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DDM DEBT AB (publ)

Corporate Identity Number 559053-6230

ANNUAL REPORT

2017

MULTINATIONAL INVESTOR
AND MANAGER OF DISTRESSED ASSETS

The DDM Debt AB 2017 Annual Report

DDM Debt AB (publ) ("DDM Debt" or the "Company") is a Swedish Company headquartered in Stockholm. Corporate registration number 559053-6230. DDM Debt and its subsidiaries are together referred to as ("the DDM Debt Group" or "the Group").

Values are expressed in euro (EUR), thousands of euros as EUR k and millions of euros as EUR M. Unless otherwise stated, figures in parentheses relate to the preceding financial year, 2016.

Data on markets and competitors are DDM Debt's own estimates, unless another source is specified. This report may contain forward-looking statements that are based on the current expectations of DDM Debt'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 Debt's annual and interim reports are available in English from the Company's website >>.

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

Production: DDM Debt.

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This is DDM Debt

Specialist in an expanding sector

DDM Debt AB ("DDM" or the "Company") was founded in 2016 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 Southern, 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 Southern, 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 5–50M. 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 thorough due diligence and quantitative models linked to a reference database and considers criteria such as jurisdiction, claim size, borrower age, previous payment history, vendor type and collaterals and other securities (if applicable). The DDM Group's database covers current and historical information at an individual and transactional level.

Since 2007 the DDM Group has acquired 2.3 million receivables with a nominal value of over EUR 3.5BN.

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 generally increase as receivables become older and more difficult to collect.

STATEMENT BY THE CEO

Significant increase in portfolio value and substantial financing raised

Kent Hansson,
CEO of DDM Debt

The DDM Debt Group achieved several milestones in 2017. We concluded a number of sizeable and important transactions, of which our entry into the Greek market was the most prominent. We also successfully attracted substantial external debt financing at a significantly lower cost. DDM Debt acquired DDM Treasury Sweden AB's subsidiaries in February.

Our achievements in 2017 have demonstrated that we have the right resources and people in place to achieve our goals. Our expertise and the trust that the DDM Debt Group enjoys in the market enables us to secure and manage large and complex transactions.

Investing activities

In 2017 the DDM Debt Group continued to deliver on its investment strategy across Southern, Central and Eastern Europe. This summer, the DDM Debt Group made its largest investment to date when we entered the Greek market, our first investment in Southern Europe. We invested EUR 50M in Greek non-performing loans (NPLs), significantly increasing our distressed asset portfolio value. The underlying Greek portfolio consists of both secured and unsecured loans to private individuals and companies, and has a nominal value of EUR 1.3 billion in receivables.

"Recent transactions significantly increased our portfolio value. We concluded a number of sizeable and important transactions and successfully attracted capital at a significantly lower cost"

The deal underpinned the DDM Debt Group's capabilities to deliver sizeable and complex transactions and gave us a first-mover advantage, since it was one of the first NPL transactions in Greece. This also opened doors to participating in the restructuring of the Greek banking system, which constitutes one of Europe's largest market for NPLs.

In order to rebalance the composition of our portfolio, we chose to bring in Ellington Capital Management as a new partner in the fourth quarter of 2017, reducing DDM Debt's investment by about EUR 15M. With this transaction, our investment in Greece amounts to about 34% of the DDM Debt Group's overall book value of distressed asset portfolios.

Over the year we also displayed flexibility and the ability to analyze new markets when we entered Croatia and Serbia, both new markets for the DDM Debt Group. In total we acquired three portfolios of distressed assets in these markets, and invested EUR 31M. In addition to investments in new markets, we also acquired several portfolios in our existing markets of the Czech Republic and Slovenia in the year.

In total the DDM Debt Group invested around EUR 78M in 2017, net of the transaction with a partner in Greece, in addition to the acquisition of DDM Treasury Sweden AB's subsidiaries holding the NPL portfolios on 17 February.

Financing activities

A number of significant financing activities took place during the year to diversify and lower our cost of funding, and support continued strong growth. DDM Debt successfully issued EUR 50M of senior secured bonds in January under a framework totaling EUR 85M. The bonds have a final maturity date in January 2020, a 9.5% coupon rate and are listed on the Corporate Bond list at Nasdaq Stockholm. Part of the proceeds were used to refinance existing debt within the DDM Group, including the redemption of the remaining outstanding nominal amount under the EUR 11M bond issued in 2016 by DDM Debt.

DDM Debt also used part of the proceeds to acquire DDM Treasury Sweden AB's subsidiaries holding the NPL portfolios on 17 February, allowing DDM Treasury Sweden to redeem its SEK 300M bond loan.

In April DDM Debt successfully completed a EUR 35M tap issue under the EUR 85M senior secured bond framework. The bond tap issue was placed at a price of 101.5%, representing a yield to maturity of c. 9%. At the end of September DDM Debt successfully secured a super senior revolving credit facility of EUR 17M.

In November DDM Debt's parent company, DDM Finance AB, raised EUR 10M of senior secured notes in a bridge financing transaction and provided a shareholder loan to DDM Debt AB, which qualifies as equity under DDM Debt's senior secured bond terms. This enabled DDM Debt to issue EUR 50M of senior secured bonds at 8% in December to support continued strong growth.

We are very pleased with the continued support and interest that the Group received in 2017 from investors across the whole of the Nordic region. Funding of the business will continue to be a focus area going forward to further improve flexibility, decrease the cost of capital and support our rapid growth. We expect the cost of funding to decrease further as we continue to grow and diversify the business and deliver in line with our strategy.

Earnings 2017

For the full year 2017, net collections increased significantly to EUR 34.9M compared to EUR 9.7M in 2016, due to the substantial investments made in 2017. Cash EBITDA, that is, net collections less operating expenses, amounted to EUR 28.7M compared to EUR 8.7M in 2016. Cash EBITDA is an important measure for the DDM Debt Group as this measures the cash available for servicing debt and guides the potential for growth based on current funding. At 31 December 2017 we had a significant cash balance of EUR 57.7M compared to EUR 3.7M in 2016, with a very strong pipeline for future investments in 2018.

Market outlook

We are convinced that the trend will continue in which banks and financial institutions around Europe need to improve their balance sheets, through disposing of their non-performing assets, driven by regulatory, accounting and market pressures. In this environment, we believe that there will continue to be plenty of good business opportunities for the DDM Debt Group. We will continue to focus on our markets in SEE and CEE where we have strong market knowledge and relationships, to deliver sizeable and profitable growth in 2018.

Administration Report

The Board of Directors and the CEO of DDM Debt AB (publ) hereby submit the annual report and consolidated financial statements for the 2017 financial year.

Information regarding the operations
DDM Debt AB (publ) (corporate identity number 559053-6230) is domiciled in Stockholm, Sweden and is a limited liability company that conducts operations in accordance with the Swedish Companies Act. The Company was registered on 3 March 2016, and changed from a private limited liability company to a public limited liability company on 26 May 2016.

DDM Debt is a wholly owned subsidiary of DDM Finance AB, Stockholm, Sweden, being a wholly owned subsidiary of DDM Group AG, Baar, Switzerland. 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.

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

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

Facts and figures – The DDM Debt Group 2017
Consolidated revenue on invested assets during the year amounted to EUR 17,610k (2016: EUR 6,881k). Net collections during the year were EUR 34,859k (2016: EUR 9,666k), due to the significant acquisitions during the year, in addition to the continued strong performance of the Slovenian portfolio. Operating profit amounted to EUR 11,411k (2016: EUR 5,965k).

Profit before tax for the year amounted to EUR 2,327k (2016: EUR 4,699k) and net profit for the year was EUR 1,373k (2016: EUR 4,216k).

Significant events during the financial year
DDM Debt successfully issued EUR 50M of senior secured bonds in January 2017 under a framework totaling EUR 85M. The bonds have a final maturity date in January 2020 and a 9.5% coupon rate, which is significantly lower than our previous financing cost. This was an important step in improving the capital structure. The bonds are listed on the Corporate Bond list at Nasdaq Stockholm. Part of the proceeds were used to refinance existing debt within the DDM Group, including the redemption of the remaining outstanding nominal amount under the EUR 11M bond issued in 2016. DDM Debt also used part of the proceeds to acquire DDM Treasury Sweden AB's subsidiaries holding the NPL portfolios on 17 February, allowing DDM Treasury Sweden to redeem its SEK 300M bond loan. In April 2017, DDM Debt successfully completed a EUR 35M tap issue under the EUR 85M senior secured bond framework. The bond tap issue was placed at a price of 101.5%, representing a yield to maturity of c. 9%.

Following significant due diligence work the DDM Debt Group entered Croatia with the acquisition of two portfolios totaling c. EUR 28M at the end of June. In early August the DDM Debt Group entered Greece, investing EUR 50M. In order to rebalance the composition of the DDM Debt Group's portfolio, we chose to bring in Ellington Capital Management as a new partner in the fourth quarter of 2017, reducing DDM Debt's investment by about EUR 15M. These acquisitions also diversified our portfolio of investments in line with our strategy, by increasing our exposure to the corporate receivables segment.

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

In November DDM Debt's parent company, DDM Finance AB, raised EUR 10M of senior secured notes in a bridge financing transaction and provided a shareholder loan to DDM Debt AB, which qualifies as equity under DDM Debt's senior secured bond terms.

In December, DDM Debt issued EUR 50M of senior secured bonds at 8% within a total framework amount of EUR 160M. The bonds have a final maturity date in December 2020 and are listed on the Corporate Bond list at Nasdaq Stockholm. The net proceeds are for acquiring additional debt portfolios.

DDM Debt also entered Serbia in December, acquiring a distressed asset portfolio containing secured and unsecured SME receivables for approximately EUR 2M.

Geographical regions

The operational and investment activities of the DDM Debt 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 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 Debt Group collects the receivables in cooperation with local debt collection agencies. As such, revenue on invested assets represents 100% of the consolidated income.

In 2017, the cash purchase price of investments in distressed asset portfolios and other long-term receivables from investments, net of the transaction with the partner in Greece, amounted to EUR 77,229k, excluding the purchase price for the acquisition of DDM Treasury Sweden AB’s subsidiaries holding the NPL portfolios on 17 February, (2016: EUR 16,878k).

Expenses

Operating expenses consisted primarily of costs relating to management fees to DDM Group AG, audit, legal and accounting services, salary costs and office rent expense.

Net financial expenses

In 2017 net financial expenses were EUR 9,084k (2016: EUR 1,265k).

Cash flow and investments

Cash flow from operating activities before working capital changes for the full year amounted to EUR 22,022k (2016: EUR 7,433k).

Research and Development

DDM Debt is not engaged in any research and development activities.

Financing

Please refer to the “Significant events during the financial year” section for details regarding the new financing agreements during the year.

At 31 December 2017 net debt, consisting of the EUR 85M and EUR 50M senior secured bonds and interest-bearing intercompany loans (excluding subordinated debt), less cash and cash equivalents, amounted to EUR 74,469k. Shareholders’ equity according to the terms and conditions of the senior secured bonds amounted to EUR 34,849k.

At 31 December 2016 net debt, consisting of the senior secured bonds issued during 2016 and interest-bearing intercompany loans (excluding subordinated debt), less cash and cash equivalents, amounted to EUR 9,963k. Shareholders’ equity amounted to EUR 4,270k.

Non-financial earnings indicators

DDM Debt's role in society

The Company offers a platform for economic growth by giving 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.

Market outlook

We are convinced that the trend will continue in which banks and financial institutions around Europe need to improve their balance sheets through disposing of their non-performing assets, driven by regulatory, accounting and market pressures. In this environment, we believe that there will continue to be plenty of good business opportunities for the DDM Debt Group. We will continue to focus on our markets in SEE and CEE where we have strong market knowledge and relationships, to deliver sizeable and profitable growth in 2018.

Board work

According to DDM Debt'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 five 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 VII AG, DDM Invest X AG, DDM Invest XX AG, DDM Invest VII d.o.o. and DDM Debt Management d.o.o Beograd, and providing funding for the subsidiaries' investments into distressed asset portfolios and other long-term receivables from investments through the issuance of financial instruments. The funding is provided by intercompany loans.

The Parent Company reported revenue of EUR 0k for the year (2016: EUR 0k), income from participation in Group companies of EUR 2,500k (2016: EUR 150k) and a profit before tax of 2,565k (2016: 98k).

The Parent Company had one employee (male) in 2017 (2016: 0 employees).

Events after the balance sheet date
Kent Hansson, founder of the DDM Group and member of the Board of Directors was appointed as CEO.

DDM Debt AB extended its super senior revolving credit facility of EUR 17 million with a Swedish bank for a further six months until 28 September 2018.

On 21 March 2018 the DDM Debt Group entered into an agreement to acquire a sizeable distressed asset portfolio containing secured corporate receivables in the Balkans from a leading bank in the region. The gross collection value of the portfolio amounts to approximately EUR 240 million. About 90% of the portfolio value is located in Slovenia and Croatia, however this acquisition also includes receivables in Bosnia & Herzegovina and Montenegro, among others, further expanding DDM's presence in Southern, Central and Eastern Europe.

Financial summary

Key figures, EUR '000s (unless otherwise indicated)	**2017**	**2016**
Revenue on invested assets	17,610	6,881
Operating profit	11,411	5,965
Operating margin, %	64.8	86.7
Cash flow from operating activities before working capital changes	22,022	7,433
Equity ratio (including subordinated debt), %	19.7	20.9

Risk management and financial risks
Risk management is handled by employees and management of the DDM Group who report to the Board on the basis of the policy adopted by the Board. The DDM Group identifies, evaluates and mitigates financial risks relating to the operating activities of the DDM Debt Group. 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 rate risk, credit risk, liquidity risk, invested assets risk and financing risk.

The DDM Debt Group defines risk as all factors which could have a negative impact on the ability of the Group 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. The DDM Debt Group's risk management is conducted by employees and management of the 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 the DDM Debt Group's future development but is by no means comprehensive. For further details regarding potential risk factors impacting the DDM Debt Group, please refer to the senior secured bonds prospectuses, which are available on our website.

Economic fluctuations
The debt collection industry is negatively affected by a weakened economy. However, the 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, the DDM Group continuously monitors the regulatory efforts to be able to indicate potentially negative effects and to work for favorable regulatory changes. Changes to the regulatory or political environments in which the DDM Debt Group operates, a failure to comply with applicable laws, regulations, licenses and codes of practice or failure of any employees to comply with internal policies and procedures may negatively affect the DDM Debt Group's business.

Market risks
DDM Debt's financing and financial risks are managed by the 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 the DDM Debt Group invests, revenue and collection costs 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. For further information regarding currency exposure, see notes 13, 14 and 17.

Interest rate risks relate primarily to DDM Debt's interest-bearing debt, which in 2017 consisted of long-term senior secured bonds and a super senior revolving credit facility. Borrowings issued at fixed rates expose DDM Debt to fair value interest rate risk.

Liquidity risk
The DDM Debt Group has deposited its liquid assets with established financial institutions where the risk of loss is considered remote. The DDM Debt Group's cash and cash equivalents consist solely of bank balances. The 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 the 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 are either collected directly on the DDM Debt Group's bank accounts, or are paid in to client fund accounts held by the respective debt collection agencies to separate the DDM Debt Group's funds from the general funds of the agency. In the second instance 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 the DDM Debt 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 5–50M. Sellers are primarily financial institutions, typically international banks with presence in several countries in Southern, 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 primarily acquired portfolios of unsecured assets, and primarily consumer receivables. However since 2015 significant portfolio acquisitions have been made containing secured assets in addition to corporate receivables.

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 Debt Group retains the entire amount it collects, including interest and fees, after deducting costs directly relating to the collection of the debt. The 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, the 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 based on thorough due diligence and with the aid of statistical analysis, as well as suggesting the actions needed to achieve optimal returns. The 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, the 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
DDM Debt's financial instruments contain a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds and the revolving credit facility are: an equity ratio of at least 15.00%, net interest bearing debt to cash EBITDA below 4:1, and net interest bearing debt to ERC below 75.00%. DDM Debt's management carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded. DDM Debt AB complied with all bond covenants for the years ending 31 December 2017 and 31 December 2016. The terms and conditions are available in their entirety on our website.

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

The Board's committees

The overall responsibility of the Board of Directors cannot be delegated, however the Board may, within itself, set up committees which prepare, follow up on and evaluate issues within their respective spheres ahead of decisions by the Board. The Board set up an audit committee in January 2017.

Audit Committee

The audit committee prepares a number of issues for consideration by the Board and thereby supports the Board in its endeavors to fulfil its responsibilities within the areas of auditing and internal control and with assuring the quality of DDM Debt's financial reporting. The audit committee meets on a regular basis. The audit committee comprised Fredrik Waker (Chair), Manuel Vogel and Torgny Hellström. The committee's meetings are also attended by DDM's CFO. The committee held two meetings in 2017. Special attention was paid in 2017 to the auditors' reviews, internal controls, the acquisitions in the year and financing.

The audit committee works on the basis of a set of "Instructions for the audit committee" adopted every year by the Board of Directors and reports back to the Board on the results of its work.

Corporate Governance Report

DDM Debt 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 Debt had one employee as of 31 December 2017 (2016: 0 employees), while the DDM Debt Group had seven employees (2016: two employees). All other staff involved in the activities of DDM Debt are employed by DDM Group AG and are based in Baar, Switzerland. DDM Group AG charges the DDM Debt Group 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:

EUR	2017
Retained earnings	97,582
Received capital contribution	2,559,499
Net earnings for the year	2,550,828
Total	**5,207,909**

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

EUR	2017
Balance carried forward	5,207,909
Total	**5,207,909**

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

GROUP
CONSOLIDATED INCOME STATEMENT

Amounts in EUR '000s	Notes	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016
Revenue on invested assets	5	**17,610**	**6,881**
Personnel expenses	6	(122)	(3)
Consulting expenses	7	(5,843)	(907)
Other operating expenses	8	(234)	(6)
Depreciation of tangible assets		–	–
Operating profit		**11,411**	**5,965**
Financial income	9	191	–
Financial expenses	9	(9,914)	(1,265)
Unrealized exchange profit	9	1,023	–
Realized exchange loss	9	(384)	–
Net financial expenses		**(9,084)**	**(1,265)**
Profit before income tax		**2,327**	**4,699**
Tax expense	10	(954)	(483)
Net profit for the period		**1,373**	**4,216**
Net profit for the period attributable to:			
Owners of the Parent Company		**1,373**	**4,216**
Earnings per share, EUR		**25.43**	**78.07**

GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in EUR '000s	Notes	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016
Net profit for the period		**1,373**	**4,216**
Other comprehensive income for the period			
Items that will not be reclassified to profit or loss		–	–
Items that may subsequently be reclassified to profit or loss:			
Acquisition of subsidiaries under common control of DDM Holding AG	24	(1,481)	–
Other comprehensive income for the period, net of tax		**(1,481)**	**–**
Total comprehensive income for the period		**(108)**	**4,216**
Total comprehensive income for the period attributable to:			
Owners of the Parent Company		**(108)**	**4,216**

GROUP
CONSOLIDATED BALANCE SHEET

As at 31 December Amounts in EUR '000s	Notes	2017	2016
ASSETS			
Non-current assets			
Tangible assets	11	7	–
Interests in associates	12	600	–
Distressed asset portfolios	13	105,547	15,600
Other long-term receivables from investments	14	4,963	–
Loans to other group companies	23	2,000	–
Accrued interest from other group companies	23	191	–
Deferred tax assets	15	837	–
Other non-current assets	16	116	1
Total non-current assets		**114,261**	**15,601**
Current assets			
Accounts receivable	17	4,994	200
Other receivables	17	18	842
Prepaid expenses and accrued income	17	197	5
Cash and cash equivalents	18	57,697	3,739
Total current assets		**62,906**	**4,787**
TOTAL ASSETS		**177,167**	**20,388**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	19	54	54
Retained earnings including net profit for the period		6,667	4,216
Total shareholders' equity attributable to Parent Company's shareholders		**6,721**	**4,270**
Non-current liabilities			
Bond loan	20, 21	132,166	–
Payables to other group companies	23	2,075	1,006
Loans from other group companies	23	–	7,518
Loans from other group companies, subordinated	23	18,128	–
Deferred tax liabilities	15	490	–
Total non-current liabilities		**152,859**	**8,524**
Current liabilities			
Accounts payable	22	298	65
Bond loan	20, 21, 22	–	6,184
Tax liabilities	22	745	–
Accrued interest	22, 23	3,992	413
Accrued expenses and deferred income	22	2,552	932
Loans from other group companies, subordinated	22, 23	10,000	–
Total current liabilities		**17,587**	**7,594**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**177,167**	**20,388**

GROUP
CONSOLIDATED CASH FLOW STATEMENT

Amounts in EUR '000s	Notes	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016
Cash flow from operating activities			
Operating profit		11,411	5,965
Adjustments for non-cash items:			
Amortization of invested assets	*13, 14*	*17,489*	*2,785*
Revaluation and impairment of invested assets	*13, 14*	*(240)*	–
Depreciation of tangible assets	*11*	–	–
Other items not affecting cash	*4*	*(2,649)*	*(991)*
Interest paid		(3,964)	(325)
Interest received		–	–
Tax paid		(25)	–
Cash flow from operating activities before working capital changes		**22,022**	**7,433**
Working capital adjustments			
(Increase) / decrease in accounts receivable		(2,398)	(200)
(Increase) / decrease in other receivables		(164)	(849)
Increase / (decrease) in accounts payable		(12)	65
Increase / (decrease) in other current liabilities		2,017	932
Net cash flow from operating activities		**21,465**	**7,382**
Cash flow from investing activities			
Purchases of distressed asset portfolios and other long-term receivables from investments	13, 14	(90,799)	(16,878)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	13, 14	13,570	–
Purchases of subsidiaries		(33,309)	–
Purchases of tangible assets	11	(7)	–
Net cash flow received / (used) in investing activities		**(110,545)**	**(16,878)**
Cash flow from financing activities			
Proceeds from issuance of ordinary shares		–	54
Proceeds from issuance of loans	20, 21	148,212	10,453
Proceeds from loans from group companies	23	19,500	7,264
Repayment of loans	20, 21	(23,465)	(4,535)
Loans to other group companies	23	(2,000)	–
Net cash flow received / (used) in financing activities		**142,247**	**13,236**
Cash flow for the period		**53,167**	**3,739**
Cash and cash equivalents less bank overdrafts at beginning of the period		**3,739**	**–**
Effects from the acquisition of other group companies		910	–
Foreign exchange gains / (losses) on cash and cash equivalents		(119)	–
Cash and cash equivalents less bank overdrafts at end of the period	18	**57,697**	**3,739**

GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in EUR '000s	Share capital	Retained earnings incl. net profit for the period	Total equity
Balance at 3 March 2016	**6**	**–**	**6**
Comprehensive income			
Net profit for the period	–	4,216	4,216
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income	**–**	**4,216**	**4,216**
Transactions with owners			
New issue of shares through down payment	48	–	48
Total transactions with owners	**48**	**–**	**48**
Balance at 31 December 2016	**54**	**4,216**	**4,270**
Balance at 1 January 2017	**54**	**4,216**	**4,270**
Comprehensive income			
Net profit for the year	–	1,373	**1,373**
Other comprehensive income			
Acquisition of subsidiaries under common control of DDM Holding AG	–	(1,481)	**(1,481)**
Total comprehensive income	**–**	**(108)**	**(108)**
Transactions with owners			
Received capital contribution	–	2,559	**2,559**
Total transactions with owners	**–**	**2,559**	**2,559**
Balance at 31 December 2017	**54**	**6,667**	**6,721**

PARENT COMPANY – INCOME STATEMENT

Amounts in EUR '000s	**Notes**	**1 Jan – 31 Dec 2017**	**3 Mar – 31 Dec 2016**
Revenue		–	–
Personnel expenses	6	(7)	–
Consulting expenses	7	(65)	(61)
Other operating expenses	8	(83)	–
Operating loss		**(155)**	**(61)**
Income from participation in Group companies	23	2,500	150
Financial income	9, 23	7,728	529
Financial expenses	9, 23	(7,496)	(520)
Unrealized exchange loss	9	(44)	–
Realized exchange profit	9	32	–
Net financial income		**220**	**159**
Profit before income tax		**2,565**	**98**
Tax expense	10	(14)	–
Net profit for the period		**2,551**	**98**

PARENT COMPANY – STATEMENT OF COMPREHENSIVE INCOME

Amounts in EUR '000s	**1 Jan – 31 Dec 2017**	**3 Mar – 31 Dec 2016**
Net profit for the period	**2,551**	**98**
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss	–	–
Items that may subsequently be reclassified to profit or loss	–	–
Total other comprehensive income for the period, net of tax	**–**	**–**
Total comprehensive income for the period	**2,551**	**98**

PARENT COMPANY – BALANCE SHEET

As at 31 December Amounts in EUR '000s	Notes	2017	2016
ASSETS			
Non-current assets			
Participations in other group companies	24	9,284	98
Loans to other group companies	23	98,809	–
Accrued interest from other group companies	23	191	–
Other non-current assets		5	–
Total non-current assets		**108,289**	**98**
Current assets			
Receivables from other group companies	23	3,197	416
Loans to other group companies	23	–	3,217
Prepaid expenses and accrued interest income	23	3,762	222
Cash and cash equivalents	18	48,753	2,816
Total current assets		**55,712**	**6,671**
TOTAL ASSETS		**164,001**	**6,769**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	19	54	54
Retained earnings including net profit for the period	25	5,208	98
Total shareholders' equity		**5,262**	**152**
Non-current liabilities			
Bond loan	20	132,166	–
Payables to other group companies	23	5,482	101
Loans from other group companies	23	7,000	–
Total non-current liabilities		**144,648**	**101**
Current liabilities			
Accounts payable	22	7	83
Bond loan	20, 21, 22	–	6,184
Payables to other group companies	22, 23	91	56
Tax liabilities	22	14	–
Accrued interest	22	3,828	194
Accrued expenses and deferred income	22	151	–
Loans from other group companies, subordinated	22, 23	10,000	–
Total current liabilities		**14,091**	**6,516**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**164,001**	**6,769**

PARENT COMPANY – CASH FLOW STATEMENT

Amounts in EUR '000s	Notes	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016
Cash flow from operating activities			
Operating loss		(155)	(61)
Other items not affecting cash		84	(77)
Interest paid		(3,672)	(325)
Interest received		334	313
Cash flow from operating activities before working capital changes		**(3,409)**	**(150)**
Working capital adjustments			
(Increase) / decrease in other receivables		–	(222)
Increase / (decrease) in accounts payable		(76)	83
Increase / (decrease) in other current liabilities		186	351
Net cash flow from operating activities		**(3,299)**	**62**
Cash flow from investing activities			
Loans to group companies		(64,760)	(10,529)
Repayment of loans to group companies		7,558	7,312
Purchases of subsidiaries		(33,309)	–
Net cash flow received / (used) in investing activities		**(90,511)**	**(3,217)**
Cash flow from financing activities			
Proceeds from issuance of ordinary shares		–	54
Proceeds from issuance of loans	20, 21	148,212	10,453
Proceeds from loans from group companies	23	17,000	
Repayment of loans	20, 21	(23,465)	(4,535)
Loans to other group companies	23	(2,000)	–
Net cash flow received / (used) in financing activities		**139,747**	**5,972**
Cash flow for the period		**45,937**	**2,817**
Cash and cash equivalents less bank overdrafts at beginning of the period		**2,816**	**–**
Foreign exchange gains / (losses) on cash and cash equivalents		–	–
Cash and cash equivalents less bank overdrafts at end of the period		**48,753**	**2,816**

PARENT COMPANY – STATEMENT OF CHANGES IN EQUITY

Amounts in EUR '000s	**Share capital**	**Retained earnings incl. net profit for the period**	**Total equity**
Balance at 3 March 2016	**6**	**–**	**6**
Comprehensive income			
Net profit for the period	–	98	98
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income	**–**	**98**	**98**
Transactions with owners			
New issue of shares through down payment	48	–	48
Total transactions with owners	**48**	–	**48**
Balance at 31 December 2016	**54**	**98**	**152**
Balance at 1 January 2017	**54**	**98**	**152**
Comprehensive income			
Net profit for the period	–	2,551	**2,551**
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income	**–**	**2,551**	**2,551**
Transactions with owners			
Received capital contribution	–	2,559	**2,559**
Total transactions with owners	**–**	**2,559**	**2,559**
Balance at 31 December 2017	**54**	**5,208**	**5,262**

At 31 December 2017 and 31 December 2016 the number of outstanding shares in DDM Debt AB amounts to 54,000 shares, with a quota of 1 per share.

NOTE 1. GENERAL INFORMATION

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

The Company was registered on 3 March 2016, and changed from a private limited liability company to a public limited liability company on 26 May 2016. DDM Debt is a wholly owned subsidiary of DDM Finance AB, Stockholm, Sweden, being a wholly owned subsidiary of DDM Group AG, Baar, Switzerland. In 2016 DDM Invest VII AG, Switzerland, and DDM Invest VII d.o.o., Slovenia, were wholly owned subsidiaries of DDM Debt. In connection with the bond refinancing in Q1 2017, DDM Debt AB also acquired DDM Treasury Sweden AB's subsidiaries (DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG, DDM Invest X AG and DDM Invest XX AG) holding the NPL portfolios on 17 February 2017. They are wholly owned subsidiaries, therefore this acquisition was not considered as a business combination according to IFRS 3, as the transaction was done in the ordinary course of business among entities which are under common control of DDM Holding AG. A new subsidiary of DDM Debt AB, DDM Debt Management d.o.o Beograd, was incorporated in Serbia on 22 August 2017.

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

The Parent Company, DDM Debt AB (publ) is a limited liability company with registered offices in Stockholm, Sweden and its Swedish Corporate ID No. is 559053-6230. The address of the main office and postal address is Engelbrektsgatan 9-11, 114 32 Stockholm, Sweden.

All amounts are reported in thousands of Euros (EUR k) unless stated otherwise. Rounding differences might occur.

On 28 March 2018, 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. The DDM Debt 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 Debt 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, other long-term receivables from investments and borrowings 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 DDM Debt AB have been prepared in accordance with the Annual Accounts Act (ÅRL 1995:1554) and RFR 2 Accounting for Legal Entities and applicable statements. 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 and adopted in 2017

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

(i) Disclosure initiative – amendments to IAS 7 Statements of Cash Flows

The amendment is to ensure disclosures enable users to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Please see note 21.

Effective date: 1 January 2017.

Accounting standards and amendments not yet adopted in 2017

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 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.

NOTE 2.* SUMMARY OF SIGNIFICANT… *continued

The DDM Debt 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. IFRS 15 is applicable to revenue from management fees, however these are immaterial for the DDM Debt Group, and revenue is already recognized based on the satisfaction of performance obligations.

(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.
The DDM Debt Group is currently assessing the impact on the balance sheet, which is expected to be in line with the commitments note in this annual report.
Effective date: 1 January 2019.

(iii) IFRS 9 'Financial instruments'
IFRS 9 addresses the classification, measurement and de-recognition 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 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 the income statement with the irrevocable option at inception to present changes in fair value in other comprehensive income 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.

The topics under IFRS 9 relating to financial liabilities are for the most part not relevant for the DDM Group. For financial liabilities there are 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. As DDM does not currently measure any financial liabilities at fair value through profit or loss this will not result in any impact for DDM. For the application of hedge accounting 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. As DDM does not currently apply hedge accounting this will not result in any impact for DDM.

DDM has assessed the impact of IFRS 9 on its current accounting treatment for invested assets. The DDM Group's business model is to invest in distressed assets and collect the contractual cash flows. These contractual cash flows represent solely payments of principal and interest (the "SPPI-test"). Even in instances where the Group acquires portfolios containing collateralized assets, DDM's intention is to reach a settlement with debtors rather than liquidating the collateral, and therefore even portfolios of collateralized assets should pass the SPPI-test. Therefore DDM has concluded that IFRS 9's changes to classification and measurement of financial instruments will not have an impact on the recognition and valuation of the invested assets it currently holds, as it will continue to value its invested assets at amortized cost. Going forward, in rare circumstances it might be the case that certain assets will fail the SPPI-test, and investments will therefore have to be assessed on a case by case basis and, if applicable, treated differently.

DDM's interpretation is that the ECL model will not have an impact on its 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. DDM does not currently have any invested assets which are not distressed at initial recognition, and therefore DDM does not expect any impact on the income statement upon initial adoption of IFRS 9. Conversely, the ECL model would also be fully applicable for any invested assets acquired in the future which are not distressed at initial recognition, which could result in the day one fair value not reflecting the lifetime credit losses. The on-going provision for the expected credit losses for the next twelve months would have a potential negative impact on the income statement in future periods. Going forward, DDM will need to assess each new investment on a case by case basis.

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 Debt 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.

*NOTE 2. **SUMMARY OF SIGNIFICANT…** continued*

The following entities are included in the scope of consolidation:

Entities included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2017	31 Dec 2016
DDM Invest I AG	Fully consolidated	Switzerland	(100%)	-
DDM Invest II AG	Fully consolidated	Switzerland	(100%)	-
DDM Invest III AG	Fully consolidated	Switzerland	(100%)	-
DDM Invest IV AG	Fully consolidated	Switzerland	(100%)	-
DDM Invest VII AG	Fully consolidated	Switzerland	(100%)	(100%)
DDM Invest X AG	Fully consolidated	Switzerland	(100%)	-
DDM Invest XX AG	Fully consolidated	Switzerland	(100%)	-
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	(100%)	(100%)
DDM Debt Management d.o.o Beograd	Fully consolidated	Serbia	(100%)	-

Associates

Associates are all entities over which the DDM Debt 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.

Entities not included in the scope of consolidation	Corporate identity number	Consol-idation method	Domicile	31 Dec 2017	31 Dec 2016
Profinance doo Beograd	20298928	Equity accounted	Serbia	(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 records 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, DDM Invest X AG and DDM Invest XX AG by DDM Debt AB in 2017 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 Debt'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 fair value. The consolidated financial statements for 2017 include DDM Invest VII AG and DDM Invest VII d.o.o.'s full year results and 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 results from 17 February 2017. DDM Debt Management d.o.o Beograd is included in the consolidated financial statements from its date of incorporation on 22 August 2017. The consolidated financial statements for 2016 include DDM Invest VII AG and DDM Invest VII d.o.o.'s results for the whole period.

2.3 – Segment reporting

The one operating segment in the DDM Debt 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. The DDM Debt 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 the DDM Debt 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 Euros (EUR), which is the Parent Company's functional and presentation currency.

Group companies

All of the entities in the DDM Debt Group have Euros as their functional currency except for DDM Debt Management d.o.o Beograd which has Serbian Dinar (RSD) as its functional 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 in "net financial expenses".

NOTE 2. SUMMARY OF SIGNIFICANT… continued

The following exchange rates were applied at the balance sheet dates (spot rates) and for the income statement (average rates):

Exchange rates		31 Dec 2017	31 Dec 2016
Balance sheet	EUR/SEK	9.8438	9.5525
Income statement	EUR/SEK	9.6167	9.4250
Balance sheet	EUR/CHF	1.1702	1.0739
Income statement	EUR/CHF	1.1025	1.0907
Balance sheet	EUR/CZK	25.535	27.021
Income statement	EUR/CZK	26.433	27.034
Balance sheet	EUR/HRK	7.4400	n/a
Income statement	EUR/HRK	7.4635	n/a
Balance sheet	EUR/HUF	310.37	309.79
Income statement	EUR/HUF	309.22	311.66
Balance sheet	EUR/RON	4.6585	4.5390
Income statement	EUR/RON	4.5587	4.4897
Balance sheet	EUR/RSD	118.29	n/a
Income statement	EUR/RSD	121.37	n/a

2.5 – Financial assets and liabilities

Classification

The DDM Debt 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. The DDM Debt 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 Debt Group (including borrowings from credit institutions and other long-term borrowings) and accounts payable are classified as other financial liabilities. Accounts payable are reported at fair value. Borrowings are recognized initially at fair value, net of transaction costs incurred 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 Debt 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 Debt 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 Debt Group and the Parent Company's financials, and therefore offsetting of financial assets and liabilities has not been disclosed.

Impairment of financial assets

The DDM Debt 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

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

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

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

The following investments are treated in this manner:

Entity	Domicile	31 Dec 2017	31 Dec 2016
Lombard Pénzügyi és Lízing Zrt.	Hungary	(100%)	-
Lombard Ingatlan Lízing Zrt.	Hungary	(100%)	-
Lombard Bérlet Kft.	Hungary	(100%)	-

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

If the fair value of the investment at the acquisition date exceeds the purchase price, the difference results in a "gain on bargain purchase" in the income statement within the line "net collections". The gain on bargain purchase relates to the fair value measurement of the investment (purchase price allocation). Please see note 4 for further information.

Distressed asset portfolios and other long-term receivables from investments are reported at amortized cost using the effective interest method. The initial effective interest rate is calculated for each portfolio / receivable based on its purchase price including transaction costs and estimated cash flows that, based on a probability assessment, are expected to be received from the debtors of the corresponding portfolio net of collection costs. Current cash flow projections are monitored over the course of the year and updated based on, among other things, achieved collection results and macroeconomic information. If the cash flow projections are revised, the carrying amount is adjusted to reflect actual and revised estimated cash flows. The DDM Debt Group recalculates the carrying amount by computing the present value of estimated future cash flows using the original effective interest rate. Changes in cash flow forecasts are treated symmetrically i.e. both increases and decreases in forecast cash flows affect the portfolios' book value and as a result "Revenue on invested assets". If there is objective evidence that one or more events have taken place that will have a positive impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows then this is recorded within the line "Revaluation of invested assets".

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

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

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

For further information on the Group's distressed asset portfolios and other long-term receivables from investments, see also notes 13 and 14.

NOTE 2. SUMMARY OF SIGNIFICANT… continued

(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.

(f) Accounts payable
Accounts payable are reported at fair value. 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 for long-term borrowings and the straight-line method for borrowings with a total contract length of less than 12 months.

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.

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

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

Furniture	5 years
Computer hardware	5 years

The DDM Debt Group distributes the amount initially recognized for a tangible asset between its significant components and depreciates each component separately. The carrying amount for a replaced component is derecognized when replaced. The residual value method of depreciation and the useful lives of the assets are reviewed annually and adjusted if appropriate.

Tangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units or "CGUs").

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 or CGU as determined by management), whichever is higher.

2.7 – 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.

2.8 – 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 utilized or when it is no longer deemed likely that they will be utilized.

NOTE 2. SUMMARY OF SIGNIFICANT… continued

2.9 – 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.

2.10 – 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. The DDM Debt 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.

2.11 – 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 2018 annual general meeting regarding the operations for 2017.

2.12 – 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.

Participations 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.

2.13 – Definitions of key ratios
Applied in the "Financial summary" in the administration report

Operating margin, %: Operating profit as a percentage of revenue on invested assets.

Equity ratio, %: Equity (including subordinated debt according to the senior secured bond terms and conditions) as a percentage of total assets.

NOTE 3. FINANCIAL RISK MANAGEMENT

The DDM Debt 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, evaluates and mitigates financial risks in close co-operation with DDM Debt'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.

The DDM Group defines risk as all factors which could have a negative impact on the ability of the DDM Debt Group 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. The following summary offers examples of risk factors which are considered to be especially important for the DDM Debt Group's future development, but is by no means comprehensive.

Market risk
(i) Foreign exchange risk
The DDM Debt Group is an international group with operations in several countries. DDM Debt's reporting currency is Euros (EUR). This exposes the DDM Debt Group to foreign exchange risk due to fluctuations in foreign exchange rates that may impact the DDM Debt Group's results and equity. Exposure to currency fluctuations is usually specified according to two main categories: transaction exposure and translation exposure.

Translation exposure
When the balance sheet positions denominated in foreign currencies are recalculated to the DDM Debt Group's functional currency, a translation exposure arises that affects investor value.

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, the DDM Debt Group's operations are characterized by collections and collection costs mainly performed in local currency in the respective countries. The DDM Debt Group does not use any hedging instruments. As part of cash management the DDM Debt Group is striving to maintain cash in the different currencies they are exposed to. See also notes 13, 14 and 17 regarding currencies and foreign exchange risks.

(ii) Cash flow and fair value interest rate risks
As DDM Debt 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 Debt's interest rate risk primarily arises from borrowings. Borrowings issued at fixed rates expose DDM Debt 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.

The credit risk is considered upon the acquisition of a financial asset by assessing the expected return. The DDM Debt Group manages this risk by monitoring the performance of the financial asset throughout its economic life. Cash collections are continually monitored, and the carrying value of the asset is impaired where it is deemed that, based on collections profiles, the asset is underperforming compared to the initial expected return determined at the acquisition date. The financial assets subjected to credit risk are cash and cash equivalents, accounts receivable, distressed asset portfolios and other long-term receivables from investments. Depending on the distressed asset portfolio or other long-term receivables from investments, the loans in the portfolio / receivable may contain underlying assets such as cars and houses as collateral for the loans. However it is always the DDM Debt Group's intention to recover the debt if possible, rather than the collateral. This collateral is considered when determining the recoverability and carrying amount of the portfolio / receivable. Any collateral received during the life of the portfolio is disposed on an on-going basis to limit the amount of collateral held. The maximum credit exposure for each class of financial assets therefore corresponds to the carrying amount, which is shown in the tables to the right:

Group **EUR '000s**	**At 31 December 2017**
Cash and cash equivalents	57,697
Accounts receivable	4,994
Distressed asset portfolios	105,547
Other long-term receivables from investments	4,963
Total	**173,201**

Group **EUR '000s**	**At 31 December 2016**
Cash and cash equivalents	3,739
Accounts receivable	200
Distressed asset portfolios	15,600
Other long-term receivables from investments	–
Total	**19,539**

At 31 December 2017 the majority of the DDM Debt Group bank accounts were held with banks with credit ratings ranging from AA- to BB as rated by Standard and Poor's. At 31 December 2016 the majority of the DDM Debt Group bank accounts were held with banks with credit ratings ranging from AA- to BB- as rated by Standard and Poor's. No credit ratings are available for the other financial assets held by the DDM Debt Group.

At 31 December 2017 bank accounts totaling EUR 48,700k are pledged in favor of the bond agent and the bondholders under the terms and conditions of the senior secured bonds issued in 2017. In addition, DDM Debt AB had a bank guarantee of EUR 5k at 31 December 2017. At 31 December 2016 bank accounts totaling EUR 822k were assigned to the bond agent under the terms and conditions of the EUR 11M bond issued in July 2016. In addition, DDM Debt AB had a bank guarantee of EUR 5k at 31 December 2016.

Another source of credit risk arises in connection to funds collected during the ordinary course of business. Funds are either collected directly on the DDM Debt Group's bank accounts, or are paid in to client fund accounts held by the respective debt collection agencies to separate the DDM Debt Group's funds from the general funds of the agency. In the second instance 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 the DDM Debt 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 the DDM Debt 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 tables below specify the undiscounted cash flows arising from the DDM Debt 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 EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
At 31 December 2017				
Borrowings	12,075	12,075	143,038	
Payables to other group companies	–	1,592	–	–
Loans from other group companies, subordinated	–	–	–	32,401
Accounts payable	298	–	–	–
Tax liabilities	745	–	–	–
Accrued expenses	2,552	–	–	–
Loan from other group companies, subordinated	11,130	–	–	–
Total	**26,800**	**13,667**	**143,038**	**32,401**

Parent Company EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
At 31 December 2017				
Borrowings	12,075	12,075	143,038	
Loans from other group companies	–	–	–	10,938
Payables to other group companies	91	–	–	5,482
Accounts payable	7	–	–	–
Tax liabilities	14	–	–	–
Accrued expenses	151	–	–	–
Loan from other group companies, subordinated	11,130	–	–	–
Total	**23,468**	**12,075**	**143,038**	**16,420**

Group EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
At 31 December 2016				
Borrowings	6,798	-	-	-
Payables to other group companies	1,053	1,053	1,053	3,111
Loans from other group companies	-	-	-	7,518
Accrued expenses	932	-	-	-
Trade and other payables	65	-	-	-
Total	**8,847**	**1,053**	**1,053**	**10,629**

Parent Company EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
At 31 December 2016				
Borrowings	6,798	-	-	-
Payables to other group companies	56	101	-	-
Trade and other payables	83	-	-	-
Total	**6,936**	**101**	**-**	**-**

Financial instruments by category

Group EUR '000s	Loans and receivables
At 31 December 2017 **Assets as per balance sheet**	
Distressed asset portfolios	105,547
Other long-term receivables from investments	4,963
Loans to and accrued interest from other group companies	2,191
Other non-current assets	116
Trade and other receivables	5,012
Prepaid expenses and accrued income	197
Cash and cash equivalents	57,697
Total	**175,723**

Group EUR '000s	Other financial liabilities
At 31 December 2017 **Liabilities as per balance sheet**	
Bond loans	132,166
Payables to other group companies	2,075
Loans from other group companies, subordinated	28,128
Accounts payable	298
Accrued interest	3,992
Accrued expenses and deferred income	2,552
Total	**169,211**

Group EUR '000s	Loans and receivables
At 31 December 2016 **Assets as per balance sheet**	
Distressed asset portfolios	15,600
Trade and other receivables	1,044
Prepaid expenses and accrued income	5
Cash and cash equivalents	3,739
Total	**20,388**

Group EUR '000s	Other financial liabilities
At 31 December 2016 **Liabilities as per balance sheet**	
Bond loan	6,184
Payables to other group companies	1,006
Loans from other group companies	7,518
Accounts payable	65
Accrued interest	413
Accrued expenses and deferred income	932
Total	**16,118**

Fair values

The DDM Debt 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. The DDM Debt Group reports their loans at amortized cost and the table below should only be considered from an illustrative perspective.

The table below shows the financial assets and financial liabilities where the carrying values are considered to be materially in line with their fair values:

Group EUR '000s	IAS 39 category	Fair value category	31 Dec 2017
Assets	**Fair value and carrying value of financial instruments**		
Accounts receivable	Loans and receivables at amortized cost	Level 2	4,994
Other receivables	Loans and receivables at amortized cost	Level 2	18
Distressed asset portfolios	Loans and receivables at amortized cost	Level 3	105,547
Other long-term receivables from investments	Loans and receivables at amortized cost	Level 3	4,963
Liabilities	**Fair value and carrying value of financial instruments**		
Accounts payable	Financial liabilities at amortized cost	Level 2	298
Other payables	Financial liabilities at amortized cost	Level 2	7,772

Group EUR '000s	IAS 39 category	Fair value category	31 Dec 2016
Assets	**Fair value and carrying value of financial instruments**		
Accounts receivable	Loans and receivables at amortized cost	Level 2	200
Distressed asset portfolios	Loans and receivables at amortized cost	Level 3	15,600
Liabilities	**Fair value and carrying value of financial instruments**		
Accounts payable	Financial liabilities at amortized cost	Level 2	65
Other payables	Financial liabilities at amortized cost	Level 2	1,345

For the DDM Debt Group's short-term and long-term bonds, the fair value is considered to be materially different to the carrying value, as shown in the table below:

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

The levels in the hierarchy are:
Level 1 – Quoted prices on active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within level 1, that are observable for the asset or liability either directly (such as prices) or indirectly (such as derived from prices). The fair value of the senior secured bonds is calculated based on the bid price for a trade occurring close to the balance sheet date.
Level 3 – Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).
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 senior secured bonds, 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.

EUR '000s	31 December 2017	31 December 2016
Total assets	**177,167**	**20,388**
Shareholder's equity	6,721	4,270
Shareholder debt (subordinated)	28,128	–
Adjusted equity	**34,849**	**4,270**
Adjusted equity / total assets ratio	**19.7%**	**20.9%**

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 the DDM Debt 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 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 exactly 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 / receivable. 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). If the acquisition is settled on a net basis this results in an impact to the "other items not affecting cash" line in the cash flow statement, 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 at a point in time.

The Group estimates that a continuous decrease of net collections by 10% would result in a 10% decrease of the net present value, or book value, assuming that the forecasted collection curve remain unchanged. If collections consistently would exceed the originally forecasted amounts by 10%, the net present value, or book value, would be expected to increase by 10%. In addition, if collections would start later than originally forecasted, the net present value, and book value, are expected to be negatively impacted while be positively impacted should collections start earlier than originally forecasted.

See notes 13 and 14 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 direct collection costs), amortization, revaluation and impairment of invested assets. Net collections includes management fees received from co-investors, as the DDM Debt Group 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 the DDM Debt Group, minus commission and fees to third parties. As the collection procedure is outsourced, the net amount of cash collected is recorded as "Net collections" within the line "Revenue on invested assets" in the consolidated income statement. The DDM Debt Group discloses the alternative performance measure "Net collections" in the notes separately, as it is an important measurement for the DDM Debt Group to monitor the performance of the portfolios and measure the cash available for operating expenses and to service its debt. The DDM Debt Group believes that disclosing net collections as a separate performance measure in the notes improves the transparency and understanding of the DDM Debt Group'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 **EUR '000s**	**1 Jan – 31 Dec 2017**
Slovenia	10,564
Hungary	6,934
Czech Republic	6,650
Romania	4,536
Croatia	3,592
Greece	1,958
Slovakia	343
Russia	171
Serbia	111
Net collections	**34,859**
Amortization of invested assets	(17,489)
Interest income on invested assets before revaluation and impairment	**17,370**
Revaluation of invested assets	806
Impairment of invested assets	(566)
Revenue on invested assets	**17,610**

Revenue on invested assets by country **EUR '000s**	**3 Mar – 31 Dec 2016**
Slovenia	9,666
Net collections	**9,666**
Amortization of invested assets	(2,785)
Interest income on invested assets before revaluation and impairment	**6,881**
Revaluation of invested assets	–
Impairment of invested assets	–
Revenue on invested assets	**6,881**

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

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

No individual debtor generates more than 10% of the DDM Debt Group's total revenues.

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

Impairment of invested assets by country

EUR '000s	**2017**	**2016**
Russia	(566)	–
Impairment of invested assets	**(566)**	**–**

The table below presents an overview of the carrying value of invested assets by country:

EUR '000s	**31 December 2017**	**31 December 2016**
Greece	37,712	–
Croatia	27,368	–
Czech Republic	19,595	–
Slovenia	11,346	15,600
Romania	6,459	–
Hungary	4,963	–
Serbia	2,417	–
Russia	329	–
Slovakia	321	–
Total	**110,510**	**15,600**

NOTE 6. PERSONNEL EXPENSES

The Parent Company and its subsidiaries had seven employees at 31 December 2017 (2016: two employees). Personnel expenses were EUR 122k (2016: EUR 3k). The gender distribution at 31 December 2017 was 71% male, 29% female (2016: 100% male, 0% female). The average age of the employees is 33 years (2016: 34). The age distribution of employees is shown below:

Group	2017	2016
Up to 30 years	43%	50%
30 – 40 years	43%	50%
41 – 50 years	14%	–
51 – 60 years	–	–
60+ years	–	–

Gender distribution of board members and other senior executives
The Board of Directors consists of six members (male). DDM Debt AB has one managing director (male).

The Board of Directors and managing director are also board members and executives of DDM Debt AB's ultimate parent company, DDM Holding AG. Their remuneration for their services provided to the DDM Holding Group is paid by entities outside of the DDM Debt Group. The DDM Debt Group is charged a management fee for these services, in line with the terms and conditions of DDM Debt AB's senior secured bonds.

NOTE 7. CONSULTING EXPENSES

Group EUR '000s	2017	2016
Consultancy fees	(160)	(159)
PwC		
Audit assignments	(114)	(8)
Other audit related assignments	–	–
Tax assignments	(5)	–
Other consultancy assignments	–	–
DDM Group management fees	(5,564)	(740)
Total	**(5,843)**	**(907)**

Parent Company EUR '000s	2017	2016
Consultancy fees	(41)	(53)
Öhrlings PwC		
Audit assignments	(24)	(8)
Other audit related assignments	–	–
Tax assignments	–	–
Other consultancy assignments	–	–
Total	**(65)**	**(61)**

DDM Debt AB also paid EUR 17k to PwC in 2017 for tax assignments, which were capitalized as part of transaction costs for the senior secured bonds and are amortized to the income statement (see note 2 for details).

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. OTHER OPERATING EXPENSES

Group EUR '000s	2017	2016
Non-deductible VAT	(154)	–
Rental expenses	(25)	(5)
Other operating expenses	(55)	(1)
Total	**(234)**	**(6)**

Parent Company EUR '000s	2017	2016
Non-deductible VAT	(71)	–
Rental expenses	(8)	–
Other operating expenses	(4)	–
Total	**(83)**	**–**

NOTE 9. NET FINANCIAL EXPENSES

Group EUR '000s	2017	2016
Financial income		
Interest income	191	–
Total financial income	**191**	**–**
Financial expenses		
Interest expense	(9,002)	(992)
Amortization of transaction costs	(885)	(266)
Bank charges	(26)	–
Other financial expenses	(1)	(2)
Realized exchange gains / (losses)	(384)	1
Unrealized exchange gains / (losses)	1,023	(7)
Total financial expenses	**(9,275)**	**(1,265)**
Net financial expenses	**(9,084)**	**(1,265)**

The increase in interest expense compared to 2016 is explained in note 20.

Parent EUR '000s	2017	2016
Financial income		
Interest income	7,728	529
Total financial income	**7,728**	**529**
Financial expenses		
Interest expense	(7,492)	(518)
Bank charges	(4)	–
Other financial expenses	–	(1)
Realized exchange gains / (losses)	32	–
Unrealized exchange gains / (losses)	(44)	–
Total financial expenses	**(7,508)**	**(520)**
Net financial income	**220**	**9**

NOTE 10. INCOME TAX

Group EUR '000s	2017	2016
Current tax on profit for the period	(375)	(483)
Movement in deferred tax assets	(320)	–
Movement in deferred tax liabilities	(259)	–
Total tax expense	**(954)**	**(483)**

Parent Company EUR	2017	2016
Current tax on profit for the period	(14)	–
Total tax expense	**(14)**	**–**

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

Group EUR '000s	2017	2016
Profit before tax	2,327	4,699
Tax calculated at 14.5% (Swiss) tax rate (prior year 10%)	(337)	(470)
Current tax on profit for the period	–	–
Non-deductible expenses	–	–
Movement in deferred tax assets	(320)	–
Movement in deferred tax liabilities	(259)	–
Effects of foreign tax rates	(12)	(14)
Adjustments for previous years and other	(26)	–
Total tax expense	**(954)**	**(483)**

Parent Company EUR '000s	2017	2016
Profit before tax	2,565	98
Tax calculated at 22% (Swedish) tax rate	(564)	(21)
Non-taxable income	550	21
Tax losses for which no deferred income tax asset was recognized	–	–
Total tax expense	**(14)**	**–**

The Group's effective tax rate was 41.0% at 31 December 2017 (10.3% at 31 December 2016). The increase in the Group's effective tax rate in 2017 is driven by Management's decision to adjust the tax rate of certain Swiss companies following changes in international tax regulations. The change in tax rates also results in adjustments to existing temporary differences from previous years.

There was no tax related to items of other comprehensive income.

NOTE 11. TANGIBLE ASSETS

Group EUR '000s	Furniture	Computer hardware	Total
Year ended 31 December 2016			
At 1 January 2016	**–**	**–**	**–**
Additions	–	–	–
Disposals	–	–	–
Depreciation	–	–	–
Impairment	–	–	–
At 31 December 2016	**–**	**–**	**–**
At cost	–	–	–
Accumulated depreciation	–	–	–
Net book value at 31 December 2016	**–**	**–**	**–**
Year ended 31 December 2017			
At 1 January 2017	–	–	–
Additions	1	6	7
Disposals	–	–	–
Depreciation	–	–	–
Impairment	–	–	–
At 31 December 2017	**1**	**6**	**7**
At cost	–	–	–
Accumulated depreciation	–	–	–
Net book value at 31 December 2017	**1**	**6**	**7**

NOTE 12. INTERESTS IN ASSOCIATES

Set out below are the associates of the DDM Debt Group as at 31 December 2017 which are material to the Group (at 31 December 2016 there were no associates in the Group). The entities listed have share capital consisting solely of ordinary shares, which are held directly by the DDM Debt 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 2017	% of ownership interest 2016	Nature of relationship
Profinance doo Beograd	20298928	Serbia	49.67%	–	Associate

Name of entity	Measurement method	Carrying amount (EUR '000s) 2017	Carrying amount (EUR '000s) 2016
Profinance doo Beograd	Equity method	600	–

Summarized financial information for associates
The financial results of Profinance doo Beograd have not been included in the consolidated financial statements of the DDM Debt Group as no reliable financial information for the year ended 31 December 2017 was available at the date of disclosure of the annual report.

NOTE 13. DISTRESSED ASSET PORTFOLIOS

EUR '000s	31 Dec 2017	31 Dec 2016
Opening accumulated acquisition cost	**18,384**	**–**
Acquired from DDM Treasury Sweden AB	81,472	–
Acquisitions	94,123	18,384
Disposals	(13,570)	–
Revaluation, including forex differences	810	–
Closing accumulated acquisition cost	**181,219**	**18,384**
Opening accumulated amortization, revaluation and impairment	**(2,785)**	**–**
Acquired from DDM Treasury Sweden AB	(60,230)	–
Amortization, including forex differences	(12,091)	(2,785)
Impairment	(566)	–
Reversal of impairment losses	–	–
Disposals	–	–
Closing accumulated amortization, revaluation and impairment	**(75,672)**	**(2,785)**
Closing net book value	**105,547**	**15,600**

According to the DDM Debt Group's strategic plan, significant investments were made in 2017, resulting in a substantial increase to distressed asset portfolios. For significant transactions press releases are always issued on DDM's website.

The disposal in 2017 relates to the transaction with a new partner in Greece.

During 2017 and 2016, 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.

From 2017 the DDM Debt Group invests in portfolios / receivables that are denominated in local currencies as well as portfolios / receivables denominated in EUR. Therefore, fluctuations in the EUR exchange rate against these currencies affects collections from distressed asset portfolios and other long-term receivables from investments and the operating earnings of the DDM Debt Group. In 2016, the DDM Debt Group only invested in portfolios that are denominated in EUR.

The carrying values of the distressed asset portfolios owned by the DDM Debt Group are distributed by currency as follows:

EUR '000s	31 December 2017	31 December 2016
EUR	53,427	15,600
HRK	27,368	–
CZK	19,595	–
RSD	2,417	–
RON	2,411	–
RUB	329	–
Total	**105,547**	**15,600**

An appreciation of the euro of 10% as at 31 December 2017 against the Croatian kuna would have resulted in an additional unrealized foreign exchange loss of EUR 2.7M and against the Czech koruna by EUR 2.0M. Consequently, a depreciation of the euro of 10% at 31 December 2017 would have resulted in an additional unrealized foreign exchange gain of the same amount.

NOTE 14. OTHER LONG-TERM RECEIVABLES FROM INVESTMENTS

EUR '000s	31 December 2017	31 December 2016
Opening accumulated acquisition cost	**–**	**–**
Acquired from DDM Treasury Sweden AB	19,001	–
Acquisitions	–	–
Revaluations, including forex differences	522	–
Closing accumulated acquisition cost	**19,523**	**–**
Opening accumulated amortization and impairment	**–**	**–**
Acquired from DDM Treasury Sweden AB	(9,630)	–
Amortization, including forex differences	(4,930)	–
Impairment		–
Reversal of impairment losses	–	–
Disposals	–	–
Closing accumulated amortization and impairment	**(14,560)**	**–**
Closing net book value	**4,963**	**–**

In 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 are held by DDM Invest XX AG.

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

During 2017 and 2016, 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.

From 2017 the DDM Debt Group invests in portfolios / receivables that are denominated in local currencies as well as portfolios / receivables denominated in EUR. Therefore, fluctuations in the EUR exchange rate against these currencies affects collections from distressed asset portfolios and other long-term receivables from investments and the operating earnings of the DDM Debt Group. In 2016, the DDM Debt Group only invested in portfolios that are denominated in EUR.

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

EUR '000s	31 December 2017	31 December 2016
HUF	4,963	–
Total	**4,963**	**–**

An appreciation of the euro of 10% as at 31 December 2017 against the Hungarian Forint would have resulted in an additional unrealized foreign exchange loss of EUR 0.5M. Consequently, a depreciation of the euro of 10% at 31 December 2017 would have resulted in an additional unrealized foreign exchange gain of the same amount.

NOTE 15. DEFERRED TAX

DTA - Group EUR '000s	Opening balance	Acquired with the SPVs from DDM Treasury	Income statement (charge) / credit	FX	Closing balance
2017					
Tax losses carried forward	–	1,233	(320)	(76)	**837**
Total	**–**	**1,233**	**(320)**	**(76)**	**837**
2016					
Tax losses carried forward	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**

DTL - Group EUR '000s	Opening balance	Acquired with the SPVs from DDM Treasury	Income statement (charge) / credit	FX	Closing balance
2017					
Invested assets	–	(231)	(259)	–	**490**
Total	**–**	**(231)**	**(259)**	**–**	**490**
2016					
Invested assets	–	–	–	–	–
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 16. OTHER NON-CURRENT ASSETS

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

Other non-current assets by currency:

Group EUR '000s	31 December 2017	31 December 2016
HUF	106	–
SEK	6	–
EUR	4	–
Total	**116**	**–**

NOTE 17. CURRENT RECEIVABLES

Group EUR '000s	31 Dec 2017	31 Dec 2016
Accounts receivable	4,994	200
Other receivables	18	842
Prepaid expenses and accrued income	197	5
Total	**5,209**	**1,048**

Group EUR '000s	31 Dec 2017	31 Dec 2016
Accounts receivable < 30 days	4,976	200
Accounts receivable 31-60 days	4	–
Accounts receivable 61-90 days	2	–
Accounts receivable > 91 days	12	–
Total	**4,994**	**200**

Accounts receivable by currency:

Group EUR '000s	31 Dec 2017	31 Dec 2016
EUR	2,215	200
HUF	1,581	–
CZK	543	–
HRK	464	–
RON	170	–
RUB	21	–
Total	**4,994**	**200**

The fair values of the Group's current receivables correspond to the book values.

NOTE 18. CASH AND CASH EQUIVALENTS

Group EUR '000s	31 Dec 2017	31 Dec 2016
Cash and cash equivalents	57,697	3,739
Total	**57,697**	**3,739**

Parent Company EUR '000s	31 Dec 2017	31 Dec 2016
Cash and cash equivalents	48,753	2,816
Total	**48,753**	**2,816**

At 31 December 2017 the majority of the DDM Debt Group's bank accounts were held with banks with credit ratings ranging from AA- to BB as rated by Standard & Poor's. At 31 December 2016 the majority of the DDM Debt Group's bank accounts were held with banks with credit ratings ranging from AA- to BB- as rated by Standard & Poor's.

NOTE 19. SHARE CAPITAL

The 54,000 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.

NOTE 20. BORROWINGS

The DDM Debt Group had the following borrowings at the balance sheet dates of 31 December 2017 and 31 December 2016. See note 3 for a description of contractual undiscounted cash flows.

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

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

<u>Bond loan EUR 85M</u>
EUR 50M of senior secured bonds at 9.5% were issued by DDM Debt on 30 January 2017, within a total framework amount of EUR 85M. The bonds with ISIN number SE0009548332 have a final maturity date of 30 January 2020 and are listed on the Corporate Bond list at Nasdaq Stockholm. The proceeds were used to refinance existing debt and to acquire DDM Treasury Sweden AB's subsidiaries holding the NPL portfolios (DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG, DDM Invest X AG and DDM Invest XX AG) on 17 February 2017, and the remaining balance of about EUR 10M was used for portfolio acquisitions. In April 2017, DDM Debt successfully completed a EUR 35M tap issue under the EUR 85M senior secured bond framework. The bond tap issue was placed at a price of 101.5%, representing a yield to maturity of c. 9%.

DDM Debt's financial instruments contains a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds and the revolving credit facility are: an equity ratio of at least 15.00%, net interest bearing debt to cash EBITDA below 4:1, and net interest bearing debt to ERC below 75.00%. DDM's management carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded. DDM Debt AB complied with all bond covenants for the years ending 31 December 2017 and 31 December 2016.

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

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

Maturity profile of borrowings:

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

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

Please refer to Note 3 "Financial Risk Management" for disclosures regarding the fair value of the Group's loans and borrowings.

NOTE 21. CASH FLOW AND NET DEBT

The movements in cash and cash equivalents and borrowings during the year were as follows:

Amounts in EUR '000s	Cash and cash equivalents	Current borrowings	Non-current borrowings	Total
At 1 January 2017	**3,739**	**(6,184)**	**(7,518)**	**(9,963)**
Cash flow	53,167	6,837	(131,584)	**(71,580)**
Effects from the acquisition of other group companies	910	–	–	**910**
Amortization of transaction costs (non-cash)	–	(308)	(577)	**(885)**
Other non-cash movements	–	(345)	7,513	**7,168**
Exchange movements	(119)	–	–	**(119)**
At 31 December 2017	**57,697**	–	**(132,166)**	**(74,469)**

NOTE 21. CASH FLOW AND NET DEBT, continued

Amounts in EUR '000s	Cash and cash equivalents	Current borrowings	Non-current borrowings	Total
At 3 March 2016	–	–	–	–
Cash flow	3,739	(5,918)	(7,264)	**(9,443)**
Effects from the acquisition of other group companies	–	–	–	–
Amortization of transaction costs (non-cash)	–	(266)	–	**(266)**
Other non-cash movements	–	–	(254)	**(254)**
Exchange movements	–	–	–	–
At 31 December 2016	**3,739**	**(6,184)**	**(7,518)**	**(9,963)**

A reconciliation of cash flow to movement in net debt is shown below:

Amounts in EUR '000s	2017	2016
Increase / (decrease) in cash and cash equivalents	53,167	3,739
Increase in external borrowings	(148,212)	(10,453)
Borrowings from group companies (excluding subordinated borrowings)	–	(7,264)
Repayment of external borrowings	23,465	4,535
Effects from the acquisition of other group companies	910	–
Change in net debt resulting from cash flows	(70,670)	(9,443)
Amortization of transaction costs (non-cash)	(885)	(266)
Other non-cash movements	7,168	(254)
Exchange movements	(119)	–
Movement in net debt during the year	(64,506)	(9,963)
Opening net debt	(9,963)	–
Closing net debt	(74,469)	(9,963)

Other non-cash movements in 2017 primarily relates to the subordination of loans from other group companies, which are excluded from the definition of net debt according to the terms and conditions of the senior secured bonds. Other non-cash movements in 2016 relates to capitalized interest on borrowings from group companies.

NOTE 22. CURRENT LIABILITIES

Group EUR '000s	Less than 3 months	3 – 12 months	Total
At 31 December 2017			
Accounts payable	298	–	**298**
Bond loan	–	–	**–**
Tax liabilities	–	745	**745**
Accrued interest	3,365	627	**3,992**
Accrued expenses and deferred income	2,432	120	**2,552**
Loans from other group companies, subordinated	–	10,000	**10,000**
Total current liabilities	**6,095**	**11,492**	**17,587**
At 31 December 2016			
Accounts payable	65	–	**65**
Bond loan	3,641	2,543	**6,184**
Tax liabilities	–	–	**–**
Accrued interest	413	–	**413**
Accrued expenses and deferred income	442	490	**932**
Loans from other group companies, subordinated	–	–	**–**
Total current liabilities	**4,561**	**3,033**	**7,594**

Parent Company EUR '000s	Less than 3 months	3 – 12 months	Total
At 31 December 2017			
Accounts payable	7	–	**7**
Bond loan	–	–	**–**
Payables to other group companies	–	91	**91**
Tax liabilities	–	14	**14**
Accrued interest	3,365	463	**3,828**
Accrued expenses and deferred income	151	–	**151**
Loans from other group companies, subordinated	–	10,000	**10,000**
Total current liabilities	**3,523**	**10,568**	**14,091**
At 31 December 2016			
Accounts payable	83	–	**83**
Bond loan	3,641	2,543	**6,184**
Payables to other group companies	–	56	**56**
Tax liabilities	–	–	**–**
Accrued interest	194	–	**194**
Accrued expenses and deferred income	–	–	**–**
Loans from other group companies, subordinated	–	–	**–**
Total current liabilities	**3,917**	**2,599**	**6,516**

NOTE 23. TRANSACTIONS WITH RELATED PARTIES

Compensation (to) / from related parties

Group EUR '000s	Management fee	Interest expense	Interest income	Total
2017				
DDM Group AG	(5,564)	(6)	191	**(5,379)**
DDM Holding AG	–	(1,624)	–	**(1,624)**
DDM Finance AB	–	(165)	–	**(165)**
Total	**(5,564)**	**(1,795)**	**191**	**(7,168)**

Receivables, payables and debts – related parties

Group EUR '000s	Current	Non-current	Total
at 31 December 2017			
Loan to DDM Group AG	–	2,000	**2,000**
Interest receivable from DDM Group AG	–	191	**191**
Receivables from DDM Finance AB	–	5	**5**
Payables to DDM Holding AG	–	(56)	**(56)**
Payables to DDM Group AG	–	(1,541)	**(1,541)**
Loan payable to DDM Holding AG, subordinated	–	(18,128)	**(18,128)**
Loan payable to DDM Finance AB, subordinated	(10,000)	–	**(10,000)**
Interest payable to DDM Holding AG	(252)	(483)	**(735)**
Interest payable to DDM Finance AB	(165)	–	**(165)**
Accrued management fees payable to DDM Group AG	(2,000)	–	**(2,000)**
Total	**(12,417)**	**(18,012)**	**(30,429)**

Compensation (to) / from related parties

Parent Company EUR '000s	Total
2017	
Interest income from DDM Group AG	191
Interest income from DDM Invest II AG	2,228
Interest income from DDM Invest III AG	444
Interest income from DDM Invest VII AG	298
Interest income from DDM Invest VII d.o.o.	39
Interest income from DDM Invest X AG	578
Interest income from DDM Invest XX AG	3,950
Interest expense to DDM Finance AB	(165)
Interest expense to DDM Invest II AG	(88)
Anticipated dividend income from DDM Invest VII AG	2,500
Total	**9,975**

NOTE 23. TRANSACTIONS WITH RELATED PARTIES, continued

Receivables, payables and debts – related parties

Parent Company EUR '000s	Current	Non-current	Total
at 31 December 2017			
Loan to DDM Group AG	–	2,000	**2,000**
Loan to DDM Invest II AG	–	47,500	**47,500**
Loan to DDM Invest III AG	–	16,700	**16,700**
Loan to DDM Invest VII d.o.o.	–	760	**760**
Loan to DDM Invest X AG	–	18,000	**18,000**
Loan to DDM Invest XX AG	–	7,253	**7,253**
Loan to DDM Debt Management d.o.o. Beograd	–	2,500	**2,500**
Loan receivables from DDM Finance AB	–	5	**5**
Loan receivables from DDM Invest II AG	–	44	**44**
Loan receivables from DDM Invest III AG	–	100	**100**
Loan receivables from DDM Invest IV AG	–	142	**142**
Loan receivables from DDM Invest X AG	–	11	**11**
Loan receivables from DDM Invest XX AG	–	2,559	**2,559**
Loan to DDM Invest II AG, subordinated	–	670	**670**
Loan to DDM Invest IV AG, subordinated	–	565	**565**
Interest receivable from DDM Group AG	–	191	**191**
Receivables from DDM Invest VII AG	3,197	–	**3,197**
Accrued interest income from DDM Invest II AG	2,228	–	**2,228**
Accrued interest income from DDM Invest III AG	306	–	**306**
Accrued interest income from DDM Invest VII d.o.o.	39	–	**39**
Accrued interest income from DDM Invest X AG	578	–	**578**
Accrued interest income from DDM Invest XX AG	422	–	**422**
Payables to DDM Group AG	–	(208)	**(208)**
Payables to DDM Invest I AG	–	(635)	**(635)**
Payables to DDM Invest VII AG	–	(3,899)	**(3,899)**
Payables to DDM Invest XX AG	–	(740)	**(740)**
Loan from DDM Invest II AG	–	(7,000)	**(7,000)**
Payables to DDM Invest VII AG	(91)	–	**(91)**
Accrued interest payable to DDM Finance AB	(165)	–	**(165)**
Accrued interest payable to DDM Invest II AG	(88)	–	**(88)**
Loan from DDM Finance AB, subordinated	(10,000)	–	**(10,000)**
Total	**(3,574)**	**86,519**	**82,945**

NOTE 23. TRANSACTIONS WITH RELATED PARTIES, continued

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

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

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

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

Compensation to related parties

Group EUR ‘000s	Management fee	Interest expense	Total
2016			
DDM Group AG	(740)	–	**(740)**
DDM Holding AG	–	(474)	**(474)**
Total	**(740)**	**(474)**	**(1,214)**

Receivables, payables and debts – related parties

Group EUR ‘000s	Current	Non-current	Total
at 31 December 2016			
Loan from DDM Holding AG	–	(7,518)	**(7,518)**
Payables to DDM Holding AG	–	(8)	**(8)**
Interest payable to DDM Holding AG	(219)	–	**(219)**
Payables to DDM Treasury Sweden AB	–	(3)	**(3)**
Payables to DDM Group AG	–	(995)	**(995)**
Total	**(219)**	**(8,524)**	**(8,744)**

Compensation from related parties

Parent Company EUR ‘000s	Total
2016	
Interest income from DDM Invest VII AG	**529**
Transaction costs fee income from DDM Invest VII AG	**266**
Anticipated dividend income from DDM Invest VII AG	**150**
Total	**945**

NOTE 23. TRANSACTIONS WITH RELATED PARTIES, continued

Receivables, payables and debts – related parties

Parent Company EUR '000s	Current	Non-current	Total
at 31 December 2016			
Loan to DDM Invest VII AG	3,217	–	**3,217**
Interest receivable from DDM Invest VII AG	215	–	**215**
Receivables from DDM Invest VII AG	416	–	**416**
Payables to DDM Invest VII AG	(56)	–	**(56)**
Payables to DDM Holding AG	–	(8)	**(8)**
Payables to DDM Treasury Sweden AB	–	(3)	**(3)**
Payables to DDM Group AG	–	(90)	**(90)**
Total	**3,793**	**(101)**	**3,692**

The Company has defined the Company's management, the Board of Directors in the Parent Company, DDM Debt AB (publ), the owners of DDM Debt AB (publ) and all subsidiaries included in the Group as related parties.

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 Debt Group.

NOTE 24. PARTICIPATIONS IN GROUP COMPANIES

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

Parent Company EUR '000s	Investment
At 3 March 2016	**–**
Acquisitions	98
At 31 December 2016	**98**
At 1 January 2017	**98**
Acquisitions	9,186
At 31 December 2017	**9,284**

The Parent Company holds shares in the following subsidiaries:

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

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

The acquisition of subsidiaries under common control of DDM Holding AG in consolidated other comprehensive income relates to the acquisition of DDM Treasury Sweden AB's subsidiaries (DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG, DDM Invest X AG and DDM Invest XX AG) holding the NPL portfolios on 17 February 2017.

NOTE 25. PROPOSED APPROPRIATION OF EARNINGS

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

EUR	2017
Retained earnings	97,582
Received capital contribution	2,559,499
Net earnings for the year	2,550,828
Total	**5,207,909**

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

EUR	2017
Balance carried forward	5,207,909
Total	**5,207,909**

NOTE 26. PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

The Parent Company has pledged the shares in its subsidiaries (DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG, DDM Invest VII AG, DDM Invest X AG, DDM Invest XX AG, DDM Invest VII d.o.o and DDM Debt Management d.o.o Beograd) as security under the terms and conditions of the senior secured bonds. In addition, the investors receive a first ranking share pledge over the shares of DDM Debt AB and any downstream loans to DDM Debt AB's subsidiaries are pledged to the investors as intercompany loans. Certain bank accounts are also assigned to the bond agent as part of the bond terms.

The Parent Company's pledged collateral in the form of shares held in the subsidiaries amounts to EUR 718k at 31 December 2017 (EUR 98k at 31 December 2016). Bank accounts of the Group totaling EUR 48,700k, were assigned to the bond agent at 31 December 2017 (EUR 822k at 31 December 2016). In addition, the Parent Company had a bank guarantee of EUR 5k at 31 December 2017 (EUR 5k at 31 December 2016). Neither the DDM Debt Group nor the Parent Company has any other pledged assets, contingent liabilities or other items to report.

The DDM Debt Group has office rental lease contracts in Slovenia and Sweden. At 31 December 2017 the earliest termination date for the office lease agreement in Slovenia was 31 August 2019 and in Sweden this was 31 October 2018. At 31 December 2016 the earliest termination date for the office lease agreement in Slovenia was 31 May 2017. The undiscounted cash flows arising from the contractually bound leasing commitments, based on the remaining period to the earliest contractual maturity date as at the balance sheet date, are specified in the table below:

EUR '000s	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
At 31 December 2017	41	–	–	**41**
At 31 December 2016	4	–	–	**4**

NOTE 27. EVENTS AFTER THE BALANCE SHEET DATE

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

DDM Debt AB extended its super senior revolving credit facility of EUR 17 million with a Swedish bank for a further six months until 28 September 2018.

On 21 March 2018 the DDM Debt Group entered into an agreement to acquire a sizeable distressed asset portfolio containing secured corporate receivables in the Balkans from a leading bank in the region. The gross collection value of the portfolio amounts to approximately EUR 240 million. About 90% of the portfolio value is located in Slovenia and Croatia, however this acquisition also includes receivables in Bosnia & Herzegovina and Montenegro, among others, further expanding DDM's presence in Southern, Central and Eastern Europe.

Reconciliation tables, non-IFRS measures

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

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

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

Net collections:

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

Amortization, revaluation and impairment of invested assets:

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

Operating expenses and Cash EBITDA:

Amounts in EUR '000s	**1 Jan – 31 Dec 2017**	**3 Mar – 31 Dec 2016**
Net collections	34,859	9,666
Personnel expenses	(122)	(3)
Consulting expenses	(5,843)	(907)
Other operating expenses	(234)	(6)
Operating expenses	(6,199)	(917)
Cash EBITDA	28,660	8,749

Net debt:

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

Reconciliation tables, non-IFRS measures, continued

Equity ratio:

Amounts in EUR '000s	1 Jan – 31 Dec 2017	3 Mar – 31 Dec 2016
Shareholder's equity	6,721	4,270
Shareholder debt (subordinated)	28,128	–
Total equity according to the senior secured bond terms	34,849	4,270
Total assets	177,167	20,388
Equity ratio	19.7%	20.9%

GLOSSARY

AGM
Annual General Meeting

BN
Billion

CHF
Swiss franc, the currency of Switzerland

CZK
Czech koruna, the currency of the Czech Republic

DCA
Debt collection agency

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

DDM Debt Group, the Company or the Group
DDM Debt AB (publ), Swedish Corporate ID No. 559053- 6230, and its subsidiaries

EUR
Refer to the single currency of the participating member states in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time

HRK
Croatian kuna, the currency of Croatia

HUF
Hungarian forint, the currency of Hungary

M
Million

NPL
Non-performing loans

Parent Company
DDM Debt AB (publ), Swedish Corporate ID No. 559053- 6230

PLN
Polish złoty, the currency of Poland

RON
Romanian leu, the currency of Romania

RSD
Serbian Dinar, the currency of Serbia

SEK
Swedish krona, the currency of Sweden

Southern, Central and Eastern Europe ("SCEE")
The countries in EuroVoc's definition of CEE plus Greece, Italy and the Baltic states

USD
U.S. dollar, the currency of the United States

FINANCIAL DEFINITIONS

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

Cash EBITDA
Net collections, less operating expenses

EBIT
Earnings before interest and taxes

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

EBIT margin
EBIT as a percentage of revenue on invested assets

Equity
Shareholders' equity at the end of the period

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

Invested assets
The DDM Debt Group's invested assets consist of purchases of distressed asset portfolios and other long-term receivables from investments

Net collections
Gross collections from the invested assets held by the DDM Debt Group minus commission and fees to third parties

Net debt
Long-term and short-term third party loans, interest-bearing intercompany loans (excluding subordinated debt) and liabilities to credit institutions (bank overdrafts) less cash and cash equivalents

Operating expenses
Personnel, consulting and other operating expenses.

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

SIGNATURES

The Group's income statement and balance sheet will be presented for adoption at the Annual General Meeting on 2 May 2018.

The information in this Annual Report is mandatory for DDM Debt 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 29 March 2018.

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, 28 March 2018

Torgny Hellström
Chairman of the board

Fredrik Waker
Board member

Manuel Vogel
Board member

Erik Fällström
Board member

Mikael Nachemson
Board member

Kent Hansson
CEO and Board member

Our Audit Report was presented on 28 March 2018

Öhrlings PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

Auditor’s report *(Translation)*

To the general meeting of the shareholders of DDM Debt AB (publ), corporate identity number 559053-6230

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of DDM Debt AB (publ) for year 2017. The annual accounts and consolidated accounts of the company are included on pages 6-51 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 2017 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 2017 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.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report that has been submitted to the Parent Company’s and the Group’s Audit Committee in accordance with Article 11 of the Auditors Ordinance (537/2014).

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

The focus and scope of the audit

DDM Debt AB’s (“DDM”) purpose is to finance the DDM Group’s subsidiaries through issuing bonds in the Swedish market. The DDM Group is an international corporate group investing in and managing matured receivables in the Eastern-, Central- and Southern European markets.

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 considered future events that are inherently uncertain. The area that is inherently uncertain as such is as critical accounting estimates in the valuation of 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.

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. All of the subsidiaries have been included in our audit.

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 13 and Other long-term receivables from investments note 14.* As DDM is a multinational investor and manager of distressed assets, invested assets comprise the most significant position in the financial statements. Invested assets also represent the ability of the company to generate cash flow and further profits in forthcoming periods. Invested assets is considered to comprise a key audit matter due to the size of the balance (just over 60% of the total assets) as well as due to the fact that the valuation of these assets involves significant judgments and assumptions on behalf of management as regards estimated future cash flows. DDM had invested in distressed asset portfolios, where the receivables are held directly with the debtor and in other long-term receivables from investments, where the receivables are against local legal entities holding the loan portfolios (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 in a given market. The reported Revenue on invested assets represents the economical profit of the invested assets for the period, applying the amortized cost method, also including the reassessment of future cash flows. We focused 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 of the valuation of the invested assets. 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 applies in the valuation models. This includes checking the expected future cash flows and internal rate of return (IRR) applied in the model with the initially approved figures. We also challenged the reasonableness of the assumptions made by management regarding market data and industry available data. • We have evaluated and validated the precision of the company's own historical forecasts as regards cash flows and have compared deviations in the forecasts with actual outcome. • We have, based on available data for similar transactions and portfolios, performed an assessment of the reasonability of the maturity structure of future estimated cash flows. With a focus on collection and revenue on invested assets, we performed the following procedures: • We tested, substantively, a sample selection of actual cash flows and validated their correct reporting. • 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 1-5. 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.

The Board of Director's Audit Committee, without impacting the responsibilities or duties of the Board in general, and amongst other things, shall monitor the company's financial reporting.

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 the Swedish Inspectorate of Auditor'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 Debt AB (publ) for the year 2017 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 the Swedish Inspectorate of Auditor's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Öhrlings PricewaterhouseCoopers AB were appointed to serve as auditors of DDM Debt AB (publ) by the annual meeting of shareholders held in 2016 and Michael Bengtsson has been Auditor-in-Charge since 12 October 2017.

Stockholm, 28 March 2018

Öhrlings PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

DDM DEBT AB (publ)

A MULTINATIONAL INVESTOR
AND MANAGER OF
DISTRESSED ASSETS

ddm

DDM Debt AB (publ)
Engelbrektsgatan 9-11, 114 32 Stockholm, Sweden
Tel: +46 8 4080 9030
www.ddm-group.ch