



Significant investment in the Balkans and RCF extended

Highlights first quarter 2018

- Significant investment in the Balkans of about EUR 30M, with an additional investment of about EUR 10M pending regulatory approval expected in the coming months
- Super senior revolving credit facility of EUR 17M extended for a further six months until 28 September
- Kent Hansson, founder of the DDM Group and member of the Board of Directors appointed as CEO
- New Chief Investment Officer, Alessandro Pappalardo, appointed as a member of the Executive Management Committee of the DDM Group
- Net collections increased by 75% to EUR 10.5M (Q1 2017: EUR 6.0M)
- Cash EBITDA increased by 82% to EUR 8.9M (Q1 2017: EUR 4.9M)
- Net profit for the period of EUR 0.9M (Q1 2017: profit of EUR 0.5M)

Significant events after the end of the quarter

- New Head of Business Development, Henrik Wennerholm, appointed as a member of the Executive Management Committee of the DDM Group

Amounts in EUR '000s (unless specified otherwise)	1 Jan – 31 Mar 2018*	1 Jan – 31 Mar 2017*	Full year 2017
Net collections	10,544	6,036	34,859
Operating expenses	(1,676)	(1,166)	(6,199)
Cash EBITDA	8,868	4,870	28,660
Amortization, revaluation and impairment of invested assets	(3,768)	(3,057)	(17,249)
Operating profit	5,100	1,812	11,411
Net profit for the period	940	484	1,373
Selected key figures			
Total assets	178,232	66,651	177,167
Net debt	98,326	32,951	74,469
Cash flow from operating activities before working capital changes	4,906	4,546	22,022
Equity ratio**	20.2%	20.4%	19.7%

* Unaudited

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

The information in this interim report requires DDM Debt AB (publ) to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 3 May 2018 at 08:00 CET.

Comment by the CEO

In the first quarter of 2018 we built on the positive momentum from 2017, and continued our rapid expansion. In March we invested about EUR 30M in a significant portfolio containing secured corporate receivables in the Balkans. About 90% of the portfolio value is located in Slovenia and Croatia, and this transaction also includes receivables in Bosnia & Herzegovina and Montenegro, among others. Entering these markets delivers on our growth strategy and demonstrates our flexibility and solid industry experience. This transaction also rebalanced the composition of the DDM Debt Group's portfolio, resulting in Croatia being our largest market at the end of March, amounting to 30% of our overall book value of distressed asset portfolios, followed by Greece and Slovenia representing 28% and 19% respectively. An additional investment of about EUR 10M in the Balkans portfolio is pending regulatory approval, which is expected in the coming months.

During the quarter we also strengthened the management team, with Alessandro Pappalardo appointed as Chief Investment Officer and a member of the DDM Group's Executive Management Committee in February. Mr. Pappalardo has extensive industry experience, including from Goldman Sachs as well as Intrum Justitia, where he served as Chief Investment Officer on the Group Management Team. Kent Hansson, founder of the DDM Group and member of the Board of Directors was also appointed as CEO in February. After the end of the quarter, Henrik Wennerholm was appointed as Head of Business Development and a member of the DDM Group's Executive Management Committee. Mr. Wennerholm also has extensive industry experience from companies such as Hoist, Aktiv Kapital (PRA Group) and, most recently, B2Holding ASA where he served as Head of Business Development and a member of the Group Executive Management Team. He was also the founding partner and CEO of the Nordic NPL investor and debt recovery specialist Sileo Kapital AB, which was acquired by B2Holding ASA in 2014. The management team is expected to be further strengthened in the coming quarters.

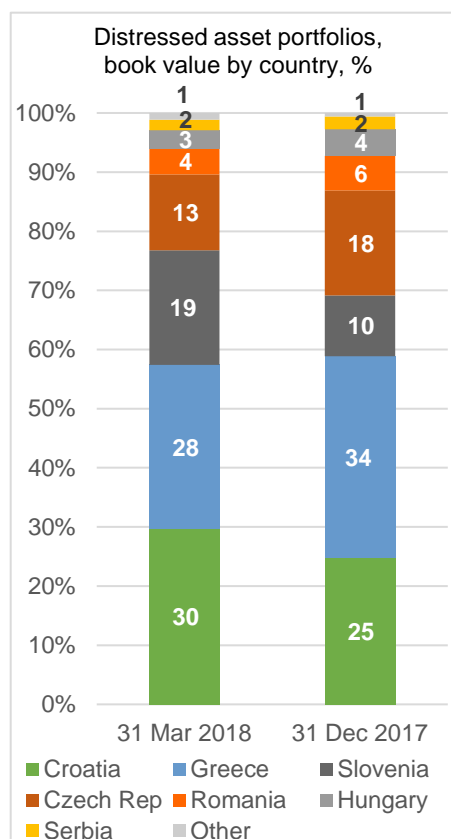
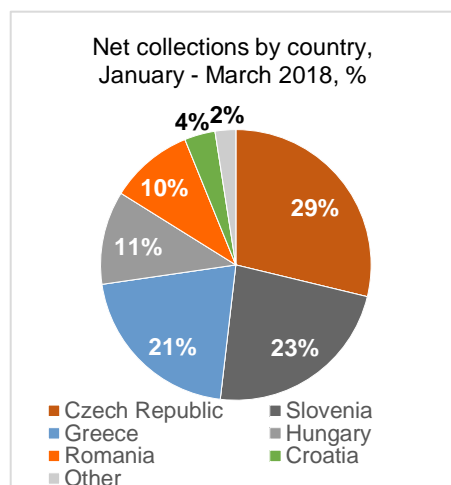
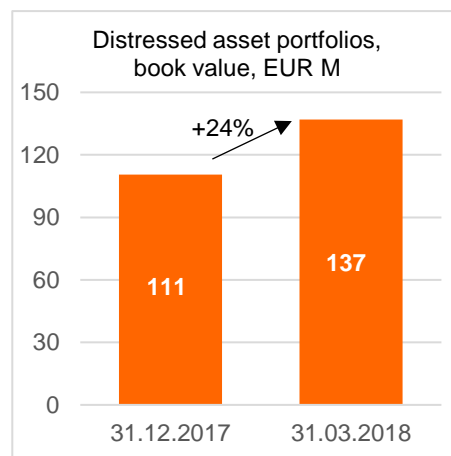
Net collections grew significantly during Q1, increasing 75% compared to Q1 2017. The increase was driven by strong collections from existing portfolios in addition to the acquisition of DDM Treasury's subsidiaries holding the NPL portfolios on 17 February 2017. Cash EBITDA amounted to EUR 8.9M in the first quarter of 2018, an increase of 82% compared to the corresponding period in 2017, driven by the higher net collections.

In March DDM Debt extended its revolving credit facility of EUR 17M with a Swedish bank for a further six months until 28 September. Our strong operational performance resulted in cash flow from operating activities before working capital changes of EUR 4.9M in the first quarter of 2018, which was in line with Q1 2017 despite a significant increase in interest paid in the quarter compared to the prior year.

Market outlook

Regulatory, accounting and market pressures will continue to drive banks and financial institutions around Europe to improve their balance sheets through disposing of their non-performing assets. In this environment, we believe that there will continue to be plenty of good business opportunities for the DDM Debt Group.

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



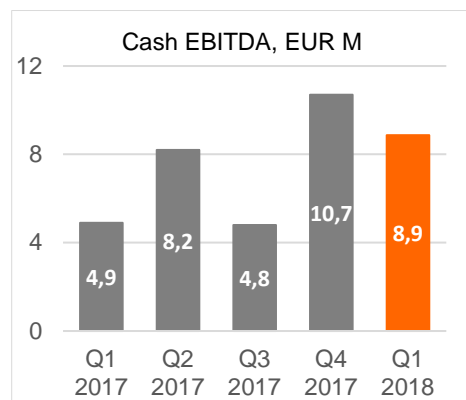
We aim to deliver sizeable and profitable growth in 2018 as we continue to focus on our markets in SEE and CEE where we have strong market knowledge and relationships.

Stockholm, 3 May 2018
DDM Debt AB (publ)
Kent Hansson, CEO

Financial calendar

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

Interim report for January – June 2018:	31 July 2018
Interim report for January – September 2018:	8 November 2018
Q4 and full year report 2018:	February 2019



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

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

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 3 May 2018, at 08:00 CET.

Acting CEO Kent Hansson and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 3 May 2018, starting at 10:00 CET. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers: SE: +46 8 503 365 64, CH: +41 225 675 548 or UK: +44 203 008 9803.

Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Jan – 31 Mar 2018*	1 Jan – 31 Mar 2017*	Full year 2017
Revenue on invested assets	4	6,776	2,978	17,610
Personnel expenses		(66)	(10)	(122)
Consulting expenses		(1,564)	(1,127)	(5,843)
Other operating expenses		(46)	(29)	(234)
Depreciation of tangible assets		–	–	–
Operating profit		5,100	1,812	11,411
Financial income		55	–	191
Financial expenses		(4,316)	(1,485)	(9,914)
Unrealized exchange profit		83	168	1,023
Realized exchange profit / (loss)		11	43	(384)
Net financial expenses		(4,167)	(1,274)	(9,084)
Profit before income tax		933	538	2,327
Tax income / (expense)		7	(54)	(954)
Net profit for the period		940	484	1,373
Net profit for the period attributable to:				
Owners of the Parent Company		940	484	1,373

* Unaudited

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Jan – 31 Mar 2018*	1 Jan – 31 Mar 2017*	Full year 2017
Net profit for the period	940	484	1,373
Other comprehensive income for the period			
<i>Items that will not be reclassified to profit or loss</i>	–	–	–
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Acquisition of subsidiaries under common control of DDM Holding AG	–	(1,481)	(1,481)
Currency translation differences	(4)	–	–
Other comprehensive income for the period, net of tax	(4)	(1,481)	(1,481)
Total comprehensive income for the period	936	(997)	(108)
Total comprehensive income for the period attributable to:			
Owners of the Parent Company	936	(997)	(108)

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 March 2018*	31 December 2017
ASSETS			
<i>Non-current assets</i>			
Tangible assets	5	8	7
Interests in associates		600	600
Distressed asset portfolios	6	132,658	105,547
Other long-term receivables from investments	6	4,282	4,963
Loans to other group companies		2,000	2,000
Accrued interest from other group companies		246	191
Deferred tax assets		837	837
Other non-current assets		115	116
Total non-current assets		140,746	114,261
<i>Current assets</i>			
Accounts receivable		2,161	4,994
Other receivables		919	18
Prepaid expenses and accrued income		344	197
Cash and cash equivalents		34,062	57,697
Total current assets		37,486	62,906
TOTAL ASSETS		178,232	177,167
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		54	54
Other reserves		(4)	–
Retained earnings including net profit for the period		7,607	6,667
Total shareholders' equity attributable to Parent Company's shareholders		7,657	6,721
LIABILITIES			
<i>Non-current liabilities</i>			
Bond loans	7	132,388	132,166
Payables to other group companies		2,442	2,075
Loans from other group companies, subordinated		18,429	18,128
Deferred tax liabilities		490	490
Total non-current liabilities		153,749	152,859
<i>Current liabilities</i>			
Accounts payable		379	298
Tax liabilities		892	745
Accrued interest		3,258	3,992
Accrued expenses and deferred income		2,297	2,552
Loans from other group companies, subordinated		10,000	10,000
Total current liabilities		16,826	17,587
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		178,232	177,167

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Jan – 31 Mar 2018*	1 Jan – 31 Mar 2017*	Full year 2017
Cash flow from operating activities			
Operating profit	5,100	1,812	11,411
<i>Adjustments for non-cash items:</i>			
<i>Amortization of invested assets</i>	3,768	3,389	17,489
<i>Revaluation and impairment of invested assets</i>	–	(332)	(240)
<i>Depreciation of tangible assets</i>	–	–	–
<i>Other items not affecting cash</i>	76	(66)	(2,649)
Interest paid	(4,038)	(256)	(3,964)
Interest received	–	–	–
Tax paid	–	(1)	(25)
Cash flow from operating activities before working capital changes	4,906	4,546	22,022
Working capital adjustments			
(Increase) / decrease in accounts receivable	2,833	(267)	(2,398)
(Increase) / decrease in other receivables	(1,234)	30	(164)
Increase / (decrease) in accounts payable	81	200	(12)
Increase / (decrease) in other current liabilities	(255)	566	2,017
Net cash flow from operating activities	6,331	5,075	21,465
Cash flow from investing activities			
Purchases of distressed asset portfolios and other long-term receivables from investments	(29,977)	(813)	(90,799)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	–	–	13,570
Purchases of subsidiaries	–	(33,309)	(33,309)
Purchases of tangible assets	(1)	–	(7)
Net cash flow received / (used) in investing activities	(29,978)	(34,122)	(110,545)
Cash flow from financing activities			
Proceeds from issuance of loans	–	48,452	148,212
Proceeds from loans from group companies	–	–	19,500
Repayment of loans	–	(6,465)	(23,465)
Loans to other group companies	–	(2,000)	(2,000)
Net cash flow received / (used) in financing activities	–	39,987	142,247
Cash flow for the period	(23,647)	10,941	53,167
Cash and cash equivalents less bank overdrafts at beginning of the period	57,697	3,739	3,739
Effects from the acquisition of other group companies	–	910	910
Foreign exchange gains / (losses) on cash and cash equivalents	12	(14)	(119)
Cash and cash equivalents less bank overdrafts at end of the period	34,062	15,576	57,697

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Other reserves	Retained earnings incl. net profit for the period	Total equity
Balance at 1 January 2017	54	–	4,216	4,270
Net profit for the period	–	–	484	484
<i>Other comprehensive income</i>				
Acquisition of subsidiaries under common control of DDM Holding AG	–	–	(1,481)	(1,481)
Total comprehensive income	–	–	(997)	(997)
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 31 March 2017*	54	–	3,219	3,273
Balance at 1 January 2018	54	–	6,667	6,721
Net profit for the period	–	–	940	940
<i>Other comprehensive income</i>				
Currency translation differences	–	(4)	–	(4)
Total comprehensive income	–	(4)	940	936
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 31 March 2018*	54	(4)	7,607	7,657

* Unaudited

Parent Company – Income Statement

Amounts in EUR '000s	1 Jan – 31 Mar 2018*	1 Jan – 31 Mar 2017*	Full year 2017
Revenue	–	–	–
Personnel expenses	(10)	–	(7)
Consulting expenses	(28)	(19)	(65)
Other operating expenses	(19)	–	(83)
Operating loss	(57)	(19)	(155)
Income from participation in Group companies	–	–	2,500
Financial income	3,696	922	7,728
Financial expenses	(3,677)	(929)	(7,496)
Unrealized exchange loss	(2)	(33)	(44)
Realized exchange profit	1	29	32
Net financial income / (expense)	18	(10)	220
(Loss) / profit before income tax	(39)	(29)	2,565
Tax expense	–	–	(14)
Net (loss) / profit for the period	(39)	(29)	2,551

* Unaudited

Parent Company – Statement of Comprehensive Income

Amounts in EUR '000s	1 Jan – 31 Mar 2018*	1 Jan – 31 Mar 2017*	Full year 2017
Net (loss) / profit for the period	(39)	(29)	2,551
Other comprehensive income for the period, net of tax			
<i>Items that will not be reclassified to profit or loss</i>	–	–	–
<i>Items that may subsequently be reclassified to profit or loss</i>	–	–	–
Total other comprehensive income for the period, net of tax	–	–	–
Total comprehensive income for the period	(39)	(29)	2,551

* Unaudited

Parent Company – Balance Sheet

Amounts in EUR '000s	Notes	31 March 2018*	31 December 2017
ASSETS			
<i>Non-current assets</i>			
Participations in other group companies	8	9,284	9,284
Loans to other group companies		147,060	98,809
Accrued interest from other group companies		246	191
Other non-current assets		5	5
Total non-current assets		156,595	108,289
<i>Current assets</i>			
Receivables from other group companies		2,668	3,197
Prepaid expenses and accrued interest income		2,987	3,762
Cash and cash equivalents		492	48,753
Total current assets		6,147	55,712
TOTAL ASSETS		162,742	164,001
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		54	54
Retained earnings including net profit / (loss) for the period		5,169	5,208
Total shareholders' equity		5,223	5,262
<i>Non-current liabilities</i>			
Bond loans	7	132,388	132,166
Payables to other group companies		4,825	5,482
Loans from other group companies		7,000	7,000
Total non-current liabilities		144,213	144,648
<i>Current liabilities</i>			
Accounts payable		7	7
Payables to other group companies		–	91
Tax liabilities		14	14
Accrued interest		3,277	3,828
Accrued expenses and deferred income		8	151
Loans from other group companies, subordinated		10,000	10,000
Total current liabilities		13,306	14,091
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		162,742	164,001

* Unaudited

Parent Company – Cash Flow Statement

Amounts in EUR '000s	1 Jan – 31 Mar 2018*	1 Jan – 31 Mar 2017*	Full year 2017
Cash flow from operating activities			
Operating loss	(57)	(19)	(155)
Other items not affecting cash	(78)	(2)	84
Interest paid	(4,038)	(256)	(3,672)
Interest received	3,840	196	334
Cash flow from operating activities before working capital changes	(333)	(81)	(3,409)
Working capital adjustments			
(Increase) / decrease in other receivables	800	(19)	–
Increase / (decrease) in accounts payable	–	(73)	(76)
Increase / (decrease) in other current liabilities	(234)	173	186
Net cash flow from operating activities	233	–	(3,299)
Cash flow from investing activities			
Loans to group companies	(48,500)	–	(64,760)
Repayment of loans to group companies	–	768	7,558
Purchases of subsidiaries	–	(33,309)	(33,309)
Net cash flow received / (used) in investing activities	(48,500)	(32,541)	(90,511)
Cash flow from financing activities			
Proceeds from issuance of loans	–	48,452	148,212
Proceeds from loans from group companies	–	–	17,000
Repayment of loans	–	(6,465)	(23,465)
Loans to other group companies	–	(2,000)	(2,000)
Net cash flow received / (used) in financing activities	–	39,987	139,747
Cash flow for the period	(48,267)	7,446	45,937
Cash and cash equivalents less bank overdrafts at beginning of the period	48,753	2,816	2,816
Foreign exchange gains / (losses) on cash and cash equivalents	6	–	–
Cash and cash equivalents less bank overdrafts at end of the period	492	10,263	48,753

* Unaudited

Parent Company – Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Retained earnings incl. net profit / (loss) for the period	Total equity
Balance at 1 January 2017	54	98	152
Net loss for the period	–	(29)	(29)
<i>Other comprehensive income</i>	–	–	–
Total comprehensive income	–	(29)	(29)
<i>Transactions with owners</i>			
Total transactions with owners	–	–	–
Balance at 31 March 2017*	54	69	123
Balance at 1 January 2018	54	5,208	5,262
Net loss for the period	–	(39)	(39)
<i>Other comprehensive income</i>	–	–	–
Total comprehensive income	–	(39)	(39)
<i>Transactions with owners</i>			
Total transactions with owners	–	–	–
Balance at 31 March 2018*	54	5,169	5,223

* Unaudited

Notes

Note 1. General information

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

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

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

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

Note 2. Basis of preparation

This interim report has been prepared in compliance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as endorsed by the EU, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups issued by RFR, the Swedish Financial Reporting Board. The Parent Company's financial statements have been prepared in compliance with the Annual Accounts Act (ÅRL 1995:1554) and RFR 2 Accounting for Legal Entities and applicable statements.

As of 1 January 2018 there are several new IFRS standards. IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers have been applied from 1 January 2018. In all other material aspects the Group's and the Parent Company's accounting policies, basis for calculations and presentations are unchanged in comparison with the 2017 Annual Report.

The accounting policies that are most critical to the Group and Parent Company are stated in DDM Debt AB's Annual Report for 2017, which also contains a description of the material risks and uncertainties facing the Parent Company and the Group.

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

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which DDM Debt has control. DDM Debt controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are de-consolidated from the date on which control ceases. Intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated.

Subsidiaries	Consolidation method	Domicile	31 March 2018	31 December 2017
DDM Invest I AG	Fully consolidated	Switzerland	100%	100%
DDM Invest II AG	Fully consolidated	Switzerland	100%	100%
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Invest IV AG	Fully consolidated	Switzerland	100%	100%
DDM Invest VII AG	Fully consolidated	Switzerland	100%	100%
DDM Invest X AG	Fully consolidated	Switzerland	100%	100%
DDM Invest XX AG	Fully consolidated	Switzerland	100%	100%
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Debt Management d.o.o Beograd	Fully consolidated	Serbia	100%	100%

Associates

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

Associates	Consolidation method	Domicile	31 March 2018	31 December 2017
Profinance doo Beograd	Equity method	Serbia	49.67%	49.67%

Note 3. Currency translation

All entities prepare their financial statements in their functional currency. At 31 March 2018 all fully consolidated group entities have EUR as their functional currency, except for DDM Debt Management d.o.o Beograd, which has Serbian Dinar (RSD) as its functional currency.

Note 4. Revenue on invested assets by region

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

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

EUR '000s	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017	Full year 2017
Net collections by country:			
Czech Republic	3,034	891	6,650
Slovenia	2,432	3,275	10,564
Greece	2,200	–	1,958
Hungary	1,178	1,058	6,934
Romania	1,053	729	4,536
Croatia	387	–	3,592
Slovakia	132	47	343
Serbia	100	–	111
Russia	28	35	171
Net collections	10,544	6,036	34,859
Amortization of invested assets	(3,768)	(3,389)	(17,489)
Interest income on invested assets before revaluation and impairment	6,776	2,646	17,370
Revaluation of invested assets	–	508	806
Impairment of invested assets	–	(176)	(566)
Revenue on invested assets	6,776	2,978	17,610

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

The Group discloses information regarding net collections based on its key geographic areas.

Note 5. Tangible assets

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

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

Furniture	5 years
Computer hardware	5 years

The DDM Debt Group distributes the amount initially recognized for a tangible asset between its significant components and depreciates each component separately. The carrying amount of a replaced component is derecognized when replaced. The residual value method of amortization and the useful lives of the assets are reviewed annually and adjusted if appropriate. Impairment and gains and losses on disposals of tangible assets are included in other operating expenses.

Note 6. Distressed asset portfolios and other long-term receivables from investments

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

Other long-term receivables from investments

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

The following investments are treated in this manner:

Entity	Domicile	31 March 2018	31 December 2017
Lombard Pénzügyi és Lízing Zrt.	Hungary	100%	100%
Lombard Ingatlan Lízing Zrt.	Hungary	100%	100%
Lombard Bérlet Kft.	Hungary	100%	100%

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

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

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

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

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

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

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

	31 March	31 December
EUR '000s	2018	2017
EUR	82,005	53,427
HRK	28,128	27,368
CZK	17,590	19,595
HUF	4,282	4,963
RSD	2,449	2,417
RON	2,187	2,411
RUB	299	329
Total	136,940	110,510

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

Note 7. Borrowings

The Group had the following outstanding borrowings at the balance sheet dates of 31 March 2018 and/or 31 December 2017:

Bond loan EUR 50M

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

Revolving credit facility EUR 17M

DDM Debt agreed a super senior revolving credit facility of EUR 17M with a Swedish bank on 28 September 2017. The revolving credit facility is available to finance investments and for general corporate purposes. The facility was for an initial six month term, and was extended for a further six months until 28 September 2018. The revolving credit facility is permitted under the senior secured bond frameworks.

Bond loan EUR 85M

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

DDM Debt's financial instruments contain a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds and the revolving credit facility are: an equity ratio of at least 15.00%, net interest bearing debt to cash EBITDA below 4:1, and net interest bearing debt to ERC below 75.00%. DDM's management carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded. DDM Debt complied with all bond covenants for the periods ending 31 March 2018 and 31 December 2017.

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

Bond loan EUR 11M

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

Maturity profile and carrying value of borrowings:

Group & Parent co. EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 31 March 2018						
Bond loan, 8%	–	–	48,662	–	–	48,662
Bond loan, 9.5%	–	83,726	–	–	–	83,726
Total	–	83,726	48,662	–	–	132,388
at 31 December 2017						
Bond loan, 8%	–	–	48,597	–	–	48,597
Bond loan, 9.5%	–	–	83,569	–	–	83,569
Total	–	–	132,166	–	–	132,166

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

Fair value of borrowings:

Group & Parent co. EUR '000s	IFRS 9 category	Fair value category	Fair value	Carrying value
at 31 March 2018				
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	50,000	48,662
Bond loan, 9.5%	Financial liabilities at amortized cost	Level 2	87,975	83,726
Total			137,975	132,388
at 31 December 2017				
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	50,000	48,597
Bond loan, 9.5%	Financial liabilities at amortized cost	Level 2	87,975	83,569
Total			137,975	132,166

The levels in the hierarchy are:

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

Note 8. Participations in Group companies

Parent Company EUR '000s	31 March 2018	31 December 2017
Investment	9,284	9,284
Total	9,284	9,284

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

The Parent Company holds shares in the following subsidiaries:

EUR '000s Company	Corporate identity number	Domicile	Proportion of equity 31 Mar 2018	Proportion of equity 31 Dec 2017	Net book value 31 Mar 2018	Net book value 31 Dec 2017
DDM Invest VII AG	CHE 153.128.633	Switzerland	100%	100%	90	90
DDM Invest VII d.o.o.	7109806000	Slovenia	100%	100%	8	8
DDM Invest I AG	CHE 113.863.850	Switzerland	100%	100%	1,393	1,393
DDM Invest II AG*	CHE 115.038.302	Switzerland	100%	100%	–	–
DDM Invest III AG	CHE 115.238.947	Switzerland	100%	100%	591	591
DDM Invest IV AG*	CHE 317.413.116	Switzerland	100%	100%	–	–
DDM Invest X AG	CHE 130.419.930	Switzerland	100%	100%	1,465	1,465
DDM Invest XX AG	CHE 349.886.186	Switzerland	100%	100%	5,737	5,737
DDM Debt Management d.o.o Beograd*	21313963	Serbia	100%	100%	–	–
Total					9,284	9,284

* The net book value of the investments in DDM Invest II AG, DDM Invest IV AG and DDM Debt Management d.o.o Beograd amount to EUR 1 each as of 31 March 2018 and 31 December 2017.

Note 9. Subsequent events

New Head of Business Development, Henrik Wennerholm, appointed as a member of the Executive Management Committee of the DDM Group.

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 31 March 2018 provides a fair overview of the Parent Company's and the Group's operations, their financial positions and result. The material risks and uncertainties facing the Parent Company and the Group are described in the 2017 Annual report.

Stockholm, 3 May 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

Definitions

DDM

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

Amortization of invested assets

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

Cash EBITDA

Net collections less operating expenses.

EBITDA

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

Equity

Shareholders' equity at the end of the period.

Impairment of invested assets

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

Invested assets

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

Net collections

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

Net debt

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

Non-recurring items

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

Operating expenses

Personnel, consulting and other operating expenses.

Revaluation of invested assets

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

Reconciliation tables, non-IFRS measures

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

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

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

Net collections:

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

Amortization, revaluation and impairment of invested assets:

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

Operating expenses and Cash EBITDA:

Amounts in EUR '000s (unless specified otherwise)	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017	Full year 2017
Net collections	10,544	6,036	34,859
Personnel expenses	(66)	(10)	(122)
Consulting expenses	(1,564)	(1,127)	(5,843)
Other operating expenses	(46)	(29)	(234)
Operating expenses	(1,676)	(1,166)	(6,199)
Cash EBITDA	8,868	4,870	28,660
Net debt:			
Bond loan, 8%	48,662	–	48,597
Bond loan, 9.5%	83,726	48,527	83,569
Less: Cash and cash equivalents	(34,062)	(15,576)	(57,697)
Net debt	98,326	32,951	74,469
Equity ratio:			
Shareholder's equity	7,657	3,273	6,721
Shareholder debt (subordinated)	28,429	10,341	28,128
Total equity according to the senior secured bond terms	36,086	13,614	34,849
Total assets	178,232	66,651	177,167
Equity ratio	20.2%	20.4%	19.7%

About DDM

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

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

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

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



DDM Debt AB (publ)

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

