



Significant increase in portfolio value and substantial financing raised

Highlights fourth quarter 2017

- **Second Croatian** investment of EUR 21M finalized, following regulatory approval
- **New partner and co-investor** in Greece, reducing DDM's investment by about EUR 15M
- **Entered Serbia**, investing EUR 2M
- **EUR 10M bridge financing** raised
- **EUR 50M of senior secured bonds at 8%** issued and listed on Nasdaq Stockholm to support continued strong growth
- **Gross ERC** at the end of December 2017 was EUR 250M, a significant increase of 213% (Q4 2016: EUR 80M)
- **Net collections** increased by 22% to EUR 12.7M (Q4 2016: EUR 10.4M)
- **Cash EBITDA** increased by 28% and amounted to EUR 11.2M (Q4 2016: EUR 8.7M)
- **Net profit for the period** of EUR 1.8M (Q4 2016: profit of EUR 1.9M)

Highlights 2017

- **Investments** in Greece, Croatia, the Czech Republic, Serbia and Slovenia, totaling approximately EUR 83M
- **EUR 85M of senior secured bonds at 9.5%** issued and listed on Nasdaq Stockholm
- **Fully subscribed share issue** with pre-emptive subscription rights for existing shareholders of approximately EUR 11M before issuance costs
- **Super senior revolving credit facility of EUR 17M**, continuing to lower the cost of funding
- **Net collections** increased by 9% to EUR 37.4M (2016: EUR 34.2M)
- **Cash EBITDA** increased by 10% and amounted to EUR 32.3M (2016: EUR 29.3M)
- **Adjusted net profit** of EUR 3.8M, excluding non-recurring items totaling approximately EUR 3.1M related to the refinancing in Q1 2017

Significant events after the end of the year

- **Kent Hansson**, founder and Chairman of the Board of Directors became acting CEO from 5 February
- **New Chief Investment Officer**, Alessandro Pappalardo, appointed as a member of the Executive Management Committee

Amounts in EUR '000s (unless specified otherwise)	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	Full Year 2017	Full Year 2016*
Net collections	12,713	10,445	37,434	34,225
Revenue from management fees	553	325	1,876	1,207
Operating expenses	(2,112)	(2,027)	(7,039)	(6,149)
Cash EBITDA	11,154	8,743	32,271	29,283
Amortization, revaluation and impairment of invested assets	(6,572)	(5,725)	(18,959)	(19,306)
Operating profit	4,549	2,987	13,169	9,843
Net profit for the period**	1,768	1,871	664	5,341
Selected key figures				
Total assets	183,577	66,375	183,577	66,375
Net debt	86,048	28,777	86,048	28,777
Equity ratio	16.8%	31.0%	16.8%	31.0%
Cash flow from operating activities before working capital changes	8,284	6,963	21,639	20,173
Gross ERC 120 months (EUR M)	250	80	250	80
Earnings per share before and after dilution (EUR)	0.13	0.21	0.05	0.65
Average number of shares during the period	13,560,447	9,040,298	12,408,738	8,223,888
Total number of shares at the end of the period	13,560,447	9,040,298	13,560,447	9,040,298

* Audited

** The full year result for 2017 was negatively impacted by c. EUR 3.1M of non-recurring items due to the bond refinancing in Q1

The information in this interim and full year report requires DDM Holding AG to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 28 February 2018 at 08:00 CET.

Comment by the CEO

DDM continued to deliver on its growth strategy in the fourth quarter. Fueled by our solid industry experience and analytical tools to assess portfolios of non-performing loans (NPL), we continued our rapid expansion. As a result our Estimated Remaining Collections (ERC) more than tripled in size in 2017, and DDM's total assets increased by over EUR 115M since the end of 2016. We also entered into new territories as further NPL portfolios were acquired.

During the fourth quarter we finalized our second Croatian transaction, the previously announced acquisition of secured corporate receivables. After significant due diligence work, at the end of November we also entered Serbia. In order to rebalance the composition of DDM's portfolio, we chose to bring in Ellington Capital Management as a new partner in Greece, decreasing our investment by about EUR 15M. With this transaction, our investment in Greece amounts to about 34% of DDM's overall book value of distressed asset portfolios.

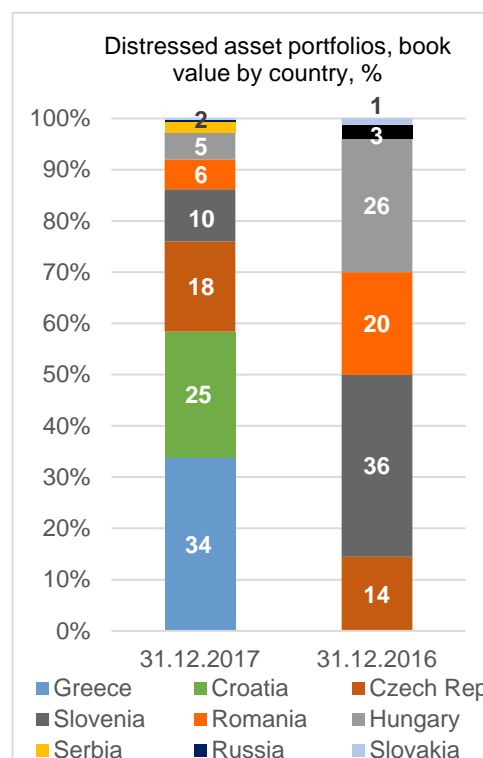
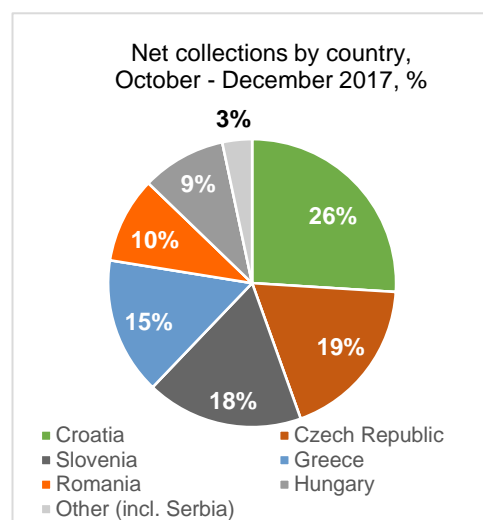
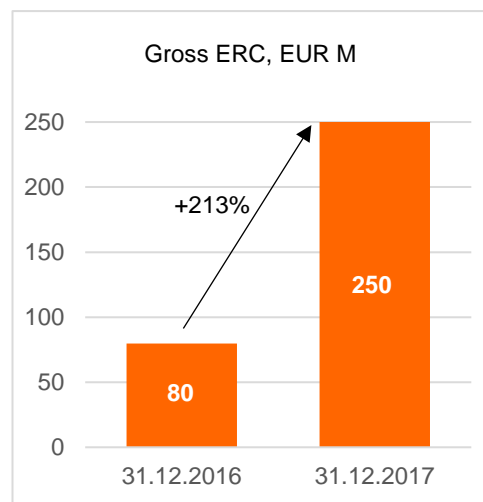
Net collections grew significantly during Q4, increasing 22% compared to Q4 2016, owing to the strong performance of the larger Croatian portfolio in addition to the first collections from Greece. Net collections increased by 9% for the full year 2017 compared to 2016, driven by collections from the recent investments in addition to the continued strong performance of the larger Slovenian portfolio. Revenue from management fees was EUR 0.6M in the fourth quarter and EUR 1.9M for the full year 2017, compared to EUR 0.3M and EUR 1.2M for the corresponding periods in 2016. The increase in revenue from management fees in the fourth quarter was driven by fees for portfolio management in Greece.

The strong net collections and revenue from management fees resulted in cash EBITDA for the fourth quarter of EUR 11.2M and EUR 32.3M for the full year 2017, increases of 28% and 10% respectively compared to the corresponding periods in 2016. The net result was a profit of EUR 1.8M for the fourth quarter and a profit of EUR 3.8M for the full year of 2017, on an adjusted basis.

During 2017 we more than doubled our investments compared to 2016, investing EUR 83M in total. These investments were both in DDM's established markets as well as in Greece, Croatia and Serbia, new markets for DDM that have great potential for future transactions and growth, and where we have spent many years evaluating opportunities before entering. These investments display our flexibility and ability to invest in new markets. Furthermore, the transactions diversified our portfolio by increasing our exposure to the corporate receivables segment.

Our solid performance paved the way for DDM to raise capital at a significantly lower cost throughout the year. During the fourth quarter DDM Finance AB raised EUR 10M in a bridge financing transaction, enabling DDM Debt AB to issue EUR 50M of new senior secured bonds with a final maturity date in December 2020 and a coupon of 8%. Funding of the business will continue to be a focus area going forward to further improve flexibility, decrease the cost of capital and support our rapid growth.

Cash flow continued to improve due to the higher net collections and lower interest paid in the quarter compared to the prior year. Cash flow from operating activities before working capital changes was EUR 8.3M in the fourth quarter compared to EUR 7.0M in Q4 2016. For the full year 2017, cash flow from operating activities before working capital changes was EUR 21.6M compared to EUR 20.2M for the same period last year, despite the negative impact from the aforementioned call premium of EUR 1.2M.



Market outlook

We expect our strong profitable growth to continue, since the trend will continue in which banks and financial institutions around Europe need to improve their balance sheets through disposing of their non-performing assets. Regulatory, accounting and market pressures will drive these developments. In this environment, we believe that there will continue to be plenty of good business opportunities for DDM.

However, DDM'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.

In 2018 our target is to double our investments compared to 2017 by investing more than EUR 165M and we anticipate operating expenses of EUR 8M. To facilitate our growth, the Board has proposed that no dividend be paid out for the financial year 2017. 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.

Baar, 28 February 2018
DDM Holding AG
Kent Hansson, acting CEO

Financial calendar

DDM intends to publish financial information on the following dates:

Annual report 2017:	29 March 2018
Interim report for January – March 2018:	3 May 2018
Annual General Meeting:	23 May 2018

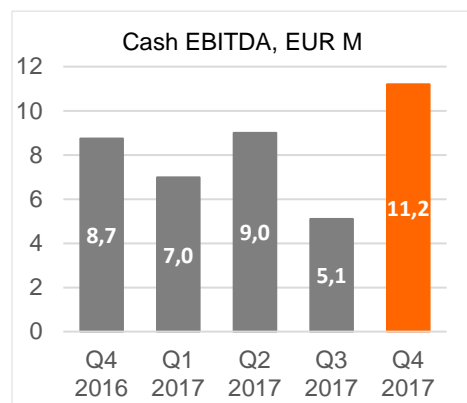
Other financial information from DDM is available on DDM's website: www.ddm-group.ch.

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 28 February 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 28 February 2018, starting at 10:00 CET. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers: SE: +46 8 566 193 53, CH: +41 225 675 548 or UK: +44 203 008 9807.



Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	Full Year 2017	Full Year 2016*
Revenue on invested assets	8	6,141	4,720	18,475	14,919
Reconciliation of revenue on invested assets:					
<i>Net collections</i>		12,713	10,445	37,434	34,225
<i>Amortization of invested assets</i>		(6,567)	(5,584)	(19,164)	(18,623)
<i>Revaluation and impairment of invested assets</i>		(5)	(141)	205	(682)
Revenue from management fees	8	553	325	1,876	1,207
Personnel expenses		(803)	(1,366)	(3,422)	(3,949)
Consulting expenses		(882)	(425)	(2,381)	(1,247)
Other operating expenses		(427)	(235)	(1,236)	(952)
Amortization and depreciation of tangible and intangible assets		(33)	(31)	(143)	(134)
Operating profit		4,549	2,987	13,169	9,843
Financial income		–	–	–	32
Financial expenses**		(2,927)	(1,718)	(12,016)	(6,663)
Unrealized exchange profit / (loss)		1,049	(215)	594	2,111
Realized exchange loss		(626)	(74)	(526)	(257)
Net financial expenses		(2,504)	(2,006)	(11,948)	(4,777)
Profit before income tax		2,045	980	1,221	5,066
Tax (expense) / income		(277)	891	(557)	275
Net profit for the period		1,768	1,871	664	5,341
Net profit for the period attributable to:					
Owners of the Parent Company		1,768	1,871	664	5,341
Earnings per share before and after dilution (EUR)		0.13	0.21	0.05	0.65
Average number of shares		13,560,447	9,040,298	12,408,738	8,223,888
Number of shares at the end of period		13,560,447	9,040,298	13,560,447	9,040,298

* Audited

** The bond refinancing in Q1 2017 resulted in total negative non-recurring items of approximately EUR 3.1M in the first quarter due to the non-cash write off of about EUR 1.9M for the remaining transaction costs on the old bonds, in addition to the call premium of approximately EUR 1.2M for the SEK 300M bond

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	Full Year 2017	Full Year 2016*
Net profit for the period	1,768	1,871	664	5,341
Other comprehensive income for the period				
<i>Items that will not be reclassified to profit or loss:</i>				
Actuarial gain / (loss) on post-employment benefit commitments	(184)	551	(184)	551
Deferred tax on post-employment benefit commitments	44	(34)	44	(34)
<i>Items that may subsequently be reclassified to profit or loss:</i>				
Currency translation differences	57	(81)	57	(52)
Other comprehensive income for the period, net of tax	(83)	436	(83)	465
Total comprehensive income for the period	1,685	2,307	581	5,806
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	1,685	2,307	581	5,806

* Audited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 December 2017	31 December 2016*
ASSETS			
<i>Non-current assets</i>			
Goodwill	6	4,160	4,160
Intangible assets	6	1,526	1,637
Tangible assets	5	54	63
Interests in associates		600	600
Distressed asset portfolios	4	105,547	32,472
Other long-term receivables from investments	4	5,865	11,447
Deferred tax assets	3	1,403	1,289
Other non-current assets		116	1,332
Total non-current assets		119,271	53,001
<i>Current assets</i>			
Accounts receivable		4,994	1,660
Other receivables		603	910
Prepaid expenses and accrued income		591	205
Cash and cash equivalents		58,118	10,599
Total current assets		64,306	13,374
TOTAL ASSETS		183,577	66,375
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		11,780	7,540
Share premium		21,030	15,512
Other reserves		(540)	(584)
Accumulated losses incl. net profit / loss for the period		(1,356)	(1,893)
Total shareholders' equity attributable to Parent Company's shareholders		30,914	20,575
<i>Long-term liabilities</i>			
Loans	7	134,166	31,192
Post-employment benefit commitments		913	474
Deferred tax liabilities	3	490	231
Total long-term liabilities		135,569	31,897
<i>Current liabilities</i>			
Accounts payable		858	1,568
Tax liabilities		814	–
Accrued interest		3,822	2,418
Accrued expenses and deferred income		1,600	1,733
Loans	7	10,000	8,184
Total current liabilities		17,094	13,903
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		183,577	66,375

* Audited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	Full Year 2017	Full Year 2016*
Cash flow from operating activities				
Operating profit	4,549	2,987	13,169	9,843
<i>Adjustments for non-cash items:</i>				
<i>Amortization of invested assets</i>	6,567	5,584	19,164	18,623
<i>Revaluation and impairment of invested assets</i>	5	141	(205)	682
<i>Depreciation, amortization and impairment of tangible and intangible assets</i>	33	31	143	134
<i>Other items not affecting cash</i>	(2,772)	(820)	(2,653)	(3,354)
Interest paid	(98)	(685)	(7,947)	(5,481)
Interest received	–	–	6	–
Tax paid	–	(275)	(38)	(275)
Cash flow from operating activities before working capital changes	8,284	6,963	21,639	20,173
Working capital adjustments				
(Increase) / decrease in accounts receivable	(2,579)	2,644	(2,118)	2,470
(Increase) / decrease in other receivables	(254)	(2,009)	(892)	(2,005)
Increase / (decrease) in accounts payable	(104)	24	(710)	(888)
Increase / (decrease) in other current liabilities	198	1,358	681	500
Net cash flow from operating activities	5,545	8,981	18,600	20,250
Cash flow from investing activities				
Purchases of distressed asset portfolios and other long-term receivables from investments	(20,917)	–	(95,579)	(24,627)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	13,570	–	13,570	2,300
Purchases of tangible and intangible assets	(3)	–	(22)	(10)
Net cash flow received / (used) in investing activities	(7,350)	–	(82,031)	(22,337)
Cash flow from financing activities				
Proceeds from issuance of ordinary shares	–	–	4,240	1,754
Share premium	–	(66)	5,518	4,734
Proceeds from issuance of loans	75,189	–	158,212	14,967
Repayment of loans	(17,000)	(1,585)	(56,645)	(12,139)
Net cash flow received / (used) in financing activities	58,189	(1,651)	111,325	9,317
Cash flow for the period	56,384	7,330	47,894	7,230
Cash and cash equivalents less bank overdrafts at beginning of the period	1,761	3,280	10,599	3,392
Foreign exchange gains / (losses) on cash and cash equivalents	(27)	(11)	(375)	(23)
Cash and cash equivalents less bank overdrafts at end of the period	58,118	10,599	58,118	10,599

* Audited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Share premium	Other reserves	Accumulated losses incl. net profit / loss for the period	Total equity
Balance at 1 January 2016*	5,786	10,778	(547)	(7,735)	8,281
Net profit for the year	–	–	–	5,341	5,341
Other comprehensive income					
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	551	551
Currency translation differences	–	–	(3)	(49)	(52)
Deferred tax on post-employment benefit commitments	–	–	(34)	–	(34)
Total comprehensive income	–	–	(36)	5,842	5,806
<i>Transactions with owners</i>					
New share issue	1,754	4,734	–	–	6,489
Total transactions with owners	1,754	4,734	–	–	6,489
Balance at 31 December 2016*	7,540	15,512	(584)	(1,893)	20,575
Balance at 1 January 2017*	7,540	15,512	(584)	(1,893)	20,575
Net profit for the year	–	–	–	664	664
Other comprehensive income					
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	(184)	(184)
Currency translation differences	–	–	–	57	57
Deferred tax on post-employment benefit commitments	–	–	44	–	44
Total comprehensive income	–	–	44	537	581
<i>Transactions with owners</i>					
New share issue	4,240	5,518	–	–	9,758
Total transactions with owners	4,240	5,518	–	–	9,758
Balance at 31 December 2017	11,780	21,030	(540)	(1,356)	30,914

* Audited

Notes

Note 1. Basis of preparation

These consolidated financial statements (the "financial statements") of DDM Holding AG and its subsidiaries (together "DDM" or "the Company") have been prepared in accordance with IAS 34 Interim Financial Reporting, are unaudited, and should be read in conjunction with DDM's last annual consolidated financial statements as of and for the year ended 31 December 2016. DDM's principal accounting policies are set out in Note 3 to the consolidated financial statements in the Annual Report 2016 and conform with International Financial Reporting Standards (IFRS) as adopted by the EU.

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 the clarifications to IFRS 12 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.

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

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which DDM Holding AG has control. DDM Holding AG 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 December 2017	31 December 2016
DDM Group AG	Fully consolidated	Switzerland	100%	100%
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 Debt AB	Fully consolidated	Sweden	100%	100%
DDM Finance AB	Fully consolidated	Sweden	100%	100%
DDM Treasury Sweden AB	Fully consolidated	Sweden	100%	100%
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Debt Management d.o.o Beograd	Fully consolidated	Serbia	100%	-

Associates

Associates are all entities over which DDM Holding AG 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 December 2017	31 December 2016
Profinance doo Beograd	Equity method	Serbia	49.67%	49.67%

Post-employment benefit commitment

The post-employment benefit commitment is calculated on an annual basis. In 2016 the total annual expense was recorded in Q4 2016. From 1 January 2017 one quarter of the estimated annual post-employment benefit commitment has been recorded in the consolidated interim financial statements of DDM Holding AG per quarter, with an adjustment in Q4 2017 for the final actuarial valuation.

Note 2. Currency translation

All entities prepare their financial statements in their functional currency. DDM Treasury Sweden AB had Swedish Kronor (SEK) as its functional currency until 31 December 2016. From 1 January 2017 DDM Treasury Sweden AB's functional currency is Euro (EUR). All other 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 3. Deferred taxes

Income tax expense reported for the business year includes the income tax expense of consolidated subsidiaries (calculated from their taxable income with the tax rate applicable in the relevant country). Income tax expense also includes deferred taxes, which have been recognized on the temporary differences arising from the distressed asset portfolios and other long-term receivables from investments (difference between the reported book values for tax and accounting purposes). Deferred income tax assets on temporary differences and tax losses carried forward are reported to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized. The amount of deferred tax assets is reduced when they are utilized or when it is no longer deemed likely that they will be utilized. The Company does not have group taxation; hence each legal entity is taxed separately. Under Swiss law, net operating losses can be carried forward for a period of up to seven years.

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

DDM 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 owns 100% of the shares in the local legal entities holding the leasing portfolios. However, for each investment there is a co-investor holding a majority stake in the leasing portfolio, and therefore DDM does not control the investment as the co-investor has significant rights which if exercised could block decisions related to relevant activities to collect the portfolios. The economic substance of the investments are the underlying portfolios of loans. As a result, the underlying assets which represent other long-term receivables from investments are recognized in the 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 fair value of 100% of the equity is immaterial, and therefore equity accounting is not carried out.

The following investments are treated in this manner:

Entity	Domicile	31 December 2017	31 December 2016
FinAlp Zrt.	Hungary	100%	100%
Lombard Pénzügyi és Lízing Zrt.	Hungary	100%	100%
Lombard Ingatlan Lízing Zrt.	Hungary	100%	100%
Lombard Bérlet Kft.	Hungary	100%	100%

Distressed asset portfolios and other long-term receivables from investments

Distressed asset portfolios and other long-term receivables from investments are purchased at prices significantly below the nominal amount of the receivables. DDM determines the carrying value by calculating the present value of estimated future cash flows of each investment using its effective interest rate at initial recognition by DDM. The original effective interest rate is determined on the date the portfolio / receivable was acquired based on the relationship between the purchase price of the portfolio / receivable and the projected future cash flows as per the acquisition date. Changes in the carrying value of the portfolios / receivables include interest income on invested assets before revaluation and impairment for the period, as well as changes to the estimated projected future cash flows, and are recognized in the income statement under "Revenue on invested assets".

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).

Cash flow projections are made at the portfolio / receivable level since each portfolio / receivable consists of a large number of homogeneous amounts of receivables. Assumptions must be made at each reporting date as to the expected timing and amount of future cash flows. Cash flows include the nominal amount, reminder fees, collection fees and late interest that are expected to be received from debtors less forecasted collection costs. These projections are updated at each reporting date based on actual collection information, planned collection actions as well as macroeconomic scenarios and the specific features of the assets concerned. 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".

On each reporting date, DDM assesses 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 amount of future cash flows of the portfolio / receivable and can be estimated reliably. 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 DDM 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" or "Impairment of invested assets" respectively).

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

Distressed asset portfolios and other long-term receivables from investments by currency EUR '000s	31 December 2017	31 December 2016
EUR	53,427	21,602
HRK	27,368	–
CZK	19,595	6,343
HUF	5,865	11,447
RSD	2,417	–
RON	2,411	3,341
RUB	329	1,184
USD	–	1
Total	111,412	43,919

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

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 Company 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 Company 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. Intangible assets

- (i) Identifiable intangible assets

The Company's identifiable intangible assets are stated at cost less accumulated amortization and include the "FUSION" computer software that was developed in-house in cooperation with external IT consultancy firms that has a finite useful life. FUSION is the proprietary IT system which integrates investment data, case data, payment data and activity data into one effective and comprehensive IT system. This asset is capitalized and amortized on a straight-line basis in the income statement over its expected useful life of 20 years.

- (ii) Goodwill

On the date of acquisition the assets and liabilities of acquired subsidiaries or businesses are valued at fair value and in accordance with uniform group policies. The excess of the acquisition price over the revalued net assets of the acquired company or the acquired parts of the business is recognized as goodwill in the balance sheet. Goodwill is tested annually for impairment or at any time if an indication of impairment exists.

Note 7. Borrowings

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

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.

Senior secured notes EUR 10M

DDM Finance AB ("DDM Finance") raised EUR 10M in a bridge financing transaction in early November 2017. DDM Finance used the net proceeds from the bridge financing to provide a shareholder loan to DDM Debt, which thereby qualifies as equity under the senior secured bond terms. Under the terms and conditions investors receive a share pledge over the shares of DDM Finance, and any downstream loans to DDM Finance's direct subsidiary are pledged to investors as intercompany loans.

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 is for an initial six month term, with the possibility to be extended for a further six months. The revolving credit facility is permitted under the senior secured bond frameworks.

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 within the DDM Group, 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. Please also refer to the financial statements of DDM Debt. DDM Debt complied with all bond covenants for the years ending 31 December 2017 and 31 December 2016.

DDM Debt has pledged the shares in its subsidiaries as security under the terms and conditions. Certain bank accounts are also assigned to the bond agent and the bondholders as part of the bond terms. DDM Finance 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.

Other loans

In March 2016, DDM was granted loans totaling EUR 4M with maturities within twelve months, in addition to EUR 2M of loans already held. EUR 2M of these loans were repaid during the third quarter of 2016, and EUR 2M was repaid during the first quarter of 2017. The outstanding EUR 2M loan has a maturity date of 1 October 2019.

Bond loan SEK 300M

A bond loan was issued in June 2013, totaling SEK 300M at 13% interest, with a maturity date of 26 June 2016 by DDM Treasury Sweden AB ("DDM Treasury"). On 18 May 2015, DDM Treasury initiated a written procedure to allow noteholders to vote on a restatement and certain amendments to the existing terms and conditions. The written procedure closed on 11 June 2015 and the Notes Exchange became effective on 23 June 2015.

The amended terms and conditions included the extension of the maturity to 27 December 2018, wider geographic scope in Europe, removal of cash-covenants and hedging restrictions, improved possibilities for future dividend payments and the introduction of an inter-creditor agreement. Following the amendment and extension in June 2015, the Swiss Federal Tax Administration ruled that Swiss withholding tax of 35% was applicable. Holders of the bonds were entitled to a refund from the Swiss Federal Tax Administration, subject to them fulfilling the conditions for refund. There was no additional interest or withholding tax charge impacting the Company.

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

The bonds were voluntarily fully redeemed by DDM Treasury 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). In connection with the redemption, the bond holders were paid the applicable call option amount, being 104% of the nominal amount, plus accrued but unpaid interest.

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

Maturity profile and carrying value of borrowings:

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 31 December 2017						
Senior secured notes	10,000	–	–	–	–	10,000
Bond loan, 8%	–	–	48,597	–	–	48,597
Bond loan, 9.5%	–	–	83,569	–	–	83,569
Loans	–	2,000	–	–	–	2,000
Total	10,000	2,000	132,166	–	–	144,166
at 31 December 2016						
Bond loan, 13% (issued 2013)	–	29,192	–	–	–	29,192
Bond loan, 13% (issued 2016)	6,184	–	–	–	–	6,184
Loans	2,000	–	2,000	–	–	4,000
Total	8,184	29,192	2,000	–	–	39,376

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:

EUR '000s	IAS 39 category	Fair value category	Fair value	Carrying value
at 31 December 2017				
Senior secured notes	Financial liabilities at amortized cost	Level 2	10,000	10,000
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
Loans	Financial liabilities at amortized cost	Level 2	2,000	2,000
Total			149,975	144,166
at 31 December 2016				
Bond loan, 13% (issued 2013)	Financial liabilities at amortized cost	Level 2	29,192	29,192
Bond loan, 13% (issued 2016)	Financial liabilities at amortized cost	Level 2	6,184	6,184
Loans	Financial liabilities at amortized cost	Level 2	4,000	4,000
Total			39,376	39,376

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. Revenue recognition

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 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 consolidated income statement 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 consolidated income statement improves the transparency and understanding of DDM's financial statements and performance, meeting the expectations of its investors.

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

EUR '000s	1 Oct – 31 Dec 2017	1 Oct – 31 Dec 2016	Full Year 2017	Full Year 2016
Net collections by country:				
Croatia	3,303	–	3,592	–
Czech Republic	2,357	1,440	7,252	5,623
Slovenia	2,240	4,606	10,564	9,788
Greece	1,958	–	1,958	–
Romania	1,229	1,370	5,042	5,135
Hungary	1,203	2,861	8,365	13,320
Slovakia	267	57	362	153
Serbia	111	–	111	–
Russia	45	113	188	319
Poland	–	–	–	(112)
Net collections	12,713	10,445	37,434	34,225
Amortization of invested assets	(6,567)	(5,584)	(19,164)	(18,623)
Interest income on invested assets before revaluation and impairment	6,146	4,860	18,270	15,602
Revaluation of invested assets	(5)	–	808	2,979
Impairment of invested assets	–	(141)	(603)	(3,661)
Revenue on invested assets	6,141	4,720	18,475	14,919
Revenue from management fees	553	325	1,876	1,207

Revenue from management fees relates to revenue received from co-investors where DDM manages the operations of the assets, but does not own 100% of the portfolio. For Hungary these fees are calculated based on the performance of the corresponding portfolio, and for Greece these fees are calculated based on the time spent on portfolio management. The fees from Hungary are received on a monthly basis, one month in arrears.

Note 9. Related parties

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

For the year ended 31 December		2017	2016
EUR '000s			
Income Statement	Net collections	1,958	–
	Revenue from management fees	300	–
	Amortization	1,257	–
Income Statement, Total		3,515	–
EUR '000s		31 December 2017	31 December 2016
Balance sheet	Accounts receivable	1,958	–
	Other receivables	300	–
	Distressed asset portfolios	37,712	–
Balance sheet, Total		39,970	–

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

Note 10. Subsequent events

Kent Hansson, founder and Chairman of the Board of Directors became acting CEO from 5 February. A new Chief Investment Officer, Alessandro Pappalardo, was appointed as a member of the Executive Management Committee on 22 February 2018.

Definitions

DDM

DDM Holding AG and its subsidiaries, including DDM Group AG, DDM Debt AB (publ) and their 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 and revenue from management fees, less operating expenses.

Earnings per share/EPS

Net earnings for the period, attributable to owners of the Parent Company, divided by the weighted average number of shares during the period.

EBITDA

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

Estimated Remaining Collections / ERC

Estimated Remaining Collections refers to the sum of all future projected cash collections before collection costs from acquired portfolios. ERC is not a balance sheet item, however it is provided for informational purposes.

Equity

Shareholders' equity at the end of the period.

Equity ratio

The ratio of shareholders' equity to total assets 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 loans, 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.

About DDM

DDM Holding AG (First North: DDM) is a multinational investor in and manager of distressed assets, offering the prospect of attractive returns from the expanding Southern, Central and Eastern European market. 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, the Parent Company, is a company incorporated and domiciled in Baar, Switzerland and listed on Nasdaq First North in Stockholm, Sweden, since August 2014.



ddm

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