



Significant increase in portfolio value and new revolving credit facility supporting continued rapid expansion

Highlights third quarter 2017

- Entered Greece, investing EUR 50M
- Further portfolio acquired in the Czech Republic for approximately EUR 12M
- Super senior revolving credit facility of EUR 17M successfully secured, continuing to lower the cost of funding
- Net collections increased by 25% to EUR 6.5M (Q3 2016: EUR 5.2M)
- Cash EBITDA increased by 4% to EUR 4.8M (Q3 2016: EUR 4.6M)
- Net loss for the period of EUR 0.2M (Q3 2016: profit of EUR 3.4M)

Highlights nine months 2017

- Investments in Greece, Croatia, the Czech Republic and Slovenia totaling approximately EUR 91M
- Net collections increased by 330% to EUR 22.3M (YTD 2016: EUR 5.2M)
- Cash EBITDA increased by 286% to EUR 17.9M (YTD 2016: EUR 4.6M)
- Net profit for the period of EUR 0.2M (YTD 2016: EUR 3.4M)
- DDM Debt acquired DDM Treasury Sweden AB's subsidiaries holding the portfolios on 17 February
- EUR 85M of senior secured bonds at 9.5% issued and listed on Nasdaq Stockholm

Significant events after the third quarter

- The second Croatian acquisition was finalized, following regulatory approval

| Amounts in EUR '000s (unless specified otherwise) | 1 Jul–30 Sep 2017 | 1 Jul–30 Sep 2016 | 1 Jan–30 Sep 2017 | 3 Mar–30 Sep 2016 | 3 Mar–31 Dec 2016* |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Net collections | 6,454 | 5,182 | 22,269 | 5,182 | 9,666 |
| Operating expenses | (1,605) | (534) | (4,357) | (536) | (917) |
| Cash EBITDA | 4,849 | 4,648 | 17,912 | 4,646 | 8,749 |
| Amortization, revaluation and impairment of invested assets | (1,895) | (259) | (10,784) | (259) | (2,785) |
| Operating profit | 2,954 | 4,389 | 7,128 | 4,387 | 5,965 |
| Net (loss) / profit for the period | (242) | 3,390 | 223 | 3,388 | 4,216 |
| Selected key figures | | | | | |
| Total assets | 113,645 | 20,263 | 113,645 | 20,263 | 20,388 |
| Net debt | 82,238 | 13,074 | 82,238 | 13,074 | 9,963 |
| Cash flow from operating activities before working capital changes | 342 | 3,437 | 13,235 | 3,435 | 7,433 |
| Equity ratio** | 20.6% | 17.0% | 20.6% | 17.0% | 20.9% |

* Audited

** 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 2 November 2017 at 08:00 CET.

Comment by the CEO

I am very happy to have been appointed as the CEO of DDM in September and to have been given the opportunity to contribute to the continued success of the company together with the rest of the DDM team. The Company has grown and developed at a fast pace and is in an extremely expansive phase.

DDM Debt made a number of significant transactions in the quarter, including our first transaction in Greece which completed in early August, establishing a first mover advantage in the country with the highest non-performing loan ratio in Europe. The sizeable portfolio, representing 48% of the total portfolio at the end of the third quarter, is in the process of being on-boarded and the workout has been initiated. The EUR 50M investment not only contributes significantly to DDM Debt's growth but also offers strong potential for further transactions in Greece.

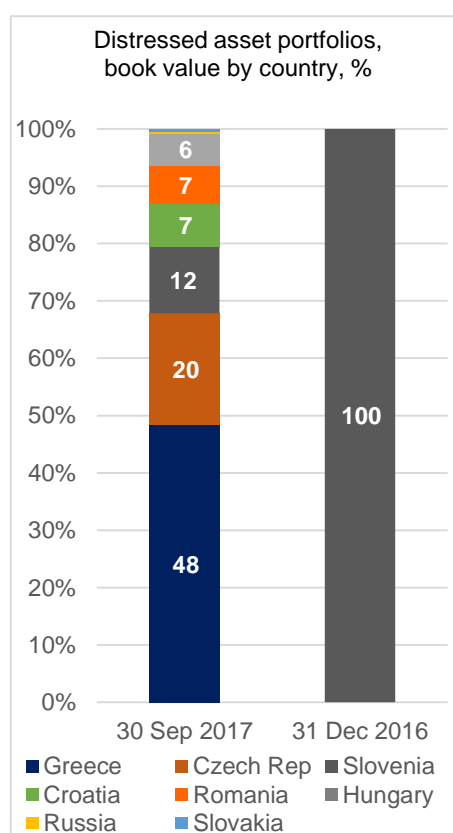
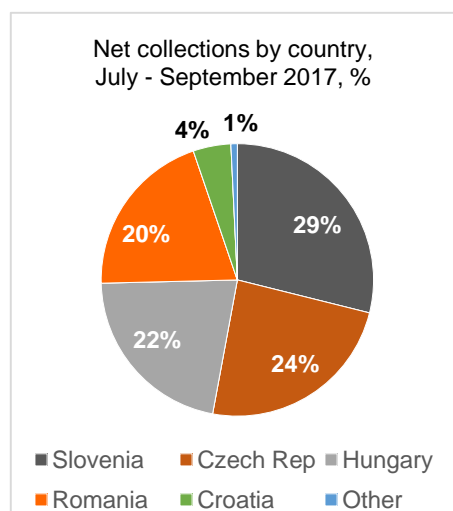
The Company also acquired a portfolio in the Czech Republic in the quarter for approximately EUR 12M. The portfolio was purchased from a seller we have previously acquired portfolios from, confirming DDM's reputation as a preferred buyer. Shortly after the end of the third quarter DDM Debt finalized its second Croatian transaction, the previously announced acquisition of a distressed asset portfolio containing secured corporate receivables.

The investments totaling EUR 91M year to date are funded by a combination of cash on hand, following the debt financing activities in first half of the year and the equity raised then contributed by DDM Holding AG, in addition to cash flow from operations and the recently announced new super senior revolving credit facility of EUR 17M which was successfully secured at the end of the third quarter. The RCF is another important step in diversifying our funding and continuing to lower our funding cost.

DDM Debt's portfolio carrying value was EUR 106.1M at the end of the third quarter of 2017, a substantial increase of 486% compared to the same period in 2016, as the significant recent acquisitions more than offset amortization, revaluation and impairment on the existing portfolio in the past 12 months.

Net collections for Q3 2017 increased by 25% compared to Q3 2016, and by 330% for the first nine months of 2017 compared to the same period last year. The increase was driven by the significantly higher portfolio value compared to the prior year, as well as the continued strong performance of the Slovenian portfolio acquired in the prior year. Net collections increased despite the fact that the recently acquired large portfolios have not yet started to contribute significantly to net collections. Cash EBITDA in the third quarter of 2017 amounted to EUR 4.8M and EUR 17.9M for 9M 2017, increases of 4% and 286% respectively compared to the corresponding period in 2016. The results of the subsidiaries acquired from DDM Treasury Sweden are included in DDM Debt's results from 17 February.

Cash flow from operating activities before working capital changes was EUR 0.3M in the third quarter and EUR 13.2M for the first nine months of 2017 compared to EUR 3.4M in Q3 and YTD 2016.



Market outlook

We continue to see a very strong pipeline of portfolios across our region in both existing and new markets, and a number of sizeable transactions are expected to close before year end. We will continue our rapid expansion as we continue to source attractive portfolios given our proven transaction closing capabilities and strong reputation. With the recent acquisitions we remain positive on the outlook for DDM Debt and feel confident to be able to continue to deliver according to our strategy.

Stockholm, 2 November 2017

DDM Debt AB (publ)

Andreas Tuczka

Financial calendar

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

Q4 and full-year report for January – December 2017: 28 February 2018

Annual report 2017: 29 March 2018

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

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

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 2 November 2017, at 08:00 CET.

CEO Andreas Tuczka and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 2 November 2017, starting at 10:00 CET. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers: SE: +46 8 566 426 96, CH: +41 225 675 548 or UK: +44 203 008 9802.

Consolidated Income Statement

| Amounts in EUR '000s | Notes | 1 Jul–30 Sep 2017 | 1 Jul–30 Sep 2016 | 1 Jan–30 Sep 2017 | 3 Mar–30 Sep 2016 | 3 Mar–31 Dec 2016* |
|--|-------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Revenue on invested assets | 3 | 4,559 | 4,923 | 11,485 | 4,923 | 6,881 |
| Personnel expenses | | (27) | (1) | (53) | (1) | (3) |
| Consulting expenses | | (1,542) | (527) | (4,215) | (528) | (907) |
| Other operating expenses | | (36) | (6) | (89) | (7) | (6) |
| Depreciation of tangible assets | | – | – | – | – | – |
| Operating profit | | 2,954 | 4,389 | 7,128 | 4,387 | 5,965 |
| Financial income | | – | – | – | – | – |
| Financial expenses | | (2,699) | (618) | (6,492) | (619) | (1,265) |
| Unrealized exchange (loss) / profit | | (178) | – | 133 | – | – |
| Realized exchange profit | | 32 | – | 78 | – | – |
| Net financial expenses | | (2,845) | (618) | (6,281) | (619) | (1,265) |
| Profit before income tax | | 109 | 3,771 | 847 | 3,769 | 4,699 |
| Tax expense | | (351) | (381) | (624) | (381) | (483) |
| Net (loss) / profit for the period | | (242) | 3,390 | 223 | 3,388 | 4,216 |
| Net (loss) / profit for the period attributable to: | | | | | | |
| Owners of the Parent Company | | (242) | 3,390 | 223 | 3,388 | 4,216 |

* Audited

Consolidated Statement of Comprehensive Income

| Amounts in EUR '000s | 1 Jul–30 Sep 2017 | 1 Jul–30 Sep 2016 | 1 Jan–30 Sep 2017 | 3 Mar–30 Sep 2016 | 3 Mar–31 Dec 2016* |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Net (loss) / profit for the period | (242) | 3,390 | 223 | 3,388 | 4,216 |
| Other comprehensive income for the period | | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | – | – | – | – | – |
| <i>Items that may subsequently be reclassified to profit or loss:</i> | | | | | |
| Recognition of other reserves from subsidiaries | – | – | (1,481) | – | – |
| Other comprehensive income for the period, net of tax | – | – | (1,481) | – | – |
| Total comprehensive income for the period | (242) | 3,390 | (1,258) | 3,388 | 4,216 |
| Total comprehensive income for the period attributable to: | | | | | |
| Owners of the Parent Company | (242) | 3,390 | (1,258) | 3,388 | 4,216 |

* Audited

Consolidated Balance Sheet

| Amounts in EUR '000s | Notes | 30 September 2017 | 31 December 2016* |
|---|-------|----------------------|----------------------|
| ASSETS | | | |
| <i>Non-current assets</i> | | | |
| Tangible assets | 4 | 4 | – |
| Interests in associates | | 600 | – |
| Distressed asset portfolios | 5 | 100,176 | 15,600 |
| Other long-term receivables from investments | 5 | 5,969 | – |
| Loan to other group companies | | 2,000 | – |
| Deferred tax assets | | 760 | – |
| Other non-current assets | | 1,568 | 1 |
| Total non-current assets | | 111,077 | 15,601 |
| <i>Current assets</i> | | | |
| Accounts receivable | | 958 | 200 |
| Other receivables | | 174 | 842 |
| Prepaid expenses and accrued income | | 257 | 5 |
| Cash and cash equivalents | | 1,179 | 3,739 |
| Total current assets | | 2,568 | 4,787 |
| TOTAL ASSETS | | 113,645 | 20,388 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| <i>Shareholders' equity</i> | | | |
| Share capital | | 54 | 54 |
| Other reserves | | (1,481) | – |
| Retained earnings including net profit / loss for the period | | 4,439 | 4,216 |
| Total shareholders' equity attributable to Parent Company's shareholders | | 3,012 | 4,270 |
| LIABILITIES | | | |
| <i>Non-current liabilities</i> | | | |
| Bond loan | 6 | 83,417 | – |
| Payables to other group companies | | 1,830 | 1,006 |
| Payables to other group companies, subordinated | | 2,559 | – |
| Loans from other group companies | | – | 7,518 |
| Loans from other group companies, subordinated | | 17,836 | – |
| Deferred tax liabilities | | 231 | – |
| Total non-current liabilities | | 105,873 | 8,524 |
| <i>Current liabilities</i> | | | |
| Accounts payable | | 228 | 65 |
| Bond loan | 6 | – | 6,184 |
| Tax liabilities | | 554 | – |
| Accrued interest | | 1,834 | 413 |
| Accrued expenses and deferred income | | 2,144 | 932 |
| Total current liabilities | | 4,760 | 7,594 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 113,645 | 20,388 |

* Audited

Consolidated Cash Flow Statement

| Amounts in EUR '000s | 1 Jul–30 Sep 2017 | 1 Jul–30 Sep 2016 | 1 Jan–30 Sep 2017 | 3 Mar–30 Sep 2016 | 3 Mar–31 Dec 2016* |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Cash flow from operating activities | | | | | |
| Operating profit | 2,954 | 4,389 | 7,128 | 4,387 | 5,965 |
| <i>Adjustments for non-cash items:</i> | | | | | |
| <i>Amortization of invested assets</i> | 1,893 | 259 | 11,024 | 259 | 2,785 |
| <i>Revaluation and impairment of invested assets</i> | 2 | – | (240) | – | – |
| <i>Depreciation of tangible assets</i> | – | – | – | – | – |
| <i>Other items not affecting cash</i> | (296) | (1,212) | (66) | (1,211) | (991) |
| Interest paid | (4,211) | – | (4,586) | – | (325) |
| Interest received | – | – | – | – | – |
| Tax paid | – | – | (25) | – | – |
| Cash flow from operating activities before working capital changes | 342 | 3,437 | 13,235 | 3,435 | 7,433 |
| Working capital adjustments | | | | | |
| (Increase) / decrease in accounts receivable | 2,314 | (315) | 186 | (315) | (200) |
| (Increase) / decrease in other receivables | (376) | (5) | (380) | (5) | (849) |
| Increase / (decrease) in accounts payable | (350) | 349 | (82) | 441 | 65 |
| Increase / (decrease) in other current liabilities | 2,009 | 318 | 2,769 | 318 | 932 |
| Net cash flow from operating activities | 3,939 | 3,784 | 15,728 | 3,875 | 7,382 |
| Cash flow from investing activities | | | | | |
| Purchases of distressed asset portfolios and other long-term receivables from investments | (69,069) | (16,878) | (69,882) | (16,878) | (16,878) |
| Purchases of subsidiaries | – | – | (33,309) | – | – |
| Purchases of tangible assets | (4) | – | (4) | – | – |
| Net cash flow received / (used) in investing activities | (69,073) | (16,878) | (103,195) | (16,878) | (16,878) |
| Cash flow from financing activities | | | | | |
| Proceeds from issuance of ordinary shares | – | – | – | 54 | 54 |
| Proceeds from issuance of loans | – | 10,453 | 83,023 | 10,453 | 10,453 |
| Proceeds / from loans from group companies | – | 7,264 | 9,500 | 7,264 | 7,264 |
| Repayment of loans | – | (2,950) | (6,465) | (2,950) | (4,535) |
| Loans to other group companies | – | – | (2,000) | – | – |
| Net cash flow received / (used) in financing activities | – | 14,767 | 84,058 | 14,821 | 13,236 |
| Cash flow for the period | (65,134) | 1,673 | (3,409) | 1,818 | 3,739 |
| Cash and cash equivalents less bank overdrafts at beginning of the period | 66,344 | 144 | 3,739 | – | – |
| Effects from the acquisition of other group companies | – | – | 910 | – | – |
| Foreign exchange gains / (losses) on cash and cash equivalents | (31) | 1 | (61) | 1 | – |
| Cash and cash equivalents less bank overdrafts at end of the period | 1,179 | 1,818 | 1,179 | 1,818 | 3,739 |

* Audited

Consolidated Statement of Changes in Equity

| Amounts in EUR '000s | Share capital | Other reserves | Retained earnings incl. net profit / loss for the period | Total equity |
|---|---------------|----------------|--|----------------|
| Balance at 3 March 2016* | 6 | – | – | 6 |
| Net profit for the period | – | – | 3,388 | 3,388 |
| <i>Other comprehensive income</i> | – | – | – | – |
| Total comprehensive income | – | – | 3,388 | 3,388 |
| <i>Transactions with owners</i> | | | | |
| New issue of shares through down payment | 48 | – | – | 48 |
| Total transactions with owners | 48 | – | – | 48 |
| Balance at 30 September 2016 | 54 | – | 3,388 | 3,442 |
| Balance at 1 January 2017* | 54 | – | 4,216 | 4,270 |
| Net profit for the period | – | – | 223 | 223 |
| <i>Other comprehensive income</i> | – | – | – | – |
| Recognition of other reserves from subsidiaries | – | (1,481) | – | (1,481) |
| Total comprehensive income | – | (1,481) | 223 | (1,258) |
| <i>Transactions with owners</i> | | | | |
| Total transactions with owners | – | – | – | – |
| Balance at 30 September 2017 | 54 | (1,481) | 4,439 | 3,012 |

* Audited

Parent Company – Income Statement

| Amounts in EUR '000s | 1 Jul–30 Sep 2017 | 1 Jul–30 Sep 2016 | 1 Jan–30 Sep 2017 | 3 Mar–30 Sep 2016 | 3 Mar–31 Dec 2016* |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Revenue | – | – | – | – | – |
| Personnel expenses | – | – | – | – | – |
| Consulting expenses | (10) | (7) | (48) | (7) | (61) |
| Other operating expenses | – | – | – | – | – |
| Operating loss | (10) | (7) | (48) | (7) | (61) |
| Income from participation in Group companies | – | – | – | – | 150 |
| Financial income | 1,950 | 270 | 4,810 | 270 | 529 |
| Financial expenses | (2,019) | (282) | (4,725) | (282) | (520) |
| Unrealized exchange loss | – | – | (34) | – | – |
| Realized exchange (loss) / profit | (8) | – | 21 | – | – |
| Net financial (expenses) / income | (77) | (12) | 72 | (12) | 159 |
| (Loss) / profit before income tax | (87) | (19) | 24 | (19) | 98 |
| Tax income / (expense) | 19 | – | (5) | – | – |
| Net (loss) / profit for the period | (68) | (19) | 19 | (19) | 98 |

* Audited

Parent Company – Statement of Comprehensive Income

| Amounts in EUR '000s | 1 Jul–30 Sep 2017 | 1 Jul–30 Sep 2016 | 1 Jan–30 Sep 2017 | 3 Mar–30 Sep 2016 | 3 Mar–31 Dec 2016* |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Net (loss) / profit for the period | (68) | (19) | 19 | (19) | 98 |
| Other comprehensive income for the period, net of tax | | | | | |
| Items that will not be reclassified to profit or loss | – | – | – | – | – |
| Items that may subsequently be reclassified to profit or loss | – | – | – | – | – |
| Total other comprehensive income for the period, net of tax | – | – | – | – | – |
| Total comprehensive income for the period | (68) | (19) | 19 | (19) | 98 |

* Audited

Parent Company – Balance Sheet

| Amounts in EUR '000s | Notes | 30 September 2017 | 31 December 2016* |
|--|-------|----------------------|----------------------|
| ASSETS | | | |
| <i>Non-current assets</i> | | | |
| Participations in other group companies | 7 | 9,284 | 98 |
| Loans to other group companies | | 84,348 | – |
| Total non-current assets | | 93,632 | 98 |
| <i>Current assets</i> | | | |
| Receivables from other group companies | | 697 | 416 |
| Loans to other group companies | | 2,371 | 3,217 |
| Other receivables | | 60 | – |
| Prepaid expenses and accrued interest income | | 1,149 | 222 |
| Cash and cash equivalents | | 23 | 2,816 |
| Total current assets | | 4,300 | 6,671 |
| TOTAL ASSETS | | 97,932 | 6,769 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| <i>Shareholders' equity</i> | | | |
| Share capital | | 54 | 54 |
| Retained earnings including net profit / loss for the period | | 117 | 98 |
| Total shareholders' equity | | 171 | 152 |
| <i>Non-current liabilities</i> | | | |
| Bond loan | 6 | 83,417 | – |
| Payables to other group companies | | 12,882 | 101 |
| Total non-current liabilities | | 96,299 | 101 |
| <i>Current liabilities</i> | | | |
| Accounts payable | | 3 | 83 |
| Bond loan | 6 | – | 6,184 |
| Payables to other group companies | | 91 | 56 |
| Tax liabilities | | 5 | – |
| Accrued interest | | 1,346 | 194 |
| Accrued expenses and deferred income | | 17 | – |
| Total current liabilities | | 1,462 | 6,516 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 97,932 | 6,769 |

* Audited

Parent Company – Cash Flow Statement

| Amounts in EUR '000s | 1 Jul–30 Sep 2017 | 1 Jul–30 Sep 2016 | 1 Jan–30 Sep 2017 | 3 Mar–30 Sep 2016 | 3 Mar–31 Dec 2016* |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Cash flow from operating activities | | | | | |
| Operating loss | (10) | (7) | (48) | (7) | (61) |
| Other items not affecting cash | 10 | 16 | (31) | 16 | (77) |
| Interest paid | (4,038) | – | (4,294) | – | (325) |
| Interest received | – | – | 196 | – | 313 |
| Cash flow from operating activities before working capital changes | (4,038) | 8 | (4,177) | 8 | (150) |
| Working capital adjustments | | | | | |
| (Increase) / decrease in other receivables | (1) | (402) | (60) | (402) | (222) |
| Increase / (decrease) in accounts payable | 1 | 82 | (80) | 82 | 83 |
| Increase / (decrease) in other current liabilities | (14) | 395 | 777 | 395 | 351 |
| Net cash flow from operating activities | (4,052) | 84 | (3,540) | 84 | 62 |
| Cash flow from investing activities | | | | | |
| Loans to group companies | (44,800) | (10,529) | (45,560) | (10,529) | (10,529) |
| Repayment of loans to group companies | – | 2,955 | 5,058 | 2,955 | 7,312 |
| Purchases of subsidiaries | – | – | (33,309) | – | – |
| Net cash flow received / (used) in investing activities | (44,800) | (7,574) | (73,811) | (7,574) | (3,217) |
| Cash flow from financing activities | | | | | |
| Proceeds from issuance of ordinary shares | – | – | – | 54 | 54 |
| Proceeds from issuance of loans | – | 10,453 | 83,023 | 10,453 | 10,453 |
| Repayment of loans | – | (2,950) | (6,465) | (2,950) | (4,535) |
| Loans to other group companies | – | – | (2,000) | – | – |
| Net cash flow received / (used) in financing activities | – | 7,503 | 74,558 | 7,557 | 5,972 |
| Cash flow for the period | (48,852) | 12 | (2,793) | 66 | 2,817 |
| Cash and cash equivalents less bank overdrafts at beginning of the period | 48,875 | 54 | 2,816 | – | – |
| Foreign exchange gains / (losses) on cash and cash equivalents | – | – | – | – | – |
| Cash and cash equivalents less bank overdrafts at end of the period | 23 | 66 | 23 | 66 | 2,816 |

* Audited

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 3 March 2016* | 6 | – | 6 |
| Net profit / (loss) for the period | – | (19) | (19) |
| Other comprehensive income | – | – | – |
| Total comprehensive income | – | (19) | (19) |
| <i>Transactions with owners</i> | | | |
| New issue of shares through down payment | 48 | – | 48 |
| Total transactions with owners | 48 | – | 48 |
| Balance at 30 September 2016 | 54 | (19) | 35 |
| Balance at 1 January 2017* | 54 | 98 | 152 |
| Net profit for the period | – | 19 | 19 |
| Other comprehensive income | – | – | – |
| Total comprehensive income | – | 19 | 19 |
| <i>Transactions with owners</i> | | | |
| Total transactions with owners | – | – | – |
| Balance at 30 September 2017 | 54 | 117 | 171 |

* Audited

Notes

Note 1. General information

DDM Debt AB (publ) (“DDM Debt” or “the Company”) and its subsidiaries (together “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. 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 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.

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.

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 Västmannagatan 4, SE-111 24, Stockholm, Sweden.

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

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 Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities issued by RFR.

As of 1 January 2017 there are clarifications of several IFRS standards. IAS 12 Income Taxes has been amended regarding recognition of deferred tax assets for unrealized losses. IAS 7 Statements of Cash Flows has been amended and IFRS 12 Disclosure of Interests in Other Entities has been clarified. These amendments were applicable as of 1 January 2017, but have not yet been endorsed by the EU. The changes are not expected to have a material effect on the financial statements of the Group. In all other material aspects the Group’s and the Parent Company’s accounting policies, basis for calculations and presentations are unchanged in comparison with the 2016 Annual Report.

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

Note 3. 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 collection agencies. As the collection procedure is outsourced, the net amount of cash collected is recorded as “Net collections” within the line “Revenue on invested assets” in the consolidated income statement. DDM discloses the alternative performance measure “Net collections” in the notes separately, as it is an important measurement for DDM to monitor the performance of the portfolios and measure the cash available for operating expenses and to service its debt. DDM believes that disclosing net collections as a separate performance measure in the notes improves the transparency and understanding of DDM’s financial statements and performance, meeting the expectations of its investors.

| | 1 Jul–30 Sep 2017 | 1 Jul–30 Sep 2016 | 1 Jan–30 Sep 2017 | 3 Mar–30 Sep 2016 | 3 Mar–31 Dec 2016* |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|
| EUR '000s | | | | | |
| Net collections by country: | | | | | |
| Slovenia | 1,865 | 5,182 | 8,324 | 5,182 | 9,666 |
| Czech Republic | 1,550 | – | 4,293 | – | – |
| Hungary | 1,401 | – | 5,854 | – | – |
| Romania | 1,300 | – | 3,307 | – | – |
| Croatia | 289 | – | 289 | – | – |
| Russia | 33 | – | 126 | – | – |
| Slovakia | 16 | – | 76 | – | – |
| Net collections | 6,454 | 5,182 | 22,269 | 5,182 | 9,666 |
| Amortization of invested assets | (1,893) | (259) | (11,024) | (259) | (2,785) |
| Interest income on invested assets before revaluation and impairment | 4,561 | 4,923 | 11,245 | 4,923 | 6,881 |
| Revaluation of invested assets | 388 | – | 806 | – | – |
| Impairment of invested assets | (390) | – | (566) | – | – |
| Revenue on invested assets | 4,559 | 4,923 | 11,485 | 4,923 | 6,881 |

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

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

Note 4. 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 5. Distressed asset portfolios and other long-term receivables from investments

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 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 | 30 September 2017 | 31 December 2016 |
|---------------------------------|----------|----------------------|---------------------|
| Lombard Pénzügyi és Lízing Zrt. | Hungary | 100% | – |
| Lombard Ingatlan Lízing Zrt. | Hungary | 100% | – |
| Lombard Bérlet Kft. | Hungary | 100% | – |

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

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

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

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

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

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

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

| EUR '000s | 30 September | 31 December |
|--------------|----------------|---------------|
| | 2017 | 2016 |
| EUR | 68,578 | 15,600 |
| CZK | 20,707 | – |
| HRK | 7,807 | – |
| HUF | 5,969 | – |
| RON | 2,709 | – |
| RUB | 374 | – |
| USD | 1 | – |
| Total | 106,145 | 15,600 |

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

Note 6. Borrowings

The Group had the following outstanding borrowings at the balance sheet dates of 30 September 2017 and/or 31 December 2016:

Revolving credit facility EUR 17M

DDM Debt agreed a super senior revolving credit facility of EUR 17M with a Swedish bank on 29 September 2017, however this was not drawn-down at the end of the third quarter. 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 current EUR 85 million senior secured bond framework (ISIN: SE0009548332).

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 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 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 instrument contains a number of financial covenants, including limits on certain financial indicators. 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 has pledged the shares in its subsidiaries as security under the terms and conditions. Certain bank accounts are also pledged in favor of 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 AB and any downstream loans to DDM Debt AB's subsidiaries are pledged to the investors as intercompany loans. The Terms and Conditions of DDM Debt's senior secured bonds contain a number of restrictions, including relating to distributions, the nature of the business, financial indebtedness, disposals of assets, dealings with related parties, negative pledges, new market loans, mergers and demergers, local credits and intercompany loans. The Terms and Conditions are available in their entirety on our website.

Bond loan EUR 11M

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

Maturity profile and carrying value of borrowings:

| Group & Parent co. EUR '000s | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | Total |
|---------------------------------|---------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------|
| at 30 September 2017 | | | | | | |
| Bond loan, 9.5% | – | – | 83,417 | – | – | 83,417 |
| Total | – | – | 83,417 | – | – | 83,417 |
| at 31 December 2016 | | | | | | |
| Bond loan, 13% | 6,184 | – | – | – | – | 6,184 |
| Total | 6,184 | – | – | – | – | 6,184 |

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

Fair value of borrowings:

| Group & Parent co. EUR '000s | IAS 39 category | Fair value category | Fair value | Carrying value |
|---------------------------------|---|---------------------|---------------|----------------|
| at 30 September 2017 | | | | |
| Bond loan, 9.5% | Financial liabilities at amortized cost | Level 2 | 87,975 | 83,417 |
| Total | | | 87,975 | 83,417 |
| at 31 December 2016 | | | | |
| Bond loan, 13% | Financial liabilities at amortized cost | Level 2 | 6,184 | 6,184 |
| Total | | | 6,184 | 6,184 |

The levels in the hierarchy are:

- Level 1 – Quoted prices on active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (such as prices) or indirectly (such as derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

Note 7. Participations in Group companies

| Parent Company EUR '000s | 30 September 2017 | 31 December 2016 |
|-----------------------------|----------------------|---------------------|
| Investment | 9,284 | 98 |
| Total | 9,284 | 98 |

| Parent Company EUR '000s | Investment |
|-----------------------------|------------|
| At 31 December 2016 | 98 |
| Acquisitions | 9,186 |
| At 30 September 2017 | 9,284 |

The Parent Company holds shares in the following subsidiaries:

| EUR '000s Company | Corporate identity number | Domicile | Proportion of equity 30 Sep 2017 | Proportion of equity 31 Dec 2016 | Net book value 30 Sep 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 | – |
| Total | | | | | 9,284 | 98 |

* The net book value of the investments in DDM Invest II AG and DDM Invest IV AG amount to EUR 1 and EUR 1 respectively.

Note 8. Subsequent events

DDM Debt finalized the previously announced acquisition of a distressed asset portfolio containing secured corporate receivables in Croatia from a leading international bank. DDM Debt received the approval from the Croatian National Bank and finalized the acquisition, as set out in the press release dated 30 June 2017. The investment amounts to approximately EUR 21 million. The acquisition was financed by a combination of cash on hand and the recently announced revolving credit facility.

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 30 September 2017 provides a fair overview of the Parent Company's and the Group's operations, their financial positions and result. The material risks and uncertainties facing the Parent Company and the Group are described in the 2016 Annual report.

Stockholm, 2 November 2017

Kent Hansson
Chairman of the board

Fredrik Waker
Board member

Manuel Vogel
Board member

Torgny Hellström
Board member

Andreas Tuczka
CEO

Definitions

DDM

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

Amortization of invested assets

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

Cash EBITDA

Net collections less operating expenses.

EBITDA

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

Equity

Shareholders' equity at the end of the period.

Impairment of invested assets

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

Invested assets

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

Net collections

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

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

Amortization, revaluation and impairment of invested assets:

The recognition of the acquisition of 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 Jul–30 Sep 2017 | 1 Jul–30 Sep 2016 | 1 Jan–30 Sep 2017 | 3 Mar–30 Sep 2016 | 3 Mar–31 Dec 2016* |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Net collections | 6,454 | 5,182 | 22,269 | 5,182 | 9,666 |
| Personnel expenses | (27) | (1) | (53) | (1) | (3) |
| Consulting expenses | (1,542) | (527) | (4,215) | (528) | (907) |
| Other operating expenses | (36) | (6) | (89) | (7) | (6) |
| Operating expenses | (1,605) | (534) | (4,357) | (536) | (917) |
| Cash EBITDA | 4,849 | 4,648 | 17,912 | 4,646 | 8,749 |

Net debt:

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Bond loan, 9.5% | 83,417 | – | 83,417 | – | – |
| Bond loan, 13% | – | 7,628 | – | 7,628 | 6,184 |
| Interest-bearing loans from other group companies | – | 7,264 | – | 7,264 | 7,518 |
| Less: Cash and cash equivalents | (1,179) | (1,818) | (1,179) | (1,818) | (3,739) |
| Net debt | 82,238 | 13,074 | 82,238 | 13,074 | 9,963 |

Equity ratio:

| | | | | | |
|---|---------|--------|---------|--------|--------|
| Shareholder's equity | 3,012 | 3,442 | 3,012 | 3,442 | 4,270 |
| Shareholder debt (subordinated) | 20,395 | – | 20,395 | – | – |
| Total equity according to the senior secured bond terms | 23,407 | 3,442 | 23,407 | 3,442 | 4,270 |
| Total assets | 113,645 | 20,263 | 113,645 | 20,263 | 20,388 |
| Equity ratio | 20.6% | 17.0% | 20.6% | 17.0% | 20.9% |

About DDM

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

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

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

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



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