted to SEK 47.8M, a decrease of 60% compared to the same period of 2015, driven by the lower net collections. For the full year 2016 cash EBITDA was SEK 189.0M, a decrease of 7% compared to the full year 2015.

The result for Q4 2016 benefitted from a tax income of SEK 6.6M, mainly due to the recognition of deferred tax assets on tax losses carried forward.

Cash flow from operating activities before working capital changes for the fourth quarter of 2016 was SEK 35.6M, compared to negative SEK 143.0M for the fourth quarter of 2015, benefitting from the cash flows from the large Hungarian acquisition. Cash flow from operating activities before working capital changes for the full year 2016 was SEK 157.5M, compared to negative SEK 90.9M for 2015. The strong cash flows along with the disposal of a portfolio in Poland in the third quarter enabled the full redemption of the SEK 31M 18% subordinated notes on their maturity date of 30 September 2016, which was financed using cash on hand. The redemption has enabled DDM Treasury Sweden AB to reduce its gross debt and financial expenses in the fourth quarter.

Since 31 December 2016 the DDM Treasury Group has acquired a further portfolio in the Czech Republic for approximately SEK 48M (approximately EUR 5M). This was the third portfolio that we have acquired from the seller, confirming DDM's reputation as a trustworthy buyer.

Since the end of the year DDM Debt AB has also acquired DDM Treasury Sweden AB's subsidiaries holding the portfolios, allowing the SEK 300M 13% senior secured bonds to be fully redeemed in February following the issuance of EUR 50M of senior secured bonds at 9.5% by DDM Debt AB in January.



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

**Financial calendar**

DDM Treasury Sweden AB (publ) intends to publish financial information on the following dates:  
Annual report for 2016: 31 March 2017

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.

Stockholm, 28 February 2017  
DDM Treasury Sweden AB (publ)  
Gustav Hultgren, CEO

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**Presentation of the report**

The report and presentation material are available at [www.ddm-group.ch](http://www.ddm-group.ch) on 28 February 2017, at 08:00 a.m. CET.

CEO Gustav Hultgren and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 28 February 2017, starting at 10:00 a.m. CET. The presentation can be followed live at [www.ddm-group.ch](http://www.ddm-group.ch) and/or by telephone with dial-in numbers: SE: +46 8 566 426 62, CH: +41 225 675 548 or UK: +44 203 008 9801.

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## Consolidated Income Statement

Amounts in SEK M	Notes	1 Oct – 31 Dec 2016	1 Oct – 31 Dec 2015	Full year 2016	Full year 2015*
Revenue on invested assets	3	25.9	92.1	70.6	129.3
Personnel expenses		–	(0.1)	–	(0.5)
Consulting expenses		(7.8)	(25.2)	(33.1)	(24.9)
Other operating expenses		(0.4)	0.3	(1.0)	(0.5)
<b>Operating profit</b>		<b>17.7</b>	<b>67.1</b>	<b>36.5</b>	<b>103.4</b>
Financial income**		–	–	6.5	0.3
Financial expenses**		(10.6)	(26.2)	(51.9)	(67.9)
<b>Net financial expense</b>		<b>(10.6)</b>	<b>(26.2)</b>	<b>(45.4)</b>	<b>(67.6)</b>
<b>Profit / (loss) before income tax</b>		<b>7.1</b>	<b>40.9</b>	<b>(8.9)</b>	<b>35.8</b>
Tax income / (expense)		6.6	(2.8)	6.0	0.2
<b>Net profit / (loss) for the period</b>		<b>13.7</b>	<b>38.1</b>	<b>(2.9)</b>	<b>36.0</b>

\* Audited

\*\* Net of exchange gain / (loss)

## Consolidated Statement of Comprehensive Income

Amounts in SEK M	1 Oct – 31 Dec 2016	1 Oct – 31 Dec 2015	Full year 2016	Full year 2015*
<b>Net profit / (loss) for the period</b>	<b>13.7</b>	<b>38.1</b>	<b>(2.9)</b>	<b>36.0</b>
<b>Other comprehensive income for the period</b>				
<i>Items that will not be reclassified to profit or loss</i>	–	–	–	–
<i>Items that may subsequently be reclassified to profit or loss:</i>				
Currency translation differences	(1.7)	0.5	11.0	0.5
Recognition of accumulated losses of subsidiaries	–	–	–	(57.1)
<b>Other comprehensive income for the period, net of tax</b>	<b>(1.7)</b>	<b>0.5</b>	<b>11.0</b>	<b>(56.6)</b>
<b>Total comprehensive income for the period</b>	<b>12.0</b>	<b>38.6</b>	<b>8.1</b>	<b>(20.6)</b>
<b>Total comprehensive income for the period attributable to owners of the Parent Company</b>	<b>12.0</b>	<b>38.6</b>	<b>8.1</b>	<b>(20.6)</b>

\* Audited

## Consolidated Balance Sheet

Amounts in SEK M	Notes	31 December 2016	31 December 2015*
<b>ASSETS</b>			
<i>Non-current assets</i>			
Interests in associates		5.5	5.5
Distressed asset portfolios	4	161.2	204.5
Other long-term receivables from investments	4	96.2	152.7
Deferred tax assets		11.8	–
Other non-current assets		12.7	–
<b>Total non-current assets</b>		<b>287.4</b>	<b>362.7</b>
<i>Current assets</i>			
Accounts receivable		14.0	38.0
Receivables from other group companies		87.1	38.8
Prepaid expenses and accrued income		0.4	3.0
Cash and cash equivalents		58.4	29.9
<b>Total current assets</b>		<b>159.9</b>	<b>109.7</b>
<b>TOTAL ASSETS</b>		<b>447.3</b>	<b>472.4</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<i>Shareholders' equity</i>			
Share capital		0.5	0.5
Other contributed capital		124.2	124.2
Reserves		(0.3)	0.3
Accumulated losses including net earnings for the period		(18.7)	(27.4)
<b>Total shareholders' equity attributable to Parent Company's shareholders</b>		<b>105.7</b>	<b>97.6</b>
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
Bond loan	5	278.9	277.0
Deferred tax liabilities		2.2	–
<b>Total non-current liabilities</b>		<b>281.1</b>	<b>277.0</b>
<i>Current liabilities</i>			
Accounts payable		5.1	39.0
Bond loan	5	–	24.7
Liabilities to other group companies		32.5	–
Other liabilities		0.1	6.5
Accrued expenses and deferred income		22.8	27.6
<b>Total current liabilities</b>		<b>60.5</b>	<b>97.8</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>447.3</b>	<b>472.4</b>

\* Audited

## Consolidated Cash Flow Statement

Amounts in SEK M	1 Oct – 31 Dec 2016	1 Oct – 31 Dec 2015	Full year 2016	Full year 2015*
<b>Cash flow from operating activities</b>				
Operating profit	17.7	67.1	36.5	103.4
<i>Adjustments for non-cash items:</i>				
<i>Amortization of invested assets</i>	28.7	12.9	144.8	57.8
<i>Revaluation and impairment of invested assets</i>	1.4	38.9	7.7	41.4
<i>Other items not affecting cash**</i>	(6.0)	(237.7)	18.0	(220.1)
Interest paid	(3.5)	(24.2)	(46.8)	(73.4)
Interest received	0.0	0.0	0.0	0.0
Tax paid	(2.7)	–	(2.7)	–
<b>Cash flow from operating activities before working capital changes</b>	<b>35.6</b>	<b>(143.0)</b>	<b>157.5</b>	<b>(90.9)</b>
<b>Working capital adjustments</b>				
(Increase) / decrease in accounts receivable	11.7	(23.6)	11.3	(29.8)
(Increase) / decrease in other receivables	(24.9)	41.6	(45.7)	67.3
Increase / (decrease) in accounts payable	24.5	39.0	(1.4)	37.4
Increase / (decrease) in other current liabilities	5.3	25.4	(12.4)	(0.6)
<b>Net cash flow from operating activities</b>	<b>52.2</b>	<b>(60.6)</b>	<b>109.3</b>	<b>(16.6)</b>
<b>Cash flow from investing activities</b>				
Purchases of distressed asset portfolios and other long-term receivables from investments	–	86.3	(71.8)	(15.8)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	–	–	21.8	–
Purchases of associates	–	0.1	–	(5.5)
<b>Net cash flow received / (used) in investing activities</b>	<b>–</b>	<b>86.4</b>	<b>(50.0)</b>	<b>(21.3)</b>
<b>Cash flow from financing activities</b>				
Proceeds from issuance of loans	–	–	17.3	–
Repayment of loans	–	–	(48.2)	–
<b>Net cash flow received / (used) in financing activities</b>	<b>–</b>	<b>–</b>	<b>(30.9)</b>	<b>–</b>
<b>Cash flow for the period</b>	<b>52.2</b>	<b>25.8</b>	<b>28.4</b>	<b>(37.9)</b>
Cash and cash equivalents less bank overdrafts at beginning of the period	6.0	3.8	29.9	67.3
Foreign exchange gains / (losses) on cash and cash equivalents	0.2	0.3	0.1	0.5
<b>Cash and cash equivalents less bank overdrafts at end of the period</b>	<b>58.4</b>	<b>29.9</b>	<b>58.4</b>	<b>29.9</b>

\* Audited

\*\* The majority of the Other items not affecting cash relates to investments where DDM owns the economic benefit of net collections from the cut-off date. This is not reflected in the cash flows as the economic benefit is offset against the cash purchase price.

## Consolidated Statement of Changes in Equity

Amounts in SEK M	Share capital	Other contributed capital	Reserves	Accumulated losses	Total equity
<b>Balance at 1 January 2015*</b>	<b>0.5</b>	<b>37.5</b>	<b>0.3</b>	<b>(6.8)</b>	<b>31.6</b>
<b>Comprehensive income</b>					
Net profit for the year	–	–	–	36.0	36.0
<b>Other comprehensive income</b>					
Recognition of accumulated losses of subsidiaries	–	–	–	(57.1)	(57.1)
Currency translation differences	–	–	–	0.5	0.5
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(20.6)</b>	<b>(20.6)</b>
<i>Transactions with owners</i>					
Borrowings from related parties, equity part	–	86.7	–	–	86.7
<b>Total transactions with owners</b>	<b>–</b>	<b>86.7</b>	<b>–</b>	<b>–</b>	<b>86.7</b>
<b>Balance at 31 December 2015*</b>	<b>0.5</b>	<b>124.2</b>	<b>0.3</b>	<b>(27.4)</b>	<b>97.6</b>
<b>Balance at 1 January 2016*</b>	<b>0.5</b>	<b>124.2</b>	<b>0.3</b>	<b>(27.4)</b>	<b>97.6</b>
<b>Comprehensive income</b>					
Net loss for the year	–	–	–	(2.9)	(2.9)
<b>Other comprehensive income</b>					
Currency translation differences	–	–	(0.6)	11.6	11.0
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>(0.6)</b>	<b>8.7</b>	<b>8.1</b>
<i>Transactions with owners</i>					
Borrowings from related parties, equity part	–	–	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Balance at 31 December 2016</b>	<b>0.5</b>	<b>124.2</b>	<b>(0.3)</b>	<b>(18.7)</b>	<b>105.7</b>

\* Audited

## Parent Company – Income Statement

Amounts in SEK M	1 Oct – 31 Dec 2016	1 Oct – 31 Dec 2015	Full year 2016	Full year 2015*
Revenue	1.4	(5.7)	5.7	5.7
Personnel expenses	–	(0.1)	–	(0.5)
Consulting expenses	(0.2)	3.8	(1.3)	(4.0)
Other operating expenses	(0.1)	0.1	(0.2)	(0.1)
<b>Operating profit</b>	<b>1.1</b>	<b>(1.9)</b>	<b>4.2</b>	<b>1.1</b>
Income from participation in Group companies	–	5.9	–	5.9
Financial income	10.1	11.5	44.8	45.7
Financial expenses	(10.8)	(13.4)	(49.0)	(50.6)
<b>Net financial income / (expense)</b>	<b>(0.7)</b>	<b>4.0</b>	<b>(4.2)</b>	<b>1.0</b>
<b>Profit before income tax</b>	<b>0.4</b>	<b>2.1</b>	<b>0.0</b>	<b>2.1</b>
Tax income / (expense)	0.0	0.0	(0.0)	0.0
<b>Net profit / (loss) for the period</b>	<b>0.4</b>	<b>2.1</b>	<b>(0.0)</b>	<b>2.1</b>

\* Audited

## Parent Company – Statement of Comprehensive Income

Amounts in SEK M	1 Oct – 31 Dec 2016	1 Oct – 31 Dec 2015	Full year 2016	Full year 2015*
<b>Net profit / (loss) for the period</b>	<b>0.4</b>	<b>2.1</b>	<b>(0.0)</b>	<b>2.1</b>
<b>Other comprehensive income for the period, net of tax</b>				
Items that will not be reclassified to profit or loss	–	–	–	–
Items that may subsequently be reclassified to profit or loss	–	–	–	–
<b>Total other comprehensive income for the period, net of tax</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive income for the period</b>	<b>0.4</b>	<b>2.1</b>	<b>(0.0)</b>	<b>2.1</b>

\* Audited



## Parent Company – Balance Sheet

Amounts in SEK M		31 December 2016	31 December 2015*
<b>ASSETS</b>			
<i>Non-current assets</i>			
Shares in other group companies	6	5.6	5.6
Receivables from other group companies		273.6	312.9
Other non-current assets		0.1	–
<b>Total non-current assets</b>		<b>279.3</b>	<b>318.5</b>
<i>Current assets</i>			
Receivables from other group companies		156.4	204.9
Prepaid expenses and accrued income		42.7	36.2
Cash and cash equivalents		18.8	28.0
<b>Total current assets</b>		<b>217.9</b>	<b>269.1</b>
<b>TOTAL ASSETS</b>		<b>497.2</b>	<b>587.6</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<i>Shareholders' equity</i>			
Share capital		0.5	0.5
Retained earnings including net earnings for the period		2.4	2.4
<b>Total shareholders' equity</b>		<b>2.9</b>	<b>2.9</b>
<i>Non-current liabilities</i>			
Bond loan	5	278.9	277.0
<b>Total non-current liabilities</b>		<b>278.9</b>	<b>277.0</b>
<i>Current liabilities</i>			
Accounts payable		0.7	5.4
Bond loan	5	–	24.7
Payables to other group companies		194.6	254.3
Accrued expenses and deferred income		20.1	23.3
<b>Total current liabilities</b>		<b>215.4</b>	<b>307.7</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>497.2</b>	<b>587.6</b>

\* Audited

## Parent Company – Cash Flow Statement

Amounts in SEK M	1 Oct – 31 Dec 2016	1 Oct – 31 Dec 2015	Full year 2016	Full year 2015*
<b>Cash flow from operating activities</b>				
Operating profit	1.1	(1.9)	4.2	1.1
Other items not affecting cash	(0.4)	6.1	9.3	1.1
Interest paid	–	(13.4)	(34.9)	(50.6)
Interest received	1.4	11.4	29.6	45.7
<b>Cash flow from operating activities before working capital changes</b>	<b>2.1</b>	<b>2.2</b>	<b>8.2</b>	<b>(2.7)</b>
<b>Working capital adjustments</b>				
(Increase) / decrease in other receivables	8.5	18.5	81.2	197.5
Increase / (decrease) in accounts payable	(0.1)	0.0	(4.7)	0.0
Increase / (decrease) in other current liabilities	8.2	12.0	(62.9)	1.9
<b>Net cash flow from operating activities</b>	<b>18.7</b>	<b>32.7</b>	<b>21.8</b>	<b>196.7</b>
<b>Cash flow from investing activities</b>				
Loans to group companies	–	(4.7)	–	(191.0)
<b>Net cash flow received / (used) in investing activities</b>	<b>–</b>	<b>(4.7)</b>	<b>–</b>	<b>(191.0)</b>
<b>Cash flow from financing activities</b>				
Repayment of loans	–	–	(31.0)	–
<b>Net cash flow received / (used) in financing activities</b>	<b>–</b>	<b>–</b>	<b>(31.0)</b>	<b>–</b>
<b>Cash flow for the period</b>	<b>18.7</b>	<b>28.0</b>	<b>(9.2)</b>	<b>5.7</b>
Cash and cash equivalents less bank overdrafts at beginning of the period	0.1	0.0	28.0	22.3
<b>Cash and cash equivalents less bank overdrafts at end of the period</b>	<b>18.8</b>	<b>28.0</b>	<b>18.8</b>	<b>28.0</b>

\* Audited

## Parent Company – Statement of Changes in Equity

Amounts in SEK M			
	Share capital	Retained earnings	Total equity
<b>Balance at 1 January 2015*</b>	<b>0.5</b>	<b>0.3</b>	<b>0.8</b>
<b>Comprehensive income</b>			
Net profit for the year	–	2.1	2.1
<b>Other comprehensive income</b>			
<b>Total comprehensive income</b>	<b>–</b>	<b>2.1</b>	<b>2.1</b>
<i>Transactions with owners</i>			
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Balance at 31 December 2015*</b>	<b>0.5</b>	<b>2.4</b>	<b>2.9</b>
<b>Balance at 1 January 2016*</b>	<b>0.5</b>	<b>2.4</b>	<b>2.9</b>
<b>Comprehensive income</b>			
Net profit / (loss) for the year	–	(0.0)	(0.0)
<b>Other comprehensive income</b>			
<b>Total comprehensive income</b>	<b>–</b>	<b>(0.0)</b>	<b>(0.0)</b>
<i>Transactions with owners</i>			
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Balance at 31 December 2016</b>	<b>0.5</b>	<b>2.4</b>	<b>2.9</b>

\* Audited

## Notes

### Note 1. General information

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

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

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

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

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

### Note 2. Basis of preparation

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

### Note 3. Revenue on invested assets by region

Revenue on invested assets is the net amount of the cash collections (net of direct collection costs), amortization, revaluation and impairment of invested assets. Net collections includes management fees received from co-investors, as DDM manages the operations of these assets. These fees are considered to be immaterial and have therefore not been disclosed separately.

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

	1 Oct – 31 Dec	1 Oct – 31 Dec	Full year	Full year
SEK M	2016	2015	2016	2015*
Hungary	26.1	122.0	117.1	122.0
Czech Republic	14.0	8.5	53.0	18.9
Romania	13.2	12.8	48.5	57.1
Russia	1.1	1.9	3.0	9.4
Slovenia	1.1	(1.9)	1.1	18.6
Slovakia	0.5	0.4	1.4	0.8
Poland	–	0.2	(1.0)	1.8
<b>Net collections</b>	<b>56.0</b>	<b>143.9</b>	<b>223.1</b>	<b>228.6</b>
Amortization of invested assets	(28.7)	(12.9)	(144.8)	(57.8)
<b>Interest income on invested assets before revaluation and impairment</b>	<b>27.3</b>	<b>131.0</b>	<b>78.3</b>	<b>170.8</b>
Revaluation of invested assets	–	(38.9)	26.8	(41.4)
Impairment of invested assets	(1.4)	–	(34.5)	–
<b>Revenue on invested assets</b>	<b>25.9</b>	<b>92.1</b>	<b>70.6</b>	<b>129.3</b>

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

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

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

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

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

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

DDM Group AG owns 100% of the shares in the local legal entities holding the leasing portfolios. However, the economic substance of the investments are the underlying portfolios of loans, which the DDM Treasury Group owns together with a co-investor. As a result, the underlying assets which represent other long-term receivables from investments are recognized in the DDM Treasury Group financial statements. The receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, adjusted for revaluation and impairment.

The following investments are treated in this manner:

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

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

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

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

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

Net collections are distributed by currency as follows:

SEK M	1 Oct – 31 Dec	1 Oct – 31 Dec	Full year	Full year
	2016	2015	2016	2015*
HUF	26.1	122.0	117.1	122.0
CZK	14.0	8.5	53.0	18.9
EUR	8.3	4.8	26.7	51.4
RON	6.6	5.9	24.2	25.9
RUB	1.1	2.7	3.0	9.4
Other (MKD, USD, PLN, CHF)	(0.1)	0.0	(0.9)	1.0
<b>Total</b>	<b>56.0</b>	<b>143.9</b>	<b>223.1</b>	<b>228.6</b>

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

SEK M	31 December	31 December
	2016	2015
HUF	96.2	152.7
CZK	60.6	29.5
EUR	57.4	73.6
RON	31.9	41.5
RUB	11.3	33.4
CHF	–	13.8
PLN	–	12.3
USD	–	0.4
<b>Total</b>	<b>257.4</b>	<b>357.2</b>

#### Note 5. Borrowings

The Group has outstanding bonds.

##### Bond loan SEK 300M

A bond loan was issued in June 2013, totaling SEK 300,000,000 at 13% interest, with maturity date of 26 June 2016 by DDM Treasury. On 18 May 2015, DDM Treasury initiated a written procedure to allow noteholders to vote on a restatement and certain amendments to the existing terms and conditions.

The Written Procedure was closed on 11 June 2015 and the Notes Exchange became effective on 23 June 2015. DDM Treasury made an additional cash payment of 4% on the effective date to the noteholders. In connection to the notes exchange DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG and DDM Invest X AG were transferred to the direct ownership of DDM Treasury and pledged as security.

The amended terms and conditions included extension of the maturity to 27 December 2018, wider geographic scope in Europe, removal of cash-covenants and hedging restrictions, improved possibilities for future dividend payments and the introduction of an Inter-Creditor Agreement. The amended Terms and Conditions in their entirety are available on our website along with a summary of the amendments. Following the amendment and extension in June 2015 to the senior secured bonds issued by DDM Treasury, the Swiss Federal Tax Administration ruled that Swiss withholding tax of 35% is applicable. Holders of the bonds are entitled to a refund from the Swiss Federal Tax Administration, subject to them fulfilling the conditions for refund. There is no additional interest or withholding tax charge impacting the Company.

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

##### Bond loan SEK 31M

A second bond loan was issued in September 2013, totaling SEK 31,000,000 at 18% interest rate with maturity date 30 September 2016 by DDM Treasury. The shares of DDM Invest XX AG were pledged under the shareholder's agreement. The bond loans were secured by these shares.

During the fourth quarter of 2014 DDM Group AG repurchased SEK 6.0M of the junior bond loan that was issued in September 2013, at 18% interest, on the open market. This bond loan was repaid at the maturity date of 30 September 2016.

#### Long-term liabilities

Group	31 December	31 December
SEK M	2016	2015
Bond loan	278.9	277.0
<b>Total</b>	<b>278.9</b>	<b>277.0</b>

### Maturities of long-term borrowings

Group SEK M	31 December 2016	31 December 2015
Between 1 and 2 years	278.9	–
Between 2 and 3 years	–	277.0
Between 3 and 4 years	–	–
Between 4 and 5 years	–	–
<b>Total</b>	<b>278.9</b>	<b>277.0</b>

### Long-term liabilities

Parent Company SEK M	31 December 2016	31 December 2015
Bond loan	278.9	277.0
<b>Total</b>	<b>278.9</b>	<b>277.0</b>

### Maturities of long-term borrowings

Parent Company SEK M	31 December 2016	31 December 2015
Between 1 and 2 years	278.9	–
Between 2 and 3 years	–	277.0
Between 3 and 4 years	–	–
Between 4 and 5 years	–	–
<b>Total</b>	<b>278.9</b>	<b>277.0</b>

### Note 6. Participations in Group companies

Parent Company SEK M	31 December 2016	31 December 2015
Investment	5.6	5.6
<b>Total</b>	<b>5.6</b>	<b>5.6</b>

The Parent Company holds shares in the following subsidiaries:

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

### Note 7. Subsequent events

Since the end of the year the DDM Treasury Group has made a further portfolio acquisition in the Czech Republic for approximately SEK 48M (approximately EUR 5M).

DDM Debt AB has also acquired DDM Treasury Sweden AB's subsidiaries holding the portfolios, allowing the SEK 300M 13% senior secured bonds to be fully redeemed in February following the issuance of EUR 50M of senior secured bonds at 9.5% by DDM Debt AB in January.

# Signatures

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The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 31 December 2016 provides a fair overview of the Parent Company's and the Group's operations, their financial positions and result. The material risks and uncertainties facing the Parent Company and the Group are described in the 2015 Annual report.

Stockholm, 28 February 2017

Kent Hansson  
Chairman of the board

Fredrik Waker  
Board member

Manuel Vogel  
Board member

Gustav Hultgren  
CEO



# Definitions

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## **DDM**

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

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## **Amortization of invested assets**

The carrying value of distressed asset portfolios and other long-term receivables from investments are amortized over time according to the effective interest rate method.

## **Adjusted equity ratio**

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

## **Cash EBITDA**

Net collections less operating expenses.

## **EBITDA**

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

## **Equity**

Shareholders' equity at the end of the period.

## **Impairment of invested assets**

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

## **Net collections**

Gross collections in respect of the debt portfolios held by DDM minus commission to collection agencies.

## **Net debt**

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

## **Non-recurring items**

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

## **Operating expenses**

Personnel, administration, consulting, legal, audit and similar expenses & repairs and maintenance expenses.

## **Revaluation of invested assets**

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

## Reconciliation tables, non-IFRS measures

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

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

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

### Net collections:

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

### Amortization, revaluation and impairment of invested assets:

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

### Operating expenses and Cash EBITDA:

Amounts in SEK M (unless specified otherwise)	1 Oct – 31 Dec 2016	1 Oct – 31 Dec 2015	Full year 2016	Full year 2015
Net collections	56.0	143.9	223.1	228.6
Personnel expenses	–	(0.1)	–	(0.5)
Consulting expenses	(7.8)	(25.2)	(33.1)	(24.9)
Other operating expenses	(0.4)	0.3	(1.0)	(0.5)
Operating expenses	(8.2)	(25.0)	(34.1)	(25.9)
Cash EBITDA	47.8	118.9	189.0	202.7

### Net debt:

13% bond loan	278.9	277.0	278.9	277.0
13% bond loan held by DDM Group AG	5.0	–	5.0	–
18% bond loan	–	24.7	–	24.7
18% bond loan held by DDM Group AG	–	6.0	–	6.0
Less: Cash and cash equivalents	(58.4)	(29.9)	(58.4)	(29.9)
Net debt	225.5	277.8	225.5	277.8

## About DDM

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**DDM Treasury Sweden AB** (NGM: DDM1) is a subsidiary of **DDM Holding AG** (First North: DDM) a leading acquirer and manager of distressed assets, offering the prospect of attractive returns from the expanding Central and Eastern European market. Since 2007, the DDM Group has built a successful platform in Central and Eastern Europe, currently managing 2.3 million receivables with a nominal value of over EUR 2 billion.

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

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

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



### **DDM Treasury Sweden AB (publ)**

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

