DDM HOLDING AG

Corporate Registration Number: CHE-115906312

Q1 interim report | 1 January – 31 March 2019

ddm

Strong collections and successful refinancing supporting future acquisitions

Highlights first quarter 2019

- Net collections increased by 77% to EUR 18.9M (Q1 2018 EUR 10.7M)**
- Cash EBITDA increased by 95% and amounted to EUR 16.8M (Q1 2018: EUR 8.6M)
- Net profit for the period of EUR 0.0M (Q1 2018: EUR 1.0M)
- Gross ERC at the end of March 2019 was EUR 217M (Q4 2018: EUR 240M)***
- Cash on hand available for investment at the end of March 2019 was EUR 63M (Q4 2018: EUR 60M)
- Secured super senior RCF of EUR 27M significantly lowering the cost of funding, priced at Euribor plus a margin of 350 basis points and available for a period of up to two years
- Sale of portfolios in Russia resulted in EUR 2M gain
- Operational launch of partnership to provide portfolio management services for secured portfolios in the Balkans

Significant events after the end of the quarter

- Successful refinancing issuing a new EUR 100M senior secured bond with a three-year period replacing the existing EUR 85M bond, priced at Euribor plus a margin of 925 basis points
- Investment closed phase 1 of the acquisition of a significant corporate secured portfolio in Croatia. Investment made through a 50/50 joint venture with B2Holding, which is expected to fully close during Q2

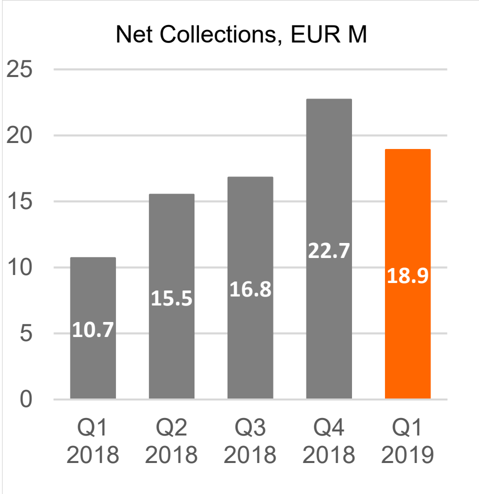
Amounts in EUR '000s (unless specified otherwise)	**1 Jan – 31 Mar 2019***	**1 Jan – 31 Mar 2018***	**Full Year 2018**
Net collections**	18,909	10,683	65,669
Revenue from management fees	195	229	1,233
Operating expenses	(2,311)	(2,270)	(9,246)
Cash EBITDA	16,793	8,642	57,656
Amortization, revaluation and impairment of invested assets	(12,841)	(3,838)	(37,425)
Operating profit	3,885	4,772	22,068
Net profit for the period	1	997	4,817
Selected key figures			
Total assets	194,483	184,124	194,534
Net debt	84,411	110,125	87,363
Equity ratio	18.4%	17.3%	18.4%
Cash flow from operating activities before working capital changes	12,748	4,506	43,685
Gross ERC 120 months (EUR M)	217	279	240
Earnings per share before and after dilution (EUR)	0.00	0.07	0.36
Average number of shares during the period	13,560,447	13,560,447	13,560,447
Total number of shares at the end of the period	13,560,447	13,560,447	13,560,447

* Unaudited
** Included within net collections is the gain on sale of invested assets

The information in this interim report requires DDM Holding AG to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 2 May 2019 at 08:00 CET.

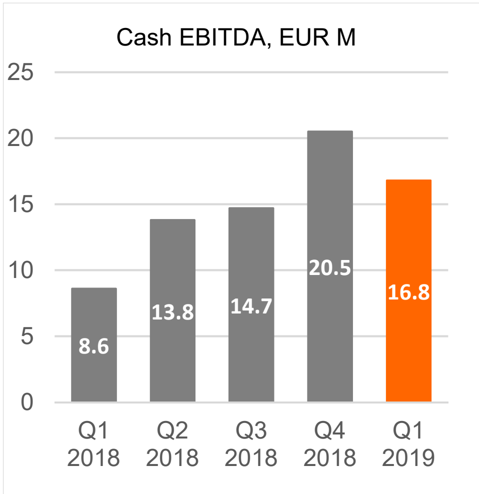
Comment by the CEO

The first months of 2019 have been eventful. We have successfully secured a new Revolving Credit Facility ("RCF") of EUR 27M at a significantly lower cost of funding with an international bank. Successfully refinanced the existing EUR 85M bond (after the period) by issuing a new EUR 100M bond, demonstrating our continued ability to access financing. This will improve flexibility, decrease the cost of capital and in combination with strong collections support our future growth.



Net collections increased by 77% compared to the first quarter in 2018 driven by collections from corporate secured portfolios acquired in 2018 in the Balkans and the collections from the sale of our Russian portfolios. The sale of our Russian portfolios resulted in a gain of EUR 2M that demonstrates the underlying value of the portfolios, ERC and our dynamic business model that can capitalize on profitable business opportunities. This has resulted in cash EBITDA of EUR 17M, a significant increase of 95% to the corresponding period last year due to both the increased scalability of DDM's operations and the strategic shift to invest primarily in secured portfolios following recent acquisitions.

During the quarter we also announced a milestone acquisition through a 50/50 joint venture with B2Holding of a distressed asset portfolio containing secured corporate receivables in Croatia with a Gross Collection Value (face value) of the total portfolio amounting to approximately EUR 800M. Phase 1 of this transaction closed on 30 April 2019 and is expected to fully close during Q2, which will positively impact our ERC and other key financial measurements.



Significantly lowering the cost of funding
The new RCF is available for a period of up to two years and priced at Euribor plus a margin of 350 basis points. After the end of the period we also issued a new EUR 100M senior secured bond with a three-year period, priced at Euribor plus a margin of 925 basis points. The proceeds from the new bond issue will mainly be employed towards refinancing the existing EUR 85M bond issue and for general corporate purposes. Cash on hand available for investment is EUR 63M at the end of March 2019, which is expected to be fully utilized and thereby increasing asset utilization from 68% and improving the financial performance.

Third party review confirming DDM's future ERC
DDM engaged one of the Big 4 accountancy firms with extensive experience and knowledge in the Non-Performing Loan industry in Southern, Central and Eastern Europe to conduct an independent review of DDM's ERC from its secured and unsecured portfolios during the first quarter. The review of the ERC has been a key focus area for me since taking on the role as CEO of DDM. I am very pleased with the outcome of the review, conducted by a well renowned company which confirms the future estimated cashflows.

Strategic shift towards secured portfolios
Our business model is flexible and opportunistic, and we believe that there will be continued profitable business opportunities that can be capitalized to achieve greater value both in the process of investing and managing NPL portfolios. During the quarter we launched a partnership with the company 720 Restructuring & Advisory, where the majority of the ownership is being controlled by DDM. The partnership will provide portfolio management services and oversee the debt collection process for secured portfolios in the Balkans. This will complement the existing network of outsourced debt collection agencies and enable us to be closer to the market, ensuring increased control and management of larger, more complex work outs of corporate secured receivables.

Market outlook
We aim to deliver sizeable and profitable growth in 2019 as we continue to focus on our core markets across Southern, Central and Eastern Europe where we have strong market knowledge and relationships.

As part of the outlook we expect projected ERC to increase by about EUR 100M in light of committed investments including the acquisition of a significant portfolio containing secured corporate receivables in Croatia. The most active markets for us are currently the Balkans and Greece. We expect economic expansion, improving labour market conditions and increased lending activity to present further investment opportunities. Real estate in our region has also benefited from positive price development supporting our business and further transactions.

Baar, 2 May 2019
DDM Holding AG
Henrik Wennerholm, CEO

Financial calendar
DDM intends to publish financial information on the following dates:

Annual General Meeting:	18 June 2019
Interim report for January – June 2019:	1 August 2019
Interim report for January – September 2019:	7 November 2019
Q4 and full year report 2019:	20 February 2020

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

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

Presentation of the report
The report and presentation material are available at www.ddm-group.ch on 2 May 2019, at 08:00 CET.

CEO Henrik Wennerholm and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 2 May 2019, 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 8 505 583 59, CH: +41 225 805 977 or UK: +44 333 300 9260.

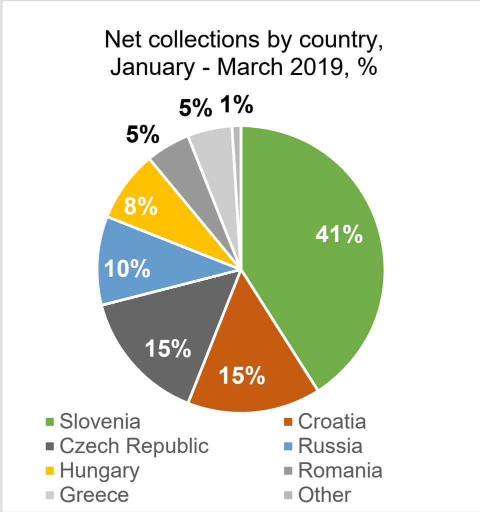
Financial results

Net collections totalled EUR 18.9M in the first quarter 2019, an increase by 77% compared with EUR 10.7M for the corresponding period last year. This increase is driven by the corporate secured portfolios acquired in 2018 located in the Balkans and collections from the sale of our Russian portfolios. Following this positive trend, cash EBITDA increased significantly by 95% to EUR 16.8M, compared to EUR 8.6M for the corresponding period last year.

In the first quarter 2019 revenue from management fees was EUR 0.2M and operating expenses were EUR 2.3M, in line with the corresponding period in 2018.

The quarter includes an impairment of EUR 0.8M primarily relating to portfolios in the Balkans and EUR 0.3M of negative revaluation due to timing of larger settlements from corporate portfolios expected to be received in 2019. The change in composition of the portfolios towards secured primarily corporate portfolios now making up the majority share of our overall portfolio of assets will cause increased variability in our collections from quarter to quarter.

Strong operational performance resulted in cash flow from operating activities before working capital changes of EUR 12.7M in the first quarter compared to EUR 4.5M in Q1 2018.

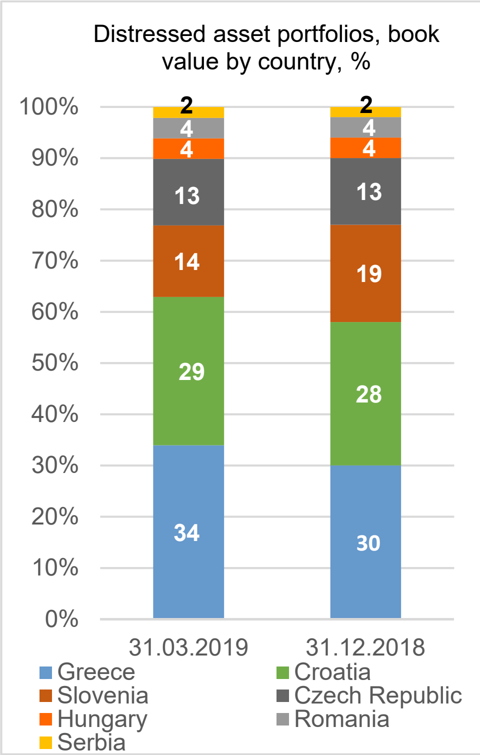


Sale of Russian portfolios resulting in approximately EUR 2M gain

During the first quarter DDM sold its portfolios in Russia resulting in a realized gain of approximately EUR 2M that has been recognized in the P&L as net collections on sale of invested assets. This transaction demonstrates the underlying value of the portfolios and ERC and will enable DDM to focus further on the company's key markets.

Projected ERC

ERC at the end of the quarter stands at EUR 217M, 10% lower than as at 31 December 2018. Projected ERC is expected to increase by about EUR 100M or 46% to EUR 317M, from EUR 217M at the end of March 2019 in light of committed investments including the acquisition of a significant portfolio containing secured corporate receivables in Croatia. The majority of the collections are expected to be received in the first three years and thereby accelerate the overall collections profile.



Significant events after the end of the quarter

A new EUR 100M senior secured bond with a three-year period was successfully issued in April 2019. The proceeds from the new bond issue will mainly be employed towards refinancing the existing EUR 85M bond issue and for general corporate purposes.

On 30 April 2019, phase 1 of a transaction with HETA Asset Resolution to acquire a distressed asset portfolio containing secured corporate receivables in Croatia closed. The transaction is expected to fully close during Q2 2019. The acquisition is made through a 50/50 Joint Venture structure together with B2Holding. The Gross Collection Value (face value) of the total portfolio amounts to approximately EUR 800M.

Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Jan – 31 Mar 2019*	1 Jan – 31 Mar 2018*	Full Year 2018
Reconciliation of revenue on invested assets:				
Net collections		*16,973*	*10,683*	*65,669*
Amortization of invested assets		*(11,783)*	*(3,838)*	*(34,828)*
Interest income on invested assets	**8**	**5,190**	**6,845**	**30,841**
Net collections on sale of invested assets		*1,936*	–	–
Revaluation and impairment of invested assets		*(1,058)*	–	*(2,597)*
Revenue on invested assets	**8**	**6,068**	**6,845**	**28,244**
Other operating income	8	–	–	1,967
Revenue from management fees	8	195	229	1,233
Personnel expenses		(1,265)	(1,032)	(4,816)
Consulting expenses		(701)	(704)	(2,443)
Other operating expenses		(345)	(534)	(1,987)
Amortization and depreciation of tangible and intangible assets		(67)	(32)	(130)
Operating profit		**3,885**	**4,772**	**22,068**
Financial expenses		(3,627)	(3,809)	(15,476)
Unrealized exchange (loss) / profit		(152)	85	(402)
Realized exchange loss		(15)	(32)	(261)
Net financial expenses		**(3,794)**	**(3,756)**	**(16,139)**
Profit before income tax		**91**	**1,016**	**5,929**
Tax expense		(90)	(19)	(1,112)
Net profit for the period		**1**	**997**	**4,817**
Net profit for the period attributable to:				
Owners of the Parent Company		**1**	**997**	**4,817**
Earnings per share before and after dilution (EUR)		0.00	0.07	0.36
Average number of shares		13,560,447	13,560,447	13,560,447
Number of shares at the end of period		13,560,447	13,560,447	13,560,447

* Unaudited

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Jan – 31 Mar 2019*	1 Jan – 31 Mar 2018*	Full Year 2018
Net profit for the period	**1**	**997**	**4,817**
Other comprehensive income for the period			
Items that will not be reclassified to profit or loss:			
Actuarial gain on post-employment benefit commitments	–	–	68
Deferred tax on post-employment benefit commitments	–	–	49
Items that may subsequently be reclassified to profit or loss:			
Currency translation differences	7	(4)	2
Other comprehensive income for the period, net of tax	**7**	**(4)**	**119**
Total comprehensive income for the period	**8**	**993**	**4,936**
Total comprehensive income for the period attributable to:			
Owners of the Parent Company	**8**	**993**	**4,936**

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 March 2019*	31 December 2018
ASSETS			
Non-current assets			
Goodwill	6	4,160	4,160
Intangible assets	6	1,387	1,415
Tangible assets	1,5	956	57
Interests in associates		13	13
Distressed asset portfolios	4	103,333	116,143
Other long-term receivables from investments	4	2,081	2,422
Prepayment on investment in joint venture	4	10,661	–
Deferred tax assets	3	1,041	1,041
Other non-current assets		113	106
Total non-current assets		**123,745**	**125,357**
Current assets			
Accounts receivable		3,932	7,280
Other receivables		850	761
Prepaid expenses and accrued income		2,848	1,274
Cash and cash equivalents		63,108	59,862
Total current assets		**70,738**	**69,177**
TOTAL ASSETS		**194,483**	**194,534**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		11,780	11,780
Share premium		21,030	21,030
Other reserves		(481)	(488)
Retained earnings including net profit for the period		3,529	3,528
Total shareholders' equity attributable to Parent Company's shareholders		**35,858**	**35,850**
Long-term liabilities			
Loans	7	49,127	133,225
Lease liabilities	1	712	–
Post-employment benefit commitments		1,008	966
Deferred tax liabilities	3	278	307
Total long-term liabilities		**51,125**	**134,498**
Current liabilities			
Accounts payable		1,025	1,400
Tax liabilities		2,447	2,370
Accrued interest		2,948	3,789
Accrued expenses and deferred income		2,506	2,627
Lease liabilities	1	182	–
Loans	7	98,392	14,000
Total current liabilities		**107,500**	**24,186**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**194,483**	**194,534**

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Jan – 31 Mar 2019*	1 Jan – 31 Mar 2018*	Full Year 2018
Cash flow from operating activities			
Operating profit	3,885	4,772	22,068
Adjustments for non-cash items:			
Amortization of invested assets	*11,783*	*3,838*	*34,828*
Revaluation and impairment of invested assets	1,058	–	*2,597*
Other operating income	–	–	*(1,967)*
Depreciation, amortization and impairment of tangible and intangible assets	*67*	*32*	*130*
Other items not affecting cash	*94*	*(8)*	*(256)*
Interest paid	(4,128)	(4,128)	*(13,652)*
Tax paid	(11)	–	*(63)*
Cash flow from operating activities before working capital changes	**12,748**	**4,506**	**43,685**
Working capital adjustments			
(Increase) / decrease in accounts receivable	3,348	2,833	(2,286)
(Increase) / decrease in other receivables	(1,663)	(1,099)	(1,027)
Increase / (decrease) in accounts payable	(375)	228	542
Increase / (decrease) in other current liabilities	(121)	(316)	1,027
Net cash flow from operating activities	**13,937**	**6,152**	**41,941**
Cash flow from investing activities			
Purchases of distressed asset portfolios and other long-term receivables from investments	–	(29,977)	(42,313)
Prepayment on investment in joint venture	(10,661)	–	–
Acquisition of subsidiary, net of cash acquired	–	–	410
Purchases of tangible and intangible assets	(16)	(1)	(22)
Net cash flow received / (used) in investing activities	(10,677)	**(29,978)**	**(41,925)**
Cash flow from financing activities			
Proceeds from issuance of loans	–	–	12,000
Repayment of loans	–	–	(10,000)
Net cash flow received / (used) in financing activities	**–**	**–**	**2,000**
Cash flow for the period	**3,260**	**(23,826)**	**2,016**
Cash and cash equivalents less bank overdrafts at beginning of the period	**59,862**	**58,118**	**58,118**
Foreign exchange gains / (losses) on cash and cash equivalents	(14)	(29)	(272)
Cash and cash equivalents less bank overdrafts at end of the period	**63,108**	**34,263**	**59,862**

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Share premium	Other reserves	Retained earnings including net profit for the period	Total equity
Balance at 1 January 2018	**11,780**	**21,030**	**(540)**	**(1,356)**	**30,914**
Net profit for the period	–	–	–	997	**997**
Other comprehensive income					
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	–	**–**
Currency translation differences	–	–	(4)	–	**(4)**
Deferred tax on post-employment benefit commitments	–	–	–	–	**–**
Total comprehensive income	**–**	**–**	**(4)**	**997**	**993**
Transactions with owners					
Total transactions with owners	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2018*	**11,780**	**21,030**	**(544)**	**(359)**	**31,907**
Balance at 1 January 2019	**11,780**	**21,030**	**(488)**	**3,528**	**35,850**
Net profit for the period	–	–	–	1	**1**
Other comprehensive income					
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	–	**–**
Currency translation differences	–	–	7	–	**7**
Deferred tax on post-employment benefit commitments	–	–	–	–	**–**
Total comprehensive income	**–**	**–**	**7**	**1**	**8**
Transactions with owners					
Total transactions with owners	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2019*	**11,780**	**21,030**	**(481)**	**3,529**	**35,858**

* Unaudited

Notes

Note 1. Basis of preparation

These consolidated financial statements (the “financial statements”) of DDM Holding AG and its subsidiaries (together "DDM" or "the Company") have been prepared in accordance with IAS 34 Interim Financial Reporting, are unaudited, and should be read in conjunction with DDM’s last annual consolidated financial statements as of and for the year ended 31 December 2018. DDM’s principal accounting policies are set out in Note 3 to the consolidated financial statements in the Annual Report 2018 and conform with International Financial Reporting Standards (IFRS) as adopted by the EU.

DDM has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. IFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. Based on the volume of in-force non-cancellable operating leases as of 1 January 2019, the impact of IFRS 16 has resulted in the recognition of EUR 910k right-of-use assets and a corresponding lease liability on the balance sheet.

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

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

Subsidiaries	Consolidation method	Domicile	31 March 2019	31 December 2018
DDM Group AG	Fully consolidated	Switzerland	100%	100%
DDM Invest I AG	Fully consolidated	Switzerland	100%	100%
DDM Invest II AG	Fully consolidated	Switzerland	100%	100%
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Invest IV AG	Fully consolidated	Switzerland	100%	100%
DDM Invest VII AG	Fully consolidated	Switzerland	100%	100%
DDM Invest X AG	Fully consolidated	Switzerland	100%	100%
DDM Invest XX AG	Fully consolidated	Switzerland	100%	100%
DDM Debt AB	Fully consolidated	Sweden	100%	100%
DDM Finance AB	Fully consolidated	Sweden	100%	100%
DDM Treasury Sweden AB	Fully consolidated	Sweden	100%	100%
DDM Facility Debt AB	Fully consolidated	Sweden	100%	100%
DDM Facility Finance AB	Fully consolidated	Sweden	100%	100%
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Invest V 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%	100%
Finalp Zrt.	Fully consolidated	Hungary	100%	100%

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

Associates	Consolidation method	Domicile	31 March 2019	31 December 2018
CE Partner S.a.r.l.	Equity method	Luxembourg	50.00%	50.00%
CE Holding Invest S.C.S	Equity method	Luxembourg	49.99%	49.99%

Post-employment benefit commitment
The post-employment benefit commitment is calculated on an annual basis. In 2018 and 2019 one quarter of the estimated annual post-employment benefit commitment has been recorded in the consolidated interim financial statements of DDM Holding AG per quarter, with an adjustment in fourth quarter of each respective year for the final actuarial valuation.

Note 2. Currency translation

All entities prepare their financial statements in their functional currency. At 31 March 2019 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, DDM Debt Romania S.R.L, which has Romanian Leu (RON) as its functional currency, and Finalp Zrt., which has Hungarian Forint (HUF) as its functional currency.

Note 3. Deferred taxes

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

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

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

Other long-term receivables from investments
DDM owns 100% of the shares in the local legal entities holding the leasing portfolios. However, for each investment there is a co-investor holding a majority stake in the leasing portfolio, and therefore DDM does not control the investment as the co-investor has significant rights which if exercised could block decisions related to relevant activities to collect the portfolios. The economic substance of the investments are the underlying portfolios of loans. As a result, the underlying assets which represent other long-term receivables from investments are recognized in the financial statements. The receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, adjusted for revaluation and impairment. The fair value of 100% of the equity is immaterial, and therefore equity accounting is not carried out. The following investments are treated in this manner:

Entity	Domicile	31 March 2019	31 December 2018
Lombard Pénzügyi és Lízing Zrt.	Hungary	100%	100%
Lombard Ingatlan Lízing Zrt.	Hungary	100%	100%
Lombard Bérlet Kft.	Hungary	100%	100%

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

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

The acquisition method of accounting is used to account for all business combinations, the excess of the consideration transferred for the acquisition over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase within the line “other operating income”.

Cash flow projections are made at the portfolio / receivable level since each portfolio / receivable consists of a large number of homogeneous amounts of receivables. Assumptions must be made at each reporting date as to the expected timing and amount of future cash flows. Cash flows include the nominal amount, reminder fees, collection fees and late interest that are expected to be received from debtors less forecasted collection costs. These projections are updated at each reporting date based on actual collection information, planned collection actions as well as macroeconomic scenarios and the specific features of the assets concerned. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, and upside and downside scenarios. The estimation and application of this forward-looking information requires significant judgment and is subject to appropriate internal governance and scrutiny.

Changes in cash flow forecasts are treated symmetrically i.e. both increases and decreases in forecast cash flows affect the portfolios' book value and as a result "Revenue on invested assets". If there is objective evidence that one or more events have taken place that will have a positive impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows then this is recorded within the line "Revaluation of invested assets".

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

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

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

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

Distressed asset portfolios and other long-term receivables from investments by currency EUR '000s	**31 March 2019**	**31 December 2018**
EUR	62,276	70,620
HRK	22,531	24,570
CZK	13,419	14,878
HUF	3,966	4,622
RSD	1,899	2,116
RON	1,323	1,564
RUB	–	195
Total	**105,414**	**118,565**

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

Prepayment on investment in joint venture
On the 16 January 2019, DDM paid EUR 10,661k into an escrow account as prepayment for a transaction with HETA Asset Resolution to acquire a distressed asset portfolio containing secured corporate receivables in Croatia. On 30 April 2019, closed phase 1 of the transaction and it is expected to fully close during Q2. The acquisition is made through a Joint Venture structure together with B2Holding where each party holds 50%. The Gross Collection Value (face value) of the portfolio amounts to approximately EUR 800 million.

Note 5. Tangible assets

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

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

Furniture	5 years
Computer hardware	5 years

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

Note 6. Intangible assets

(i) Identifiable intangible assets

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

(ii) Goodwill

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

Note 7. Borrowings

The Group had the following borrowings outstanding during the periods ending 31 March 2019 and/or 31 December 2018:

<u>Bond loan EUR 100M</u>
On April 2019, DDM Debt AB (publ) ("DDM Debt") issued a new EUR 100M senior secured bond with a three-year period. The proceeds from the new bond issue will mainly be employed towards refinancing the existing EUR 85M bond issue and for general corporate purposes.

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. Please also refer to the financial statements of DDM Debt. DDM Debt complied with all bond covenants for the periods ending 31 March 2019 and 31 December 2018.

DDM Debt has pledged the shares in its direct 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. 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.

<u>Revolving credit facility EUR 27M</u>
On 18 March 2019, DDM Debt agreed a super senior revolving credit facility of EUR 27M with an international bank. The revolving credit facility is available to finance investments and for general corporate purposes. The facility is available for a period of up to two years and priced at Euribor plus a margin of 350 basis points.

<u>Bond loan EUR 50M</u>
On 11 December 2017, 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 100M" section above for further details. The net proceeds are for acquiring additional debt portfolios.

<u>Senior secured notes EUR 12M</u>
On 6 November 2018, the Company refinanced its subsidiary DDM Finance AB ("DDM Finance") 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.

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

<u>Revolving credit facility EUR 17M</u>
DDM Debt agreed a super senior revolving credit facility of EUR 17M with a Swedish bank on 28 September 2017. The revolving credit facility was 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 within the DDM Group, with the remaining balance of about EUR 10M used for portfolio investments. In April 2017, DDM Debt successfully completed a EUR 35M tap issue under the EUR 85M senior secured bond framework. The bond tap issue was placed at a price of 101.5%, representing a yield to maturity of c. 9%.

The EUR 85M bond loan contains a change of control put option whereupon each bondholder shall have the right to request that its bonds are redeemed at a price per bond equal to 101 per cent of the outstanding nominal amount together with accrued but unpaid Interest, however on 3 April 2019, DDM Debt announced that its EUR 85 million senior secured bonds with ISIN SE0009548332, will be redeemed in advance in accordance with Clause 9.3 (Voluntary total redemption (call option)) of the terms and conditions of the bonds. The redemption date will be 2 May 2019 and the redemption amount for each bond shall be the applicable call option amount (being 102.38 per cent. of the outstanding nominal amount), plus accrued but unpaid interest. The redemption amount will be paid to the bondholders holding bonds on the relevant record date, being 24 April 2019. The bonds will be de-listed from the corporate bond list of Nasdaq Stockholm in connection with the redemption date and the last day of trade occurred on the 18 April 2019.

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

Maturity profile and carrying value of borrowings:

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 31 March 2019						
Senior secured notes	12,000	–	–	–	–	**12,000**
Bond loan, 8%	–	49,127	–	–	–	**49,127**
Bond loan, 9.5%	84,392	–	–	–	–	**84,392**
Loans	2,000	–	–	–	–	**2,000**
Total	**98,392**	**49,127**	–	–	–	**147,519**
at 31 December 2018						
Senior secured notes	12,000	–	–	–	–	**12,000**
Bond loan, 8%	–	49,006	–	–	–	**49,006**
Bond loan, 9.5%	–	84,219	–	–	–	**84,219**
Loans	2,000	–	–	–	–	**2,000**
Total	**14,000**	**133,225**	–	–	–	**147,225**

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

Fair value of borrowings:

EUR '000s	IFRS 9 category	Fair value category	Fair value	Carrying value
at 31 March 2019				
Senior secured notes	Financial liabilities at amortized cost	Level 2	12,000	12,000
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	48,995	49,127
Bond loan, 9.5%	Financial liabilities at amortized cost	Level 2	83,750	84,392
Loans	Financial liabilities at amortized cost	Level 2	2,000	2,000
Total			**146,745**	**147,519**
at 31 December 2018				
Senior secured notes	Financial liabilities at amortized cost	Level 2	12,000	12,000
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	49,490	49,006
Bond loan, 9.5%	Financial liabilities at amortized cost	Level 2	84,158	84,219
Loans	Financial liabilities at amortized cost	Level 2	2,000	2,000
Total			**147,648**	**147,225**

The levels in the hierarchy are:

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

Note 8. Revenue recognition

Revenue on invested assets is the net amount of the cash collections (net of direct collection costs), amortization, revaluation and impairment of invested assets.

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

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

EUR ‘000s	1 Jan – 31 Mar 2019	1 Jan – 31 Mar 2018	Full Year 2018
Net collections by country:			
Slovenia	7,773	2,432	20,277
Croatia	2,912	387	9,038
Czech Republic	2,820	3,034	12,576
Russia	1,954	28	86
Hungary	1,520	1,317	4,699
Greece	935	2,200	13,962
Romania	871	1,053	4,069
Serbia	115	100	699
Slovakia	7	132	193
Bosnia	2	–	70
Net collections**	**18,909**	**10,683**	**65,669**
Amortization of invested assets	(11,783)	(3,838)	(34,828)
Interest income on invested assets before revaluation and impairment**	**7,126**	**6,845**	**30,841**
Revaluation of invested assets	(298)	–	(152)
Impairment of invested assets	(760)	–	(2,445)
Revenue on invested assets	**6,068**	**6,845**	**28,244**
Revenue from management fees	**195**	**229**	**1,233**

** Included within net collections is the gain on sale of invested assets

Net collections on sale of invested assets
As at 29 March 2019, DDM sold its legacy portfolios in Russia for a total consideration of EUR 2.1M. The transaction resulted in a realized gain on sale of EUR 1.9M recognized in the consolidated income statements as net collections on sale of invested assets.

Other operating income
As at 7 November 2018, DDM acquired the remaining share of the economic rights to a distressed asset portfolio located in Hungary, Finalp Zrt for a total consideration of EUR 1.2M, resulting in a gain on bargain purchase of EUR 2.0M recognized in the consolidated income statement as other operating income. Prior to acquisition DDM owned the rights to 20 percent of the portfolio and 100 percent of the equity in Finalp Zrt, which has been reclassified from other long term receivables from investment to distressed asset portfolios.

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

Note 9. Subsequent events

On 2 April 2019, DDM Debt successfully issued a new EUR 100M senior secured bond with a three-year period. The proceeds from the new bond issue will mainly be employed towards refinancing the existing EUR 85M bond issue and for general corporate purposes.

On 3 April 2019, DDM Debt announced that its EUR 85M senior secured bonds with ISIN SE0009548332, will be redeemed in advance in accordance with Clause 9.3 (Voluntary total redemption (call option)) of the terms and conditions of the bonds. The redemption date will be 2 May 2019 and the redemption amount for each bond shall be the applicable call option amount (being 102.38 per cent. of the outstanding nominal amount), plus accrued but unpaid interest. The redemption amount will be paid to the bondholders holding bonds on the relevant record date, being 24 April 2019. The bonds will be de-listed from the corporate bond list of Nasdaq Stockholm in connection with the redemption date and the last day of trade occurred on the 18 April 2019.

On 17 April 2019, Demeter Finance S.à r.l. (”Demeter Finance”) announced that it declared its public cash offer to acquire all outstanding shares in the Company at a price of SEK 40.00 per share to the shareholders of DDM Holding AG unconditional and accepts the tendered shares. As at the 12 April 2019, the public cash offer had been accepted by shareholders representing a total of 3,140,518 shares in the Company, corresponding to approx. 23.2 percent of the total number of shares and votes in the Company. The shares in the Company tendered in the public cash offer, together with 6,764,783 shares in the Company already held by Demeter Finance prior to the announcement of the public cash offer, amount to in aggregate 9,905,301 shares, corresponding to 73.0 percent of the total number of outstanding shares in the Company.

On 30 April 2019, phase 1 of a transaction with HETA Asset Resolution to acquire a distressed asset portfolio containing secured corporate receivables in Croatia closed. The transaction is expected to fully close during Q2 2019. The acquisition is made through a Joint Venture structure together with B2Holding where each party holds 50%. The Gross Collection Value (face value) of the total portfolio amounts to approximately EUR 800M.

Definitions

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

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

Cash EBITDA
Net collections and revenue from management fees, less operating expenses.

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

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

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

Equity
Shareholders' equity at the end of the period.

Equity ratio
The ratio of shareholders' equity to total assets at the end of the period.

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

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

Net collections
Gross collections from Portfolios held by the Group less commission and collection fees (but if such Portfolios are partly owned, only taking into consideration such Group Company's pro rata share of the gross collections and commission and fees).

Net debt
Long-term and short-term loans, liabilities to credit institutions (bank overdrafts) less cash and cash equivalents.

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

Operating expenses
Personnel, consulting and other operating expenses.

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

About DDM

DDM Holding AG (First North: DDM) is a multinational investor in and manager of distressed assets, offering the prospect of attractive returns from the expanding Southern, Central and Eastern European market. Since 2007, the DDM Group has built a successful platform in Southern, Central and Eastern Europe, and has acquired 2.3 million receivables with a nominal value of over EUR 4.0BN.

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

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

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

ddm

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