



Record collections from portfolios

Highlights third quarter 2018

- Net collections increased by 158% to EUR 16.6M (Q3 2017: EUR 6.5M)
- Cash EBITDA increased by 209% to EUR 15.0M (Q3 2017: EUR 4.8M)
- Adjusted net profit for the period of EUR 0.3M excluding non-recurring items **
- Cash on hand available for investments at the end of September 2018 was EUR 49M

Highlights nine months 2018

- Net collections increased by 91% to EUR 42.5M (9M 2017: EUR 22.3M)
- Cash EBITDA increased by 109% to EUR 37.5M (9M 2017: EUR 17.9M)
- Adjusted net profit for the period of EUR 1.9M excluding non-recurring items **
- Investments in the Balkans and the Czech Republic totaling approximately EUR 36M
- Henrik Wennerholm appointed as Chief Executive Officer

Significant events after the third quarter

- Investments in the Balkans of about EUR 6M following regulatory approval
- Buy-out of co-investor in Hungary for approximately EUR 1M

| Amounts in EUR '000s (unless specified otherwise) | 1 Jul–30 Sep 2018* | 1 Jul–30 Sep 2017* | 1 Jan–30 Sep 2018* | 1 Jan–30 Sep 2017* | Full Year 2017 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|
| Net collections | 16,638 | 6,454 | 42,548 | 22,269 | 34,859 |
| Operating expenses | (1,669) | (1,605) | (5,055) | (4,357) | (6,199) |
| Cash EBITDA | 14,969 | 4,849 | 37,493 | 17,912 | 28,660 |
| Amortization, revaluation and impairment of invested assets | (10,357) | (1,895) | (22,146) | (10,784) | (17,249) |
| Operating profit | 4,612 | 2,954 | 15,346 | 7,128 | 11,411 |
| Net profit / (loss) for the period** | (586) | (242) | 959 | 223 | 1,373 |
| Selected key figures | | | | | |
| Total assets | 179,699 | 113,645 | 179,699 | 113,645 | 177,167 |
| Net debt | 84,088 | 82,238 | 84,088 | 82,238 | 74,469 |
| Cash flow from operating activities before working capital changes | 11,067 | 1,062 | 27,536 | 13,955 | 22,022 |
| Equity ratio*** | 20.4% | 20.6% | 20.4% | 20.6% | 19.7% |

* Unaudited

** The results for Q3 2018 and 9M 2018 were negatively impacted by EUR 0.9M respectively of non-recurring items relating to deferred taxes and interests in associates

*** 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 8 November 2018 at 08:00 CET.

Comment by the CEO

I am delighted to report record net collections of EUR 16.6M in the third quarter and encouraged by the opportunities that lie ahead of us. A key focus during the quarter has been to intensify the strategic shift from being an investor in unsecured consumer loans to becoming a specialized investor in secured corporate and consumer portfolios. To achieve this, we have reviewed the business model and made organizational improvements to better position DDM as top-tier and effective workout partner. Another key priority is to continue to further decrease the cost of financing, an important factor when continuing our growth journey. Another important measure has been to remove the previously communicated investment target since DDM's rate of growth will continue to vary from quarter to quarter due to the opportunistic business model.

All-time-high net collections

During the third quarter an all-time-high net collections of EUR 16.6M was achieved, an increase of 158% compared to Q3 2017, and by 91% for the first nine months of 2018 compared to the same period last year. This increase was driven by collections in Slovenia, Croatia, Greece and the Czech Republic following the significant acquisitions in these jurisdictions in the second half of 2017 and Q1 2018.

Strategic shift to corporate secured portfolios

Operational performance and organizational review have been key focus areas during the quarter following the strategic shift from investing in consumer unsecured portfolios to secured primarily corporate portfolios. The composition of the portfolio has changed greatly over the past 12 months, with secured portfolios now making up the majority share of our overall portfolio of assets. Consequently this will cause increased variability in our collections from quarter to quarter due to the timing of larger settlements from corporate portfolios.

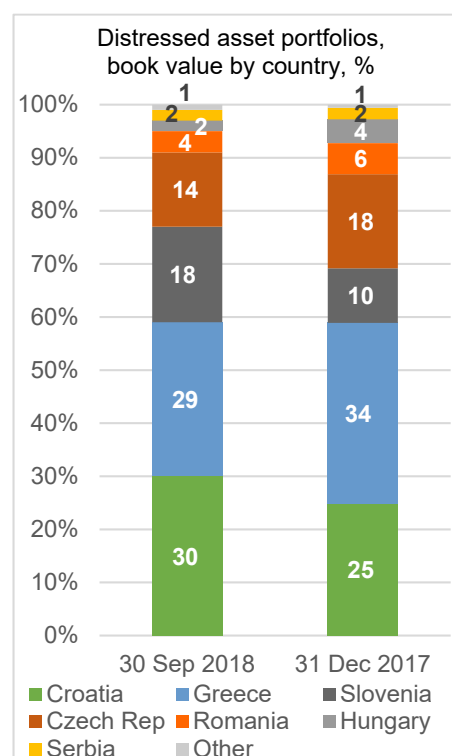
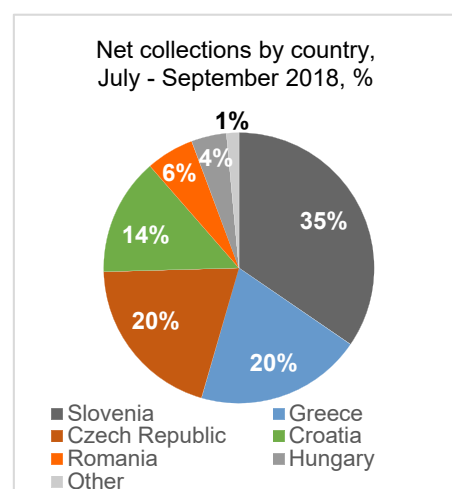
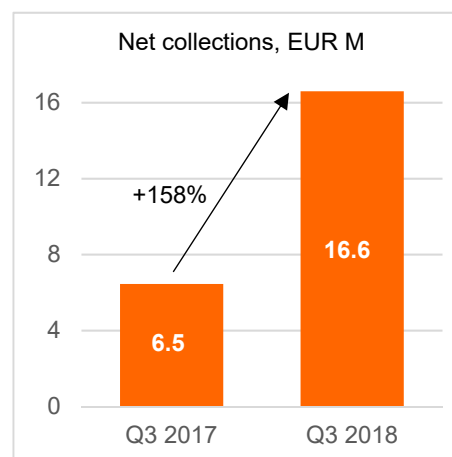
Since the end of the third quarter, DDM has invested a further EUR 6M in the Balkans following regulatory approval and bought-out a co-investor for approximately EUR 1M in a portfolio in Hungary.

Operating expenses were EUR 1.7M in the third quarter and EUR 5.1M for the first nine months of 2018, EUR 0.1M and EUR 0.7M higher than for the corresponding periods in 2017. Cash EBITDA amounted to EUR 15.0M in the third quarter and EUR 37.5M for the first nine months of 2018, increases of 209% and 109% compared to the corresponding period in 2017, driven by the higher net collections.

The quarter includes negative revaluation of EUR 0.6M and impairment of portfolios of EUR 1.1M primarily relating to portfolios in the Balkans.

The adjusted net result was a profit of EUR 0.3M for Q3 2018 and a profit of EUR 1.9M for the first nine months of 2018 after adjusting respectively for EUR 0.8M and EUR 1.0M of non-recurring costs relating to deferred taxes and interests in associates.

Our strong operational performance resulted in cash flow from operating activities before working capital changes of EUR 11.1M in the third quarter compared to EUR 1.1M in Q3 2017, and EUR 27.5M for the first nine months of 2018 compared to EUR 14.0M for the first nine months of 2017.



Market outlook

The sale of non-performing assets is continuing among the banking industry players in the CEE region and supply of new corporate NPL portfolios in 2018 has been supported by number of large one-off transactions. The most active markets for DDM are currently in the Balkan region and Greece. We expect further interesting opportunities in Greece given the end of its third successive bailout program ending years of austerity. We also continue to see positive price development of real estate prices in our region supporting our business and further transactions.

DDM's business model is flexible and opportunistic and we believe that there will continue to be good business opportunities for us. However, DDM's rate of growth and financial results will continue to vary from quarter to quarter, impacted by the timing of significant investments and larger settlements from corporate portfolios.

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

Stockholm, 8 November 2018
DDM Debt AB (publ)
Henrik Wennerholm, CEO

Financial calendar

DDM Debt AB (publ) intends to publish financial information on the following dates:
Q4 and full year report 2018: 21 February 2019
Annual report 2018: 29 March 2019

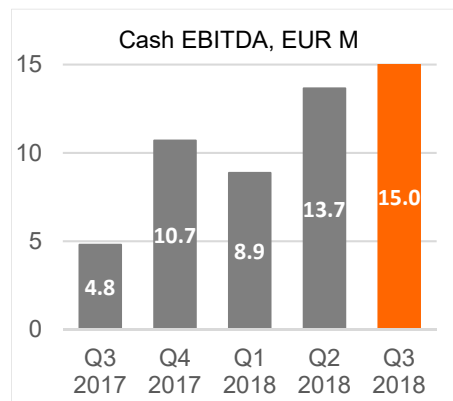
Other financial information from DDM is available on DDM's website, www.ddm-group.ch.

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

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 8 November 2018, at 08:00 CET.

CEO Henrik Wennerholm and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 8 November 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 8 566 426 97, CH: +41 225 675 548 or UK: +44 203 008 9807.



Consolidated Income Statement

| Amounts in EUR '000s | Notes | 1 Jul–30 Sep 2018* | 1 Jul–30 Sep 2017* | 1 Jan–30 Sep 2018* | 1 Jan–30 Sep 2017* | Full Year 2017 |
|--|-------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|
| Interest income on invested assets | | 8,016 | 4,561 | 21,933 | 11,245 | 17,370 |
| <i>Revaluation and impairment of invested assets</i> | | (1,735) | (2) | (1,531) | 240 | 240 |
| Revenue on invested assets | 4 | 6,281 | 4,559 | 20,402 | 11,485 | 17,610 |
| Personnel expenses | | (75) | (27) | (229) | (53) | (122) |
| Consulting expenses | | (1,545) | (1,542) | (4,678) | (4,215) | (5,843) |
| Other operating expenses | | (49) | (36) | (148) | (89) | (234) |
| Depreciation of tangible assets | | – | – | (1) | – | – |
| Operating profit | | 4,612 | 2,954 | 15,346 | 7,128 | 11,411 |
| Financial income | | 55 | – | 165 | – | 191 |
| Financial expenses | | (4,698) | (2,699) | (13,439) | (6,492) | (9,914) |
| Unrealized exchange (loss) / profit | | 64 | (178) | (415) | 133 | 1,023 |
| Realized exchange (loss) / profit | | (40) | 32 | (123) | 78 | (384) |
| Net financial expenses | | (4,619) | (2,845) | (13,812) | (6,281) | (9,084) |
| Profit / (loss) before income tax | | (7) | 109 | 1,534 | 847 | 2,327 |
| Tax expense | | (579) | (351) | (575) | (624) | (954) |
| Net profit / (loss) for the period | | (586) | (242) | 959 | 223 | 1,373 |
| Net profit / (loss) for the period attributable to: | | | | | | |
| Owners of the Parent Company | | (586) | (242) | 959 | 223 | 1,373 |

* Unaudited

Consolidated Statement of Comprehensive Income

| Amounts in EUR '000s | 1 Jul–30 Sep 2018* | 1 Jul–30 Sep 2017* | 1 Jan–30 Sep 2018* | 1 Jan–30 Sep 2017* | Full Year 2017 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|
| Net profit / (loss) for the period | (586) | (242) | 959 | 223 | 1,373 |
| Other comprehensive income for the period | | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | – | – | – | – | – |
| <i>Items that may subsequently be reclassified to profit or loss:</i> | | | | | |
| Acquisition of subsidiaries under common control of DDM Holding AG | – | – | – | (1,481) | (1,481) |
| Currency translation differences | (4) | – | (4) | – | – |
| Other comprehensive income for the period, net of tax | (4) | – | (4) | (1,481) | (1,481) |
| Total comprehensive income for the period | (590) | (242) | (955) | (1,258) | (108) |
| Total comprehensive income for the period attributable to: | | | | | |
| Owners of the Parent Company | (590) | (242) | (955) | (1,258) | (108) |

* Unaudited

Consolidated Balance Sheet

| Amounts in EUR '000s | Notes | 30 September 2018* | 31 December 2017 |
|---|-------|-----------------------|---------------------|
| ASSETS | | | |
| <i>Non-current assets</i> | | | |
| Tangible assets | 5 | 9 | 7 |
| Interests in associates | | – | 600 |
| Distressed asset portfolios | 6 | 121,323 | 105,547 |
| Other long-term receivables from investments | 6 | 2,917 | 4,963 |
| Loans to other group companies | | 2,000 | 2,000 |
| Accrued interest from other group companies | | 356 | 191 |
| Deferred tax assets | | 153 | 837 |
| Other non-current assets | | 118 | 116 |
| Total non-current assets | | 126,876 | 114,261 |
| <i>Current assets</i> | | | |
| Accounts receivable | | 2,759 | 4,994 |
| Other receivables | | 941 | 18 |
| Prepaid expenses and accrued income | | 271 | 197 |
| Cash and cash equivalents | | 48,852 | 57,697 |
| Total current assets | | 52,823 | 62,906 |
| TOTAL ASSETS | | 179,699 | 177,167 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| <i>Shareholders' equity</i> | | | |
| Share capital | | 54 | 54 |
| Other reserves | | (4) | – |
| Retained earnings including net profit for the period | | 7,626 | 6,667 |
| Total shareholders' equity attributable to Parent Company's shareholders | | 7,676 | 6,721 |
| LIABILITIES | | | |
| <i>Non-current liabilities</i> | | | |
| Bond loans | 7 | 132,940 | 132,166 |
| Payables to other group companies | | 2,633 | 2,075 |
| Loans from other group companies, subordinated | | 19,065 | 18,128 |
| Deferred tax liabilities | | 289 | 490 |
| Total non-current liabilities | | 154,927 | 152,859 |
| <i>Current liabilities</i> | | | |
| Accounts payable | | 349 | 298 |
| Tax liabilities | | 1,020 | 745 |
| Accrued interest | | 3,847 | 3,992 |
| Accrued expenses and deferred income | | 1,880 | 2,552 |
| Loans from other group companies, subordinated | | 10,000 | 10,000 |
| Total current liabilities | | 17,096 | 17,587 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 179,699 | 177,167 |

* Unaudited

Consolidated Cash Flow Statement

| Amounts in EUR '000s | 1 Jul–30 Sep 2018* | 1 Jul–30 Sep 2017* | 1 Jan–30 Sep 2018* | 1 Jan–30 Sep 2017* | Full Year 2017 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|
| Cash flow from operating activities | | | | | |
| Operating profit | 4,612 | 2,954 | 15,346 | 7,128 | 11,411 |
| <i>Adjustments for non-cash items:</i> | | | | | |
| <i>Amortization of invested assets</i> | 8,622 | 1,893 | 20,615 | 11,024 | 17,489 |
| <i>Revaluation and impairment of invested assets</i> | 1,735 | 2 | 1,531 | (240) | (240) |
| <i>Depreciation of tangible assets</i> | – | – | 1 | – | – |
| <i>Other items not affecting cash</i> | 161 | (296) | 487 | (66) | (2,649) |
| Interest paid | (4,038) | (3,491) | (10,395) | (3,866) | (3,964) |
| Interest received | – | – | – | – | – |
| Tax paid | (25) | – | (49) | (25) | (25) |
| Cash flow from operating activities before working capital changes | 11,067 | 1,062 | 27,536 | 13,955 | 22,022 |
| Working capital adjustments | | | | | |
| (Increase) / decrease in accounts receivable | (574) | 2,314 | 2,235 | 186 | (2,398) |
| (Increase) / decrease in other receivables | 121 | (376) | (1,183) | (380) | (164) |
| Increase / (decrease) in accounts payable | (17) | (350) | 51 | (82) | (12) |
| Increase / (decrease) in other current liabilities | (417) | 1,289 | (1,153) | 2,049 | 2,017 |
| Net cash flow from operating activities | 10,180 | 3,939 | 27,486 | 15,728 | 21,465 |
| Cash flow from investing activities | | | | | |
| Purchases of distressed asset portfolios and other long-term receivables from investments | – | (69,069) | (36,186) | (69,882) | (90,799) |
| Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments | – | – | – | – | 13,570 |
| Purchases of subsidiaries | – | – | – | (33,309) | (33,309) |
| Purchases of tangible assets | (1) | (4) | (3) | (4) | (7) |
| Net cash flow received / (used) in investing activities | (1) | (69,073) | (36,189) | (103,195) | (110,545) |
| Cash flow from financing activities | | | | | |
| Proceeds from issuance of loans | – | – | – | 83,023 | 148,212 |
| Proceeds from loans from group companies | – | – | – | 9,500 | 19,500 |
| Repayment of loans | – | – | – | (6,465) | (23,465) |
| Loans to other group companies | – | – | – | (2,000) | (2,000) |
| Net cash flow received / (used) in financing activities | – | – | – | 84,058 | 142,247 |
| Cash flow for the period | 10,179 | (65,134) | (8,703) | (3,409) | 53,167 |
| Cash and cash equivalents less bank overdrafts at beginning of the period | 38,699 | 66,344 | 57,697 | 3,739 | 3,739 |
| Effects from the acquisition of other group companies | – | – | – | 910 | 910 |
| Foreign exchange gains / (losses) on cash and cash equivalents | (26) | (31) | (142) | (61) | (119) |
| Cash and cash equivalents less bank overdrafts at end of the period | 48,852 | 1,179 | 48,852 | 1,179 | 57,697 |

* Unaudited

Consolidated Statement of Changes in Equity

| Amounts in EUR '000s | Share capital | Other reserves | Retained earnings incl. net profit for the period | Total equity |
|--|---------------|----------------|---|----------------|
| Balance at 1 January 2017 | 54 | – | 4,216 | 4,270 |
| Net profit for the period | – | – | 223 | 223 |
| Other comprehensive income | | | | |
| Acquisition of subsidiaries under common control of DDM Holding AG | – | – | (1,481) | (1,481) |
| Total comprehensive income | – | – | (1,258) | (1,258) |
| <i>Transactions with owners</i> | | | | |
| Total transactions with owners | – | – | – | – |
| Balance at 30 September 2017* | 54 | – | 2,958 | 3,012 |
| Balance at 1 January 2018 | 54 | – | 6,667 | 6,721 |
| Net profit for the period | – | – | 959 | 959 |
| Other comprehensive income | | | | |
| Currency translation differences | – | (4) | – | (4) |
| Total comprehensive income | – | (4) | 959 | 955 |
| <i>Transactions with owners</i> | | | | |
| Total transactions with owners | – | – | – | – |
| Balance at 30 September 2018* | 54 | (4) | 7,626 | 7,676 |

* Unaudited

Parent Company – Income Statement

| Amounts in EUR '000s | 1 Jul–30 Sep 2018* | 1 Jul–30 Sep 2017* | 1 Jan–30 Sep 2018* | 1 Jan–30 Sep 2017* | Full Year 2017 |
|--|--------------------|--------------------|--------------------|--------------------|----------------|
| Revenue | – | – | – | – | – |
| Personnel expenses | (5) | – | (24) | – | (7) |
| Consulting expenses | (16) | (10) | (72) | (48) | (65) |
| Other operating expenses | (11) | – | (48) | – | (83) |
| Operating loss | (32) | (10) | (144) | (48) | (155) |
| Income from participation in Group companies | – | – | – | – | 2,500 |
| Financial income | 3,755 | 1,950 | 11,205 | 4,810 | 7,728 |
| Financial expenses | (3,810) | (2,019) | (11,139) | (4,725) | (7,496) |
| Unrealized exchange loss | (1) | – | (2) | (34) | (44) |
| Realized exchange profit / (loss) | (1) | (8) | – | 21 | 32 |
| Net financial income / (expenses) | (57) | (77) | 64 | 72 | 220 |
| Profit / (loss) before income tax | (89) | (87) | (80) | 24 | 2,565 |
| Tax income / (expense) | 2 | 19 | – | (5) | (14) |
| Net profit / (loss) for the period | (87) | (68) | (80) | 19 | 2,551 |

* Unaudited

Parent Company – Statement of Comprehensive Income

| Amounts in EUR '000s | 1 Jul–30 Sep 2018* | 1 Jul–30 Sep 2017* | 1 Jan–30 Sep 2018* | 1 Jan–30 Sep 2017* | Full Year 2017 |
|--|--------------------|--------------------|--------------------|--------------------|----------------|
| Net profit / (loss) for the period | (87) | (68) | (80) | 19 | 2,551 |
| Other comprehensive income for the period, net of tax | | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | – | – | – | – | – |
| <i>Items that may subsequently be reclassified to profit or loss</i> | – | – | – | – | – |
| Total other comprehensive income for the period, net of tax | – | – | – | – | – |
| Total comprehensive income for the period | (87) | (68) | (80) | 19 | 2,551 |

* Unaudited

Parent Company – Balance Sheet

| Amounts in EUR '000s | Notes | 30 September 2018* | 31 December 2017 |
|--|-------|-----------------------|---------------------|
| ASSETS | | | |
| <i>Non-current assets</i> | | | |
| Participations in other group companies | 8 | 9,390 | 9,284 |
| Loans to other group companies | | 147,522 | 98,809 |
| Accrued interest from other group companies | | 356 | 191 |
| Other non-current assets | | 12 | 5 |
| Total non-current assets | | 157,280 | 108,289 |
| <i>Current assets</i> | | | |
| Receivables from other group companies | | 2,500 | 3,197 |
| Prepaid expenses and accrued interest income | | 4,616 | 3,762 |
| Cash and cash equivalents | | 346 | 48,753 |
| Total current assets | | 7,462 | 55,712 |
| TOTAL ASSETS | | 164,742 | 164,001 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| <i>Shareholders' equity</i> | | | |
| Share capital | | 54 | 54 |
| Retained earnings including net profit / (loss) for the period | | 5,128 | 5,208 |
| Total shareholders' equity | | 5,182 | 5,262 |
| <i>Non-current liabilities</i> | | | |
| Bond loans | 7 | 132,940 | 132,166 |
| Payables to other group companies | | 5,316 | 5,482 |
| Loans from other group companies | | 7,000 | 7,000 |
| Total non-current liabilities | | 145,256 | 144,648 |
| <i>Current liabilities</i> | | | |
| Accounts payable | | 6 | 7 |
| Payables to other group companies | | – | 91 |
| Tax liabilities | | 14 | 14 |
| Accrued interest | | 4,233 | 3,828 |
| Accrued expenses and deferred income | | 51 | 151 |
| Loans from other group companies, subordinated | | 10,000 | 10,000 |
| Total current liabilities | | 14,304 | 14,091 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 164,742 | 164,001 |

* Unaudited

Parent Company – Cash Flow Statement

| Amounts in EUR '000s | 1 Jul–30 Sep 2018* | 1 Jul–30 Sep 2017* | 1 Jan–30 Sep 2018* | 1 Jan–30 Sep 2017* | Full Year 2017 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|
| Cash flow from operating activities | | | | | |
| Operating loss | (32) | (10) | (144) | (48) | (155) |
| Other items not affecting cash | (121) | 10 | (202) | (31) | 84 |
| Interest paid | (4,038) | (4,038) | (10,395) | (4,294) | (3,672) |
| Interest received | 4,308 | – | 9,620 | 196 | 334 |
| Cash flow from operating activities before working capital changes | 117 | (4,038) | (1,121) | (4,177) | (3,409) |
| Working capital adjustments | | | | | |
| (Increase) / decrease in other receivables | – | (1) | 800 | (60) | – |
| Increase / (decrease) in accounts payable | (6) | 1 | (1) | (80) | (76) |
| Increase / (decrease) in other current liabilities | 14 | (14) | 409 | 777 | 186 |
| Net cash flow from operating activities | 125 | (4,052) | 87 | (3,540) | (3,299) |
| Cash flow from investing activities | | | | | |
| Loans to group companies | – | (44,800) | (48,500) | (45,560) | (64,760) |
| Repayment of loans to group companies | – | – | – | 5,058 | 7,558 |
| Purchases of subsidiaries | – | – | – | (33,309) | (33,309) |
| Net cash flow received / (used) in investing activities | – | (44,800) | (48,500) | (73,811) | (90,511) |
| Cash flow from financing activities | | | | | |
| Proceeds from issuance of loans | – | – | – | 83,023 | 148,212 |
| Proceeds from loans from group companies | – | – | – | – | 17,000 |
| Repayment of loans | – | – | – | (6,465) | (23,465) |
| Loans to other group companies | – | – | – | (2,000) | (2,000) |
| Net cash flow received / (used) in financing activities | – | – | – | 74,558 | 139,747 |
| Cash flow for the period | 125 | (48,852) | (48,413) | (2,793) | 45,937 |
| Cash and cash equivalents less bank overdrafts at beginning of the period | 221 | 48,875 | 48,753 | 2,816 | 2,816 |
| Foreign exchange gains / (losses) on cash and cash equivalents | – | – | 6 | – | – |
| Cash and cash equivalents less bank overdrafts at end of the period | 346 | 23 | 346 | 23 | 48,753 |

* Unaudited

Parent Company – Statement of Changes in Equity

| Amounts in EUR '000s | Share capital | Retained earnings incl. net profit / (loss) for the period | Total equity |
|---------------------------------------|---------------|--|--------------|
| Balance at 1 January 2017 | 54 | 98 | 152 |
| Net profit for the period | – | 19 | 19 |
| <i>Other comprehensive income</i> | – | – | – |
| Total comprehensive income | – | 19 | 19 |
| <i>Transactions with owners</i> | | | |
| Total transactions with owners | – | – | – |
| Balance at 30 September 2017* | 54 | 117 | 171 |
| Balance at 1 January 2018 | 54 | 5,208 | 5,262 |
| Net profit / (loss) for the period | – | (80) | (80) |
| <i>Other comprehensive income</i> | – | – | – |
| Total comprehensive income | – | (80) | (80) |
| <i>Transactions with owners</i> | | | |
| Total transactions with owners | – | – | – |
| Balance at 30 September 2018* | 54 | 5,128 | 5,182 |

* Unaudited

Notes

Note 1. General information

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

The Company was registered on 3 March 2016, and changed from a private limited liability company to a public limited liability company on 26 May 2016. The Company has registered offices in Stockholm, Sweden and its Swedish Corporate ID No. is 559053-6230. The address of the main office and postal address is Västra Trädgårdsgatan 15, 111 53 Stockholm, Sweden. DDM Debt is a wholly owned subsidiary of DDM Finance AB, Stockholm, Sweden, being a wholly owned subsidiary of DDM Group AG, Baar, Switzerland.

In 2016 DDM Invest VII AG, Switzerland, and DDM Invest VII d.o.o., Slovenia, were wholly owned subsidiaries of DDM Debt. In connection with the bond refinancing in Q1 2017, DDM Debt AB also acquired DDM Treasury Sweden AB's subsidiaries (DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG, DDM Invest X AG and DDM Invest XX AG) holding the NPL portfolios on 17 February 2017. They are wholly owned subsidiaries, therefore this acquisition was not considered as a business combination according to IFRS 3, as the transaction was done in the ordinary course of business among entities which are under common control of DDM Holding AG. A new subsidiary of DDM Debt, DDM Debt Management d.o.o Beograd, was incorporated in Serbia on 22 August 2017, and DDM Debt Romania S.R.L was incorporated in Romania on 31 July 2018.

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

Note 2. Basis of preparation

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

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

The DDM Debt Group's business model is to invest in distressed assets and collect the contractual cash flows. Consequently, the cash flows consist only of payments of principal and interest (*solely payments of principal and interest*, "SPPI"). In exceptional cases, portfolios might be sold (e.g. exit of a market, significant increase in a risk of default, etc.), and would therefore have to be assessed on a case by case basis and, if applicable, treated differently. Therefore IFRS 9's changes to classification and measurement of financial instruments have not had an impact on the recognition and valuation of the invested assets, as these continue to be valued at amortized cost.

The expected credit loss model under IFRS 9 has not had an additional direct impact on the DDM Debt Group's invested assets, as the lifetime expected credit losses are already included in the estimated cash flows when calculating the effective interest rate on initial recognition of such assets. A significant increase in the credit risk would result in a revaluation and/or impairment of the invested asset, which is the recognition of the additional expected credit loss. As the DDM Debt Group invests in distressed assets (stage 3), no change in a different stage (stage 1 or 2) is expected.

The table below shows a comparison of the measurement of the DDM Debt Group's financial instruments according to IAS 39 and IFRS 9:

| | Valuation under IAS 39 | Valuation under IFRS 9 |
|--|------------------------|------------------------|
| Assets | | |
| Accounts receivable | Amortized cost | Amortized cost |
| Other receivables | Amortized cost | Amortized cost |
| Distressed asset portfolios | Amortized cost | Amortized cost |
| Other long-term receivables from investments | Amortized cost | Amortized cost |
| Liabilities | | |
| Accounts payable | Amortized cost | Amortized cost |
| Other payables | Amortized cost | Amortized cost |
| Short-term loans | Amortized cost | Amortized cost |
| Long-term loans | Amortized cost | Amortized cost |

IFRS 15 is not applicable to revenue on invested assets, as this is the result of the application of the amortized cost method. IFRS 15 is applicable to revenue from management fees, however these are immaterial for the DDM Debt Group, and revenue is already recognized based on the satisfaction of performance obligations. Therefore IFRS 15 has not had an impact on the financial statements of the DDM Debt Group.

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

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

Subsidiaries

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

| Subsidiaries | Consolidation method | Domicile | 30 September 2018 | 31 December 2017 |
|-----------------------------------|----------------------|-------------|-------------------|------------------|
| DDM Invest I AG | Fully consolidated | Switzerland | 100% | 100% |
| DDM Invest II AG | Fully consolidated | Switzerland | 100% | 100% |
| DDM Invest III AG | Fully consolidated | Switzerland | 100% | 100% |
| DDM Invest IV AG | Fully consolidated | Switzerland | 100% | 100% |
| DDM Invest VII AG | Fully consolidated | Switzerland | 100% | 100% |
| DDM Invest X AG | Fully consolidated | Switzerland | 100% | 100% |
| DDM Invest XX AG | Fully consolidated | Switzerland | 100% | 100% |
| DDM Invest VII d.o.o. | Fully consolidated | Slovenia | 100% | 100% |
| DDM Debt Management d.o.o Beograd | Fully consolidated | Serbia | 100% | 100% |
| DDM Debt Romania S.R.L | Fully consolidated | Romania | 100% | – |

Associates

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

| Associates | Consolidation method | Domicile | 30 September 2018 | 31 December 2017 |
|------------------------|----------------------|----------|-------------------|------------------|
| Profinance doo Beograd | Equity method | Serbia | 49.67% | 49.67% |

The goodwill within interests in associates was generated in relation to the acquisition of 49.67% of Profinance doo Beograd in the year 2015. Based on the expected future performance of Profinance doo Beograd, management has recognized an impairment of EUR 0.6M against the carrying amount.

Note 3. Currency translation

All entities prepare their financial statements in their functional currency. At 30 September 2018 all fully consolidated group entities have EUR as their functional currency, except for DDM Debt Management d.o.o Beograd, which has Serbian Dinar (RSD) as its functional currency, and DDM Debt Romania S.R.L, which has Romanian leu (RON) as its functional currency.

Note 4. Revenue on invested assets by region

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

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

| EUR '000s | 1 Jul–30 Sep 2018 | 1 Jul–30 Sep 2017 | 1 Jan–30 Sep 2018 | 1 Jan–30 Sep 2017 | Full Year 2017 |
|---|----------------------|----------------------|----------------------|----------------------|-------------------|
| Net collections by country: | | | | | |
| Slovenia | 5,750 | 1,865 | 12,493 | 8,324 | 10,564 |
| Czech Republic | 3,340 | 1,550 | 9,311 | 4,293 | 6,650 |
| Greece | 3,314 | – | 8,512 | – | 1,958 |
| Croatia | 2,334 | 289 | 5,441 | 289 | 3,592 |
| Romania | 955 | 1,300 | 3,126 | 3,307 | 4,536 |
| Hungary | 699 | 1,401 | 2,918 | 5,854 | 6,934 |
| Serbia | 215 | – | 437 | – | 111 |
| Russia | 21 | 33 | 63 | 126 | 171 |
| Slovakia | 10 | 16 | 177 | 76 | 343 |
| Bosnia | – | – | 70 | – | – |
| Net collections | 16,638 | 6,454 | 42,548 | 22,269 | 34,859 |
| Amortization of invested assets | (8,622) | (1,893) | (20,615) | (11,024) | (17,489) |
| Interest income on invested assets before revaluation and impairment | 8,016 | 4,561 | 21,933 | 11,245 | 17,370 |
| Revaluation of invested assets | (640) | 388 | (430) | 806 | 806 |
| Impairment of invested assets | (1,095) | (390) | (1,101) | (566) | (566) |
| Revenue on invested assets | 6,281 | 4,559 | 20,402 | 11,485 | 17,610 |

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

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

Note 5. Tangible assets

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

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

| | |
|-------------------|---------|
| Furniture | 5 years |
| Computer hardware | 5 years |

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

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

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

Other long-term receivables from investments

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

The following investments are treated in this manner:

| Entity | Domicile | 30 September 2018 | 31 December 2017 |
|---------------------------------|----------|----------------------|---------------------|
| Lombard Pénzügyi és Lízing Zrt. | Hungary | 100% | 100% |
| Lombard Ingatlan Lízing Zrt. | Hungary | 100% | 100% |
| Lombard Bérlet Kft. | Hungary | 100% | 100% |

The recognition of the acquisition of distressed asset portfolios and other long-term receivables from investments is based on the DDM Debt Group's own forecast of future cash flows from acquired portfolios / receivables. Distressed asset portfolios and

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

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

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

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

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

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

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

| Distressed asset portfolios and other long-term receivables from investments by currency EUR '000s | 30 September 2018 | 31 December 2017 |
|---|------------------------------|-----------------------------|
| EUR | 74,107 | 53,427 |
| HRK | 25,947 | 27,368 |
| CZK | 16,817 | 19,595 |
| HUF | 2,917 | 4,963 |
| RSD | 2,384 | 2,417 |
| RON | 1,836 | 2,411 |
| RUB | 232 | 329 |
| Total | 124,240 | 110,510 |

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

Note 7. Borrowings

The Group had the following borrowings outstanding during the periods ending 30 September 2018 and/or 31 December 2017:

Bond loan EUR 50M

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

Revolving credit facility EUR 17M

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

Bond loan EUR 85M

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

DDM Debt's financial instruments contain a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds are: an equity ratio of at least 15.00%, net interest bearing debt to cash EBITDA below 4:1, and net interest bearing debt to ERC below 75.00%. DDM's management carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded. DDM Debt complied with all bond covenants for the periods ending 30 September 2018 and 31 December 2017.

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

Bond loan EUR 11M

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

Maturity profile and carrying value of borrowings:

| Group & Parent co. EUR '000s | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | Total |
|---------------------------------|---------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------|
| at 30 September 2018 | | | | | | |
| Bond loan, 8% | – | – | 48,889 | – | – | 48,889 |
| Bond loan, 9.5% | – | 84,051 | – | – | – | 84,051 |
| Total | – | 84,051 | 48,889 | – | – | 132,940 |
| at 31 December 2017 | | | | | | |
| Bond loan, 8% | – | – | 48,597 | – | – | 48,597 |
| Bond loan, 9.5% | – | – | 83,569 | – | – | 83,569 |
| Total | – | – | 132,166 | – | – | 132,166 |

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

Fair value of borrowings:

| Group & Parent co. EUR '000s | IFRS 9 category | Fair value category | Fair value | Carrying value |
|---------------------------------|---|---------------------|----------------|----------------|
| at 30 September 2018 | | | | |
| Bond loan, 8% | Financial liabilities at amortized cost | Level 2 | 49,250 | 48,889 |
| Bond loan, 9.5% | Financial liabilities at amortized cost | Level 2 | 86,063 | 84,051 |
| Total | | | 135,313 | 132,940 |
| at 31 December 2017 | | | | |
| Bond loan, 8% | Financial liabilities at amortized cost | Level 2 | 50,000 | 48,597 |
| Bond loan, 9.5% | Financial liabilities at amortized cost | Level 2 | 87,975 | 83,569 |
| Total | | | 137,975 | 132,166 |

The levels in the hierarchy are:

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

Note 8. Participations in Group companies

| Parent Company EUR '000s | 30 September 2018 | 31 December 2017 |
|-----------------------------|----------------------|---------------------|
| Investment | 9,390 | 9,284 |
| Total | 9,390 | 9,284 |

| Parent Company EUR '000s | Investment |
|-----------------------------|------------|
| At 31 December 2017 | 9,284 |
| Acquisitions | 106 |
| At 30 September 2018 | 9,390 |

The Parent Company holds shares in the following subsidiaries:

| EUR '000s Company | Corporate identity number | Domicile | Proportion of equity 30 Sep 2018 | Proportion of equity 31 Dec 2017 | Net book value 30 Sep 2018 | Net book value 31 Dec 2017 |
|--|------------------------------|-------------|--|--|----------------------------------|----------------------------------|
| DDM Invest VII AG | CHE 153.128.633 | Switzerland | 100% | 100% | 90 | 90 |
| DDM Invest VII d.o.o. | 7109806000 | Slovenia | 100% | 100% | 8 | 8 |
| DDM Invest I AG | CHE 113.863.850 | Switzerland | 100% | 100% | 1,393 | 1,393 |
| DDM Invest II AG* | CHE 115.038.302 | Switzerland | 100% | 100% | – | – |
| DDM Invest III AG | CHE 115.238.947 | Switzerland | 100% | 100% | 591 | 591 |
| DDM Invest IV AG* | CHE 317.413.116 | Switzerland | 100% | 100% | – | – |
| DDM Invest X AG | CHE 130.419.930 | Switzerland | 100% | 100% | 1,465 | 1,465 |
| DDM Invest XX AG | CHE 349.886.186 | Switzerland | 100% | 100% | 5,737 | 5,737 |
| DDM Debt Management d.o.o Beograd* | 21313963 | Serbia | 100% | 100% | – | – |
| DDM Debt Romania S.R.L | 39689815 | Romania | 100% | – | 106 | – |
| Total | | | | | 9,390 | 9,284 |

* The net book value of the investments in DDM Invest II AG, DDM Invest IV AG and DDM Debt Management d.o.o Beograd amount to EUR 1 each as of 30 September 2018 and 31 December 2017.

Note 9. Subsequent events

During October 2018, DDM acquired an investment in the Balkans of about EUR 6M following regulatory approval and acquired a portfolio in Hungary totaling approximately EUR 1M.

There were no other significant events occurring after the balance sheet date and through the date of issuance of this report

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 30 September 2018 provides a fair overview of the Parent Company's and the Group's operations, their financial positions and result. The material risks and uncertainties facing the Parent Company and the Group are described in the 2017 Annual report.

Stockholm, 8 November 2018

Torgny Hellström
Chairman of the board

Fredrik Waker
Board member

Mikael Nachemson
Board member

Erik Fällström
Board member

Henrik Wennerholm
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 third parties.

Net debt

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

Non-recurring items

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

Operating expenses

Personnel, consulting and other operating expenses.

Revaluation of invested assets

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

Reconciliation tables, non-IFRS measures

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

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

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

Net collections:

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

Amortization, revaluation and impairment of invested assets:

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

Operating expenses and Cash EBITDA:

| Amounts in EUR '000s (unless specified otherwise) | 1 Jul–30 Sep 2018 | 1 Jul–30 Sep 2017 | 1 Jan–30 Sep 2018 | 1 Jan–30 Sep 2017 | Full Year 2017 |
|--|----------------------|----------------------|----------------------|----------------------|-------------------|
| Net collections | 16,638 | 6,454 | 42,548 | 22,269 | 34,859 |
| Personnel expenses | (75) | (27) | (229) | (53) | (122) |
| Consulting expenses | (1,545) | (1,542) | (4,678) | (4,215) | (5,843) |
| Other operating expenses | (49) | (36) | (148) | (89) | (234) |
| Operating expenses | (1,669) | (1,605) | (5,055) | (4,357) | (6,199) |
| Cash EBITDA | 14,969 | 4,849 | 37,493 | 17,912 | 28,660 |
| Net debt: | | | | | |
| Bond loan, 8% | 48,889 | – | 48,889 | – | 48,597 |
| Bond loan, 9.5% | 84,051 | 83,417 | 84,051 | 83,417 | 83,569 |
| Less: Cash and cash equivalents | (48,852) | (1,179) | (48,852) | (1,179) | (57,697) |
| Net debt | 84,088 | 82,238 | 84,088 | 82,238 | 74,469 |
| Equity ratio: | | | | | |
| Shareholder's equity | 7,676 | 3,012 | 7,676 | 3,012 | 6,721 |
| Shareholder debt (subordinated) | 29,065 | 20,395 | 29,065 | 20,395 | 28,128 |
| Total equity according to the senior secured bond terms | 36,741 | 23,407 | 36,741 | 23,407 | 34,849 |
| Total assets | 179,699 | 113,645 | 179,699 | 113,645 | 177,167 |
| Equity ratio | 20.4% | 20.6% | 20.4% | 20.6% | 19.7% |

About DDM

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

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

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

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



DDM Debt AB (publ)

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