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DDM FINANCE AB

Corporate Identity Number 559053-6214

ANNUAL REPORT 2018

MULTINATIONAL INVESTOR
AND MANAGER OF DISTRESSED ASSETS



**The DDM Finance AB
2018 Annual Report**

DDM Finance AB ("DDM Finance" or the "Company") is a Swedish Company headquartered in Stockholm. Corporate registration number 559053-6214.

Values are expressed in euro (EUR), thousands of euros as EUR 000s and millions of euros as EUR M. Unless otherwise stated, figures in parentheses relate to the preceding financial year, 2017.

Data on markets and competitors are DDM's own estimates, unless another source is specified. This report may contain forward-looking statements that are based on the current expectations of DDM's management. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of factors including changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors.

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

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2018 Highlights

Financial calendar

Annual General Meeting
2019:
28 May 2019

This is DDM Finance

DDM Finance AB (“DDM Finance” or the “Company”) was founded in 2016 to act as a holding company and provide credit support for financing in its subsidiaries and thereto related business activities. The DDM Group is based in Baar, Switzerland.

The DDM Group is a multinational investor in, and manager of distressed assets, offering the prospect of attractive returns from the expanding Southern, Central and Eastern European market for distressed assets including non-performing loans. For sellers, management of portfolios of distressed assets is a sensitive issue as it concerns the relationship with their customers. For sellers of portfolios it is therefore critical that the acquirer handles the underlying individual debtors professionally, ethically and with respect. The DDM Group has longstanding relations with sellers of distressed assets, based on trust and the Group’s status as a credible acquirer.

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

The DDM Group acquires distressed assets mainly consisting of non-performing loans with an investment value of EUR 5–50M. Since inception, the DDM Group has been successful in valuing distressed assets. A disciplined purchase process ensures efficient operations and allows for collections in line with forecasts. The valuation of a prospective debt portfolio is based on thorough due diligence and quantitative models linked to a reference database and considers criteria such as jurisdiction, claim size, borrower age, previous payment history, vendor type and collaterals and other securities (if applicable). The DDM Group’s database covers current and historical information at an individual and transactional level.

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

The DDM Group itself does not conduct any in-house debt collections. Collections of the debts are managed by selected and well-reputed local debt collection agencies. Commissions paid to collection agencies are mainly performance-based and generally increase as receivables become older and more difficult to collect.

Administration Report

The Board of Directors of DDM Finance AB hereby submit the annual report for the 2018 financial year.

Information regarding the operations

DDM Finance AB ("DDM Finance" or "the Company"), corporate identity number 559053-6214, is domiciled in Stockholm, Sweden and is a limited liability company that conducts operations in accordance with the Swedish Companies Act. The Company was registered on 3 March 2016.

DDM Finance AB is a wholly-owned subsidiary of DDM Group AG, Baar, Switzerland. DDM Group AG is a wholly-owned subsidiary of DDM Holding AG. DDM Holding AG has been listed on Nasdaq First North exchange in Stockholm, Sweden, since August 2014. DDM Debt AB (publ), Sweden is a wholly owned subsidiary of DDM Finance.

DDM Finance acts solely as a holding company and to provide credit support for financing in its subsidiaries and thereto related business activities, whereas DDM Group AG acts as the investment manager and makes all decisions regarding investments and allocation of resources.

Facts and figures – DDM Finance AB 2018

The operations of DDM Finance encompass ownership of the subsidiary, DDM Debt AB and providing credit support for financing in its subsidiaries and thereto related business activities.

DDM Finance reported a loss before tax of EUR 550,897 for 2018 (2017: a loss of EUR 2,977). Shareholders' equity amounted to EUR 8,150 at 31 December 2018 (31 December 2017: EUR 53,047). The other contributed capital of EUR 560,000 (2017: EUR 54,000) relates to a shareholder contribution from DDM Group AG to DDM Finance AB.

DDM Finance had one employee at 31 December 2018 (31 December 2017: one employee).

Significant events during the financial year

On 6 November 2018, the Company refinanced EUR 10M senior secured bonds maturing on November 7, 2018 by way of issuing EUR 12M senior secured bonds. The bonds carry an interest rate of 7% per annum for the first six months and can be prolonged at 8% per annum for another six months.

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

Basis of preparation

For the year ended 31 December 2018, the Company made a loss of EUR 550,897 (2017: EUR 2,977) and had net current liabilities of EUR 56,441 (2017: EUR 953). The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation in the financial statements:

- i) the conditional contributed capital of EUR 560,000 (2017: EUR 54,000) relates to a shareholder contribution from DDM Group AG to DDM Finance AB supporting the loss incurred in the year by the Company;
- ii) in November 2018 the Company successfully refinanced the EUR 10M senior secured bonds maturing on November 6, 2018 by way of issuing EUR 12M senior secured bonds. The bonds carry an interest rate of 7% per annum for the first six months and can be prolonged by the Company at 8% per annum for another six months. As a result, the Company will have sufficient working capital to enable it to meet its objectives and financial obligations; and
- iii) the net operating cash outflow for the year ended 31 December 2018 totalled EUR 1,451,437 (2017: EUR 2,882). Management expect that the operating costs will be further reduced in the succeeding financial year as a result of the restructuring of its operations, which will further increase operating cash flows.
- iv) cash and cash equivalent at 31 December 2018 were EUR 1,052,476 (2017: EUR 1,142)

Accordingly the financial statements have been prepared on a going concern basis.

Geographical regions

The operational and investment activities of the DDM Group are not divided into geographical regions for reporting purposes. Potential investments and existing investments are always measured on their own merits and according to assumptions and forecasts made at the time of investing.

Expenses

Operating expenses consisted primarily of costs relating to personnel expenses, audit, legal, consulting and accounting services.

Net financial income

In 2018 net financial income was EUR 82,812 (2017: net financial income of EUR 4,337).

Research and Development

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

Non-financial earnings indicators*DDM Finance's role in society*

The DDM Group offers a platform for economic growth by allowing companies and banks the opportunity to manage their credit exposure. DDM's systems and understanding of creditor's requirements are optimized and are paired with respect for debtors and their integrity.

Business ethics

The DDM Group's values act as a guide on how business with the Group's clients and customers is managed. The ethical rules deal primarily with a respectful attitude towards clients and customers.

Working conditions

The DDM Group's employees have the right to secure and healthy workplaces, as well as fair terms of employment in line with market levels. Men and women are given equal opportunities. A sustainable and commercially successful business relies on skilled and motivated employees.

Environment

As a service company, the DDM Group generally has limited possibilities to affect the environment, although it seeks to act in an environmentally responsible manner where possible.

Market outlook

The sale of non-performing assets continues to be a key focus area of active portfolio management by banking industry players in Central and Eastern Europe and the supply of new corporate NPL portfolios continues to grow as European banks consolidate and deleverage their balance sheets. In this environment, we believe that there will continue to be plenty of good business opportunities for the DDM Group. We aim to deliver sizeable and profitable growth in 2019 as we continue to focus on our markets in Southeast Europe and Central and Eastern Europe where we have strong market knowledge and relationships

Board work

According to the Articles of Association of DDM Finance, the Board of Directors shall consist of at least one and no more than ten members with no more than ten deputies. All members are elected at the annual general meeting.

Events after the balance sheet date

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

Financial summary

Key figures, EUR	2018	2017
Operating loss	(633,709)	(7,314)
Net loss for the period	(550,897)	(2,977)

Risk management and financial risks

DDM Finance is a holding company with limited activities, and therefore its financial risks are limited to credit risk and liquidity risk / financing risk.

Risk management is carried out by the DDM Group in accordance with policies established by the Board of Directors. The DDM Group identifies and evaluates financial risks in close co-operation with DDM Finance's Board of Directors.

Credit risk

Credit risk is the risk that the counterparty in a financial transaction will not fulfil its obligations on the maturity date. Credit risk is managed by the DDM Group and arises from cash and cash equivalents, and deposits with banks and financial institutions.

Liquidity risk / Financing risk

The aim of the capital structure is to secure DDM Finance's ability to continue its operations.

Interest risk

Interest rate risk relates primarily to DDM Finance's interest-bearing debt, which consists of the EUR 12M (2017: 10M) senior secured notes refinanced in November 2018 and issued in November 2017 in a bridge financing transaction. Borrowings issued at fixed rates expose DDM Finance to fair value interest rate risk.

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

Proposed appropriation of earnings

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

EUR	2018	2017
Retained earnings	47,418	50,395
Received capital contribution	506,000	–
Net loss for the period	(550,897)	(2,977)
Total	2,521	47,418

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

EUR	2018	2017
Balance carried forward	2,521	47,418
Total	2,521	47,418

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

INCOME STATEMENT

For the year ended 31 December			
Amounts in EUR	Notes	2018	2017
Revenue		–	–
Personnel expenses	4	(559,238)	(2,236)
Consulting expenses	5	(17,087)	(5,078)
Other operating expenses	6	(57,384)	–
Operating loss		(633,709)	(7,314)
Financial income	7	1,136,811	165,217
Financial expenses	7	(1,053,999)	(160,880)
Net financial income		82,812	4,337
Loss before income tax		(550,897)	(2,977)
Tax income / (expense)	8	–	–
Net loss for the year		(550,897)	(2,977)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December			
Amounts in EUR		2018	2017
Net loss for the year		(550,897)	(2,977)
Other comprehensive income for the year			
<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 year, net of tax		–	–
Total comprehensive income for the year		(550,897)	(2,977)

BALANCE SHEET

As at 31 December			
Amounts in EUR	Notes	2018	2017
ASSETS			
<i>Non-current assets</i>			
Participations in other group companies	12	54,000	54,000
Other non-current assets		10,591	–
Total non-current assets		64,591	54,000
<i>Current assets</i>			
Loan to subsidiary	13	10,000,000	10,000,000
Receivables from other group companies	13	1,301,101	165,000
Other receivables		4,876	–
Prepaid expenses		57,560	10,239
Cash and cash equivalents	9	1,052,476	1,142
Total current assets		12,416,013	10,176,381
TOTAL ASSETS		12,480,604	10,230,381
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital	10	5,629	5,629
Retained earnings including net loss for the year	10 15	2, 521	47 418
Total shareholders' equity		8,150	53,047
<i>Non-current liabilities</i>			
Total non-current liabilities		–	–
<i>Current liabilities</i>			
Accounts payable	11	47,422	11,037
Payables to other group companies	11, 13	38,627	6,459
Accrued interest	11	123,667	157,500
Accrued expenses	11	262,738	2,338
Borrowings	11, 14	12,000,000	10,000,000
Total current liabilities		12,472,454	10,177,334
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		12,480,604	10,230,381

CASH FLOW STATEMENT

For the year ended 31 December			
Amounts in EUR	Notes	2018	2017
Cash flow from operating activities			
Operating loss		(633,709)	(7,314)
Other items not affecting cash		119	4,337
Interest paid		(1,077,562)	–
Cash flow from operating activities before working capital changes		(1,711,152)	(2,977)
Working capital adjustments			
Increase / (decrease) in accounts payable		15,023	11,037
(Increase) / decrease in other receivables		(4,876)	(175,239)
Increase / (decrease) in other current liabilities		249,568	164,297
Net cash flow from operating activities		(1,451,437)	(2,882)
Cash flow from investing activities			
Loans to subsidiary		–	(10,000,000)
Net cash flow received / (used) in investing activities		–	(10,000,000)
Cash flow from financing activities			
Proceeds from issuance of loans	11,14	12,000,000	10,000,000
Repayment of loans	11,14	(10,000,000)	–
Shareholder's contribution	10,15	506,000	–
Net cash flow received / (used) in financing activities		2,506,000	10,000,000
Cash flow for the year		1,054,563	(2,882)
Cash and cash equivalents less bank overdrafts at beginning of the year			
		1,142	4,024
Foreign exchange gains / (losses) on cash and cash equivalents		(3,229)	–
Cash and cash equivalents less bank overdrafts at end of the year		1,052,476	1,142

STATEMENT OF CHANGES IN EQUITY

Amounts in EUR	Share capital	Other contributed capital	Retained earnings incl. net loss for the year	Total equity
Balance at 1 January 2017	5,629	54,000	(3,605)	56,024
Comprehensive income				
Net loss for the year	–	–	(2,977)	(2,977)
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	(2,977)	(2,977)
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 31 December 2017	5,629	54,000	(6,582)	53,047
Balance at 1 January 2018	5,629	54,000	(6,582)	53,047
Comprehensive income				
Net loss for the year	–	–	(550,897)	(550,897)
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	(550,897)	(550,897)
<i>Transactions with owners</i>				
Received conditioned capital contribution	–	506,000	–	506,000
Total transactions with owners	–	506,000	–	506,000
Balance at 31 December 2018	5,629	560,000	(557,479)	8,150

At 31 December 2018 and 31 December 2017, the number of outstanding shares in DDM Finance AB amounts to 500 shares, with a quota of 11.258 per share.

NOTE 1. GENERAL INFORMATION

DDM Finance AB ("DDM Finance" or "the Company") acts solely as a holding company and to provide credit support for financing in its subsidiaries and thereto related business activities.

The Company was registered on 3 March 2016. DDM Finance is a wholly owned subsidiary of DDM Group AG, Baar, Switzerland. DDM Debt AB (publ), Sweden, is a wholly owned subsidiary of DDM Finance.

DDM Finance acts solely as a holding company and to provide credit support for financing in its subsidiaries and thereto related business activities, whereas DDM Group AG acts as the investment manager and makes all decisions regarding investments and allocation of resources.

DDM Finance AB is a limited liability company with registered offices in Stockholm, Sweden and its Swedish Corporate ID number is 559053-6214. The address of the main office and postal address is Västra Trädgårdsgatan 15, 111 53 Stockholm, Sweden.

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

The Board of Directors approved the financial statements on 28 March 2019.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 – Basis of preparation**

The most important accounting policies applied in these financial statements are presented below.

DDM Finance AB is a wholly owned subsidiary of DDM Group AG, an entity registered in Switzerland. The ultimate parent company, DDM Holding AG, discloses consolidated financial statements prepared in accordance with IFRS. Therefore, in accordance with the exemption in Chapter 7 2§ of the Swedish Accounts Act, consolidated financial statements are not disclosed for DDM Finance AB.

The accounts of DDM Finance AB have been prepared in accordance with the Annual Accounts Act (ÅRL 1995:1554) and RFR 2 Accounting for Legal Entities and applicable statements. This means that International Financial Reporting Standards, IFRS, as adopted by the European Union, have been applied along with the exceptions and supplements in RFR 2 to the standards issued by IASB and interpretations thereof issued by IFRIC.

The financial statements have been prepared on a historical cost basis, except where stated separately.

Shares in subsidiaries are reported at accrued acquisition value less any impairment. If there is an indication that shares and participations in subsidiaries have decreased in value, the recoverable amount is calculated. If this

amount is lower than the book value, impairment is carried out. Impairment is reported in the item profit / loss from participation in Group companies in the income statement.

2.2 – Foreign currency translation*Functional and presentation currency*

The financial statements are presented in Euros (EUR), which is DDM Finance's functional and presentation currency.

Transactions and balances

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates on each balance sheet date, are reported in the income statement.

2.3 – Financial assets and liabilities*Classification*

DDM Finance classifies its financial assets and liabilities in the following categories: financial assets held at amortized cost and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired.

(a) Financial assets held at amortized cost

Financial assets held at amortized cost are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. DDM Finance's financial assets held at amortized cost comprise cash and cash equivalents and are included in current assets due to their short-term nature. Financial assets held at amortized cost are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

(b) Borrowings

Borrowings from credit institutions and other long-term payables are initially reported at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is reported in the income statement over the period of the borrowings, using the effective interest method for long-term borrowings and the straight-line method for borrowings with a total contract length of less than 12 months.

Borrowings are classified as current liabilities unless DDM Finance has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Costs to secure financing are amortized across the term of the loan as financial expenses in the income statement. The amount is recognized in the balance sheet as a deduction to the loan liability. All other borrowing costs (interest expenses and transaction costs) are reported in the income statement in the period to which they refer.

NOTE 2. SUMMARY OF SIGNIFICANT... continued**(c) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, cash deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are reported as borrowings among current liabilities.

(d) Accounts payable

Accounts payable are reported at fair value. The book value of an accounts payable is expected to correspond with the fair value of the account payable, as this item is of a short-term nature.

2.4 – Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issuance of new shares are reported in equity as a deduction, net of tax, from the proceeds.

2.5 – Current tax and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted, or substantively enacted, at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to circumstances in which the applicable tax regulation is subject to interpretation. Management establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the tax authorities.

Deferred income tax is reported, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, deferred income tax is not accounted for if it arises from the initial reporting of an asset or liability in a transaction other than a business combination that, at the time of the transaction, impacts neither reported or fiscal results. The deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, at the balance sheet date and which are expected to apply when the related deferred income tax asset is realized, or when the deferred income tax liability is settled.

Deferred income tax assets on temporary differences and tax losses carried forward are reported to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized. The amount of deferred tax assets is reduced when they are utilized or when it is no longer deemed likely that they will be utilized.

2.6 – Dividend distribution

Dividend distribution to the Company's shareholders is reported as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

No dividends will be proposed to the 2019 annual general meeting regarding the operations for 2018.

NOTE 3. FINANCIAL RISK MANAGEMENT

DDM Finance is a holding company with limited activities, and therefore its financial risks are limited to credit risk and liquidity risk / financing risk.

Risk management is carried out by the DDM Group in accordance with policies established by the Board of Directors. The DDM Group identifies and evaluates financial risks in close co-operation with DDM Finance's Board of Directors.

The DDM Group defines risk as all factors which could have a negative impact on the ability of DDM Finance to achieve its business objectives. All business activity is associated with risk. In order to manage risk in a balanced way it must first be identified and assessed. The following summary offers examples of risk factors which are considered to be especially important for DDM Finance's future development, but is by no means comprehensive.

Interest rate risk

Interest rate risk relates primarily to DDM Finance's interest-bearing debt, which consists of the EUR 12M (2017: EUR 10M) senior secured notes issued in November 2018 following a refinancing of the bridge financing transaction in November 2017. Borrowings issued at fixed rates expose DDM Finance to fair value interest rate risk.

Credit risk

Credit risk is the risk that the counterparty in a financial transaction will not fulfil its obligations on the maturity date. Credit risk is managed by the DDM Group and arises from cash and cash equivalents, and deposits with banks and financial institutions.

Liquidity risk / Financing risk

The aim of the capital structure is to secure DDM Finance's ability to continue its operations.

The table below specifies the undiscounted cash flows arising from DDM Finance's liabilities in the form of financial instruments, based on the remaining period to the earliest contractual maturity date as at the balance sheet date. Amounts in foreign currencies and amounts that are to be paid based on floating interest rates are estimated using the exchange and interest rates applicable at the balance sheet date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
EUR				
At 31 December 2018				
Accounts payable	47,422	–	–	–
Payables to other group companies	38,627	–	–	–
Accrued expenses	262,738	–	–	–
Borrowings	12,123,667	–	–	–
Total	12,472,454	–	–	–

NOTE 3. FINANCIAL RISK... continued

EUR	Less than	Between	Between	Between
	1 year	1 and 2 years	2 and 3 years	3 and 5 years
At 31 December 2017				
Accounts payable	11,037	–	–	–
Payables to other group companies	6,459	–	–	–
Accrued expenses	2,338	–	–	–
Borrowings	11,077,563	–	–	–
Total	11,097,397	–	–	–

Financial instruments by category

Fair value is equal to the carrying value of financial instruments.

EUR	Financial assets
At 31 December 2018	
Assets as per balance sheet	
Cash and cash equivalents	1,052,476
Receivables from other group companies	1,301,101
Other receivables	4,876
Prepaid expenses	57,560
Loan to subsidiary	10,000,000
Total	12,416,013

EUR	Other financial liabilities
At 31 December 2018	
Liabilities as per balance sheet	
Accounts payable	47,422
Payables to other group companies	38,627
Accrued interest	123,667
Accrued expenses	262,738
Borrowings	12,000,000
Total	12,472,454

EUR	Financial assets
At 31 December 2017	
Assets as per balance sheet	
Cash and cash equivalents	1,142
Receivables from other group companies	165,000
Prepaid expenses	10,239
Loan to subsidiary	10,000,000
Total	10,176,381

EUR	Other financial liabilities
At 31 December 2017	
Liabilities as per balance sheet	
Accounts payable	11,037
Payables to other group companies	6,459
Accrued interest	157,500
Accrued expenses	2,338
Borrowings	10,000,000
Total	10,177,334

NOTE 4. PERSONNEL EXPENSES

EUR	2018	2017
Personnel expenses	559,238	2,236
Total	559,238	2,236

DDM Finance had one employee (male) as of 31 December 2018 (2017: one employee (male)).

Gender distribution of board members and other senior executives

The Board of Directors consists of three members (male) (2017: three members (male)).

NOTE 5. CONSULTING EXPENSES

EUR	2018	2017
Consulting expenses	(12,587)	(3,078)
Öhrlings PwC		
Audit assignments	(4,500)	(2,000)
Other audit related assignments	–	–
Tax assignments	–	–
Other consultancy assignments	–	–
Total	(17,087)	(5,078)

Audit assignment refers to the examination of the annual financial statements and accounting records, as well as the administration report of the Board of Directors. Other audit related assignments include tasks whose execution is the responsibility of the Company's auditors, as well as the provision of advisory services or other assistance resulting from observations made during such assignments. All else comprises tax assignments or other consultancy assignments.

NOTE 6. OTHER OPERATING EXPENSES

EUR	2018	2017
Non-deductible VAT	(3,314)	–
Other operating expenses	(54,070)	–
Total	(57,384)	–

NOTE 7. NET FINANCIAL INCOME

EUR	2018	2017
Financial income		
Interest income	1,136,101	165,000
Realized / unrealized exchange gains	710	217
Total financial income	1,136,811	165,217
Financial expenses		
Interest expense	(1,050,179)	(157,500)
Other financial expenses	(142)	(3,380)
Realized / unrealized exchange losses	(3,678)	–
Total financial expenses	(1,053,999)	(160,880)
Net financial income	82,812	4,337

NOTE 8. INCOME TAX

EUR	2018	2017
Current tax on profit / (loss) for the year	–	–
Total tax income / (expense)	–	–

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

EUR	2018	2017
Profit / (loss) before tax	(550,897)	(2,977)
Income tax calculated at current tax rate	121,197	655
Non-taxable income	–	–
Tax losses for which no deferred income tax asset was recognized	(121,197)	(655)
Total tax income / (expense)	–	–

NOTE 9. CASH AND CASH EQUIVALENTS

At 31 December		
EUR	2018	2017
Cash and cash equivalents	1,052,476	1,142
Total	1,052,476	1,142

At 31 December 2018 and 31 December 2017 DDM Finance's bank accounts were held with a bank with a credit rating of AA- as rated by Standard & Poor's.

NOTE 10. SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

The 500 shares have a quota of 11.258 per share. Each share entitles the holder to one vote. All registered shares as per the reporting date are fully paid.

The conditional contributed capital of EUR 560,000 (2017: EUR 54,000) relates to a shareholder contribution from DDM Group AG to DDM Finance AB supporting the loss incurred in the year by the Company of EUR 550,897 (2017:EUR 2,977)

NOTE 11. CURRENT LIABILITIES

EUR	Less than 3 months	3 – 12 months	Total
At 31 December 2018			
Accounts payable	47,422	–	47,422
Payables to other group companies	–	38,627	38,627
Accrued interest	–	123,667	123,667
Accrued expenses	262,738	–	262,738
Borrowings	–	12,000,000	12,000,000
Total current liabilities	310,160	12,162,294	12,472,454
At 31 December 2017			
Accounts payable	11,037	–	11,037
Payables to other group companies	–	6,459	6,459
Accrued interest	–	157,500	157,500
Accrued expenses	2,338	–	2,338
Borrowings	–	10,000,000	10,000,000
Total current liabilities	13,375	10,163,959	10,177,334

NOTE 12. PARTICIPATIONS IN GROUP COMPANIES

	31 December 2018	31 December 2017
EUR		
Investment	54,000	54,000
Total	54,000	54,000

EUR	Investment
At 1 January 2017	54,000
Acquisitions	–
At 31 December 2017	54,000
At 1 January 2018	54,000
Acquisitions	–
At 31 December 2018	54,000

DDM Finance holds shares in the following subsidiary:

EUR	Corporate identity	Domicile	Proportion of equity	Proportion of equity	Net book value	Net book value
Company	number		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
DDM Debt AB	559053-6230	Sweden	100%	100%	54,000	54,000
Total					54,000	54,000

NOTE 13. TRANSACTIONS WITH RELATED PARTIES**Compensation from / (to) related parties**

EUR	Management fee	Other fee	Total
2018			
Interest income from DDM Debt AB	–	1,136,101	1,136,101
Total	–	1,136,101	1,136,101

Receivables, payables and debts – related parties

EUR	Current	Non-current	Total
at 31 December 2018			
Receivables from DDM Debt AB	1,301,101	–	1,301,101
Loan to DDM Debt AB	10,000,000	–	10,000,000
Payables to DDM Group AG	(38,627)	–	(38,627)
Payables to DDM Debt AB	–	–	–
Total	11,262,474	–	11,262,474

Compensation from / (to) related parties

EUR	Management fee	Other fee	Total
2017			
Interest income from DDM Debt AB	–	165,000	165,000
Total	–	165,000	165,000

Receivables, payables and debts – related parties

EUR	Current	Non-current	Total
at 31 December 2017			
Receivables from DDM Debt AB	165,000	–	165,000
Loan from DDM Debt AB	10,000,000	–	10,000,000
Payables to DDM Group AG	(1,030)	–	(1,030)
Payables to DDM Debt AB	(5,429)	–	(5,429)
Total	10,158,541	–	10,158,541

NOTE 13. TRANSACTIONS WITH RELATED PARTIES - continued

The Company has defined the Board of Directors of DDM Finance, the owners of the Company and all entities in the DDM Group as related parties.

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. No interest is calculated on the current intercompany receivables / payables.

NOTE 14. BORROWINGS

In November 2018 DDM Finance refinanced EUR 10M senior secured bonds maturing on November 7, 2018 by way of issuing EUR 12M senior secured bonds through DDM Finance. The bonds carry an interest rate of 7% per annum for the first six months and can be prolonged at 8% per annum for another six months.

In November 2017 DDM Finance raised EUR 10M of senior secured notes in a bridge financing transaction and provided a shareholder loan to DDM Debt AB, which qualifies as equity under DDM Debt's senior secured bond terms. The senior secured notes have a fixed interest rate and mature on 7 November 2018.

NOTE 15. PROPOSED APPROPRIATION OF EARNINGS

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

EUR	2018	2017
Retained earnings	47,418	50,395
Received capital contribution	506,000	–
Net loss for the year	(550,897)	(2,977)
Total	2,521	47,418

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

EUR	2018	2017
Balance carried forward	2,521	47,418
Total	2,521	47,418

NOTE 16. PLEDGED ASSETS AND CONTINGENT LIABILITIES

The Company has pledged the shares in its subsidiary DDM Debt AB as security under the terms and conditions of the senior secured bonds issued by DDM Debt AB in 2017. The Company's pledged collateral in the form of shares held in the subsidiaries amounts to EUR 54,000.

Under the terms and conditions of the EUR 12M (2017: EUR 10M) senior secured notes issued by DDM Finance, 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.

DDM Finance AB does not have any other pledged assets, contingent liabilities or other items to report.

NOTE 17. EVENTS AFTER THE BALANCE SHEET DATE

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

SIGNATURES

The Company's income statement and balance sheet will be presented for adoption at the Annual General Meeting on 28 May 2019.

The Board of Directors certify that the Annual Report gives a true and fair view of the Company's operations, financial position and results of operations and describes the material risks and uncertainty factors facing the Company.

Stockholm, 28 March 2019



Torgny Hellström
Chairman of the board



Fredrik Waker
Board member



Henrik Wennerholm
Board member

Our Audit Report was presented on 28 March 2019

Öhrlings PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

Auditor's report (translation)

To the general meeting of the shareholders of DDM Finance AB, corporate identity number 559053-6214

Report on the annual accounts

Opinions

We have audited the annual accounts of DDM Finance AB for the year 2018. The annual accounts of the company are included on pages 4-17 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of DDM Finance AB as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of DDM Finance AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors

The Board of Directors are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibility for the audit of the annual accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors of DDM Finance AB for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss be appropriated (dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of DDM Finance AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Stockholm 28 March 2019
Öhrlings PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

DDM FINANCE AB

A MULTINATIONAL INVESTOR
AND MANAGER OF
DISTRESSED ASSETS



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