



Significant increase of collections from portfolios

Highlights second quarter 2018

- Net collections increased by 57% to EUR 15.4M (Q2 2017: EUR 9.8M)
- Cash EBITDA increased by 67% to EUR 13.7M (Q2 2017: EUR 8.2M)
- Net profit for the period of EUR 0.6M (Q2 2017: loss of EUR 0.0M)
- Investments in the Czech Republic and the Balkans totaling approximately EUR 6M

Highlights six months 2018

- Net collections increased by 64% to EUR 25.9M (H1 2017: EUR 15.8M)
- Cash EBITDA increased by 72% to EUR 22.5M (H1 2017: EUR 13.1M)
- Net profit for the period of EUR 1.5M (H1 2017: profit of EUR 0.5M)
- Investments in the Balkans and the Czech Republic totaling approximately EUR 36M, with an additional investment in the Balkans of about EUR 8M pending regulatory approval
- Super senior revolving credit facility of EUR 17M extended for a further six months until 28 September

Significant events after the second quarter

- Henrik Wennerholm, previously Head of Business Development of the DDM Group, appointed as Chief Executive Officer

Amounts in EUR '000s (unless specified otherwise)	1 Apr–30 Jun 2018*	1 Apr–30 Jun 2017*	1 Jan–30 Jun 2018*	1 Jan–30 Jun 2017*	Full Year 2017
Net collections	15,366	9,779	25,910	15,815	34,859
Operating expenses	(1,710)	(1,586)	(3,386)	(2,752)	(6,199)
Cash EBITDA	13,656	8,193	22,524	13,063	28,660
Amortization, revaluation and impairment of invested assets	(8,021)	(5,832)	(11,789)	(8,889)	(17,249)
Operating profit	5,634	2,361	10,734	4,174	11,411
Net profit / (loss) for the period	605	(20)	1,545	465	1,373
Selected key figures					
Total assets	180,615	120,976	180,615	120,976	177,167
Net debt	93,960	16,924	93,960	16,924	74,469
Cash flow from operating activities before working capital changes	11,404	8,061	16,310	12,608	22,022
Equity ratio**	20.5%	19.3%	20.5%	19.3%	19.7%

* Unaudited

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

The information in this interim 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 31 July 2018 at 08:00 CET.

Comment by the CEO

I am very happy and proud to have been appointed CEO of DDM and to have been given the opportunity to lead and further develop the company which is in a very interesting phase. The Company has grown and developed significantly during the past two years and I am looking forward to taking the next steps together with the rest of the DDM team, pursuing the many interesting opportunities we have ahead of us.

In the second quarter of 2018 net collections increased significantly, by 57% compared to Q2 2017, and by 64% for H1 2018 compared to the same period last year, driven by collections in Greece, the Czech Republic, and from the larger Croatian portfolio acquired in the second half of 2017. The increase was also the result of strong performance in Slovenia and the first collections from the sizeable portfolio in the Balkans acquired in 2018, with the growth year-on-year in H1 also due to the acquisition of DDM Treasury's subsidiaries holding the NPL portfolios on 17 February 2017. The composition of our portfolio has changed greatly over the past 12 months, with secured portfolios now making up a much larger share of our overall portfolio of assets, which can cause variability in our collections from quarter to quarter due to larger settlements from corporate portfolios.

During the quarter we continued to work on the handover of the portfolio in the Balkans acquired at the end of the first quarter. The handover is slightly behind schedule and additional measures are being taken to address this and reduce the effects of delayed collections. The quarter was also characterized by intensive work on a number of significant transactions where DDM is in advanced stages of the bidding processes.

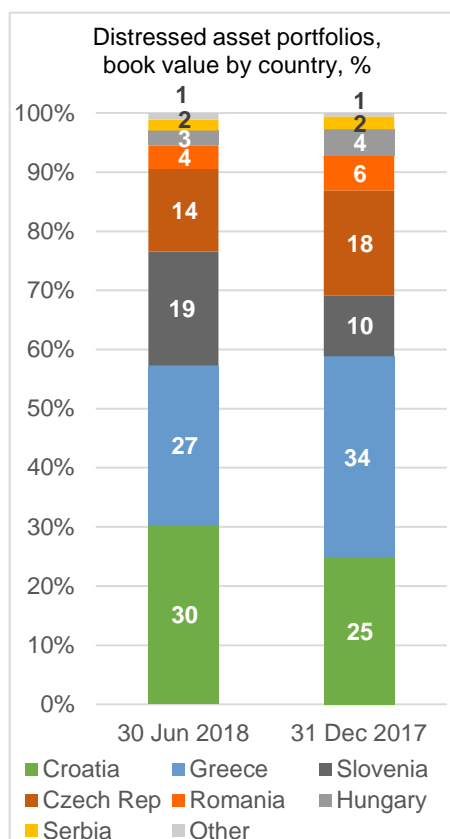
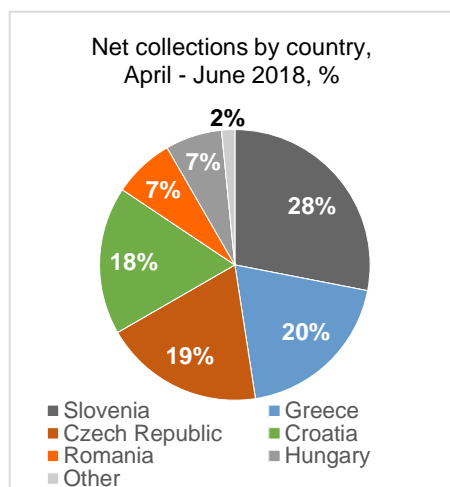
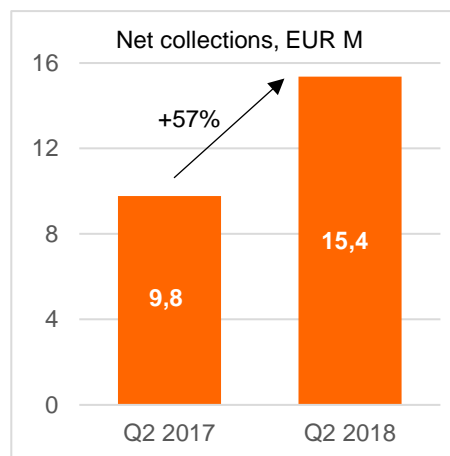
We closed two smaller investments in the Czech Republic and the Balkans totaling approximately EUR 6M. An additional investment from Q1 of about EUR 8M in the Balkans portfolio is pending regulatory approval.

Cash EBITDA amounted to EUR 13.7M in the second quarter and EUR 22.5M for H1 2018, increases of 67% and 72% compared to the corresponding period in 2017, driven by the higher net collections. The net result was a profit of EUR 0.6M for Q2 2018 compared to a small loss in Q2 2017, despite higher financial expenses as a result of debt issued in Q4 2017 and the negative impact of foreign exchange losses of EUR 0.7M, mainly on the Czech and Hungarian portfolios. The net result for H1 2018 was a profit of EUR 1.5M, compared to a profit of EUR 0.5M in H1 2017.

Our strong operational performance resulted in cash flow from operating activities before working capital changes of EUR 11.4M in the second quarter compared to EUR 8.1M in Q2 2017, and EUR 16.3M in H1 2018 compared to EUR 12.6M in H1 2017, despite a significant increase in interest paid in 2018 compared to the prior year.

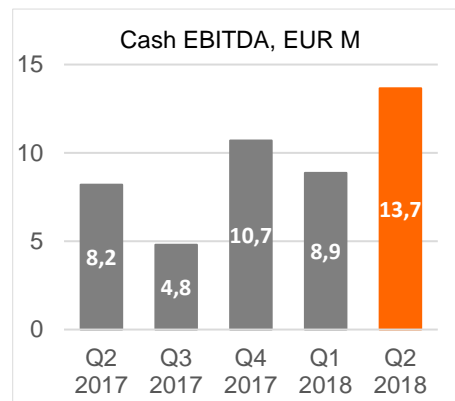
Market outlook

The sale of non-performing assets is continuing among the banking industry players in the CEE region. As Western European debt sales markets have matured, the focus of investors has turned towards the CEE region and Southern Europe, resulting in an increasing number of distressed asset transactions. Supply of new corporate NPL portfolios in 2018 has been supported by number of large one-off transactions. The most active CEE markets are currently Croatia, Slovenia and Hungary. Although corporate NPLs are still the most actively traded loan portfolios, retail secured NPL portfolios are coming into the forefront due to an increase in economic activity across the region caused by an increase in the purchasing power of consumers, in addition to stable inflationary trend in real estate.



We therefore expect our profitable growth to continue, as we believe that there will continue to be 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 and larger settlements from corporate portfolios. 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, 31 July 2018
DDM Debt AB (publ)
Henrik Wennerholm, CEO



Financial calendar

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

Interim report for January – September 2018: 8 November 2018

Q4 and full year report 2018: 21 February 2019

Annual report 2018: March 2019

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 31 July 2018, at 08:00 CET.

CEO Henrik Wennerholm and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 31 July 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 8 566 426 97, CH: +41 225 675 548 or UK: +44 203 008 9807.

Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Apr–30 Jun 2018*	1 Apr–30 Jun 2017*	1 Jan–30 Jun 2018*	1 Jan–30 Jun 2017*	Full Year 2017
Interest income on invested assets		7,142	4,036	13,918	6,684	17,370
<i>Revaluation and impairment of invested assets</i>		203	(89)	203	242	240
Revenue on invested assets	4	7,345	3,947	14,121	6,926	17,610
Personnel expenses		(88)	(16)	(154)	(26)	(122)
Consulting expenses		(1,569)	(1,546)	(3,133)	(2,673)	(5,843)
Other operating expenses		(53)	(24)	(99)	(53)	(234)
Depreciation of tangible assets		(1)	–	(1)	–	–
Operating profit		5,634	2,361	10,734	4,174	11,411
Financial income		55	–	110	–	191
Financial expenses		(4,425)	(2,308)	(8,741)	(3,793)	(9,914)
Unrealized exchange (loss) / profit		(562)	143	(479)	311	1,023
Realized exchange (loss) / profit		(94)	3	(83)	46	(384)
Net financial expenses		(5,026)	(2,162)	(9,193)	(3,436)	(9,084)
Profit before income tax		608	199	1,541	738	2,327
Tax expense		(3)	(219)	4	(273)	(954)
Net profit / (loss) for the period		605	(20)	1,545	465	1,373
Net profit / (loss) for the period attributable to:						
Owners of the Parent Company		605	(20)	1,545	465	1,373

* Unaudited

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Apr–30 Jun 2018*	1 Apr–30 Jun 2017*	1 Jan–30 Jun 2018*	1 Jan–30 Jun 2017*	Full Year 2017
Net profit / (loss) for the period	605	(20)	1,545	465	1,373
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>					
Acquisition of subsidiaries under common control of DDM Holding AG	–	–	–	(1,481)	(1,481)
Currency translation differences	4	–	–	–	–
Other comprehensive income for the period, net of tax	4	–	–	(1,481)	(1,481)
Total comprehensive income for the period	609	(20)	1,545	(1,016)	(108)
Total comprehensive income for the period attributable to:					
Owners of the Parent Company	609	(20)	1,545	(1,016)	(108)

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	30 June 2018*	31 December 2017
ASSETS			
<i>Non-current assets</i>			
Tangible assets	5	8	7
Interests in associates		600	600
Distressed asset portfolios	6	131,161	105,547
Other long-term receivables from investments	6	3,378	4,963
Loans to other group companies		2,000	2,000
Accrued interest from other group companies		301	191
Deferred tax assets		837	837
Other non-current assets		113	116
Total non-current assets		138,398	114,261
<i>Current assets</i>			
Accounts receivable		2,185	4,994
Other receivables		918	18
Prepaid expenses and accrued income		415	197
Cash and cash equivalents		38,699	57,697
Total current assets		42,217	62,906
TOTAL ASSETS		180,615	177,167
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		54	54
Other reserves		–	–
Retained earnings including net profit for the period		8,212	6,667
Total shareholders' equity attributable to Parent Company's shareholders		8,266	6,721
LIABILITIES			
<i>Non-current liabilities</i>			
Bond loans	7	132,659	132,166
Payables to other group companies		2,804	2,075
Loans from other group companies, subordinated		18,742	18,128
Deferred tax liabilities		490	490
Total non-current liabilities		154,695	152,859
<i>Current liabilities</i>			
Accounts payable		366	298
Tax liabilities		906	745
Accrued interest		4,566	3,992
Accrued expenses and deferred income		1,816	2,552
Loans from other group companies, subordinated		10,000	10,000
Total current liabilities		17,654	17,587
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		180,615	177,167

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Apr–30 Jun 2018*	1 Apr–30 Jun 2017*	1 Jan–30 Jun 2018*	1 Jan–30 Jun 2017*	Full Year 2017
Cash flow from operating activities					
Operating profit	5,634	2,361	10,734	4,174	11,411
<i>Adjustments for non-cash items:</i>					
<i>Amortization of invested assets</i>	8,224	5,743	11,992	9,131	17,489
<i>Revaluation and impairment of invested assets</i>	(203)	89	(203)	(242)	(240)
<i>Depreciation of tangible assets</i>	1	–	1	–	–
<i>Other items not affecting cash</i>	91	11	167	(55)	(2,649)
Interest paid	(2,319)	(119)	(6,357)	(375)	(3,964)
Interest received	–	–	–	–	–
Tax paid	(24)	(24)	(24)	(25)	(25)
Cash flow from operating activities before working capital changes	11,404	8,061	16,310	12,608	22,022
Working capital adjustments					
(Increase) / decrease in accounts receivable	(24)	(1,873)	2,809	(2,140)	(2,398)
(Increase) / decrease in other receivables	89	(33)	(1,145)	(3)	(164)
Increase / (decrease) in accounts payable	(13)	68	68	268	(12)
Increase / (decrease) in other current liabilities	(481)	490	(736)	1,056	2,017
Net cash flow from operating activities	10,975	6,713	17,306	11,789	21,465
Cash flow from investing activities					
Purchases of distressed asset portfolios and other long-term receivables from investments	(6,209)	–	(36,186)	(813)	(90,799)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	–	–	–	–	13,570
Purchases of subsidiaries	–	–	–	(33,309)	(33,309)
Purchases of tangible assets	(1)	–	(2)	–	(7)
Net cash flow received / (used) in investing activities	(6,210)	–	(36,188)	(34,122)	(110,545)
Cash flow from financing activities					
Proceeds from issuance of loans	–	34,571	–	83,023	148,212
Proceeds from loans from group companies	–	9,500	–	9,500	19,500
Repayment of loans	–	–	–	(6,465)	(23,465)
Loans to other group companies	–	–	–	(2,000)	(2,000)
Net cash flow received / (used) in financing activities	–	44,071	–	84,058	142,247
Cash flow for the period	4,765	50,784	(18,882)	61,725	53,167
Cash and cash equivalents less bank overdrafts at beginning of the period	34,062	15,576	57,697	3,739	3,739
Effects from the acquisition of other group companies	–	–	–	910	910
Foreign exchange gains / (losses) on cash and cash equivalents	(128)	(16)	(116)	(30)	(119)
Cash and cash equivalents less bank overdrafts at end of the period	38,699	66,344	38,699	66,344	57,697

* Unaudited

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 1 January 2017	54	–	4,216	4,270
Net profit for the period	–	–	465	465
Other comprehensive income				
Acquisition of subsidiaries under common control of DDM Holding AG	–	–	(1,481)	(1,481)
Total comprehensive income	–	–	(1,016)	(1,016)
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 30 June 2017*	54	–	3,200	3,254
Balance at 1 January 2018	54	–	6,667	6,721
Net profit for the period	–	–	1,545	1,545
Other comprehensive income				
Currency translation differences	–	–	–	–
Total comprehensive income	–	–	1,545	1,545
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 30 June 2018*	54	–	8,212	8,266

* Unaudited

Parent Company – Income Statement

Amounts in EUR '000s	1 Apr–30 Jun 2018*	1 Apr–30 Jun 2017*	1 Jan–30 Jun 2018*	1 Jan–30 Jun 2017*	Full Year 2017
Revenue	–	–	–	–	–
Personnel expenses	(9)	–	(19)	–	(7)
Consulting expenses	(28)	(19)	(56)	(38)	(65)
Other operating expenses	(18)	–	(37)	–	(83)
Operating loss	(55)	(19)	(112)	(38)	(155)
Income from participation in Group companies	–	–	–	–	2,500
Financial income	3,754	1,938	7,450	2,860	7,728
Financial expenses	(3,652)	(1,777)	(7,329)	(2,706)	(7,496)
Unrealized exchange profit / (loss)	1	(1)	(1)	(34)	(44)
Realized exchange profit	–	–	1	29	32
Net financial income	103	160	121	149	220
Profit before income tax	48	141	9	111	2,565
Tax expense	(2)	(24)	(2)	(24)	(14)
Net profit for the period	46	117	7	87	2,551

* Unaudited

Parent Company – Statement of Comprehensive Income

Amounts in EUR '000s	1 Apr–30 Jun 2018*	1 Apr–30 Jun 2017*	1 Jan–30 Jun 2018*	1 Jan–30 Jun 2017*	Full Year 2017
Net profit for the period	46	117	7	87	2,551
Other comprehensive income for the period, net of tax					
<i>Items that will not be reclassified to profit or loss</i>	–	–	–	–	–
<i>Items that may subsequently be reclassified to profit or loss</i>	–	–	–	–	–
Total other comprehensive income for the period, net of tax	–	–	–	–	–
Total comprehensive income for the period	46	117	7	87	2,551

* Unaudited

Parent Company – Balance Sheet

Amounts in EUR '000s	Notes	30 June 2018*	31 December 2017
ASSETS			
<i>Non-current assets</i>			
Participations in other group companies	8	9,284	9,284
Loans to other group companies		147,241	98,809
Accrued interest from other group companies		301	191
Other non-current assets		5	5
Total non-current assets		156,831	108,289
<i>Current assets</i>			
Receivables from other group companies		2,650	3,197
Prepaid expenses and accrued interest income		5,376	3,762
Cash and cash equivalents		221	48,753
Total current assets		8,247	55,712
TOTAL ASSETS		165,078	164,001
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		54	54
Retained earnings including net profit for the period		5,215	5,208
Total shareholders' equity		5,269	5,262
<i>Non-current liabilities</i>			
Bond loans	7	132,659	132,166
Payables to other group companies		5,316	5,482
Loans from other group companies		7,000	7,000
Total non-current liabilities		144,975	144,648
<i>Current liabilities</i>			
Accounts payable		12	7
Payables to other group companies		–	91
Tax liabilities		16	14
Accrued interest		4,769	3,828
Accrued expenses and deferred income		37	151
Loans from other group companies, subordinated		10,000	10,000
Total current liabilities		14,834	14,091
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		165,078	164,001

* Unaudited

Parent Company – Cash Flow Statement

Amounts in EUR '000s	1 Apr–30 Jun 2018*	1 Apr–30 Jun 2017*	1 Jan–30 Jun 2018*	1 Jan–30 Jun 2017*	Full Year 2017
Cash flow from operating activities					
Operating loss	(55)	(19)	(112)	(38)	(155)
Other items not affecting cash	(3)	(40)	(81)	(41)	84
Interest paid	(2,319)	–	(6,357)	(256)	(3,672)
Interest received	1,472	–	5,312	196	334
Cash flow from operating activities before working capital changes	(905)	(59)	(1,238)	(139)	(3,409)
Working capital adjustments					
(Increase) / decrease in other receivables	–	4,000	800	3,981	–
Increase / (decrease) in accounts payable	5	(8)	5	(81)	(76)
Increase / (decrease) in other current liabilities	629	618	395	791	186
Net cash flow from operating activities	(271)	4,551	(38)	4,552	(3,299)
Cash flow from investing activities					
Loans to group companies	–	(760)	(48,500)	(760)	(64,760)
Repayment of loans to group companies	–	250	–	1,018	7,558
Purchases of subsidiaries	–	–	–	(33,309)	(33,309)
Net cash flow received / (used) in investing activities	–	(510)	(48,500)	(33,051)	(90,511)
Cash flow from financing activities					
Proceeds from issuance of loans	–	34,571	–	83,023	148,212
Proceeds from loans from group companies	–	–	–	–	17,000
Repayment of loans	–	–	–	(6,465)	(23,465)
Loans to other group companies	–	–	–	(2,000)	(2,000)
Net cash flow received / (used) in financing activities	–	34,571	–	74,558	139,747
Cash flow for the period	(271)	38,612	(48,538)	46,059	45,937
Cash and cash equivalents less bank overdrafts at beginning of the period	492	10,263	48,753	2,816	2,816
Foreign exchange gains / (losses) on cash and cash equivalents	–	–	6	–	–
Cash and cash equivalents less bank overdrafts at end of the period	221	48,875	221	48,875	48,753

* Unaudited

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 1 January 2017	54	98	152
Net profit for the period	–	87	87
<i>Other comprehensive income</i>	–	–	–
Total comprehensive income	–	87	87
<i>Transactions with owners</i>			
Total transactions with owners	–	–	–
Balance at 30 June 2017*	54	185	239
Balance at 1 January 2018	54	5,208	5,262
Net profit for the period	–	7	7
<i>Other comprehensive income</i>	–	–	–
Total comprehensive income	–	7	7
<i>Transactions with owners</i>			
Total transactions with owners	–	–	–
Balance at 30 June 2018*	54	5,215	5,269

* Unaudited

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 2018 there are several new IFRS standards. IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers have been applied from 1 January 2018. 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 2017 Annual Report.

The DDM Debt Group's business model is to invest in distressed assets and collect the contractual cash flows. Consequently, the cash flows consist only of payments of principal and interest (*solely payments of principal and interest*, "SPPI"). In exceptional cases, portfolios might be sold (e.g. exit of a market, significant increase in a risk of default, etc.), and would therefore have to be assessed on a case by case basis and, if applicable, treated differently. Therefore IFRS 9's changes to classification and measurement of financial instruments have not had an impact on the recognition and valuation of the invested assets, as these continue to be valued at amortized cost.

The expected credit loss model under IFRS 9 has not had an additional direct impact on the DDM Debt Group's invested assets, as the lifetime expected credit losses are already included in the estimated cash flows when calculating the effective interest rate on initial recognition of such assets. A significant increase in the credit risk would result in a revaluation and/or impairment of the invested asset, which is the recognition of the additional expected credit loss. As the DDM Debt Group invests in distressed assets (stage 3), no change in a different stage (stage 1 or 2) is expected.

The table below shows a comparison of the measurement of the DDM Debt Group's financial instruments according to IAS 39 and IFRS 9:

	Valuation under IAS 39	Valuation under IFRS 9
Assets		
Accounts receivable	Amortized cost	Amortized cost
Other receivables	Amortized cost	Amortized cost
Distressed asset portfolios	Amortized cost	Amortized cost
Other long-term receivables from investments	Amortized cost	Amortized cost
Liabilities		
Accounts payable	Amortized cost	Amortized cost
Other payables	Amortized cost	Amortized cost
Short-term loans	Amortized cost	Amortized cost
Long-term loans	Amortized cost	Amortized cost

IFRS 15 is not applicable to revenue on invested assets, as this is the result of the application of the amortized cost method. IFRS 15 is applicable to revenue from management fees, however these are immaterial for the DDM Debt Group, and revenue is already recognized based on the satisfaction of performance obligations. Therefore IFRS 15 has not had an impact on the financial statements of the DDM Debt Group.

The accounting policies that are most critical to the Group and Parent Company are stated in DDM Debt AB's Annual Report for 2017, 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	30 June 2018	31 December 2017
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 Invest VII d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Debt Management d.o.o Beograd	Fully consolidated	Serbia	100%	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	30 June 2018	31 December 2017
Profinance doo Beograd	Equity method	Serbia	49.67%	49.67%

Note 3. Currency translation

All entities prepare their financial statements in their functional currency. At 30 June 2018 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 Apr–30 Jun 2018	1 Apr–30 Jun 2017	1 Jan–30 Jun 2018	1 Jan–30 Jun 2017	Full Year 2017
Net collections by country:					
Slovenia	4,311	3,184	6,743	6,459	10,564
Greece	2,998	–	5,198	–	1,958
Czech Republic	2,937	1,852	5,971	2,743	6,650
Croatia	2,720	–	3,107	–	3,592
Romania	1,118	1,277	2,171	2,007	4,536
Hungary	1,041	3,395	2,219	4,453	6,934
Serbia	122	–	222	–	111
Bosnia	70	–	70	–	–
Slovakia	35	13	167	60	343
Russia	14	58	42	93	171
Net collections	15,366	9,779	25,910	15,815	34,859
Amortization of invested assets	(8,224)	(5,743)	(11,992)	(9,131)	(17,489)
Interest income on invested assets before revaluation and impairment	7,142	4,036	13,918	6,684	17,370
Revaluation of invested assets	203	(89)	203	418	806
Impairment of invested assets	–	–	–	(176)	(566)
Revenue on invested assets	7,345	3,947	14,121	6,926	17,610

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.

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	30 June 2018	31 December 2017
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 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:

	30 June 2018	31 December 2017
EUR '000s		
EUR	79,380	53,427
HRK	28,300	27,368
CZK	18,787	19,595
HUF	3,378	4,963
RSD	2,456	2,417
RON	1,976	2,411
RUB	262	329
Total	134,539	110,510

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 30 June 2018 and/or 31 December 2017:

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 was for an initial six month term, and was extended for a further six months until 28 September 2018.

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 periods ending 30 June 2018 and 31 December 2017.

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. 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 30 June 2018						
Bond loan, 8%	–	–	48,774	–	–	48,774
Bond loan, 9.5%	–	83,885	–	–	–	83,885
Total	–	83,885	48,774	–	–	132,659
at 31 December 2017						
Bond loan, 8%	–	–	48,597	–	–	48,597
Bond loan, 9.5%	–	–	83,569	–	–	83,569
Total	–	–	132,166	–	–	132,166

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	IFRS 9 category	Fair value category	Fair value	Carrying value
at 30 June 2018				
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	50,000	48,774
Bond loan, 9.5%	Financial liabilities at amortized cost	Level 2	87,975	83,885
Total			137,975	132,659
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

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	30 June 2018	31 December 2017
Investment	9,284	9,284
Total	9,284	9,284

Parent Company EUR '000s	Investment
At 31 December 2017	9,284
Acquisitions	–
At 30 June 2018	9,284

The Parent Company holds shares in the following subsidiaries:

EUR '000s Company	Corporate identity number	Domicile	Proportion of equity 30 Jun 2018	Proportion of equity 31 Dec 2017	Net book value 30 Jun 2018	Net book value 31 Dec 2017
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%	100%	1,393	1,393
DDM Invest II AG*	CHE 115.038.302	Switzerland	100%	100%	–	–
DDM Invest III AG	CHE 115.238.947	Switzerland	100%	100%	591	591
DDM Invest IV AG*	CHE 317.413.116	Switzerland	100%	100%	–	–
DDM Invest X AG	CHE 130.419.930	Switzerland	100%	100%	1,465	1,465
DDM Invest XX AG	CHE 349.886.186	Switzerland	100%	100%	5,737	5,737
DDM Debt Management d.o.o Beograd*	21313963	Serbia	100%	100%	–	–
Total					9,284	9,284

* 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 30 June 2018 and 31 December 2017.

Note 9. Subsequent events

There were no significant events occurring after the balance sheet date and through the date of issuance of this report.

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 30 June 2018 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 2017 Annual report.

Stockholm, 31 July 2018

Torgny Hellström
Chairman of the board

Fredrik Waker
Board member

Mikael Nachemson
Board member

Erik Fällström
Board member

Henrik Wennerholm
CEO

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 Apr–30 Jun 2018	1 Apr–30 Jun 2017	1 Jan–30 Jun 2018	1 Jan–30 Jun 2017	Full Year 2017
Net collections	15,366	9,779	25,910	15,815	34,859
Personnel expenses	(88)	(16)	(154)	(26)	(122)
Consulting expenses	(1,569)	(1,546)	(3,133)	(2,673)	(5,843)
Other operating expenses	(53)	(24)	(99)	(53)	(234)
Operating expenses	(1,710)	(1,586)	(3,386)	(2,752)	(6,199)
Cash EBITDA	13,656	8,193	22,524	13,063	28,660
Net debt:					
Bond loan, 8%	48,774	–	48,774	–	48,597
Bond loan, 9.5%	83,885	83,268	83,885	83,268	83,569
Less: Cash and cash equivalents	(38,699)	(66,344)	(38,699)	(66,344)	(57,697)
Net debt	93,960	16,924	93,960	16,924	74,469
Equity ratio:					
Shareholder's equity	8,266	3,254	8,266	3,254	6,721
Shareholder debt (subordinated)	28,742	20,113	28,742	20,113	28,128
Total equity according to the senior secured bond terms	37,008	23,367	37,008	23,367	34,849
Total assets	180,615	120,976	180,615	120,976	177,167
Equity ratio	20.5%	19.3%	20.5%	19.3%	19.7%

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.



DDM Debt AB (publ)

Engelbrektsgatan 9-11,
114 32 Stockholm, Sweden
+41 8 4080 9030
<http://www.ddm-group.ch>
investor@ddm-group.ch

