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DDM TREASURY SWEDEN AB (publ)

Corporate Identity Number 556910-3053

ANNUAL REPORT
2016

MULTINATIONAL INVESTOR
AND MANAGER OF DISTRESSED ASSETS

The DDM Treasury Sweden AB 2016 Annual Report

DDM Treasury Sweden AB (publ) ("DDM Treasury" or the "Company") is a Swedish company headquartered in Stockholm. Corporate registration number 556910-3053.

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

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

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

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

Production: DDM Treasury.

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Financial calendar 2017/2018

Annual General Meeting 2017:
31 May 2017

2016 Highlights

This is DDM Treasury

Experienced specialist in an expanding sector

DDM Treasury Sweden AB ("DDM" or the "Company") was founded in 2013 to fund the DDM Group's growth via corporate bonds. The DDM Group is based in Baar, Switzerland.

The DDM Group is a multinational investor in, and manager of distressed assets, offering the prospect of attractive returns from the expanding Central and Eastern European market for distressed assets including non-performing loans. For sellers, management of portfolios of distressed assets is a sensitive issue as it concerns the relationship with their customers. For sellers of portfolios it is therefore critical that the acquirer handles the underlying individual debtors professionally, ethically and with respect. The DDM Group has longstanding relations with sellers of distressed assets, based on trust and the Company's status as a credible acquirer.

The banking sector in Central and Eastern Europe is subject to increasingly strict 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.

The DDM Group acquires distressed assets mainly consisting of non-performing loans with an investment value of EUR 3–30M. Since inception, the DDM Group has been successful in valuing distressed assets. A disciplined purchase process ensures efficient operations and allows for collections in line with forecasts. The valuation of a prospective debt portfolio is based on quantitative models linked to a reference database and considers criteria such as jurisdiction, zip code, claim size, borrower age, previous payment history and vendor type. DDM Group's database covers current and historical information at an individual and transactional level.

The DDM Group is currently managing 2.3 million receivables with a nominal value of over EUR 2 billion.

The DDM Group itself does not conduct any in-house debt collections. Debt collections are managed by selected and well-reputed local debt collection agencies. Commissions paid to collection agencies are mainly performance-based and in general increase as receivables become older and more difficult to collect.

STATEMENT BY THE CEO

Strong cash flows from portfolios

Gustav Hultgren,
CEO of DDM Treasury

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

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

Management of acquisitions

During the year we have focused on the implementation and realization of the large Hungarian transaction, following the acquisition at the end of 2015. After the final approval from the Hungarian National Bank the first cash flows from collections were received in early May. The portfolio has performed ahead of expectations during the year, benefitting from our management capabilities.

We also continued to deliver on our investment strategy across Central and Eastern Europe with the acquisition of a new portfolio in the Czech Republic in the first quarter of 2016. This was the second portfolio we have acquired from the seller, once again confirming our transaction capabilities and DDM as a reputable buyer.

"The acquisition in Hungary at the end of 2015 performed ahead of expectations during the year, resulting in significant cash flows. This reconfirms DDM's position as a top-tier regional investor and manager of distressed assets"

Earnings 2016

For the full year 2016, net collections amounted to SEK 223.1M, a decrease of 2 percent compared with 2015. Cash EBITDA, that is, net collections less operating expenses, amounted to SEK 189.0M, 7 percent lower than the previous year. Cash flows were significantly stronger following the Hungarian acquisition at the end of 2015, with cash flows from operating activities before working capital changes positive SEK 157.5M compared to negative SEK 90.9M in 2015.

We continued to manage our portfolios during the year and as a result in the third quarter we divested a portfolio in Poland in order to invest the funds in a beneficial alternative for investors. Combined with the strong cash flows, this enabled the full redemption of the SEK 31M 18% subordinated notes on their maturity date of 30 September 2016. The redemption has enabled DDM Treasury Sweden AB to reduce its gross debt and its cost of debt.

Market outlook

In most of the world, the capital requirements of financial institutions continue to increase. Combined with strategic decisions resulting in financial institutions choosing to exit certain geographic markets and/or product segments, we continue to see strong prospects for further market growth. In an environment with many investment options, it remains important that we maintain our demands on portfolio quality and return, consistent with DDM's long track record of successful investments.

We have continued to accomplish a great deal in 2016 through the favourable development of our business and the strengthening of our relationships. I would like to thank all of our colleagues, customers, investors and partners, who have made this possible!

Administration Report

The Board of Directors and the CEO of DDM Treasury Sweden AB (publ) hereby submit the annual report and consolidated financial statements for the 2016 financial year.

Information regarding the operations

DDM Treasury Sweden AB (publ) (corporate identity number 556910-3053) is domiciled in Stockholm, Sweden and is a limited liability company that conducts operations in accordance with the Swedish Companies Act. Current operations started in July 2013 with the acquisition of the subsidiary DDM Invest XX AG following DDM Treasury Sweden AB's successful listing of its 13 percent financial instrument, symbol: DDM1, issued during 2013 on the NDX exchange. On 23rd June 2015 DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG and DDM Invest X AG, Baar, Switzerland were acquired by DDM Treasury Sweden AB.

DDM Treasury Sweden AB sold its subsidiaries holding the portfolios to DDM Debt AB at the beginning of 2017, allowing the SEK 300M 13% senior secured bonds to be fully redeemed in February 2017.

DDM Treasury Sweden AB is a wholly-owned subsidiary of DDM Group AG whose operations were founded in Baar, Switzerland in 2007. DDM Group AG is a wholly-owned subsidiary of DDM Holding AG. DDM Holding AG has been listed on Nasdaq First North exchange in Stockholm, Sweden, since August 2014.

Facts and figures – The DDM Treasury Group 2016

Consolidated revenue on invested assets during the year amounted to SEK 70.6M (2015: SEK 129.3M). Operating profit amounted to SEK 36.5M (2015: SEK 103.4M).

The profit / (loss) before tax for the year amounted to a loss of SEK (8.9)M (2015: profit of SEK 35.8M) and the net profit / (loss) for the year was a loss of SEK (2.9)M (2015: profit of SEK 36.0M).

Significant events during the financial year

The DDM Treasury Group invested SEK 71.8M in new debt portfolios during 2016, including the acquisition of a new portfolio in the Czech Republic. This was the second portfolio we have acquired from the seller, once again confirming our transaction capabilities and DDM as a reputable buyer. The significant investment in Hungary at the end of 2015, formally closed at the end of April 2016 after receiving the approval from the Hungarian National Bank.

Net collections were 2% lower than the prior year, however the performance of the portfolios in Hungary and the Czech Republic resulted in significantly stronger cash flows. We also continued to manage our portfolios during the year, and as a result in the third quarter we divested a portfolio in Poland in order to invest the funds in a beneficial alternative for investors. Combined with the strong cash flows, this enabled the full redemption of the SEK 31M 18% subordinated notes on their maturity date of 30 September 2016. The redemption has enabled DDM Treasury Sweden AB to reduce its gross debt and its cost of debt.

The DDM Treasury Group continued to see a strong deal flow throughout 2016 and was invited to participate in a large number of debt tenders as its brand recognition increased and transaction capabilities were demonstrated.

Geographical regions

The operational and investment activities of the DDM Treasury Group and the DDM Group are not divided into geographical regions for reporting purposes. Potential investments and existing investments are always measured on their own merits and according to assumptions and forecasts made at the time of investing.

Distressed asset portfolios and other long-term receivables from investments
The acquisition in Hungary in 2015 is shown within other long-term receivables from investments. The receivables are against the local legal entities holding the leasing portfolios, in comparison to the distressed asset portfolios where the receivables are directly against the debtor. Distressed asset portfolios and other long-term receivables from investments, i.e. portfolios of overdue receivables, are acquired for significantly less than their nominal value after which the DDM Treasury Group collects the receivables in cooperation with local debt collection agencies. As such, revenue on invested assets represents 100% of the consolidated income.

In 2016, the cash purchase price of investments in distressed asset portfolios amounted to SEK 71.8M. Revaluation and impairment of invested assets had a SEK 7.7M negative impact on earnings in 2016, primarily driven by the divestment of a portfolio in Poland in order to invest the funds in a beneficial alternative for investors, in addition to the continued macroeconomic uncertainty in Russia. This was partly offset by positive revaluation of invested assets relating to the Hungarian transaction that was acquired at the end of 2015 which performed ahead of our expectations.

Expenses
Operating expenses consisted primarily of costs relating to audit, legal and accounting services and consultancy fees associated with the Swiss withholding tax applicable to the SEK 300M senior secured notes.

Net financial expenses
In 2016 net financial expenses amounted to SEK 45.4M (2015: SEK 67.6M).

Cash flow and investments
Cash flow from operating activities before working capital changes for the full year amounted to positive SEK 157.5M (2015: negative SEK 90.9M), benefitting from strong cash flows from existing portfolios, particularly in Hungary and the Czech Republic. Along with the proceeds from the divestment of a portfolio in Poland this enabled the full redemption of the SEK 31M 18% subordinated notes on their maturity date of 30 September 2016. The redemption has enabled DDM Treasury Sweden AB to reduce its gross debt and its cost of debt.

Research and Development
DDM Treasury is not engaged in any research and development activities. All IT development required for analysis, pricing, investing, and active portfolio management are made by the Parent Company of DDM Treasury, DDM Group AG.

Financing
At 31 December 2016 net debt, consisting of the senior secured bond loan issued during 2013, including the SEK 5.0M held by DDM Group AG, less cash and cash equivalents, amounted to SEK 225.5M. Shareholders' equity amounted to SEK 105.7M. At 31 December 2015 net debt also included the 18% subordinated notes issued in September 2013 which were fully redeemed on their maturity date of 30 September 2016. The redemption has enabled DDM Treasury Sweden AB to reduce its gross debt and its cost of debt.

The framework of the senior secured bond that was issued during 2013 at 13% interest with an initial maturity date of 26 June 2016 was initially at a maximum of SEK 500.0M, out of which SEK 300.0M has been utilized. On 18 May 2015, DDM Treasury initiated a written procedure to allow noteholders to vote on a restatement and certain amendments to the existing terms and conditions. The Written Procedure was closed on 11 June 2015 and the Notes Exchange became effective on 23 June 2015. DDM Treasury made an additional cash payment of 4% on the effective date to the noteholders. In connection to the notes exchange DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG and DDM Invest X AG were transferred to the direct ownership of DDM Treasury and pledged as security.

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

The subordinated debt in 2016 did not qualify as equity according to IFRS but it was included for the purpose of calculating compliance with the equity-related covenant as required by the terms and conditions of the SEK 300M senior secured bond loan. See note 3 for more details.

All DDM Treasury's borrowing is conducted in SEK, which means that the Company carries exposure against the currencies underlying the claims in the investments. See note 3 for more details.

Non-financial earnings indicators

DDM Treasury's role in society

The Company offers a platform for economic growth by allowing companies and banks the opportunity to manage their credit exposure. DDM's systems and understanding of creditor's requirements are optimized and are paired with respect for debtors and their integrity.

Business ethics

DDM's values act as a guide on how business with the Company's clients and customers is managed. The ethical rules deal primarily with a respectful attitude towards clients and customers.

Working conditions

Employees have the right to secure and healthy workplaces, as well as fair terms of employment in line with market levels. Men and women are given equal opportunities. A sustainable and commercially successful business relies on skilled and motivated employees.

Environment

As a service company, DDM generally has limited possibilities to affect the environment, although it seeks to act in an environmentally responsible manner where possible.

Board work

According to DDM Treasury's Articles of Association, the Board of Directors shall consist of no less than three and no more than ten members with no more than ten deputies. All members are elected at the annual general meeting.

Parent Company

The operations of the Parent Company encompass ownership of the 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, and providing funding for the subsidiaries' investments into distressed asset portfolios through the issuance of financial instruments. The funding is provided by intercompany loans.

The Parent Company reported revenue of SEK 5.7M (2015: SEK 5.7M) for the year and profit before tax of SEK 0.0M (2015: profit of SEK 2.1M).

The Parent Company had no employees during the year.

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

DDM Treasury Sweden AB has also sold its subsidiaries holding the portfolios to DDM Debt AB, allowing the SEK 300M 13% senior secured bonds to be fully redeemed in February 2017.

Financial summary

Key figures, SEK M (unless otherwise indicated)	**2016**	**2015**	**2014**
Revenue on invested assets	70.6	129.3	44.2
Operating profit	36.5	103.4	37.3
Operating margin, %	52	80	84
Cash flow from operating activities	109.3	(16.6)	(14.4)
Adjusted equity / total assets ratio, %	24	27	15

Risk management and financial risks
Risk management is handled by employees and management of DDM Group who report to the Board on the basis of the policy adopted by the Board. DDM Group identifies, evaluates and mitigates financial risks relating to the operating activities of DDM Treasury. The Board determines and adopts an overall internal policy for risk management. This policy is divided into different sections addressing specific areas, such as currency risk, interest risk, credit risk, liquidity risk, distressed asset portfolios risk and financing risk.

DDM Treasury defines risk as all factors which could have a negative impact on the ability of the Company to achieve its business objectives. All business activity is associated with risk. In order to manage risk in a balanced way, it must first be identified and assessed. DDM Treasury's risk management is conducted by employees and management at DDM Group, where risks are evaluated in a systematic manner.

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

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

Changes in regulations
With regard to risks associated with changes in regulations in its markets, DDM Group continuously monitors the regulatory efforts to be able to indicate potentially negative effects and to work for favorable regulatory changes. Changes in regulations can lead to a short-term impact on the results, however, in the long-term the operations have historically adapted to the new circumstances.

Market risks
DDM Treasury's financing and financial risks are managed by DDM Group in accordance with the policy established by the Board of Directors. The policy contains rules for managing activities, delegating responsibility, measuring, identifying and reporting risks and limiting these risks. Operations are concentrated in the DDM Group in Switzerland, ensuring economies of scale when pricing financial transactions.

In each country where DDM Treasury invests, revenue and most operating expenses are denominated in local currencies. Revenue and expenses in local currency are thereby hedged in a natural way, which limits transaction exposure. DDM is not using any hedging instruments. As part of cash management DDM is striving to maintain cash in the different currencies they are exposed to. When the balance sheet positions denominated in foreign currencies are recalculated in SEK, a translation exposure arises that affects investor value. For further information regarding currency exposure, see note 10.

Interest rate risks relate primarily to DDM Treasury's interest-bearing debt, which consists of a long-term bond at 13% interest rate. Borrowings issued at fixed rates expose DDM Treasury to fair value interest rate risk.

Liquidity risk

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

Credit risk

Credit risk is the risk that the counterparty in a financial transaction will not fulfil its obligations on the maturity date. Credit risk is managed by DDM Group and arises from cash and cash equivalents, and deposits with banks and financial institutions.

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

Risks inherent in distressed asset portfolios and other long-term receivables from investments

To minimize the risks in this business, caution is exercised in investment decisions. The DDM Group acquires distressed assets mainly consisting of non-performing loans with an investment value of EUR 3–30M. Sellers are primarily financial institutions, typically international banks with presence in several countries in Central and Eastern Europe. The DDM Group has established relationships with sellers throughout the industry and as DDM is able to take on a leading position, we get repeat business as well as access to financial co-investors. Historically DDM has acquired portfolios of unsecuritized assets, however in 2015 it made a significant acquisition where the majority of assets are securitized.

Distressed asset portfolios and other long-term receivables from investments are usually purchased at prices significantly below the nominal value of the receivables, and the DDM Treasury Group retains the entire amount it collects, including interest and fees, after deducting costs directly relating to the collection of the debt. DDM Group places return requirements on distressed asset portfolios and other long-term receivables from investments. Before every acquisition, a careful assessment is made based on a projection of future cash flows (collected amounts) from the portfolio. In its calculations, DDM Group is aided by its long experience in collection management and its scoring models. Scoring entails the individual debtor's payment capacity being assessed with the aid of statistical analysis, as well as suggesting the actions needed to achieve optimal returns. DDM Group therefore believes that it has the expertise required to evaluate these types of distressed assets. To facilitate the purchase of larger portfolios at attractive risk levels, DDM Group works in cooperation with other institutions and shares the equity investment and profits. Risks are further diversified by acquiring distressed assets from various sellers in different countries.

Financing risk

The terms and conditions of DDM Treasury's SEK 300M senior secured notes contain a financial covenant that adjusted equity of DDM Treasury, calculated as total assets minus the sum of financial indebtedness excluding any subordinated loans, shall not be less than 15 percent of total assets at any reporting date. The amended terms and conditions 2015 to the SEK 300M senior secured notes include an extension of the maturity to 27 December 2018, wider geographic scope in Europe, removal of cash-covenants and hedging restrictions, improved possibilities for future dividend payments and the introduction of an Inter-Creditor Agreement. The amended terms and conditions in their entirety are available on our website along with a summary of the amendments.

The DDM Group 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. All these key indicators were fulfilled in 2016.

For further information regarding the financial risk management of DDM Treasury, see note 3.

Corporate Governance Report
DDM Treasury Sweden AB has established a corporate governance report in accordance with the Swedish Annual Accounts Act 6 chapter 8§. The report is available at the company, and will be distributed upon request.

Employees
DDM Treasury had no employees in 2016 (2015: one employee). All other staff involved in the activities of DDM Treasury are employed by DDM Group AG and are based in Baar, Switzerland. DDM Group AG charges DDM Treasury a management fee for this work.

Proposed appropriation of earnings
The Parent Company's distributable funds are at the disposal of the Board of Directors as follows:

SEK	2016
Retained earnings	2,423,639
Net earnings for the year	(983)
Total	**2,422,656**

The Board of Directors propose that the earnings be distributed as follows:

SEK	2016
Balance carried forward	2,422,656
Total	**2,422,656**

For other information we refer to the following financial statements and notes.

GROUP
CONSOLIDATED INCOME STATEMENT

For the year ended 31 December Amounts in SEK M	Notes	2016	2015
Revenue on invested assets	5	**70.6**	**129.3**
Personnel expenses	6	–	(0.5)
Consulting expenses	7	(33.1)	(24.9)
Other operating expenses		(1.0)	(0.5)
Operating profit		**36.5**	**103.4**
Financial income	8	6.5	0.3
Financial expenses	8	(51.9)	(67.9)
Net financial expenses		**(45.4)**	**(67.6)**
Net profit / (loss) before income tax		**(8.9)**	**35.8**
Tax income / (expense)	9	6.0	0.2
Net profit / (loss) for the year		**(2.9)**	**36.0**
Of which attributable to:			
Owners of the Parent Company		**(2.9)**	**36.0**
Earnings per share, SEK		**(5.7)**	**72.0**

GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December Amounts in SEK M	2016	2015
Net profit / (loss) for the year	**(2.9)**	**36.0**
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss	–	–
Items that may subsequently be reclassified to profit or loss:		
Currency translation differences	11.0	0.5
Recognition of accumulated losses of subsidiaries	–	(57.1)
Other comprehensive income for the year, net of tax	**11.0**	**(56.6)**
Total comprehensive income for the year	**8.1**	**(20.6)**
Total comprehensive income for the year attributable to owners of the Parent Company	**8.1**	**(20.6)**

GROUP
CONSOLIDATED BALANCE SHEET

As at 31 December Amounts in SEK M	Notes	2016	2015
ASSETS			
Non-current assets			
Interests in associates	12	5.5	5.5
Distressed asset portfolios	10	161.2	204.5
Other long-term receivables from investments	11	96.2	152.7
Deferred tax assets	13	11.8	–
Other non-current assets	14	12.7	–
Total non-current assets		**287.4**	**362.7**
Current assets			
Accounts receivable	15	14.0	38.0
Receivables from other group companies	20	87.1	38.8
Prepaid expenses and accrued income		0.4	3.0
Cash and cash equivalents	16	58.4	29.9
Total current assets		**159.9**	**109.7**
TOTAL ASSETS		**447.3**	**472.4**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	17	0.5	0.5
Other contributed capital	17	124.2	124.2
Reserves		(0.3)	0.3
Accumulated losses including net earnings for the year		(18.7)	(27.4)
Total shareholders' equity attributable to Parent Company's shareholders		**105.7**	**97.6**
Non-current liabilities			
Bond loan	18	278.9	277.0
Deferred tax liabilities	13	2.2	–
Total non-current liabilities		**281.1**	**277.0**
Current liabilities			
Accounts payable	19	5.1	39.0
Bond loan	18, 19	–	24.7
Payables to other group companies	20	32.5	–
Other liabilities	19	0.1	6.5
Accrued expenses and deferred income	19	22.8	27.6
Total current liabilities		**60.5**	**97.8**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**447.3**	**472.4**

GROUP
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December **Amounts in SEK M**	**2016**	**2015**
Cash flow from operating activities		
Operating profit	36.5	103.4
Adjustments for non-cash items:		
Amortization of invested assets	*144.8*	*57.8*
Revaluation and impairment of invested assets	*7.7*	*41.4*
Other items not affecting cash	*18.0*	*(220.1)*
Interest paid	(46.8)	(73.4)
Interest received	0.0	0.0
Tax paid	(2.7)	–
Cash flow from operating activities before working capital changes	**157.5**	**(90.9)**
Working capital adjustments		
(Increase) / decrease in accounts receivable	11.3	(29.8)
(Increase) / decrease in other receivables	(45.7)	67.3
Increase / (decrease) in accounts payable	(1.4)	37.4
Increase / (decrease) in other current liabilities	(12.4)	(0.6)
Net cash flow from operating activities	**109.3**	**(16.6)**
Cash flow from investing activities		
Purchases of distressed asset portfolios and other long-term receivables from investments	(71.8)	(15.8)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	21.8	–
Purchases of associates	–	(5.5)
Net cash flow received / (used) in investing activities	**(50.0)**	**(21.3)**
Cash flow from financing activities		
Proceeds from issuance of loans	17.3	–
Repayment of loans	(48.2)	–
Net cash flow received / (used) in financing activities	**(30.9)**	**–**
Cash flow for the year	**28.4**	**(37.9)**
Cash and cash equivalents less bank overdrafts at beginning of the year	29.9	67.3
Foreign exchange gains / (losses) on cash and cash equivalents	0.1	0.5
Cash and cash equivalents less bank overdrafts at end of the year	**58.4**	**29.9**

GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

PARENT COMPANY – INCOME STATEMENT

For the year ended 31 December Amounts in SEK M	Notes	2016	2015
Revenue		5.7	5.7
Personnel expenses	6	–	(0.5)
Consulting expenses	7	(1.3)	(4.0)
Other operating expenses		(0.2)	(0.1)
Operating profit		**4.2**	**1.1**
Income from participation in Group companies	20	–	5.9
Financial income	8	44.8	45.7
Financial expenses	8	(49.0)	(50.6)
Net financial income / (expense)		**(4.2)**	**1.0**
Profit before income tax		**0.0**	**2.1**
Tax income / (expense)	9	(0.0)	0.0
Net profit / (loss) for the year		**(0.0)**	**2.1**

PARENT COMPANY – STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December Amounts in SEK M	2016	2015
Net profit / (loss) for the year	**(0.0)**	**2.1**
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss	–	–
Items that may subsequently reclassified to profit or loss	–	–
Total other comprehensive income for the year, net of tax	**–**	**–**
Total comprehensive income for the year	**(0.0)**	**2.1**

PARENT COMPANY – BALANCE SHEET

As at 31 December Amounts in SEK M	Notes	2016	2015
ASSETS			
Non-current assets			
Shares in other group companies	21	5.6	5.6
Receivables from other group companies	20	273.6	312.9
Other non-current assets		0.1	–
Total non-current assets		**279.3**	**318.5**
Current assets			
Receivables from other group companies	20	156.4	204.9
Prepaid expenses and accrued income		42.7	36.2
Cash and cash equivalents	16	18.8	28.0
Total current assets		**217.9**	**269.1**
TOTAL ASSETS		**497.2**	**587.6**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	17	0.5	0.5
Retained earnings including net earnings for the year		2.4	2.4
Total shareholders' equity		**2.9**	**2.9**
Non-current liabilities			
Bond loan	18	278.9	277.0
Total non-current liabilities		**278.9**	**277.0**
Current liabilities			
Accounts payable	19	0.7	5.4
Bond loan	18, 19	–	24.7
Payables to other group companies	20	194.6	254.3
Accrued expenses and deferred income	19	20.1	23.3
Total current liabilities		**215.4**	**307.7**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**497.2**	**587.6**

PARENT COMPANY – CASH FLOW STATEMENT

For the year ended 31 December Amounts in SEK M	2016	2015
Cash flow from operating activities		
Operating profit	4.2	1.1
Other items not affecting cash	9.3	1.1
Interest paid	(34.9)	(50.6)
Interest received	29.6	45.7
Cash flow from operating activities before working capital changes	**8.2**	**(2.7)**
Working capital adjustments		
(Increase) / decrease in other receivables	81.2	197.5
Increase / (decrease) in accounts payable	(4.7)	0.0
Increase / (decrease) in other current liabilities	(62.9)	1.9
Net cash flow from operating activities	**21.8**	**196.7**
Cash flow from investing activities		
Loans to group companies	–	(191.0)
Net cash flow received / (used) in investing activities	**–**	**(191.0)**
Cash flow from financing activities		
Repayment of loans	(31.0)	–
Net cash flow received / (used) in financing activities	**(31.0)**	**–**
Cash flow for the year	**(9.2)**	**5.7**
Cash and cash equivalents less bank overdrafts at beginning of the year	28.0	22.3
Cash and cash equivalents less bank overdrafts at end of the year	**18.8**	**28.0**

PARENT COMPANY – STATEMENT OF CHANGES IN EQUITY

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

At 31 December 2016 and at 31 December 2015 the number of outstanding shares in DDM Treasury Sweden AB amounts to 500,000 shares, with a quota of 1 per share.

NOTE 1. GENERAL INFORMATION

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

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

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

Also refer to note 2.3 – Segment reporting.

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

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

On March 30, 2017, the Board of Directors approved the financial statements for publication.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 – Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as in accordance with RFR 1 *Supplementary Accounting Principles for Groups* and the Annual Accounts Act. DDM Treasury Group has evaluated the differences between the IFRS as adopted by the EU and the IFRS approved by the IASB with influence on the DDM group's financial statements, and concluded that there are no material differences.

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

The most important accounting policies applied in these consolidated financial statements are presented below.

The preparation of financial statements in conjunction with IFRS requires the application of certain important estimates for accounting purposes. Furthermore, it is required that management undertakes a number of assessments as regards to the application of the Group's accounting policies. Areas involving a high degree of assessment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are referred to in note 4.

The accounts of the Parent Company have been prepared in accordance with RFR 2 *Accounting for Legal Entities* and the Annual Accounts Act. The instances in which the Parent Company applies accounting principles differing from those of the Group are provided separately at the end of this section on accounting principles.

Accounting standards and amendments issued but not yet adopted in 2016

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

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

(i) IFRS 15 Revenue from contracts with customers
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer, replacing the existing notion of risks and rewards. Effective date: 1 January 2018.
DDM Treasury Group expects there to be no impact on its financial statements, as revenue on invested assets is the result of the application of the amortized cost method.

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

NOTE 2. SUMMARY OF SIGNIFICANT… continued

DDM Treasury Group expects there to be no impact on its financial statements as it has only short-term and low-values leases, and can therefore apply the optional exemption.

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

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

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

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

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

2.2 – Consolidated accounts

Subsidiaries
Subsidiaries are all entities over which the group has control. The group controls an entity when the group 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. They are deconsolidated from the date that control ceases.

The following entities are included in the scope of consolidation:

Entities included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2016	31 Dec 2015
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 X AG	Fully consolidated	Switzerland	(100%)	(100%)
DDM Invest XX AG	Fully consolidated	Switzerland	(100%)	(100%)

Associates
Associates are all entities over which the DDM Treasury Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method. The carrying amount (including goodwill) of equity accounted investments is tested for impairment in accordance with the policy described in note 2.

NOTE 2. SUMMARY OF SIGNIFICANT… continued

Entities not included in the scope of consolidation	Corporate identity number	Consolidation method	Domicile	31 Dec 2016	31 Dec 2015
Profinance doo Beograd	20298928	Equity accounted	Serbia	(49.67%)	(49.67%)

The purchase method is used for the reporting of the Group's business combinations. The purchase price for the acquisition of a subsidiary consists of the fair value of the transferred assets, liabilities and the shares issued by the Group. The purchase price also includes the fair value of any assets or liabilities, arising as a result of an agreement on a conditional purchase price. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at acquisition date. For each acquisition, the Group determines whether any non-controlling influence in the acquired company is reported at fair value or whether the acquisition is reported as the proportionate share of the holding in the acquired company's net assets.

The amount by which the purchase price, any non-controlling influence and the fair value at acquisition date of the previous shareholding exceeds the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the amount is less than the fair value of the acquired assets, in the event of so-called "bargain purchase", the difference is reported directly in the income statement.

Transactions with shareholders without any controlling influence
The Group applies the principle of recording transactions with shareholders without controlling influence as transactions with the Group's shareholders. In the case of acquisitions from shareholders without controlling influence, the difference between the paid purchase price and the actual acquired share of the book value of the subsidiary's net assets is recorded in equity. Gains and losses on disposals to shareholders without controlling influence are also recorded in equity.

Common control
The acquisition of DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG and DDM Invest X AG by DDM Treasury Sweden AB in 2015 was a transaction under common control and did not meet the definition of 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.

In DDM Treasury Sweden's consolidated financial statements the assets and liabilities of 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 were incorporated at their pre-combination carrying amounts without any fair value uplift or goodwill recorded. The consolidated financial statements for 2016 include 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's full year results. The consolidated financial statements for 2015 include DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG and DDM Invest X AG's results from 23 June 2015 and DDM Invest XX AG's full year results.

2.3 – Segment reporting
The one operating segment in the DDM Treasury Group is reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, is identified as the Chief Executive Officer of DDM Group that makes strategic decisions. Although the DDM Treasury Group is active in several geographical markets all financial information is reported on investment-level, irrespective of geographical origin. The DDM Treasury Group reports one segment, consistent with the DDM Group policy.

2.4 – Foreign currency translation
Functional and presentation currency
Items included in the financial statements of each of DDM Treasury Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Swedish krona (SEK), which is the Parent Company's functional and presentation currency.

Transactions and balances
Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates on each balance sheet date, are reported in the income statement.

Foreign exchange gains and losses referring to loans and borrowings are reported in net financial income / expense.

Group companies
The results and financial position of all of the DDM Treasury entities (none of which has the currency of a hyperinflationary economy) having a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate as at the date of the balance sheet in question;
(b) income and expenses for each income statement are translated at the average exchange rate (unless this average rate does not represent a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

NOTE 2.* SUMMARY OF SIGNIFICANT… *continued

(c) all exchange rate differences are reported as a separate component of Other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of that foreign entity and are translated at the closing rate. Exchange differences arising are recognized in Other comprehensive income.

2.5 – Financial assets and liabilities

Classification

The DDM Treasury Group classifies its financial assets and liabilities in the following categories: loans and receivables and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired.

(a) Loans and receivables

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

(b) Other financial liabilities

The borrowings of the DDM Treasury Group (including borrowings from credit institutions and other long-term borrowings) and accounts payable are classified as other financial liabilities and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Recognition and measurement

Purchases and sales of financial assets and liabilities are reported on the trade date which is the date on which the DDM Treasury Group commits to purchase or sell the asset or liability. Financial assets and liabilities are initially reported at fair value plus transaction costs. Financial assets are de-recognized when the right to receive cash flows from the investments has expired or has been transferred and the DDM Treasury Group has transferred, substantially, all risks and rewards of ownership. Financial liabilities are de-recognized in the balance sheet when the commitment in the agreement has been fulfilled or otherwise extinguished.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are reported at amortized cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. All financial assets and liabilities are presented as gross amounts in the DDM Treasury Group and the Parent Company's financials, and therefore offsetting of financial assets and liabilities has not been disclosed.

Impairment of financial assets

DDM Treasury Group assesses, at the end of each reporting period, whether there is objective evidence that there is a need for impairment of a financial asset or group of financial assets. A need for impairment of a financial asset or group of financial assets exists as a consequence of one or more events occurring after the initial reporting of the asset and of this event having an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

(c) Accounts receivable

Accounts receivable are reported initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties on behalf of the debtor, the probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indications that the account receivable is impaired. The amount of the provision is the difference between the asset's book value and the present value of estimated future cash flows, discounted at the original effective interest rate. Both losses regarding accounts receivable and recoveries of accounts receivable previously written off are reported in the line 'Revenue on invested assets' in the income statement. The book value of accounts receivable, after any impairment, is presumed to correspond to their fair value, as this item is of a short-term nature.

NOTE 2. SUMMARY OF SIGNIFICANT… continued

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

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

The following investments are treated in this manner:

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

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

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. DDM Treasury Group recalculates the carrying amount by computing the present value of estimated future cash flows using the original effective interest rate. Changes in cash flow forecasts are treated symmetrically i.e. both increases and decreases in forecast cash flows affect the portfolios' book value and as a result "Revenue on invested assets". If there is objective evidence that one or more events have taken place that will have a positive impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows then this is recorded within the line "Revaluation of invested assets".

The DDM Treasury Group assesses at each reporting date whether there is objective evidence that a portfolio is impaired. A portfolio 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 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).

For further information on the Group's distressed asset portfolios and other long-term receivables from investments, see also notes 10 and 11.

(e) Cash and cash equivalents
Cash and cash equivalents include cash in hand, cash deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are reported as borrowings among current liabilities.

NOTE 2. SUMMARY OF SIGNIFICANT… continued

(f) Accounts payable
Accounts payable are reported initially at fair value and subsequently measured at amortized cost using the effective interest method. The book value of an accounts payable is expected to correspond with the fair value of the account payable, as this item is of a short-term nature.

(g) Borrowings
Borrowings from credit institutions and other long-term payables are initially reported at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is reported in the income statement over the period of the borrowings, using the effective interest method.

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

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

(h) Impairment
Goodwill is reviewed for impairment annually or at any time if an indication of impairment exists. The recoverable amount is an asset's fair value less costs to sell or its value in use (being the present value of the expected future cash flows of the relevant asset), whichever is higher.

2.6 – Share capital
Ordinary shares are classified as equity. Transaction costs directly attributable to the issuance of new shares are reported in equity as a deduction, net of tax, from the proceeds.

2.7 – Current tax and deferred income tax
The current income tax charge is calculated on the basis of the tax laws enacted, or substantively enacted, at the balance sheet date in the countries in which the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to circumstances in which the applicable tax regulation is subject to interpretation. Management establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the tax authorities.

Deferred income tax is reported, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial reporting of an asset or liability in a transaction other than a business combination that, at the time of the transaction, impacts neither reported or fiscal results. The deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, at the balance sheet date and which are expected to apply when the related deferred income tax asset is realized, or when the deferred income tax liability is settled.

Deferred income tax assets on temporary differences and tax losses carried-forward are reported to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized. The amount of deferred tax assets is reduced when they are utilised or when it is no longer deemed likely that they will be utilised.

2.8 – Provisions
Provisions are reported when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated. No provisions have been recognized for the period. Provisions are not reported for future operating losses.

Provisions are valued at the present value of the expenditures expected to settle the obligation using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the provision. The successive increase in the total amount of the provision incurred, due to the provision continuing to be reported over a long period of time, is reported as an interest expense.

2.9 – Revenue recognition
Interest income on financial instruments such as distressed asset portfolios and other long-term receivables from investments are recognized over the course of maturity according to the effective interest method. DDM Treasury Group reduces the value of a distressed asset to the recoverable amount, which consists of the future expected cash flow discounted with the initially calculated effective interest rate for the financial instrument if an instrument has depreciated in value and continues to dissolve the discounting effect as an interest income. Interest income on impaired instruments are recognized at the initially calculated effective interest rate.

NOTE 2. SUMMARY OF SIGNIFICANT… continued

2.10 – Dividend distribution

Dividend distribution to the Company's shareholders is reported as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

No dividends will be proposed to the 2017 annual general meeting regarding the operations for 2016.

2.11 – Parent Company accounting principles

The accounting principles of the Parent Company are, in all material aspects, consistent with the accounting principles of the Group.

The Parent Company's financial reports have been prepared in accordance with RFR 2 *Reporting for Legal Entities* and the Annual Accounts Act. RFR 2 stipulates exceptions from and supplements to the standards issued by IASB and interpretations thereof issued by IFRIC. The exceptions and supplements are to be applied from the date on which the legal entity applies the standard or statement in question in its consolidated financial statements.

For its financial reporting, the Parent Company applies the design stated in the Annual Accounts Act, implying, among other things, that a different presentation form is applied for equity.

Shares in subsidiaries are reported at accrued acquisition value less any impairment. If there is an indication that shares and participations in subsidiaries have decreased in value, the recoverable amount is calculated. If this amount is lower than the book value, impairment is carried out. Impairment is reported in the item profit/loss from participation in Group companies.

2.12 – Definitions of key ratios

Applied in the "Financial summary" in the administration report

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

Operating margin, %: Operating profit / (loss) as a percentage of revenue on invested assets.

NOTE 3. FINANCIAL RISK MANAGEMENT

The DDM Treasury Group's activities expose it to a variety of financial and non-financial risks: market risks (currency risk and interest rate risk), credit risk, liquidity risk/financing risk and risk relating to the purchase of distressed asset portfolios and other long-term receivables from investments.

Risk management is carried out by DDM Group in accordance with policies established by the Board of Directors. DDM Group identifies and evaluates financial risks in close co-operation with DDM Treasury's CEO and Board of Directors. The Board provides a comprehensive financial policy for risk management, specified into separate sections for the various areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk and financing risk. The Group does not apply so-called hedge accounting in accordance with the regulations in IAS 39.

Market risk

(i) Foreign exchange risk

DDM is an international group with operations in several countries. DDM Treasury's reporting currency is Swedish krona (SEK). This exposes the Group to foreign exchange risk due to fluctuations in foreign exchange rates that may impact DDM Treasury's results and equity. With the aim of reducing such effects, DDM Treasury applies policies to minimize translation of currencies.

Exposure to currency fluctuations is usually specified according to two main categories: translation exposure and transaction exposure.

Translation exposure

The foreign subsidiaries' assets less liabilities comprise a net investment in foreign currency which, at consolidation, gives rise to a translation difference. Such translation differences are included directly in DDM Treasury Group's equity and reported in Reserves. DDM Treasury Group has no hedging of net investments in foreign currency. A similar form of translation exposure is found in the profit or loss arising in the foreign subsidiaries during the year, which, on an on-going basis, impacts equity in the foreign subsidiaries. Similar to the description of net investments in foreign subsidiaries above, no profit or loss arising during the year has been hedged.

Transaction exposure

Transaction exposure refers both to the exposure attributable to commercial flows, that is, sales and purchases across international borders, and the exposure from financial flows.

In terms of currency risk, DDM Treasury Group's operations are characterized by collections and collection costs mainly performed in local currency in the respective countries. DDM Treasury Group does not use any hedging instruments. As part of cash management DDM Treasury Group is striving to maintain cash in the different currencies they are exposed to. See also notes 10, 11 and 15 regarding currencies and foreign exchange risks.

(ii) Cash flow and fair value interest rate risks
As DDM Treasury has no variable interest-bearing assets or liabilities, its income and operating cash flows are predominantly independent of any changes in market interest rates. DDM Treasury's interest rate risk primarily arises from long-term borrowings. Borrowings issued at fixed rates expose DDM Treasury to fair value interest rate risk.

Credit risk
Credit risk is the risk that the counterparty in a financial transaction will not fulfil its obligations on the maturity date. Credit risk is managed by DDM Group and arises from cash and cash equivalents, and deposits with banks and financial institutions.

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

Liquidity risk / Financing risk
The aim of the capital structure is to secure DDM Treasury Group's ability to continue its operations, in order to continue generating returns to its shareholders and to provide benefit for other stakeholders, and to maintain an optimal capital structure, minimizing the cost of capital.

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

Group SEK M	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 5 years**
At 31 December 2016				
Borrowings	39.0	357.9	7.7	–
Trade and other payables	5.2	–	–	–
Total	**44.2**	**357.9**	**7.7**	–

Parent Company SEK M	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 5 years**
At 31 December 2016				
Borrowings	39.0	357.9	7.7	–
Trade and other payables	0.7	–	–	–
Total	**39.7**	**357.9**	**7.7**	**–**

Group SEK M	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 5 years**
At 31 December 2015				
Borrowings	87.5	37.4	340.7	–
Trade and other payables	45.5	–	–	–
Total	**133.0**	**37.4**	**340.7**	**–**

Parent Company SEK M	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 5 years**
At 31 December 2015				
Borrowings	87.5	37.4	340.7	–
Trade and other payables	5.4	–	–	–
Total	**92.9**	**37.4**	**340.7**	**–**

Financial instruments by category
Fair value is equal to carrying value of financial instruments.

Group SEK M	Loans and receivables
At 31 December 2016	
Assets as per balance sheet	
Interests in associates	5.5
Distressed asset portfolios and other long-term receivables from investments	257.4
Deferred tax assets	11.8
Other non-current assets	12.7
Trade and other receivables	101.1
Prepaid expenses and accrued income	0.4
Cash and cash equivalents	58.4
Total	**447.3**

Group SEK M	Other financial liabilities
At 31 December 2016	
Liabilities as per balance sheet	
Bond loan	278.9
Deferred tax liabilities	2.2
Payables to related parties	32.5
Trade and other payables	5.2
Accrued expenses and deferred income	22.8
Total	**341.6**

Group SEK M	Loans and receivables
At 31 December 2015	
Assets as per balance sheet	
Interests in associates	5.5
Distressed asset portfolios and other long-term receivables from investments	357.2
Trade and other receivables	76.8
Prepaid expenses and accrued income	3.0
Cash and cash equivalents	29.9
Total	**472.4**

Group SEK M	Other financial liabilities
At 31 December 2015	
Liabilities as per balance sheet	
Bond loans	301.7
Payables to related parties	–
Trade and other payables	45.5
Accrued expenses and deferred income	27.6
Total	**374.8**

Fair values
DDM Treasury Group considers there to be no material differences between the financial asset values in the consolidated balance sheet and their fair value. Invested assets are classified as loan receivables and recognized at amortized cost according to the effective interest rate method. The Group determines the carrying value by calculating the present value of estimated future cash flows at the invested assets' original effective interest rate. Adjustments are recognized in the income statement. In the Group's opinion, the market's yield requirements in the form of effective interest rates on new invested assets have remained fairly constant, despite turbulence in global financial markets in recent years. With this valuation method, the carrying value is the best estimate of the fair value of invested assets. Please note that the table below is only intended to illustrate how the use of fair value could be presented. DDM reports their loans at amortized cost and the table below should only be considered from an illustrative perspective.

Group SEK M	IAS 39 category	Fair value category	31 Dec 2016	31 Dec 2015
Assets	**Fair value and carrying value of financial instruments**			
Accounts receivable	Loans and receivables at amortized cost	Level 2	14.0	38.0
Other non-current assets	Loans and receivables at amortized cost	Level 2	12.7	–
Distressed asset portfolios	Loans and receivables at amortized cost	Level 3	161.2	204.5
Other long-term receivables from investments	Loans and receivables at amortized cost	Level 3	96.2	152.7
Liabilities	**Fair value and carrying value of financial instruments**			
Accounts payable	Financial liabilities at amortized cost	Level 2	5.1	39.0
Other payables	Financial liabilities at amortized cost	Level 2	22.8	34.1
Short-term bond loan	Financial liabilities at amortized cost	Level 2	–	24.7
Long-term bond loan	Financial liabilities at amortized cost	Level 2	278.9	277.0

The levels in the hierarchy are:
Level 1 – Quoted prices on active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within level 1, that are observable for the asset or liability either directly (such as prices) or indirectly (such as derived from prices).
Level 3 – Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs). The appropriate level is determined based on the lowest level of input that is essential for valuation at fair value. The valuation technique for invested assets, as well as valuation sensitivity for changes in material data are described in the accounting principles and in note 4.

Management of capital risk
Similar to other companies in the industry, DDM assesses its capital requirements on the basis of its equity/total assets ratio. For the purpose of calculating compliance with the covenant of the SEK 300M senior bond, this ratio is calculated as adjusted equity divided by total assets. Adjusted equity includes subordinated debt (defined in IAS 32 as an instrument without a contractual obligation to deliver cash or other assets) and retained earnings.

SEK M	31 December 2016	31 December 2015
Total assets	**447.3**	**472.4**
Equity	**105.7**	**97.6**
Subordinated loan 1)	**-**	**30.7**
Adjusted equity	**105.7**	**128.3**
Adjusted equity / total assets ratio	**24%**	**27%**

1) Subordinated loan in 2015 consisted of an external subordinated loan, SEK 30.7M according to the Bond agreement. This was fully repaid on its maturity date of 30 September 2016.

NOTE 4. CRITICAL ESTIMATES AND ASSUMPTIONS IN APPLYING THE GROUP'S ACCOUNTING PRINCIPLES

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events deemed to be reasonable under the circumstances. Furthermore, the decision to amend a cash flow projection is preceded by a discussion between operations and company management. All changes in cash flow projections are ultimately decided on by the CEO and Board of Directors. Please also refer to our website for additional information on risk factors affecting DDM Treasury Group.

Critical accounting estimates and judgements
The Group undertakes estimates and assumptions concerning future developments. The resulting accounting estimates will, by definition, seldom equal actual results.

The estimates and assumptions entailing a significant risk of a material adjustment to the book values of assets and liabilities within the next financial year are outlined as follows:

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

If the fair value of the investment at the acquisition date exceeds the purchase price, as in some cases DDM owns the economic benefit of net collections from the cut-off date, the difference results in a "gain on bargain purchase" in the income statement within the line "net collections". The gain on bargain purchase relates to the fair value measurement of the investment (purchase price allocation). This results in a benefit to cash flows, as the economic benefit is offset against the cash purchase price.

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

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

DDM recognised the acquisition of the shares of Lombard Pénzügyi és Lízing Zrt., being the sole shareholder of Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft in its financial statements for the year ended 31 December 2015 as the transaction was deemed as virtually closed in 2015. The approval by the National Bank of Hungary (NBH) was the last step in the acquisition process and was deemed to be virtually certain due to a number of factors. The Lombard acquisition was settled as expected. See note 2 for details of the accounting treatment for other long-term receivables from investments.

See notes 10 and 11 for the carrying value of distressed asset portfolios and other long-term receivables from investments.

NOTE 5. RECONCILIATION OF REVENUE ON INVESTED ASSETS

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

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

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

Revenue on invested assets by country

SEK M	2016	2015
Hungary	117.1	122.0
Czech Republic	53.0	18.9
Romania	48.5	57.1
Russia	3.0	9.4
Slovakia	1.4	0.8
Slovenia	1.1	18.6
Poland	(1.0)	1.8
Net collections	**223.1**	**228.6**
Amortization of invested assets	(144.8)	(57.8)
Interest income on invested assets before revaluation and impairment	**78.3**	**170.8**
Revaluation of invested assets	26.8	(41.4)
Impairment of invested assets	(34.5)	-
Revenue on invested assets	**70.6**	**129.3**

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

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

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

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

Impairment of invested assets by country

SEK M	2016	2015
Russia	(26.0)	-
Poland	(7.2)	-
Slovakia	(0.8)	-
Romania	(0.5)	-
Czech Republic	-	-
Hungary	-	-
Slovenia	-	-
Impairment of invested assets	**(34.5)**	-

NOTE 6. PERSONNEL EXPENSES

The Parent Company and its subsidiaries had no employees in 2016 (2015: one employee). Personnel expenses were SEK 0.0M (2015: SEK 0.5M).

Gender distribution of board members and other senior executives
The Board of Directors consists of three members, whereof three men. The DDM Treasury Group has one managing director, whereof one man.

NOTE 7. CONSULTING EXPENSES

Group SEK M	2016	2015
Consultancy fees	1.1	2.6
PwC		
Audit assignments	1.2	0.4
Other audit related assignments	–	–
Tax assignments	0.2	–
Other consultancy assignments	–	–
DDM Group management fees	30.6	21.9
Total	**33.1**	**24.9**

Parent Company SEK M	2016	2015
Consultancy fees	0.5	3.6
Öhrlings PwC		
Audit assignments	0.6	0.4
Other audit related assignments	–	–
Tax assignments	0.2	–
Other consultancy assignments	–	–
Total	**1.3**	**4.0**

Audit assignment refers to the examination of the annual financial statements and accounting records, as well as the administration of the Board of Directors and the Managing Director. Other audit related assignments include tasks whose execution is the responsibility of the Company's auditors, as well as the provision of advisory services or other assistance resulting from observations made during such assignments. All else comprises tax assignments or other consultancy assignments.

NOTE 8. NET FINANCIAL EXPENSES

Group SEK M	2016	2015
Financial income		
Other financial income	–	0.3
Exchange gains / (losses)	6.5	–
Total financial income	**6.5**	**0.3**
Financial expenses		
Interest expense	(43.3)	(45.7)
Other financial expenses	(8.6)	(5.2)
Exchange gains / (losses)	–	(17.0)
Total financial expenses	**(51.9)**	**(67.9)**
Net financial expenses	**(45.4)**	**(67.6)**

Parent SEK M	2016	2015
Financial income		
Interest income from other group companies	44.5	45.7
Exchange gains / (losses)	0.3	–
Total financial income	**44.8**	**45.7**
Financial expenses		
Interest expense	(41.3)	(45.7)
Other financial expenses	(7.5)	(4.9)
Exchange gains / (losses)	(0.2)	–
Total financial expenses	**(49.0)**	**(50.6)**
Net financial expenses	**(4.2)**	**(4.9)**

NOTE 9. INCOME TAX

Group SEK M	2016	2015
Current tax on profit for the year	6.0	0.2
Total tax income / (expense)	**6.0**	**0.2**

Parent Company SEK M	2016	2015
Current tax on profit / (loss) for the year	(0.0)	0.0
Total tax income / (expense)	**(0.0)**	**0.0**

The differences between tax income / (expense) and an estimated tax income / (expense) based on current tax rates are as follows:

Group SEK M	2016	2015
Profit / (loss) before tax	(8.9)	35.8
Income tax calculated in accordance with the Group's current tax rate	–	(3.6)
Current tax on profit for the year	(3.6)	0.2
Deferred income tax asset recognized relating to tax losses carried forward	11.8	3.6
Effects of foreign tax rates	(2.2)	0.0
Total tax income / (expense)	**6.0**	**0.2**

Parent Company SEK M	2016	2015
Profit / (loss) before tax	0.0	2.1
Income tax calculated at current tax rate (22%)	(0.0)	(0.4)
Non-taxable income	0.0	0.0
Tax losses for which no deferred income tax asset was recognized	–	0.4
Total tax income / (expense)	**(0.0)**	**0.0**
Weighted average tax rate in the group is	10.0%	0.0%

Based on the performance of the Group, management resolved in 2016 to utilize net operating losses carried forward (an element of deferred tax assets) in the amount of SEK 11.8M. The tax effect of losses carried forward is only considered when, based on future budget, it is probable that these could be of use in the near future. A history of losses is a factor in the valuation of losses carried forward. Other than these cases, losses carried forward have been valued to the extent that deferred tax liabilities can also be offset against losses.

NOTE 10. DISTRESSED ASSET PORTFOLIOS

SEK M	31 December 2016	31 December 2015
Opening accumulated acquisition cost	**345.5**	**311.6**
Acquisitions	42.5	71.7
Disposals	(23.0)	(37.8)
Revaluation, including foreign exchange differences	34.5	–
Closing accumulated acquisition cost	**399.5**	**345.5**
Opening accumulated amortization and impairment	**(141.0)**	**(83.2)**
Amortization, including foreign exchange differences	(67.4)	(54.7)
Impairment	(26.6)	–
Reversal of impairment losses	–	–
Disposals	(3.3)	(3.1)
Closing accumulated amortization and impairment	**(238.3)**	**(141.0)**
Closing net book value	**161.2**	**204.5**

We divested a portfolio in Poland in the fourth quarter of 2015 that was not meeting our investment return requirements. In the third quarter of 2016 we disposed of a further portfolio in Poland in order to invest the funds in a beneficial alternative for investors, resulting in a loss on disposal of SEK 7.2M.

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

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.

During 2016 and 2015, the Group has not reclassified any of its financial non-current assets, which have been valued at amortized cost, to assets valued at fair value.

The DDM Treasury Group invests in portfolios that are denominated in local currencies as well as portfolios denominated in EUR and USD. Therefore, fluctuations in the SEK exchange rate against these currencies affect collections from distressed asset portfolios and other long-term receivables from investments and operating earnings of the DDM Treasury Group.

Net collections are distributed by currency as follows:

SEK M	2016	2015
CZK	53.0	18.9
EUR	26.7	51.4
RON	24.2	25.9
RUB	3.0	9.4
Other (PLN, USD, CHF)	(0.9)	1.0
Total	**106.0**	**106.6**

In terms of balance sheet positions denominated in foreign currencies that are then recalculated in SEK, the carrying values of distressed asset portfolios owned by the DDM Treasury Group are distributed as follows:

SEK M	31 December 2016	31 December 2015
CZK	60.6	29.5
EUR	57.4	73.6
RON	31.9	41.5
RUB	11.3	33.4
CHF	–	13.8
PLN	–	12.3
USD	–	0.4
Total	**161.2**	**204.5**

An appreciation of Swedish krona of 10 percent as at 31 December 2016 against the Czech koruna would have resulted in an additional unrealized foreign exchange loss of SEK 6.1M and against the euro by SEK 5.7M. Consequently, a depreciation of the Swedish krona of 10 percent at 31 December 2016 would have resulted in an additional unrealized foreign exchange gain of the same amount.

NOTE 11. OTHER LONG-TERM RECEIVABLES FROM INVESTMENTS

SEK M	31 December 2016	31 December 2015
Opening accumulated acquisition cost	**152.7**	**–**
Acquisitions	–	152.7
Revaluations, including foreign exchange differences	29.3	–
Closing accumulated acquisition cost	**182.0**	**152.7**
Opening accumulated amortization and impairment	**–**	**–**
Amortization, including foreign exchange differences	(85.8)	–
Impairment	–	–
Reversal of impairment losses	–	–
Disposals	–	–
Closing accumulated amortization and impairment	**(85.8)**	**–**
Closing net book value	**96.2**	**152.7**

In the fourth quarter of 2015, DDM Group AG acquired 100% of the shares in Lombard Pénzügyi és Lízing Zrt. and its subsidiaries Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft (together “Lombard”), a Hungarian leasing company (see note 2). The fair value of 100% of the equity of Lombard is immaterial, with the economic substance of the investment being the underlying portfolios of loans, which the DDM Treasury Group owns together with a global investment manager as a co-investor. As a result, the underlying assets which represent other long-term receivables from investments are recognized in the financial statements. The fair value of the loans are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, adjusted for revaluation and impairment.

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

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.

During 2016 and 2015, the Group has not reclassified any of its financial non-current assets, which have been valued at amortized cost, to assets valued at fair value.

The DDM Treasury Group invests in portfolios that are denominated in local currencies as well as portfolios denominated in EUR and USD. Therefore, fluctuations in the SEK exchange rate against these currencies affect collections from distressed asset portfolios and other long-term receivables from investments and operating earnings of the DDM Treasury Group.

Net collections are distributed by currency as follows:

SEK M	2016	2015
HUF	117.1	122.0
Total	**117.1**	**122.0**

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

SEK M	31 December 2016	31 December 2015
HUF	96.2	152.7
Total	**96.2**	**152.7**

An appreciation of Swedish krona of 10 percent as at 31 December 2016 against the Hungarian forint would have resulted in an additional unrealized foreign exchange loss of SEK 9.6M. Consequently, a depreciation of the Swedish krona of 10 percent at 31 December 2016 would have resulted in an additional unrealized foreign exchange gain of the same amount.

NOTE 12. INTERESTS IN ASSOCIATES

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

Interests in associates are as follows:

Name of entity	Corporate identity number	Domicile	% of ownership interest 2016	2015	Nature of relationship
Profinance doo Beograd	20298928	Serbia	49.67%	49.67%	Associate

Name of entity	Measurement method	Carrying amount 2016	2015
Profinance doo Beograd	Equity method	SEK 5.5M	SEK 5.5M

Summarized financial information for associates

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

NOTE 13. DEFERRED TAX

DTA - Group SEK M	Opening balance	Income statement (charge) / credit	Closing balance
2016			
Tax losses carried forward	–	11.8	**11.8**
Total	**–**	**11.8**	**11.8**
2015			
Tax losses carried forward	–	–	**–**
Total	**–**	**–**	**–**

DTL - Group SEK M	Opening balance	Income statement (charge) / credit	Closing balance
2016			
Distressed asset portfolios	–	(2.2)	**(2.2)**
Total	**–**	**(2.2)**	**(2.2)**
2015			
Distressed asset portfolios	–	–	**–**
Total	**–**	**–**	**–**

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

NOTE 14. OTHER NON-CURRENT ASSETS

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

Other non-current assets by currency:

Group SEK M	31 December 2016	31 December 2015
HUF	12.6	–
SEK	0.1	–
Total	**12.7**	**–**

NOTE 15. ACCOUNTS RECEIVABLE

Group SEK M	31 December 2016	31 December 2015
Accounts receivable	14.0	38.0
Less: provision for impairment of accounts receivable	–	–
Accounts receivable – net	**14.0**	**38.0**

Accounts receivable by currency:

Group SEK M	31 December 2016	31 December 2015
HUF	4.8	–
RON	3.0	2.3
CZK	2.8	1.5
EUR	2.3	2.3
RUB	1.0	0.8
PLN	–	31.0
USD	0.1	0.1
Total	**14.0**	**38.0**

The fair values of the Group's accounts receivable correspond to the book values.

NOTE 16. CASH AND CASH EQUIVALENTS

Group SEK M	31 December 2016	31 December 2015
Cash and cash equivalents	58.4	29.9
Total	**58.4**	**29.9**

Parent Company SEK M	31 December 2016	31 December 2015
Cash and cash equivalents	18.8	28.0
Total	**18.8**	**28.0**

On 31 December 2015, DDM Group AG was granted a loan of SEK 12,500,000 at 7% interest with a maturity date of 31 December 2016. At 31 December 2015 this cash was deposited in a bank account held by DDM Treasury Sweden AB. This loan amount was transferred to a pledged bank account held by DDM Group AG shortly after the year-end and was used for new investments. This was repaid by DDM Group AG during the second quarter of 2016.

At 31 December 2016 and at 31 December 2015, the majority of the DDM Treasury Group's bank accounts were held with banks with credit ratings ranging from AA- to A as rated by Standard and Poor's.

NOTE 17. SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

The 500,000 shares have a quota of 1 per share. Each share entitles the holder to one vote. All registered shares as per the reporting date are fully paid.

The subordinated loan is extended from DDM Group to DDM Treasury Sweden AB and has been recognized as equity in accordance with IAS 32 as the loan lacks obligation of repayment on behalf of DDM Treasury Sweden AB. The loan is also free of interest payment obligations.

NOTE 18. BORROWINGS

DDM Treasury Group's borrowings mature in 2018. See note 3 for a description of contractual undiscounted cash flows.

Bond loan SEK 300M
A bond loan was issued in June 2013, totaling SEK 300,000,000 at 13% interest with a maturity date of 26 June 2016 by DDM Treasury Sweden AB.

On 18 May 2015, DDM Treasury initiated a written procedure to allow the noteholders to vote on a restatement and certain amendments to the existing terms and conditions for the SEK 300M bond loan at 13% interest. The Written Procedure was closed on 11 June 2015 and the Notes Exchange became effective on 23 June 2015. DDM Treasury made an additional cash payment of 4% on the effective date to the noteholders. In connection with the notes exchange DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG and DDM Invest X AG were transferred to the direct ownership of DDM Treasury and pledged as security.

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

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

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

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

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

DDM Treasury Sweden AB complied with all bond covenants for the years ending 31 December 2016 and 31 December 2015.

Long-term liabilities

Group SEK M	31 December 2016	31 December 2015
Bond loan	278.9	277.0
Total	**278.9**	**277.0**

Maturities of long-term borrowings

Group SEK M	31 December 2016	31 December 2015
Between 1 and 2 years	278.9	–
Between 2 and 3 years	–	277.0
Between 3 and 4 years	–	–
Between 4 and 5 years	–	–
Total	**278.9**	**277.0**

Long-term liabilities

Parent Company SEK M	31 December 2016	31 December 2015
Bond loan	278.9	277.0
Total	**278.9**	**277.0**

Maturities of long-term borrowings

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

NOTE 19. CURRENT LIABILITIES

Group SEK M	Less than 3 months	More than 3 months	Total
At 31 December 2016			
Bond loan	–	–	–
Accounts payable	2.8	2.3	**5.1**
Other liabilities	–	0.1	**0.1**
Accrued expenses and deferred income	2.5	20.3	**22.8**
Total	**5.3**	**22.7**	**28.0**
At 31 December 2015			
Bond loan	–	24.7	**24.7**
Accounts payable	39.0	–	**39.0**
Other liabilities	6.5	–	**6.5**
Accrued expenses and deferred income	23.3	4.3	**27.6**
Total	**68.8**	**29.0**	**97.8**

Parent Company SEK M	Less than 3 months	More than 3 months	Total
At 31 December 2016			
Accounts payable	0.7	–	**0.7**
Accrued expenses and deferred income	19.0	1.1	**20.1**
Total	**19.7**	**1.1**	**20.8**
At 31 December 2015			
Bond loan	–	24.7	**24.7**
Accounts payable	5.4	–	**5.4**
Accrued expenses and deferred income	23.3	–	**23.3**
Total	**28.7**	**24.7**	**53.4**

NOTE 20. TRANSACTIONS WITH RELATED PARTIES

Compensation to related parties

Group SEK M	Management fee	Interest expense	Total
2016			
DDM Group AG	(30.6)	(2.9)	**(33.5)**
Total	**(30.6)**	**(2.9)**	**(33.5)**

Receivables, payables and debts – related parties

Group SEK M	Current	Non-current	Total
at 31 December 2016			
Subordinated loan DDM Group AG	–	(124.2)	**(124.2)**
Receivables from DDM Group AG	87.1	–	**87.1**
Payables to DDM Group AG	(27.1)	–	**(27.1)**
Payables to DDM Holding AG	(0.4)	–	**(0.4)**
Senior secured bond 13% held by DDM Group AG	(5.0)	–	**(5.0)**
Accrued interest on senior secured bond 13% held by DDM Group AG	(0.3)	–	**(0.3)**
Total	**54.3**	**(124.2)**	**(69.9)**

Compensation from / (to) related parties

Parent Company SEK M	Management fee	Other fee	Total
2016			
Interest income from DDM Invest XX AG	–	44.5	**44.5**
Interest expense on senior secured bond 13% and junior bond 18% held by DDM Group AG	–	(1.1)	**(1.1)**
Management fee income from DDM Invest XX AG	5.7	–	**5.7**
Total	**5.7**	**43.4**	**49.1**

Receivables, payables and debts – related parties

Parent Company SEK M	Current	Non-current	Total
at 31 December 2016			
Receivables from DDM Group AG	58.9	–	58.9
Receivables from DDM Invest I AG	7.4	–	7.4
Receivables from DDM Invest II AG	3.6	–	3.6
Receivables from DDM Invest III AG	17.4	–	17.4
Receivables from DDM Invest IV AG	4.1	–	4.1
Receivables from DDM Invest X AG	65.0	–	65.0
Loan provided to DDM Invest XX AG	–	273.6	273.6
Accrued interest on loan to DDM Invest XX AG	42.6	–	42.6
Payables to DDM Group AG	(189.2)	–	(189.2)
Senior secured bond 13% held by DDM Group AG	(5.0)	–	(5.0)
Accrued interest on senior secured bond 13% held by DDM Group AG	(0.3)	–	(0.3)
Payables to DDM Holding AG	(0.4)	–	(0.4)
Total	**4.3**	**273.6**	**277.9**

NOTE 20. TRANSACTIONS WITH RELATED PARTIES… continued

Compensation to related parties

Group SEK M	Management fee	Other fee	Total
2015			
DDM Group AG	(21.9)	–	**(21.9)**
Accta Accounting & Tax AG	–	1.1	**1.1**
Total	**(21.9)**	**1.1**	**(20.8)**

Receivables, payables and debts – related parties

Group SEK M	Current	Non-current	Total
at 31 December 2015			
Subordinated loan DDM Group AG	–	(124.2)	**(124.2)**
Loan from DDM Group AG	(0.8)	–	**(0.8)**
Receivables from DDM Group AG	39.6	–	**39.6**
Total	**38.8**	**(124.2)**	**(85.4)**

Compensation from related parties

Parent Company SEK M	Management fee	Other fee	Total
2015			
Interest income from DDM Invest XX AG	–	45.7	**45.7**
Management fee income from DDM Invest XX AG	5.7	–	**5.7**
Anticipated dividend income from DDM Invest XX AG	–	5.9	**5.9**
Total	**5.7**	**51.6**	**57.3**

Receivables, payables and debts – related parties

Parent Company SEK M	Current	Non-current	Total
at 31 December 2015			
Receivables from DDM Group AG	43.3	312.9	**356.2**
Receivables from DDM Invest I AG	29.5	–	**29.5**
Receivables from DDM Invest II AG	4.7	–	**4.7**
Receivables from DDM Invest III AG	25.2	–	**25.2**
Receivables from DDM Invest IV AG	2.9	–	**2.9**
Receivables from DDM Invest X AG	12.5	–	**12.5**
Receivables from DDM Invest XX AG	86.8	–	**86.8**
Payables to DDM Group AG	(26.9)	–	**(26.9)**
Payables to DDM Invest III AG	(1.7)	–	**(1.7)**
Payables to DDM Invest X AG	(85.7)	–	**(85.7)**
Payables to DDM Invest XX AG	(140.0)	–	**(140.0)**
Total	**(49.4)**	**312.9**	**263.5**

The Company has defined the Company's management, the Board of Directors in the Parent Company, the owners of DDM Treasury Sweden AB (publ) and all subsidiaries included in the Group as related parties. The accounting firm a&o accta ortag AG (formerly named Accta Accounting & Tax AG) has an owner that is represented on the board of DDM Treasury and its subsidiaries, and is therefore defined as a related party.

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. No interest is calculated on the current intercompany receivables / payables within the DDM Treasury group.

NOTE 21. PARTICIPATIONS IN GROUP COMPANIES

Parent Company SEK M	31 December 2016	31 December 2015
Investment	5.6	5.6
Total	**5.6**	**5.6**

Parent Company SEK M	Investment
At 1 January 2015	**0.7**
Acquisitions	**4.9**
At 31 December 2015	**5.6**
At 1 January 2016	**5.6**
Acquisitions	–
At 31 December 2016	**5.6**

The Parent Company holds shares in the following subsidiaries:

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

NOTE 22. PROPOSED APPROPRIATION OF EARNINGS

The Parent Company's distributable funds are at the disposal of the Board of Directors as follows:

SEK	2016
Retained earnings	2,423,639
Net earnings for the year	(983)
Total	**2,422,656**

The Board of Directors propose that the earnings be distributed as follows:

SEK	2016
Balance carried forward	2,422,656
Total	**2,422,656**

NOTE 23. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Since 23 June 2015 the Parent Company has pledged the shares in the 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 as security for the Company's senior bonds under the bond agreement. In addition, DDM Group AG has pledged the shares in DDM Treasury Sweden AB.

The Parent Company's pledged collateral in the form of shares held in the subsidiaries amounts to SEK 5.6M (2015: SEK 5.6M). Neither the DDM Treasury Group nor the Parent Company has any other pledged assets, contingent liabilities or other items to report.

NOTE 24. EVENTS AFTER THE BALANCE SHEET DATE

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

DDM Treasury Sweden AB has also sold its subsidiaries holding the portfolios to DDM Debt AB, allowing the SEK 300M 13% senior secured bonds to be fully redeemed in February 2017.

Reconciliation tables, non-IFRS measures

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

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

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

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

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

Operating expenses and Cash EBITDA:

For the year ended 31 December Amounts in SEK M	2016	2015
Net collections	223.1	228.6
Personnel expenses	–	(0.5)
Consulting expenses	(33.1)	(24.9)
Other operating expenses	(1.0)	(0.5)
Operating expenses	(34.1)	(25.9)
Cash EBITDA	189.0	202.7

Net debt:

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

SIGNATURES

The Group's income statement and balance sheet will be presented for adoption at the Annual General Meeting on 31 May 2017.

The information in this Annual Report is mandatory for DDM Treasury Sweden AB (publ) to publish in accordance with the EU Market Abuse Regulation and the Securities Markets Act.

This information was submitted to the market for publication on 31 March 2017.

The Board of Directors and Chief Executive Officer certify that the Annual Report gives a true and fair view of the Parent Company's and Group's operations, financial position and results of operations and describes the material risks and uncertainty factors facing the Parent Company and the companies included in the Group.

Stockholm, 30 March 2017

Kent Hansson
Chairman of the board

Fredrik Waker
Board member

Manuel Vogel
Board member

Torgny Hellström
Board member

Gustav Hultgren
CEO

Our Audit Report deviates from the standard format and was presented on 30 March 2017

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant

AUDITOR’S REPORT (translation)

To the general meeting of the shareholders of DDM Treasury Sweden AB (publ), corporate identity number 556910-3053.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of DDM Treasury AB (publ) for year 2016. The annual accounts and consolidated accounts of the company are included on pages 5-41 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

DDM Treasury AB’s purpose is to finance the DDM Group subsidiaries by issuing bonds in the Swedish market. DDM Group is an international group that invests in and manages distressed asset portfolios in the Eastern European market. We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

We designed our audit by determining the materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective assumptions and considering future events that are inherently uncertain. The area that are inherently uncertain as such is as critical accounting estimates in the valuation of purchased distressed asset portfolios, which have been made based on assumptions and projections about future events. Such forecasts are by nature always uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

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

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

Key audit matters

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

Key audit matter	***How our audit addressed the Key audit matter***
Valuation of Distressed asset portfolios and Other long-term receivables from investments. *We refer to the Management Administration Report and the Summary of significant accounting policies note 2, Critical estimates and assumptions in applying the Group's accounting principles note 4, Distressed asset portfolios note 10 and Other long-term receivables from investments note 11.* As DDM is a multinational investor and manager of distressed assets, the Invested assets are the most significant position in the financial statements. The Invested assets also represents the ability of the company to generate cash flows and further profits in the coming periods. The Invested assets is considered as a key audit matter due to the size of the balance (76% of the total assets) as well as considerable judgement with respect to the assumptions about the future cash flow forecasts. DDM had invested in distressed asset portfolios, where the receivables are directly from the debtor and in other long-term receivables from investments, where the receivables are from local entities holding the portfolio of the loan (together "Invested assets"). The valuation of these Invested assets is based on the expected future cash flow. The collection process is outsourced to local collection agencies, selected by DDM and suitable for collection of a particular market. The Revenue on invested assets represents the economical profit of the Invested assets for the period, applying the amortized cost method, including also the reassessment of future cash flows. We focussed on this area due to the size of the balances and the fact that there is judgement involved in assessing the expected future cash flows.	Our audit approach included, among others, an assessment of the company's assumptions and sample testing for the valuation of the distressed asset portfolios. This includes mainly the following procedures: • We checked the initial recognition by reviewing the contractual basis for the initial measurement. We obtained supporting documents from the due diligence process and challenged the management assumptions of the expected future cash flows. • We considered the appropriateness of the estimates and assumptions management uses in the valuation models. This includes checking the expected future cash flows and internal rate of return (IRR) used in the model with the initially approved figures. We also challenged the reasonableness of the assumptions made by the management with market data and industry available data. • We evaluated the back-testing to validate that the cause of observed deviations of actual collections from previous forecasts are understood by management, and that forecasts have been appropriately revised in consideration of new knowledge. • We performed an independent assessment of the reasonableness of the ending valuation and of the decay curve of forecasted cash flows based on the experience and data available for similar transactions and portfolios. With focus on collection and revenue on invested assets, we performed the following procedures: • We tested substantively a sample of collection occurred to validate that collection are correctly recognised. • We performed testing of the IT environment. We focused on IT general controls, especially for the asset management system Fusion. We also tested the application controls within the system Fusion for the acceptance protocols with the collection agencies. (ITGC and application controls). Valuations that are based on management estimates and assumptions are inherently uncertain. Based on our audit of the invested assets is our assessment that the assumptions used are in the acceptable range of valuation. We have as a result of our audit not reported any significant findings to the Audit Committee.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-4. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of DDM Treasury AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Observation

Without effect on our audit opinion, we would like to draw to your attention that on several occasions tax payments have been made in arrears. These incidents have not attributed any significant harm besides interest in arrears.

Stockholm 30 March 2017

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant

DDM TREASURY SWEDEN AB (publ)

A MULTINATIONAL INVESTOR
AND MANAGER OF
DISTRESSED ASSETS

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