



Significant increase in portfolio value and substantial financing raised

Highlights fourth quarter 2017

- Second Croatian investment of EUR 21M finalized, following regulatory approval
- New partner and co-investor in Greece, reducing DDM's investment by about EUR 15M
- Entered Serbia, investing EUR 2M
- Equity injection of EUR 10M from DDM Finance AB
- EUR 50M of senior secured bonds at 8% issued and listed on Nasdaq Stockholm to support continued strong growth
- Net collections increased by 181% to EUR 12.6M (Q4 2016: EUR 4.5M)
- Cash EBITDA increased by 162% to EUR 10.7M (Q4 2016: EUR 4.1M)
- Net profit for the period of EUR 1.2M (Q4 2016: EUR 0.8M)

Highlights 2017

- Investments in Greece, Croatia, the Czech Republic, Serbia and Slovenia, totaling approximately EUR 78M
- EUR 85M of senior secured bonds at 9.5% issued and listed on Nasdaq Stockholm
- Super senior revolving credit facility of EUR 17M, continuing to lower the cost of funding
- DDM Debt acquired DDM Treasury Sweden AB's subsidiaries holding the NPL portfolios on 17 February
- Net collections increased by 261% to EUR 34.9M (2016: EUR 9.7M)
- Cash EBITDA increased by 228% to EUR 28.7M (2016: EUR 8.7M)
- Net profit for the year of EUR 1.4M (2016: profit of EUR 4.2M)

Significant events after the end of the year

- Kent Hansson, founder of the DDM Group and member of the Board of Directors appointed as CEO

Amounts in EUR '000s (unless specified otherwise)	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016*
Net collections	12,590	4,484	34,859	9,666
Operating expenses	(1,842)	(381)	(6,199)	(917)
Cash EBITDA	10,748	4,103	28,660	8,749
Amortization, revaluation and impairment of invested assets	(6,465)	(2,526)	(17,249)	(2,785)
Operating profit	4,283	1,577	11,411	5,965
Net profit for the period	1,150	828	1,373	4,216
Selected key figures				
Total assets	177,167	20,388	177,167	20,388
Net debt	74,469	9,963	74,469	9,963
Cash flow from operating activities before working capital changes	8,144	3,999	22,022	7,433
Equity ratio**	19.7%	20.9%	19.7%	20.9%

* Audited

** Equity ratio calculated according to the terms and conditions of the senior secured bonds

The information in this interim and year-end report requires DDM Debt AB (publ) to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 28 February 2018 at 08:00 CET.

Comment by the CEO

The DDM Debt Group continued to deliver on its growth strategy in the fourth quarter. Fueled by our solid industry experience and analytical tools to assess portfolios of non-performing loans (NPL), we continued our rapid expansion. As a result DDM Debt Group's portfolio carrying value grew to EUR 111M at 31 December 2017, a substantial increase of 608% compared to the same period in 2016. We also entered into new territories as further NPL portfolios were acquired.

During the fourth quarter we finalized our second Croatian transaction, the previously announced acquisition of secured corporate receivables. After significant due diligence work, at the end of November we also entered Serbia. In order to rebalance the composition of the DDM Debt Group's portfolio, we chose to bring in Ellington Capital Management as a new partner in Greece, decreasing our investment by about EUR 15M. With this transaction, our investment in Greece amounts to about 34% of the DDM Debt Group's overall book value of distressed asset portfolios.

Net collections grew significantly during Q4 2017, increasing 181% compared to Q4 2016, and by 261% for the full year 2017 compared to 2016. The increase was driven by the significantly higher portfolio value compared to the prior year and collections from the recent investments, in addition to the continued strong performance of the Slovenian portfolio acquired in 2016. Cash EBITDA amounted to EUR 10.7M in the fourth quarter of 2017 and EUR 28.7M for the full year 2017, increases of 162% and 228% respectively compared to the corresponding periods in 2016, driven by the higher net collections.

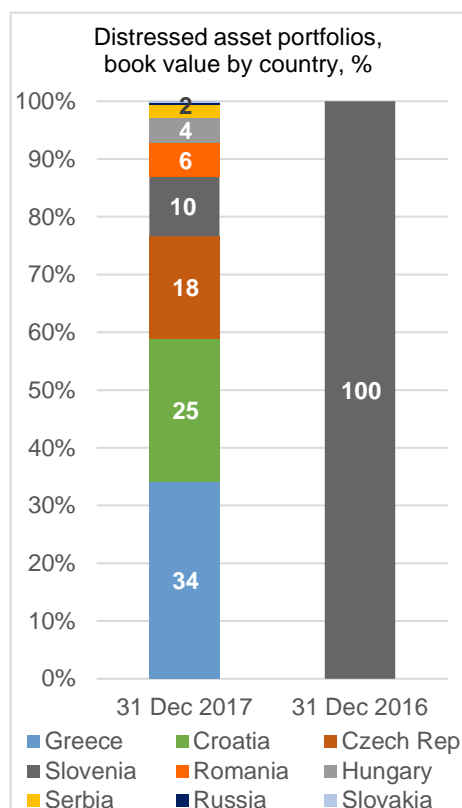
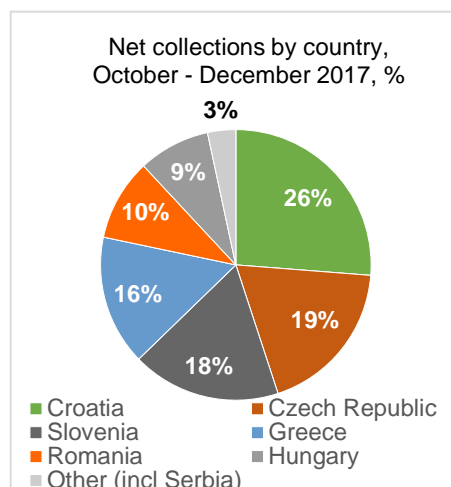
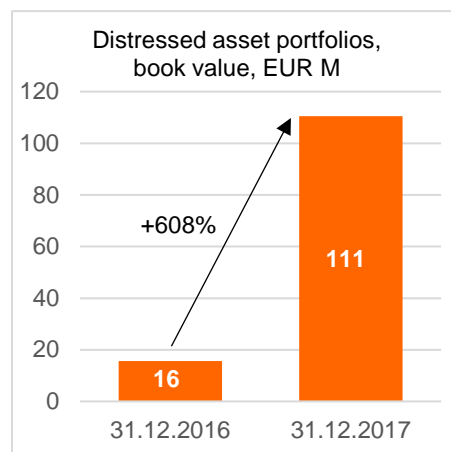
During 2017 the DDM Debt Group acquired DDM Treasury's subsidiaries holding the NPL portfolios on 17 February and also made total further investments of EUR 78M in 2017. These investments were both in the DDM Group's established markets as well as in Greece, Croatia and Serbia, new markets for the DDM Debt Group that have great potential for future transactions and growth, and where we have spent many years evaluating opportunities before entering. These investments display our flexibility and ability to invest in new markets. Furthermore, the transactions diversified our portfolio by increasing our exposure to the corporate receivables segment.

Our solid performance paved the way for DDM to raise capital at a significantly lower cost throughout the year. During the fourth quarter DDM Debt's parent company, DDM Finance AB, raised EUR 10M in a bridge financing transaction. DDM Finance then provided a shareholder loan of EUR 10M to DDM Debt, which qualifies as equity under the senior secured bond terms. This enabled DDM Debt to issue EUR 50M of senior secured bonds with a final maturity date in December 2020 and a coupon of 8%.

Cash flow continued to improve due to the higher net collections. Cash flow from operating activities before working capital changes was EUR 8.1M in the fourth quarter compared to EUR 4.0M in Q4 2016. For the full year 2017, cash flow from operating activities before working capital changes was EUR 22.0M, a significant increase compared to EUR 7.4M in 2016.

Market outlook

The trend will continue in which banks and financial institutions around Europe need to improve their balance sheets through disposing of their non-performing assets, driven by regulatory, accounting and market pressures.



In this environment, we believe that there will continue to be plenty of good business opportunities for the DDM Debt Group.

However, the DDM Debt Group's rate of growth and financial results will continue to vary from quarter to quarter, impacted by the timing of significant investments. As we primarily target larger portfolios and they generally take longer to complete, this potentially results in positive one-off effects during the quarter the portfolio is acquired.

We aim to deliver sizeable and profitable growth in 2018 as we continue to focus on our markets in SEE and CEE where we have strong market knowledge and relationships.

Stockholm, 28 February 2018
DDM Debt AB (publ)
Kent Hansson, CEO

Financial calendar

DDM Debt AB (publ) intends to publish financial information on the following dates:

Annual report 2017:	29 March 2018
Interim report for January – March 2018:	3 May 2018

Other financial information from DDM is available on DDM's website, www.ddm-group.ch.

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

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 28 February 2018, at 08:00 CET.

Acting CEO Kent Hansson and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 28 February 2018, starting at 10:00 CET. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers: SE: +46 8 566 193 53, CH: +41 225 675 548 or UK: +44 203 008 9807.

Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016*
Revenue on invested assets	4	6,125	1,958	17,610	6,881
Personnel expenses		(69)	(2)	(122)	(3)
Consulting expenses		(1,628)	(379)	(5,843)	(907)
Other operating expenses		(145)	1	(234)	(6)
Depreciation of tangible assets		–	–	–	–
Operating profit		4,283	1,577	11,411	5,965
Financial income		191	–	191	–
Financial expenses		(3,422)	(647)	(9,914)	(1,265)
Unrealized exchange profit		890	–	1,023	–
Realized exchange loss		(462)	–	(384)	–
Net financial expenses		(2,803)	(647)	(9,084)	(1,265)
Profit before income tax		1,480	930	2,327	4,699
Tax expense		(330)	(103)	(954)	(483)
Net profit for the period		1,150	828	1,373	4,216
Net profit for the period attributable to:					
Owners of the Parent Company		1,150	828	1,373	4,216

* Audited

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016*
Net profit for the period	1,150	828	1,373	4,216
Other comprehensive income for the period				
<i>Items that will not be reclassified to profit or loss</i>	–	–	–	–
<i>Items that may subsequently be reclassified to profit or loss:</i>				
Recognition of other reserves from subsidiaries	–	–	(1,481)	–
Other comprehensive income for the period, net of tax	–	–	(1,481)	–
Total comprehensive income for the period	1,150	828	(108)	4,216
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	1,150	828	(108)	4,216

* Audited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 December 2017	31 December 2016*
ASSETS			
<i>Non-current assets</i>			
Tangible assets	5	7	–
Interests in associates		600	–
Distressed asset portfolios	6	105,547	15,600
Other long-term receivables from investments	6	4,963	–
Loans to other group companies		2,000	–
Accrued interest from other group companies		191	–
Deferred tax assets		837	–
Other non-current assets		116	1
Total non-current assets		114,261	15,601
<i>Current assets</i>			
Accounts receivable		4,994	200
Other receivables		18	842
Prepaid expenses and accrued income		197	5
Cash and cash equivalents		57,697	3,739
Total current assets		62,906	4,787
TOTAL ASSETS		177,167	20,388
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		54	54
Other reserves		(1,481)	–
Retained earnings including net profit for the period		5,589	4,216
Total shareholders' equity attributable to Parent Company's shareholders		4,162	4,270
LIABILITIES			
<i>Non-current liabilities</i>			
Bond loan	7	132,166	–
Payables to other group companies		2,075	1,006
Payables to other group companies, subordinated		2,559	–
Loans from other group companies		–	7,518
Loans from other group companies, subordinated		18,128	–
Deferred tax liabilities		490	–
Total non-current liabilities		155,418	8,524
<i>Current liabilities</i>			
Accounts payable		298	65
Bond loan	7	–	6,184
Tax liabilities		745	–
Accrued interest		3,992	413
Accrued expenses and deferred income		2,552	932
Loans from other group companies, subordinated		10,000	–
Total current liabilities		17,587	7,594
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		177,167	20,388

* Audited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016*
Cash flow from operating activities				
Operating profit	4,283	1,577	11,411	5,965
<i>Adjustments for non-cash items:</i>				
<i>Amortization of invested assets</i>	6,465	2,526	17,489	2,785
<i>Revaluation and impairment of invested assets</i>	–	–	(240)	–
<i>Depreciation of tangible assets</i>	–	–	–	–
<i>Other items not affecting cash</i>	(2,506)	220	(2,649)	(991)
Interest paid	(98)	(325)	(3,964)	(325)
Interest received	–	–	–	–
Tax paid	–	–	(25)	–
Cash flow from operating activities before working capital changes	8,144	3,999	22,022	7,433
Working capital adjustments				
(Increase) / decrease in accounts receivable	(2,584)	115	(2,398)	(200)
(Increase) / decrease in other receivables	76	(844)	(164)	(849)
Increase / (decrease) in accounts payable	70	5	(12)	65
Increase / (decrease) in other current liabilities	31	233	2,017	932
Net cash flow from operating activities	5,737	3,507	21,465	7,382
Cash flow from investing activities				
Purchases of distressed asset portfolios and other long-term receivables from investments	(20,917)	–	(90,799)	(16,878)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	13,570	–	13,570	–
Purchases of subsidiaries	–	–	(33,309)	–
Purchases of tangible assets	(3)	–	(7)	–
Net cash flow received / (used) in investing activities	(7,350)	–	(110,545)	(16,878)
Cash flow from financing activities				
Proceeds from issuance of ordinary shares	–	–	–	54
Proceeds from issuance of loans	65,189	–	148,212	10,453
Proceeds from loans from group companies	10,000	–	19,500	7,264
Repayment of loans	(17,000)	(1,585)	(23,465)	(4,535)
Loans to other group companies	–	–	(2,000)	–
Net cash flow received / (used) in financing activities	58,189	(1,585)	142,247	13,236
Cash flow for the period	56,576	1,922	53,167	3,739
Cash and cash equivalents less bank overdrafts at beginning of the period	1,179	1,818	3,739	–
Effects from the acquisition of other group companies	–	–	910	–
Foreign exchange gains / (losses) on cash and cash equivalents	(58)	–	(119)	–
Cash and cash equivalents less bank overdrafts at end of the period	57,697	3,739	57,697	3,739

* Audited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Other reserves	Retained earnings incl. net profit for the period	Total equity
Balance at 3 March 2016*	6	–	–	6
Net profit for the period	–	–	4,216	4,216
<i>Other comprehensive income</i>	–	–	–	–
Total comprehensive income	–	–	4,216	4,216
<i>Transactions with owners</i>				
New issue of shares through down payment	48	–	–	48
Total transactions with owners	48	–	–	48
Balance at 31 December 2016*	54	–	4,216	4,270
Balance at 1 January 2017*	54	–	4,216	4,270
Net profit for the year	–	–	1,373	1,373
<i>Other comprehensive income</i>	–	–	–	–
Recognition of other reserves from subsidiaries	–	(1,481)	–	(1,481)
Total comprehensive income	–	(1,481)	1,373	(108)
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 31 December 2017	54	(1,481)	5,589	4,162

* Audited

Parent Company – Income Statement

Amounts in EUR '000s	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016*
Revenue	–	–	–	–
Personnel expenses	(7)	–	(7)	–
Consulting expenses	(17)	(54)	(65)	(61)
Other operating expenses	(83)	–	(83)	–
Operating loss	(107)	(54)	(155)	(61)
Income from participation in Group companies	–	150	–	150
Financial income	2,918	259	7,728	529
Financial expenses	(2,771)	(238)	(7,496)	(520)
Unrealized exchange loss	(10)	–	(44)	–
Realized exchange profit	11	–	32	–
Net financial income	148	171	220	159
Profit before income tax	41	117	65	98
Tax expense	(9)	–	(14)	–
Net profit for the period	32	117	51	98

* Audited

Parent Company – Statement of Comprehensive Income

Amounts in EUR '000s	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016*
Net profit for the period	32	117	51	98
Other comprehensive income for the period, net of tax				
Items that will not be reclassified to profit or loss	–	–	–	–
Items that may subsequently be reclassified to profit or loss	–	–	–	–
Total other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	32	117	51	98

* Audited

Parent Company – Balance Sheet

Amounts in EUR '000s	Notes	31 December 2017	31 December 2016*
ASSETS			
<i>Non-current assets</i>			
Participations in other group companies	8	9,284	98
Loans to other group companies		96,250	–
Accrued interest from other group companies		191	–
Other non-current assets		5	–
Total non-current assets		105,730	98
<i>Current assets</i>			
Receivables from other group companies		697	416
Loans to other group companies		–	3,217
Prepaid expenses and accrued interest income		3,762	222
Cash and cash equivalents		48,753	2,816
Total current assets		53,212	6,671
TOTAL ASSETS		158,942	6,769
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		54	54
Retained earnings including net profit for the period		149	98
Total shareholders' equity		203	152
<i>Non-current liabilities</i>			
Bond loan	7	132,166	–
Payables to other group companies		5,482	101
Loans from other group companies		7,000	–
Total non-current liabilities		144,648	101
<i>Current liabilities</i>			
Accounts payable		7	83
Bond loan	7	–	6,184
Payables to other group companies		91	56
Tax liabilities		14	–
Accrued interest		3,828	194
Accrued expenses and deferred income		151	–
Loans from other group companies, subordinated		10,000	–
Total current liabilities		14,091	6,516
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		158,942	6,769

* Audited

Parent Company – Cash Flow Statement

Amounts in EUR '000s	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016*
Cash flow from operating activities				
Operating loss	(107)	(54)	(155)	(61)
Other items not affecting cash	110	32	84	(77)
Interest paid	(98)	(325)	(3,672)	(325)
Interest received	138	313	334	313
Cash flow from operating activities before working capital changes	43	(33)	(3,409)	(150)
Working capital adjustments				
(Increase) / decrease in other receivables	60	55	–	(222)
Increase / (decrease) in accounts payable	4	–	(76)	83
Increase / (decrease) in other current liabilities	134	(44)	186	351
Net cash flow from operating activities	241	(21)	(3,299)	62
Cash flow from investing activities				
Loans to group companies	(19,200)	–	(64,760)	(10,529)
Repayment of loans to group companies	2,500	4,357	7,558	7,312
Purchases of subsidiaries	–	–	(33,309)	–
Net cash flow received / (used) in investing activities	(16,700)	4,357	(90,511)	(3,217)
Cash flow from financing activities				
Proceeds from issuance of ordinary shares	–	–	–	54
Proceeds from issuance of loans	65,189	–	148,212	10,453
Proceeds from loans from group companies	17,000	–	17,000	–
Repayment of loans	(17,000)	(1,585)	(23,465)	(4,535)
Loans to other group companies	–	–	(2,000)	–
Net cash flow received / (used) in financing activities	65,189	(1,585)	139,747	5,972
Cash flow for the period	48,730	2,750	45,937	2,817
Cash and cash equivalents less bank overdrafts at beginning of the period	23	66	2,816	–
Foreign exchange gains / (losses) on cash and cash equivalents	–	–	–	–
Cash and cash equivalents less bank overdrafts at end of the period	48,753	2,816	48,753	2,816

* Audited

Parent Company – Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Retained earnings incl. net profit for the period	Total equity
Balance at 3 March 2016*	6	–	6
Net profit for the period	–	98	98
<i>Other comprehensive income</i>	–	–	–
Total comprehensive income	–	98	98
<i>Transactions with owners</i>			
New issue of shares through down payment	48	–	48
Total transactions with owners	48	–	48
Balance at 31 December 2016*	54	98	152
Balance at 1 January 2017*	54	98	152
Net profit for the year	–	51	51
<i>Other comprehensive income</i>	–	–	–
Total comprehensive income	–	51	51
<i>Transactions with owners</i>			
Total transactions with owners	–	–	–
Balance at 31 December 2017	54	149	203

* Audited

Notes

Note 1. General information

DDM Debt AB (publ) ("DDM Debt" or "the Company") and its subsidiaries (together "the DDM Debt 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. The DDM Debt Group then assists the consumers to restructure their overdue debt.

The Company was registered on 3 March 2016, and changed from a private limited liability company to a public limited liability company on 26 May 2016. The Company has registered offices in Stockholm, Sweden and its Swedish Corporate ID No. is 559053-6230. The address of the main office and postal address is Engelbrektsgatan 9-11, 114 32 Stockholm, Sweden. DDM Debt is a wholly owned subsidiary of DDM Finance AB, Stockholm, Sweden, being a wholly owned subsidiary of DDM Group AG, Baar, Switzerland.

In 2016 DDM Invest VII AG, Switzerland, and DDM Invest VII d.o.o., Slovenia, were wholly owned subsidiaries of DDM Debt. In connection with the bond refinancing in Q1 2017, DDM Debt AB also acquired DDM Treasury Sweden AB's subsidiaries (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) holding the NPL portfolios on 17 February 2017. They are wholly owned subsidiaries, therefore this acquisition was not considered as a business combination according to IFRS 3, as the transaction was done in the ordinary course of business among entities which are under common control of DDM Holding AG. A new subsidiary of DDM Debt, DDM Debt Management d.o.o Beograd, was incorporated in Serbia on 22 August 2017.

DDM Debt 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.

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 Annual Accounts Act (ÅRL 1995:1554) and RFR 2 Accounting for Legal Entities and applicable statements.

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 the clarifications to IFRS 12 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 the Group's and the Parent Company's accounting policies, basis for calculations and presentations are unchanged in comparison with the 2016 Annual Report.

The accounting policies that are most critical to the Group and Parent Company are stated in DDM Debt AB's Annual Report for 2016, which also contains a description of the material risks and uncertainties facing the Parent Company and the Group.

All amounts are reported in thousands of Euros (EUR k), unless stated otherwise. Rounding differences may occur. Figures in tables and comments may be rounded.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which DDM Debt has control. DDM Debt 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	31 December 2017	31 December 2016
DDM Invest I AG	Fully consolidated	Switzerland	100%	-
DDM Invest II AG	Fully consolidated	Switzerland	100%	-
DDM Invest III AG	Fully consolidated	Switzerland	100%	-
DDM Invest IV AG	Fully consolidated	Switzerland	100%	-
DDM Invest VII AG	Fully consolidated	Switzerland	100%	100%
DDM Invest X AG	Fully consolidated	Switzerland	100%	-
DDM Invest XX AG	Fully consolidated	Switzerland	100%	-
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Debt Management d.o.o Beograd	Fully consolidated	Serbia	100%	-

Associates

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

Associates	Consolidation method	Domicile	31 December 2017	31 December 2016
Profinance doo Beograd	Equity method	Serbia	49.67%	49.67%

Note 3. Currency translation

All entities prepare their financial statements in their functional currency. All fully consolidated group entities have EUR as their functional currency, except for DDM Debt Management d.o.o Beograd, which has Serbian Dinar (RSD) as its functional currency.

Note 4. 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 third parties. 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.

EUR '000s	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016
Net collections by country:				
Croatia	3,303	–	3,592	–
Czech Republic	2,357	–	6,650	–
Slovenia	2,240	4,484	10,564	9,666
Greece	1,958	–	1,958	–
Romania	1,229	–	4,536	–
Hungary	1,080	–	6,934	–
Slovakia	267	–	343	–
Serbia	111	–	111	–
Russia	45	–	171	–
Net collections	12,590	4,484	34,859	9,666
Amortization of invested assets	(6,465)	(2,526)	(17,489)	(2,785)
Interest income on invested assets before revaluation and impairment	6,125	1,958	17,370	6,881
Revaluation of invested assets	–	–	806	–
Impairment of invested assets	–	–	(566)	–
Revenue on invested assets	6,125	1,958	17,610	6,881

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 net collections based on its key geographic areas.

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 DDM Debt Group 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 DDM Debt Group 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. Distressed asset portfolios and other long-term receivables from investments

The DDM Debt 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.

In connection with the bond refinancing in Q1 2017, DDM Debt AB acquired DDM Treasury Sweden AB's subsidiaries holding the NPL portfolios, including the other long-term receivables from investments detailed below.

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 Debt 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 Debt 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 2017	31 December 2016
Lombard Pénzügyi és Lízing Zrt.	Hungary	100%	—
Lombard Ingatlan Lízing Zrt.	Hungary	100%	—
Lombard Bérlet Kft.	Hungary	100%	—

The recognition of the acquisition of distressed asset portfolios and other long-term receivables from investments is based on the DDM Debt Group's own forecast of future cash flows from acquired portfolios / receivables. 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 / receivable corresponds to the present value of all projected future cash flows discounted by an initial effective interest rate determined on the date the portfolio / receivable 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 / receivables are reported as amortization, revaluation and impairment for the period.

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).

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. The DDM Debt 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 Debt 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 future cash flows of the portfolio / receivable that 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 lines "Revaluation of invested assets" and "Impairment of invested assets" respectively).

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

EUR '000s	31 December 2017	31 December 2016
EUR	53,427	15,600
HRK	27,368	–
CZK	19,595	–
HUF	4,963	–
RSD	2,417	–
RON	2,411	–
RUB	329	–
Total	110,510	15,600

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

Note 7. Borrowings

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

Bond loan EUR 50M

On 11 December 2017, DDM Debt AB (publ) ("DDM Debt") issued EUR 50M of senior secured bonds at 8% within a total framework amount of EUR 160M. The bonds with ISIN number SE0010636746 have a final maturity date of 11 December 2020 and are listed on the Corporate Bond list at Nasdaq Stockholm. The bonds contain a number of financial covenants. Please refer to the "Bond loan EUR 85M" section below for further details. The net proceeds are for acquiring additional debt portfolios.

Revolving credit facility EUR 17M

DDM Debt agreed a super senior revolving credit facility of EUR 17M with a Swedish bank on 28 September 2017. The revolving credit facility is available to finance investments and for general corporate purposes. The facility is for an initial six month term, with the possibility to be extended for a further six months. The revolving credit facility is permitted under the senior secured bond frameworks.

Bond loan EUR 85M

EUR 50M of senior secured bonds at 9.5% were issued by 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 and to acquire DDM Treasury Sweden AB's subsidiaries holding the NPL portfolios (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) on 17 February 2017, with the remaining balance of about EUR 10M used for portfolio investments. 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 instruments contain a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds and the revolving credit facility are: an equity ratio of at least 15.00%, net interest bearing debt to cash EBITDA below 4:1, and net interest bearing debt to ERC below 75.00%. 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 complied with all bond covenants for the years ending 31 December 2017 and 31 December 2016.

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

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 final 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 in January 2017 (see "Bond loan EUR 85M" section above for details).

Maturity profile and carrying value of borrowings:

Group & Parent co. EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 31 December 2017						
Bond loan, 8%	–	–	48,597	–	–	48,597
Bond loan, 9.5%	–	–	83,569	–	–	83,569
Total	–	–	132,166	–	–	132,166
at 31 December 2016						
Bond loan, 13%	6,184	–	–	–	–	6,184
Total	6,184	–	–	–	–	6,184

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

Fair value of borrowings:

Group & Parent co. EUR '000s	IAS 39 category	Fair value category	Fair value	Carrying value
at 31 December 2017				
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	50,000	48,597
Bond loan, 9.5%	Financial liabilities at amortized cost	Level 2	87,975	83,569
Total			137,975	132,166
at 31 December 2016				
Bond loan, 13%	Financial liabilities at amortized cost	Level 2	6,184	6,184
Total			6,184	6,184

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). The fair value of the bond loans is calculated based on the bid price for a trade occurring close to the balance sheet date.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

Note 8. Participations in Group companies

Parent Company EUR '000s	31 December 2017	31 December 2016
Investment	9,284	98
Total	9,284	98

Parent Company EUR '000s	Investment
At 31 December 2016	98
Acquisitions	9,186
At 31 December 2017	9,284

The Parent Company holds shares in the following subsidiaries:

EUR '000s Company	Corporate identity number	Domicile	Proportion of equity	Proportion of equity	Net book value	Net book value
			31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
DDM Invest VII AG	CHE 153.128.633	Switzerland	100%	100%	90	90
DDM Invest VII d.o.o.	7109806000	Slovenia	100%	100%	8	8
DDM Invest I AG	CHE 113.863.850	Switzerland	100%	–	1,393	–
DDM Invest II AG*	CHE 115.038.302	Switzerland	100%	–	–	–
DDM Invest III AG	CHE 115.238.947	Switzerland	100%	–	591	–
DDM Invest IV AG*	CHE 317.413.116	Switzerland	100%	–	–	–
DDM Invest X AG	CHE 130.419.930	Switzerland	100%	–	1,465	–
DDM Invest XX AG	CHE 349.886.186	Switzerland	100%	–	5,737	–
DDM Debt Management d.o.o Beograd*	21313963	Serbia	100%	–	–	–
Total					9,284	98

* The net book value of the investments in DDM Invest II AG, DDM Invest IV AG and DDM Debt Management d.o.o Beograd amount to EUR 1 each as of 31 December 2017.

Note 9. Related parties

In 2017 the DDM Debt Group undertook an investment in a Greek NPL transaction which was executed by making a structured investment of a net amount of EUR 36,430k into a Luxembourg SPV ("Artemis Finance Holding S.A.R.L."), whose shares are ultimately held by trusts attributable to Erik Fällström and Andreas Tuczka, major shareholders in DDM Debt AB's ultimate parent company, DDM Holding AG. Transactions between DDM Debt Group companies (fully consolidated) and Artemis Finance Holding (and its subsidiaries) were as follows:

Group EUR '000s		1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016
Income Statement	Net collections	1,958	–
	Amortization	1,257	–
Income Statement, Total		3,215	–

Group EUR '000s		31 December 2017	31 December 2016
Balance sheet	Accounts receivable	1,958	–
	Distressed asset portfolios	37,712	–
Balance sheet, Total		39,670	–

In 2017 Erik Fällström received EUR 1,430k relating to the provision of EUR 20M of bridge financing to Artemis Finance Holding S.A.R.L. for the Greek NPL transaction. The bridge financing was replaced by DDM's current co-investor Ellington Capital Management and therefore at 31 December 2017 he was no longer an investor in the Greek NPL transaction.

Note 10. Subsequent events

Kent Hansson, founder of the DDM Group and member of the Board of Directors appointed as CEO.

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 31 December 2017 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 2016 Annual report.

Stockholm, 28 February 2018

Torgny Hellström
Chairman of the board

Fredrik Waker
Board member

Manuel Vogel
Board member

Kent Hansson
Board member

Erik Fällström
Board member

Mikael Nachemson
Board member

Kent Hansson
CEO and Board member

Definitions

DDM

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

Amortization of invested assets

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

Cash EBITDA

Net collections less operating expenses.

EBITDA

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

Equity

Shareholders' equity at the end of the period.

Impairment of invested assets

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

Invested assets

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

Net collections

Gross collections in respect of the invested assets held by DDM minus commission and fees to third parties.

Net debt

Long-term and short-term third party loans, interest-bearing intercompany loans (excluding subordinated debt) and 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.

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 invested assets held by DDM, minus commission and fees to third parties. 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 invested assets 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 EUR '000s (unless specified otherwise)	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	1 Jan – 31 Dec 2017	3 Mar–31 Dec 2016*
Net collections	12,590	4,484	34,859	9,666
Personnel expenses	(69)	(2)	(122)	(3)
Consulting expenses	(1,628)	(379)	(5,843)	(907)
Other operating expenses	(145)	1	(234)	(6)
Operating expenses	(1,842)	(381)	(6,199)	(917)
Cash EBITDA	10,748	4,103	28,660	8,749

Net debt:

Bond loan, 8%	48,597	–	48,597	–
Bond loan, 9.5%	83,569	–	83,569	–
Bond loan, 13%	–	6,184	–	6,184
Interest-bearing loans from other group companies	–	7,518	–	7,518
Less: Cash and cash equivalents	(57,697)	(3,739)	(57,697)	(3,739)
Net debt	74,469	9,963	74,469	9,963

Equity ratio:

Shareholder's equity	4,162	4,270	4,162	4,270
Shareholder debt (subordinated)	30,687	–	30,687	–
Total equity according to the senior secured bond terms	34,849	4,270	34,849	4,270
Total assets	177,167	20,388	177,167	20,388
Equity ratio	19.7%	20.9%	19.7%	20.9%

About DDM

DDM Debt AB (Nasdaq Stockholm: DDM2) is a subsidiary of **DDM Holding AG** (First North: DDM), a multinational investor in and manager of distressed assets, offering the prospect of attractive returns from the expanding Southern, Central and Eastern European market. Since 2007, the DDM Group has built a successful platform in Southern, Central and Eastern Europe, and has acquired 2.3 million receivables with a nominal value of over EUR 3.5BN.

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

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

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



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