



Strong collections and strategic investment in challenging market

Highlights first quarter 2020

- **Net collections** amounted to EUR 19.5M (18.9)*
- **Cash EBITDA** amounted to EUR 17.2M (16.8)*
- **Unrealized FX losses** of EUR 2.4M driven by unfavorable movements of Croatian Kuna and Hungarian Forint on the back of COVID-19
- **Net loss for the period** of EUR 0.1M (profit of 0.0)*
- **Gross ERC** at the end of March 2020 was EUR 308M (328 at December 2019)
- **Strategic investment** acquired 9.9% stake in Addiko Bank AG, totaling approximately EUR 30M, and exercised a call option to acquire a further 10.1% that is subject to regulatory approval
- **Buy-out** of majority share co-investor in Hungary
- **Written procedure** completed with certain amendments to the terms and conditions of the DDM Debt AB up to EUR 150M senior secured bonds
- **COVID-19 pandemic** has had an adverse impact on global business and economic activity, with decreased visibility over future collections which are expected to be impacted

* Key financial highlights above include non-IFRS alternative performance measures that represent underlying business performance. Further details including a reconciliation to IFRS can be found on page 19.

IFRS Consolidated Amounts in EUR '000s (unless specified otherwise)	1 Jan – 31 Mar 2020*	1 Jan – 31 Mar 2019*	Full Year 2019
Net collections	17,783	16,973	57,063
Revenue from management fees	1	195	570
Operating expenses	(2,375)	(2,311)	(13,219)
Cash EBITDA	15,409	14,857	44,414
Amortization, revaluation and impairment of invested assets	(8,601)	(12,841)	(35,716)
Share of net profits of joint venture	350	–	916
Operating profit	7,076	3,885	15,010
Net (loss) / profit for the period**	(107)	1	(4,120)
Selected key figures			
Total assets	237,055	194,483	204,456
Net debt	170,726	84,411	152,132
Equity ratio***	13.3%	18.4%	15.5%
Cash flow from operating activities before working capital changes	14,087	12,748	29,838
Gross ERC 120 months (EUR M)	308	217	328
Earnings per share before and after dilution (EUR)	(0.01)	0.00	(0.30)
Total number of shares at the end of the period	13,560,447	13,560,447	13,560,447

* Unaudited

** The result for the full year 2019 was negatively impacted by EUR 2.6M of non-recurring items relating to the bond refinancing in DDM Debt AB during Q2 2019.

*** Equity ratio for the DDM Debt Bond Group calculated according to the terms and conditions of the DDM Debt AB senior secured bonds is 18.5% at 31 March 2020.

The information in this 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 7 May 2020 at 08:00 CEST.

Comment by the CEO

Our first quarter performance of 2020 was strong prior to the COVID-19 pandemic with adjusted net collections of EUR 19.5M, 3% higher than the first quarter of 2019. We experienced limited impact from the pandemic in the first quarter in terms of collections but were negatively impacted by unrealized exchange rate movements. However, we must expect the coming quarters to be challenging with increased volatility and to experience delays of some collections.

Furthermore, we have made a strategic investment acquiring a total 20% stake in Addiko Bank AG, an Austrian bank with operations in DDM's core markets in the Balkans. We are a highly experienced investor in Addiko's core markets and we are looking to support Addiko in its transformation process.

Strong net collections despite challenging market environment

During the first quarter we achieved strong adjusted net collections totaling EUR 19.5M, an increase of 3% compared to net collections for the first quarter of 2019. The majority of the net collections were received from Greece as a result of a bulk sale transaction that completed during the first quarter and the buy-out of the co-investor in July 2019. A further EUR 3.1M of net collections were received from Croatia following the significant acquisitions that closed during 2019, including EUR 1.8M from the joint venture together with B2Holding. This has resulted in adjusted cash EBITDA of EUR 17.2M in the first quarter, an increase of 2% compared to the first quarter of 2019. We expect collections to continue to be received, however the timing may be affected as a result of the challenging market environment due to the COVID-19 pandemic.

Strategic investment in Addiko Bank AG

We made a strategic investment in March by acquiring a 9.9% stake in Addiko Bank AG, an Austrian bank with operations in DDM's core markets in the Balkans. The initial investment amounted to approximately EUR 30M. The investment also included a call option that was exercised at the end of March to acquire an additional 10.1% stake in Addiko Bank AG, which is subject to regulatory approval. The commercial terms of the call option were adjusted since the initial investment.

Buy-out of co-investor in Hungary

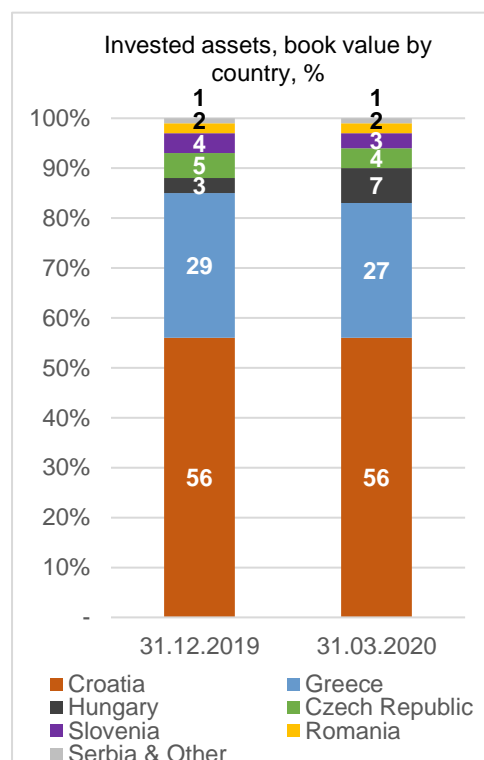
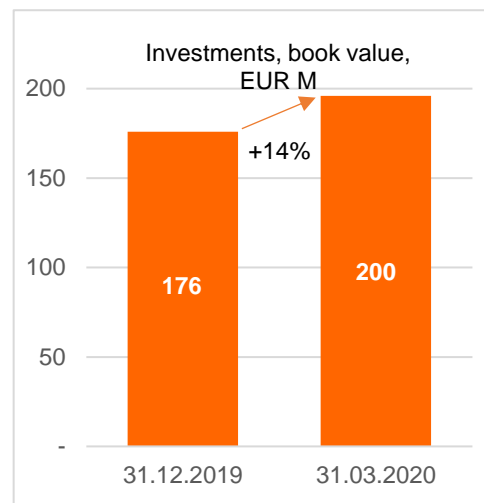
We bought out the majority share co-investor in a leasing company located in Hungary at the end of February. The total investment amounted to approximately EUR 3M. This strategic acquisition means that we have control over the portfolio and platform in Hungary that we have been managing since 2016, in which we see great future value.

Continued progress on debt structure

In March we successfully completed the written procedure that was initiated in February in relation to DDM Debt AB's up to EUR 150M senior secured bonds regarding certain amendments to the terms and conditions of the bonds. We will continue to focus on refinancing our debt structure during 2020 to support our future growth, improving flexibility and extending the maturity of our existing financing.

COVID-19 pandemic

The COVID-19 pandemic continues to have a significant adverse impact on global economic activity and is expected to have a negative impact on our financial performance for the remainder of 2020. However, the full extent of the economic impact on DDM's operations and the duration of the pandemic is unknown. We are closely monitoring developments across our core markets, including lockdowns, loan moratoriums across a number of core markets in the SCEE region, courts being closed or with limited operations resulting in delays of case settlements. In addition, the pandemic will impact tourism and thereby the economies of our markets in Croatia and Greece. We have limited visibility over future collections which are expected to be negatively impacted, however it is not possible at this stage to quantify the impact on DDM's portfolio consisting to a large extent of secured debt.



Market outlook

DDM is exploring new opportunities and diversifying its business model to be better positioned to work through the challenges faced by the COVID-19 pandemic. During Q1 2020 DDM has made a strategic investment to acquire a 20% stake in Addiko Bank AG. DDM is a highly experienced investor in Addiko's core markets and is looking to support Addiko in its transformation process. The supply of new NPLs are also expected to increase more than investor demand in the foreseeable future and thereby resulting in improved market returns for us.

Zug, 7 May 2020
DDM Holding AG
Henrik Wennerholm, CEO

Financial calendar

DDM intends to publish financial information on the following dates:

Interim report for January – June 2020:	30 July 2020
Interim report for January – September 2020:	5 November 2020
Q4 and full year report 2020:	18 February 2021

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 7 May 2020, at 08:00 CEST.

CEO Henrik Wennerholm and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 7 May 2020, starting at 10:00 CEST. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers: SE: +46 8 566 427 06, CH: +41 225 805 976, UK: +44 333 300 9274, AT: +43 192 822 09.

Financial results

Adjusted net collections totaled EUR 19.5M, an increase of 3% compared to the net collections received for the first quarter of 2019. The majority of the net collections were received from Greece as a result of a bulk sale transaction that completed during the first quarter and the buy-out of the co-investor in July 2019. A further EUR 3.1M of net collections were received from Croatia following the significant acquisitions that closed during 2019, including EUR 1.8M from the joint venture together with B2Holding. As a result, adjusted cash EBITDA totaled EUR 17.2M in the first quarter, an increase of 2% compared to the first quarter of 2019.

Operating expenses were EUR 2.4M in the first quarter, in line with the first quarter of 2019. The operating profit margin of 74% in the first quarter is higher than the corresponding period last year due to the higher proportion of collections received from Greece, which has a lower amortization relative to the secured portfolios in the Balkans. The quarter includes EUR 0.5M of revaluation loss primarily due to delays on certain settlements expected during 2020 on portfolios in the Balkans as a result of the COVID-19 pandemic.

The change in composition of the portfolio towards primarily secured corporate portfolios is now making up the majority share of our overall portfolio of assets, which will result in increased variability in our collections from quarter to quarter.

The net loss for the first quarter is EUR 0.1M. The net result was negatively impacted by EUR 2.4M of unrealized exchange loss principally due to unfavorable exchange rate movements of the Croatian Kuna and the Hungarian Forint to the Euro at the end of March. This unrealized exchange loss has partially been recovered since the end of the quarter with currencies trending back towards the exchange rates prior to the COVID-19 pandemic.

For the first quarter 2020, cash flow from operating activities before working capital changes was EUR 14.1M compared to EUR 12.7M for the corresponding period in 2019. This is primarily as a result of the higher adjusted net collections received and the interest being paid quarterly during the period, following the bond refinancing during 2019, which was previously paid semi-annually in the first quarter of 2019.

Estimated Remaining Collections

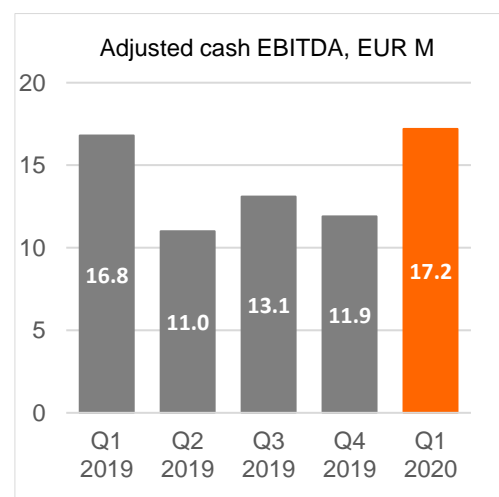
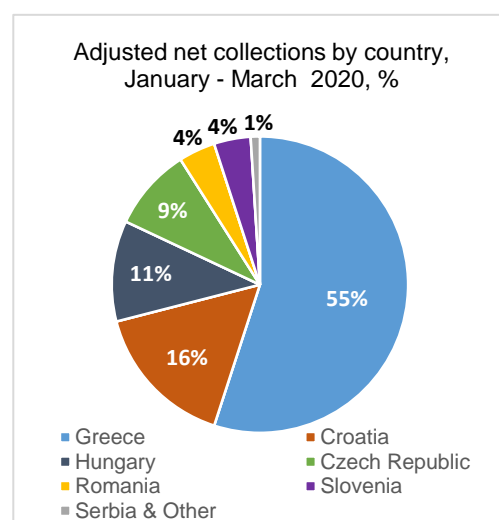
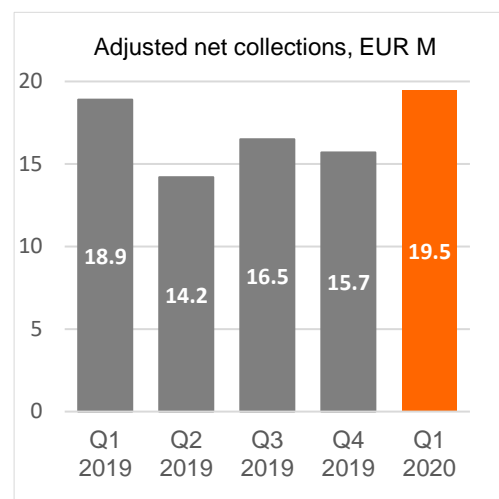
ERC in relation to invested assets at the 31 March 2020 stands at EUR 308M, corresponding to a decrease of 6% compared to 31 December 2019. The proportion of secured portfolios has increased from 61% of ERC at 31 March 2019 to 69% of ERC at 31 March 2020 following the significant acquisitions of secured portfolios that closed during 2019. The majority of the collections are expected to be received in the first three years.

Share of net profits of joint venture

Following the acquisition that closed during 2019 of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding, the results for the first quarter include EUR 0.4M from the share of net profits of joint venture accounted for under the equity method in accordance with IFRS.

Significant events after the end of the quarter

The COVID-19 pandemic, and the actions being taken to contain it on a global basis, have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. DDM is closely monitoring developments and the impact of the spread of infection and global responses on, for example, economic support from governments, lending activities from banks to corporates and customers, as well as on its own operations, foremost its workforce and liquidity management.



Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Jan – 31 Mar 2020*	1 Jan – 31 Mar 2019*	Full Year 2019
Reconciliation of revenue on invested assets:				
<i>Net collections</i>		17,783	16,973	57,063
<i>Amortization of invested assets</i>		(8,062)	(11,783)	(34,498)
Interest income on invested assets	10	9,721	5,190	22,565
<i>Net collections on sale of invested assets</i>		–	1,936	4,476
<i>Revaluation and impairment of invested assets</i>		(539)	(1,058)	(1,218)
Revenue on invested assets	10	9,182	6,068	25,823
Share of net profits of joint venture	5,10	350	–	916
Other operating income	10	–	–	1,142
Revenue from management fees	10	1	195	570
Personnel expenses		(1,219)	(1,265)	(5,398)
Consulting expenses		(742)	(701)	(5,497)
Other operating expenses		(414)	(345)	(2,324)
Amortization and depreciation of tangible and intangible assets		(82)	(67)	(222)
Operating profit		7,076	3,885	15,010
Financial income		6	–	178
Financial expenses**		(4,670)	(3,627)	(19,147)
Unrealized exchange loss		(2,357)	(152)	(336)
Realized exchange loss		(49)	(15)	(217)
Net financial expenses		(7,070)	(3,794)	(19,522)
Profit / (loss) before income tax		6	91	(4,512)
Tax (expense) / income		(113)	(90)	392
Net (loss) / profit for the period		(107)	1	(4,120)
Net (loss) / profit for the period attributable to:				
Owners of the Parent Company		(107)	1	(4,003)
Non-controlling interest		–	–	(117)
Earnings per share before and after dilution (EUR)		(0.01)	0.00	(0.30)
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

** The result for the full year 2019 was negatively impacted by non-recurring items of approximately EUR 2.6M due to the call premium of EUR 2.0M that was paid in relation to the EUR 85M bond and the non-cash write off of about EUR 0.6M for the remaining capitalized transaction costs in relation to the bond refinancing in DDM Debt AB during Q2 2019.

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Jan – 31 Mar 2020*	1 Jan – 31 Mar 2019*	Full Year 2019
Net (loss) / profit for the period	(107)	1	(4,120)
Other comprehensive (loss) / income for the period			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial (loss) on post-employment benefit commitments	–	–	(77)
Deferred tax on post-employment benefit commitments	–	–	44
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Currency translation differences	(54)	7	(7)
Other comprehensive (loss) / income for the period, net of tax	(54)	7	(40)
Total comprehensive (loss) / income for the period	(161)	8	(4,160)
Total comprehensive (loss) / income for the period attributable to:			
Owners of the Parent Company	(161)	8	(4,043)
Non-controlling interest	–	–	(117)

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 March 2020*	31 December 2019
ASSETS			
<i>Non-current assets</i>			
Goodwill	8	4,160	4,160
Intangible assets	8	1,250	1,303
Tangible assets	7	45	54
Right-of-use assets		347	104
Interests in associates	1,6	30,094	–
Distressed asset portfolios	4	141,076	143,027
Other long-term receivables from investments	4	–	3,023
Investment in joint venture	5	28,547	29,952
Deferred tax assets	3	1,616	1,600
Other non-current assets	12	1,219	995
Total non-current assets		208,354	184,218
<i>Current assets</i>			
Accounts receivable		2,580	3,330
Tax assets		1,359	1,401
Other receivables		1,833	1,820
Prepaid expenses and accrued income		1,166	1,402
Cash and cash equivalents		21,763	12,285
Total current assets		28,701	20,238
TOTAL ASSETS		237,055	204,456
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		11,780	11,780
Share premium		21,030	21,030
Other reserves		(505)	(451)
Retained earnings including net loss for the period		(776)	(669)
Total shareholders' equity		31,529	31,690
<i>Long-term liabilities</i>			
Loans and borrowings	9	116,009	114,913
Lease liabilities		312	61
Provisions	11	2,175	–
Post-employment benefit commitments		1,193	1,156
Deferred tax liabilities	3	186	220
Total long-term liabilities		119,875	116,350
<i>Current liabilities</i>			
Loans and borrowings	9	76,480	49,504
Accounts payable		1,049	1,308
Tax liabilities		164	240
Accrued interest		4,157	2,667
Accrued expenses and deferred income		3,753	2,648
Lease liabilities		48	49
Total current liabilities		85,651	56,416
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		237,055	204,456

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Jan – 31 Mar 2020*	1 Jan – 31 Mar 2019*	Full Year 2019
Cash flow from operating activities			
Operating profit	7,076	3,885	15,010
Cash distribution from joint venture	1,166	–	2,654
<i>Adjustments for non-cash items:</i>			
<i>Amortization of invested assets</i>	8,062	11,783	34,498
<i>Revaluation and impairment of invested assets</i>	539	1,058	1,218
<i>Share of net profits of joint venture</i>	(350)	–	(916)
<i>Other operating income</i>	–	–	(1,142)
<i>Depreciation, amortization and impairment of tangible and intangible assets</i>	82	67	222
<i>Other items not affecting cash</i>	214	94	(5)
Interest paid	(2,685)	(4,128)	(18,179)
Interest received	–	–	179
Tax paid	(17)	(11)	(3,701)
Cash flow from operating activities before working capital changes	14,087	12,748	29,838
Working capital adjustments			
(Increase) / decrease in accounts receivable	(1,005)	3,348	5,133
(Increase) / decrease in other receivables	223	(1,663)	(18)
Increase / (decrease) in accounts payable	(159)	(375)	(292)
Increase / (decrease) in other current liabilities	131	(121)	21
Net cash flow from operating activities	13,277	13,937	34,682
Cash flow from investing activities			
Purchases of associates	(30,094)	–	–
Acquisition of subsidiary, net of cash acquired	(1,178)	–	–
Purchases of non-current assets	(180)	–	(975)
Purchases of distressed asset portfolios and other long-term receivables from investments	–	–	(66,342)
Purchases of investment of joint venture	–	(10,661)	(66,662)
Proceeds from divestment of distressed asset portfolios and joint venture	–	–	37,094
Purchases of tangible and intangible assets	–	(16)	(36)
Net cash flow received / (used) in investing activities	(31,452)	(10,677)	(96,921)
Cash flow from financing activities			
Proceeds from issuance of loans	27,818	–	110,537
Repayment of loans	–	–	(95,700)
Net cash flow received / (used) in financing activities	27,818	–	14,837
Cash flow for the period	9,643	3,260	(47,402)
Cash and cash equivalents less bank overdrafts at beginning of the period	12,285	59,862	59,862
Foreign exchange losses on cash and cash equivalents	(165)	(14)	(175)
Cash and cash equivalents less bank overdrafts at end of period	21,763	63,108	12,285

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Share premium	Other reserves	Retained earnings including net (loss) / profit for the period	Total Equity
Balance at 1 January 2019	11,780	21,030	(488)	3,528	35,850
Net profit for the period	–	–	–	1	1
Other comprehensive income					
Currency translation differences	–	–	7	–	7
Total comprehensive income	–	–	7	1	8
<i>Transactions with owners</i>					
Total transactions with owners	–	–	–	–	–
Balance at 31 March 2019	11,780	21,030	(481)	3,529	35,858
Balance at 1 January 2020	11,780	21,030	(451)	(669)	31,690
Net loss for the period	–	–	–	(107)	(107)
Other comprehensive loss					
Currency translation differences	–	–	(54)	–	(54)
Total comprehensive loss	–	–	(54)	(107)	(161)
<i>Transactions with owners</i>					
Total transactions with owners	–	–	–	–	–
Balance at 31 March 2020	11,780	21,030	(505)	(776)	31,529

* 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 2019. DDM's principal accounting policies are set out in Note 3 to the consolidated financial statements in the Annual Report 2019 and conform with International Financial Reporting Standards (IFRS) as adopted by the EU.

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not be considered as a substitute for measures defined under IFRS. Please refer to page 19 for reconciliation of alternative performance measures including adjusted net collections, adjusted cash EBITDA and adjusted net profit / (loss) for the period.

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 2020	31 December 2019
Clipper Holding III S.à r.l.	Fully consolidated	Luxembourg	100%	–
DDM Group AG	Fully consolidated	Switzerland	100%	100%
DDM Invest III 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%
DDM Invest V d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Debt Management d.o.o Beograd	Fully consolidated	Serbia	100%	100%
DDM Debt Romania S.R.L	Fully consolidated	Romania	100%	100%
Finalp Zrt.	Fully consolidated	Hungary	100%	100%
Lombard Pénzügyi és Lízing Zrt	Fully consolidated	Hungary	100%	–
Lombard Ingatlan Lízing Zrt.	Fully consolidated	Hungary	100%	–
Lombard Bérlet Kft.	Fully consolidated	Hungary	100%	–

On 29 May 2019, aXs GmbH was registered following the partnership that was launched with the company 720 Restructuring & Advisory, where 70% of the ownership was controlled by DDM. On 23 December 2019, a further 12% of the shares of aXs GmbH were acquired for a total consideration of EUR 200k. Subsequently 82% of the shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. (DDM's largest shareholder) for a total deferred consideration of EUR 1,367k on 23 December. This transaction resulted in a gain on sale of shares of EUR 1,142k which has been recognized in the consolidated income statement for the full year 2019 under "Other operating income".

On 11 February 2020 DDM Treasury Sweden AB was merged into DDM Debt AB to simplify the existing DDM Group structure.

On 27 February 2020, DDM acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft ("Lombard"). Prior to acquisition DDM owned the rights to 30 percent of the portfolio and 100 percent of the equity in Lombard which has been reclassified from other long-term receivables from investment to distressed asset portfolios.

Joint ventures

The Company applies IFRS 11 Joint Arrangements, where DDM, together with one or several parties have joint control over an arrangement in accordance with a shareholder agreement. DDM's joint arrangement with B2Holding where each party holds 50% of the share capital and voting rights of CE Partner S.à r.l. and CE Holding Invest S.C.S (the "Joint Venture") is classified as a joint venture, as DDM is entitled to 50% of the net assets of the Joint Venture rather than having a direct entitlement to assets and responsibility for liabilities. The equity method is applied when accounting for the joint venture. Under the equity method of accounting the investment is recognized at cost and subsequently adjusted to DDM's 50% share of the change in the net assets of the Joint Venture since the acquisition date.

Note 1. Basis of preparation... continued

The consolidated income statement includes DDM's share of earnings, and this is reported under Share of net profits of joint venture. Dividends received from the joint venture are not recognized in the income statement and instead reduce the carrying value of the investment. The equity method is applied from the date joint control arises until the time it ceases, or if the joint venture becomes a subsidiary. Upon loss of joint control over the joint venture, and as such the equity method ceases, the Company measures and recognizes any difference between the carrying amount of the investment in the joint venture with the fair value of the remaining investment and/or proceeds from disposal which is recognized as gain or loss directly in the income statement. The financial statements of the Joint Venture are prepared for the same reporting period as the Company.

Joint Ventures	Consolidation method	Domicile	31 March 2020	31 December 2019
CE Partner S.à r.l.	Equity method	Luxembourg	50%	50%
CE Holding Invest S.C.S	Equity method	Luxembourg	50%	50%

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. On 21 February 2020 the DDM Group entered into a share purchase agreement ("SPA") regarding the acquisition of 9.9% of the shares in Addiko Bank AG. Furthermore, on this date the DDM Group entered into a call option agreement to acquire an additional 10.1% shares in Addiko Bank AG. Closing under the SPA occurred on 9 March 2020. The DDM Group acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30M. On 30 March 2020 the DDM Group exercised a call option to acquire an additional 10.1% shareholding in Addiko Bank AG that is subject to regulatory approval.

Associates	Consolidation method	Domicile	31 March 2020	31 December 2019
Addiko Bank AG	Equity method	Austria	9.9%*	–

* A call option was exercised on 30 March 2020 to acquire a further 10.1% in Addiko Bank AG that is subject to regulatory approval.

Post-employment benefit commitment

The post-employment benefit commitment is calculated on an annual basis. In 2019 and 2020 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 2020 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, Finalp Zrt., Lombard Pénzügyi és Lízing Zrt, Lombard Ingtatlan Lízing Zrt. and Lombard Bérlet Kft which have Hungarian Forint (HUF) as their 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 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 were against the local legal entities holding the portfolios of loans.

Other long-term receivables from investments

DDM owned 100% of the shares in the local legal entities holding the leasing portfolios at 31 December 2019. However, for each investment there was a co-investor holding a majority stake in the leasing portfolio, and therefore DDM did not control the investment as the co-investor had significant rights which if exercised could block decisions related to relevant activities to collect the portfolios.

Note 4. Distressed asset portfolios... continued

The economic substance of the investments were the underlying portfolios of loans. As a result, the underlying assets which represent other long-term receivables from investments were recognized in the financial statements. The receivables were 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 was immaterial, and therefore equity accounting was not carried out.

The following investments were treated in this manner:

Entity	Domicile	31 March 2020	31 December 2019
Lombard Pénzügyi és Lízing Zrt.	Hungary	–	100%
Lombard Ingatlan Lízing Zrt.	Hungary	–	100%
Lombard Bérlet Kft.	Hungary	–	100%

On 27 February 2020, the DDM Group acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft (“Lombard”). Prior to acquisition DDM owned the rights to 30 percent of the portfolio and 100 percent of the equity in Lombard which has been reclassified from other long-term receivables from investment to distressed asset portfolios.

Distressed asset portfolios and other long-term receivables from investments

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

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

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 recognized 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”. 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”.

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

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

If 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 line “Net collections on sale of invested assets”).

Note 4. Distressed asset portfolios... continued

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 2020	31 December 2019
HRK	62,084	63,557
EUR	59,315	65,797
HUF	10,948	5,774
CZK	6,683	8,618
RSD	1,234	1,385
RON	812	919
Total	141,076	146,050

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

Note 5. Investment in joint venture

On 31 May 2019, DDM acquired a distressed asset portfolio containing secured corporate receivables in Croatia through a 50/50 joint venture with B2Holding. As part of the co-investment structure with B2Holding, DDM became 50% owner of the share capital and voting rights of CE Partner S.à r.l. and CE Holding Invest S.C.S. (the "Joint Venture") registered in Luxembourg.

On 15 July 2019, DDM secured third party financing together with B2Holding to partially fund the joint venture acquisition in Croatia at a lower cost of funding than the existing DDM Debt AB senior secured bonds in issue.

The investment is accounted for under the equity method in accordance with IFRS 11 Joint Arrangements and has changed as follows during the period:

Investment in joint venture EUR '000s	31 March 2020	31 December 2019
Balance at beginning of the period	29,952	–
Additions	–	66,662
Share of net profits of joint venture	350	916
Proceeds from funding of joint venture	–	(33,789)
Incremental net distribution from the joint venture	(1,755)	(3,837)
Balance at end of the period	28,547	29,952

The incremental net distribution from the joint venture includes EUR 1.2M (FY 2019: EUR 2.6M) that has been received as a cash distribution during Q1 2020 and EUR 1.8M (December 2019: EUR 1.2M) that has been reclassified to accounts receivable at the end of the period.

Note 6. Investment in associates

On 21 February 2020 the DDM Group entered into a share purchase agreement ("SPA") regarding the acquisition of 9.9% of the shares in Addiko Bank AG. Furthermore, on this date the DDM Group entered into a call option agreement to acquire an additional 10.1% shares in Addiko Bank AG. Closing under the SPA occurred on 9 March 2020. The DDM Group acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30M. On 30 March 2020 the DDM Group exercised a call option to acquire an additional 10.1% shareholding in Addiko Bank AG that is subject to regulatory approval.

The investment is accounted for under the equity method in accordance with IAS 28 Associates and has changed as follows during the period:

Investment in associates EUR '000s	31 March 2020	31 December 2019
Balance at beginning of the period	–	–
Additions	30,094	–
Share of net profits of associates	–	–
Balance at end of the period	30,094	–

Note 7. 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 8. 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 5 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 9. Loans and borrowings

The Group had the following borrowings outstanding during the periods ending 31 March 2020 and/or 31 December 2019:

Bond loan EUR 100M

On 8 April 2019, DDM Debt AB (publ) ("DDM Debt") issued EUR 100M of senior secured bonds priced at Euribor plus a margin of 9.25% within a total framework amount of EUR 150M. The bonds with ISIN number SE0012454940 have a final maturity date of 8 April 2022 and are listed on the Corporate Bond list at Nasdaq Stockholm. The proceeds from the new bond issue were mainly employed towards refinancing the existing EUR 85M bond and for general corporate purposes.

On 16 March 2020 DDM Debt AB completed its written procedure regarding certain amendments to the terms and conditions of its up to EUR 150M senior secured bonds.

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 2020 and 31 December 2019.

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 AB 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 and revolving credit facility 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 of the senior secured bonds are available in their entirety on our website.

Revolving credit facility EUR 27M

On 15 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 until 15 March 2021 and priced at three month Euribor plus a margin of 350 basis points.

Note 9. Loans and borrowings... continued

Senior secured notes EUR 18M

DDM Finance AB ("DDM Finance") raised EUR 10M in a bridge financing transaction in early November 2017. DDM Finance used the net proceeds from the bridge financing to provide a shareholder loan to DDM Debt. 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.

In November 2018, the Company refinanced its subsidiary DDM Finance's EUR 10M senior secured notes by issuing EUR 12M of senior secured notes, and on 23 July 2019 the Company refinanced the EUR 12M senior secured notes. Certain amendments were made to the Terms and Conditions, including extending the maturity date to 30 June 2022. At the same time, DDM Finance also issued EUR 6M of additional bonds under the same framework. Part of the net proceeds were used to provide a shareholder loan to DDM Finance's wholly owned subsidiary DDM Debt, which thereby qualifies as equity under the current DDM Debt senior secured bond terms.

Bond loan EUR 50M

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 were for acquiring additional debt portfolios.

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 had a final maturity date of 30 January 2020 and were listed on the Corporate Bond list at Nasdaq Stockholm. 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%.

On 2 May 2019, DDM Debt redeemed in advance its EUR 85M senior secured bonds with ISIN SE0009548332, in accordance with Clause 9.3 (Voluntary total redemption (call option)) of the terms and conditions of the bonds. The bonds were redeemed each at the applicable call option (being 102.38 per cent. of the outstanding nominal amount) totaling EUR 2.0M, plus accrued but unpaid interest. In addition, the remaining capitalized transaction costs of approximately EUR 0.6M were expensed to the income statement as a non-cash write off in relation to the existing EUR 85M bond. The redemption amount was paid to the bondholders holding bonds on the relevant record date, being 24 April 2019. The bonds were de-listed from the corporate bond list of Nasdaq Stockholm in connection with the redemption date and the last day of trading occurred on 18 April 2019.

Other loans

In March 2020, DDM received approximately EUR 0.8M as financing as part of the government loan scheme in Switzerland for the COVID-19 pandemic. DDM also had an outstanding EUR 2M loan that was repaid in full during 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 2020						
Revolving credit facility	26,844	–	–	–	–	26,844
Senior secured notes	–	–	17,346	–	–	17,346
Bond loan, 8%	49,636	–	–	–	–	49,636
Bond loan, 9.25%	–	–	97,843	–	–	97,843
Other loans	–	–	–	–	820	820
Total	76,480	–	115,189	–	820	192,489
at 31 December 2019						
Senior secured notes	–	–	17,287	–	–	17,287
Bond loan, 8%	49,504	–	–	–	–	49,504
Bond loan, 9.25%	–	–	97,626	–	–	97,626
Total	49,504	–	114,913	–	–	164,417

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.

Note 9. Loans and borrowings... continued

Fair value of borrowings:

EUR '000s	IFRS 9 category	Fair value category	Fair value*	Carrying value
at 31 March 2020				
Revolving credit facility	Financial liabilities at amortized cost	Level 2	27,000	26,844
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,346
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	45,572	49,636
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	87,500	97,843
Other loans	Financial liabilities at amortized cost	Level 2	820	820
Total			178,892	192,489
at 31 December 2019				
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,287
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	51,012	49,504
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	101,623	97,626
Total			170,635	164,417

* The fair value at 31 March 2020 is highly indicative only due to the current market situation, which does not impact the carrying value under IFRS 9 amortized cost

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 10. 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. 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 2020	1 Jan – 31 Mar 2019	Full Year 2019
Net collections by country:			
Greece	10,808	935	12,111
Hungary	2,165	1,520	5,404
Czech Republic	1,800	2,820	9,418
Croatia	1,333	2,912	10,551
Romania	752	871	3,431
Slovenia	730	7,773	18,122
Serbia	189	115	481
Slovakia	6	7	45
Bosnia	–	2	23
Russia	–	1,954	1,953
Net collections*	17,783	18,909	61,539
Amortization of invested assets	(8,062)	(11,783)	(34,498)
Interest income on invested assets before revaluation and impairment	9,721	7,126	27,041
Revaluation of invested assets	(539)	(298)	4,562
Impairment of invested assets	–	(760)	(5,780)
Revenue on invested assets	9,182	6,068	25,823
Share of net profits of joint venture	350	–	916
Other operating income	–	–	1,142
Revenue from management fees	1	195	570

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

Note 10. Revenue recognition... continued

Share of net profits of joint venture

Following the acquisition that closed on 31 May 2019 of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding, the first quarter 2020 and full year 2019 results include EUR 0.4M and EUR 0.9M respectively from share of net profits of joint venture accounted for under the equity method in accordance with IFRS.

Net collections on sale of invested assets

On 29 March 2019, the DDM Finance Group 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 statement for the first quarter and full year 2019 as net collections on sale of invested assets.

On 28 October 2019, the DDM Finance Group partially sold a consumer portfolio previously acquired in Croatia for a total consideration of EUR 5.8M. The transaction resulted in a realized gain on sale of EUR 2.5M recognized in the consolidated income statement for the full year 2019 as net collections on sale of invested assets.

Other operating income

On 23 December 2019, a further 12% of the shares of aXs GmbH were acquired for a total consideration of EUR 200k. Subsequently 82% of the shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. (DDM Holding AG's largest shareholder) for a total deferred consideration of EUR 1,367k on 23 December. This transaction resulted in a gain on sale of shares of EUR 1,142k which was recognized in the consolidated income statement for the full year 2019 under "Other operating income".

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 were calculated based on the performance of the portfolio, and for Greece these fees were calculated based on the time spent on portfolio management prior to the buy-out of the co-investor.

Note 11. Business combinations

On 27 February 2020, DDM acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l., Lombard Pénzügyi és Lízing Zrt, Lombard Inगतlan Lízing Zrt. and Lombard Bérlet Kft ("Lombard"). The total investment amounted to approximately EUR 3M. Prior to acquisition DDM owned the rights to 30 percent of the portfolio and 100 percent of the equity in Lombard which has been reclassified from other long-term receivables from investment to distressed asset portfolios.

Acquired net assets	EUR '000s
Distressed asset portfolios	8,283
Cash and cash equivalents	2,038
Other receivables	116
Acquired assets	10,436
Provisions	(2,752)
Accruals	(1,616)
Assumed liabilities	(4,368)
Acquired net assets	6,068
Cash consideration	(3,216)
Other long-term receivables from investments	(2,853)
Provisional goodwill	–

Acquired assets

The fair value of the assets acquired include the present value of future cash flows of the performing and non-performing loans discounted at the initial rate of return under amortized cost and the cash and cash equivalents held at bank at acquisition.

Acquired liabilities

The fair value of the liabilities assumed at acquisition includes a provision for restricted cash payable to third parties as part of a previous settlement.

Purchase consideration

The total purchase price amounted to EUR 6.1M as at 27 February 2020. This sum includes a net cash consideration of EUR 3.2M and the NBV of the existing 30 percent of the portfolio held prior to acquisition of EUR 2.9M. The costs relating to the acquisition amounted to EUR 30k were recognized directly in the income statement under consulting expenses.

Note 12. Related parties

In 2018 Aldridge EDC Speciality Finance Ltd (AEDC), a company related to DDM Group Finance S.A. (being the largest shareholder in the ultimate parent company DDM Holding AG), whose shares are ultimately held by trusts attributable to Erik Fällström and Andreas Tuczka, entered into an agreement with DDM where AEDC provides business development services for identified projects. Business development services from AEDC to DDM amounted to EUR 160k (FY 2019: 757k) which has been recognized in consultancy expenses during the period.

In 2019 DDM Group Finance S.A. entered into an agreement with the DDM Group where DDM Group Finance S.A. provides services under a brokerage contract. In relation to this agreement an amount of EUR 1,075k for the period (FY 2019: nil) was capitalized as transaction costs as part of the strategic investment in Addiko Bank AG. In relation to the full year 2019 an amount of EUR 1,610k was capitalized as transaction costs as part of the bond refinancing during Q2 2019, resulting in EUR 125k (FY 2019: EUR 316k) of amortized transaction costs that were recognized within financial expenses during the period.

On 29 May 2019, aXs GmbH was registered following the partnership that was launched with the company 720 Restructuring & Advisory, where 70% of the ownership was controlled by DDM. On 23 December 2019, a further 12% of the shares of aXs GmbH were acquired for a total consideration of EUR 200k. Subsequently 82% of the shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. for a total deferred consideration of EUR 1,367k on 23 December. This transaction resulted in a gain on sale of shares of EUR 1,142k which has been recognized in the consolidated income statement for the full year 2019 under "Other operating income".

On 20 December 2019, EUR 725k was paid from DDM to Omnione S.A. and recognized as a non-current asset receivable from DDM Group Finance S.A.

On 2 March 2020, EUR 180k (FY 2019: EUR 250k) was paid from DDM to AxFina Holding S.A. and recognized as a non-current asset receivable to fund the working capital of the servicing platform.

Note 13. Commitments

On 30 March 2020 the DDM Group exercised a call option to acquire an additional 10.1% stake in Addiko Bank AG, an Austrian bank with operations in DDM's core markets in the Balkans, from Al Lake (Luxembourg) S.à r.l that is subject to regulatory approval. The commercial terms of the call option have been adjusted since the initial investment to acquire 9.9% for approximately EUR 30M that closed on the 9 March 2020.

Note 14. Subsequent events

The COVID-19 pandemic, and the actions being taken to contain it on a global basis, have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. DDM is closely monitoring developments and the impact of the spread of infection and global responses on, for example, economic support from governments, lending activities from banks to corporates and customers, as well as on its own operations, foremost its workforce and liquidity management.

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Jan – 31 Mar 2020	1 Jan – 31 Mar 2019	Full Year 2019
Net collections	17,783	16,973	57,063
Sale of invested assets	–	1,936	4,476
Incremental net distribution from joint venture	1,755	–	3,837
Adjusted net collections	19,538	18,909	65,376
Cash EBITDA	15,409	14,857	44,414
Sale of invested assets	–	1,936	4,476
Incremental net distribution from joint venture	1,755	–	3,837
Adjusted cash EBITDA	17,164	16,793	52,727
Net (loss) / profit for the period	(107)	1	(4,120)
Non-recurring items bond refinancing	–	–	2,631
Adjusted net (loss) / profit for the period	(107)	1	(1,489)

The financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting. In addition, the Company presents alternative performance measures (“APMs”). Adjusted key figures for net collections, cash EBITDA and net profit / (loss) for the period provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include one-time costs not affecting the Company’s run rate cost level, significant earnings effects from acquisition and disposals of invested assets and incremental net distributions from joint ventures.

These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies. The APMs are regularly reviewed by Management and their aim is to enhance stakeholders’ understanding of the Company’s performance and to enhance comparability between financial periods. The APMs are reported in addition to but are not substitutes for the financial statements prepared in accordance with IFRS. The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of Management, distort the evaluation of the performance of our operations.

The APMs also provide measures commonly reported and widely used by investors as an indicator of the Company’s operating performance and as a valuation metric of debt purchasing companies. Furthermore, APMs are also relevant when assessing our ability to incur and service debt. APMs are defined consistently over time and are based on the financial data presented in accordance with IFRS.

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, other long-term receivables from investments and investment in joint venture.

Net collections

Gross collections from Portfolios held by the Group less commission and collection fees to third parties (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 Growth Market: 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 billion.

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 Growth Market in Stockholm, Sweden, since August 2014.



ddm

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