DDM HOLDING AG

Corporate Registration Number: CHE-115906312

Q1 interim report | **1 January – 31 March 2021**

ddm

Successful bond refinancing extends debt maturity by 5 years

Highlights first quarter 2021

- Gross collections amounted to EUR 15.7m (22.4)*
- Net collections amounted to EUR 13.9 m (19.5)*
- Cash EBITDA amounted to EUR 11.2m (17.2)*
- Net profit for the period of EUR 0.3m (loss of 0.1)*
- Cash at the end of March 2021 was EUR 22.5m (31.4 at December 2020)
- Gross ERC at the end of March 2021 was EUR 244m (258 at December 2020)
- Assigned a 'B' Rating with stable outlook to DDM Debt AB by both S&P Global Ratings and Fitch Ratings

Significant events after the end of the quarter

- Successfully issued EUR 150m of fixed rate senior secured bonds with a five-year tenor under a framework of up to EUR 300m, enabling DDM Debt to refinance its existing bonds and capitalize on market opportunities to expand its investment portfolio

** 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 18.*

IFRS Consolidated Amounts in EUR '000s (unless specified otherwise)	**1 Jan – 31 Mar 2021****	**1 Jan– 31 Mar 2020****	**Full Year 2020**
Gross collections**	13,946	18,662	113,232
Collection and commission expenses**	(971)	(879)	(3,863)
Net collections	12,975	17,783	109,369
Revenue from management fees	–	1	74
Operating expenses	(2,709)	(2,375)	(12,604)
Cash EBITDA	10,266	15,409	96,839
Amortization, revaluation and impairment of invested assets	(6,907)	(8,601)	(69,473)
Share of net profits of associate and joint venture	955	350	1,257
Operating profit	4,234	7,076	28,215
Net profit / (loss) for the period	268	(107)	9,140
Selected key figures			
Total assets	184,549	237,055	195,525
Invested assets	131,918	199,717	137,929
Net debt	103,154	170,726	106,786
Equity ratio***	23.8%	13.3%	22.2%
Cash flow from operating activities before working capital changes	10,593	14,087	90,087
Gross ERC 120 months (EUR M)	244	308	258
Earnings per share before and after dilution (EUR)	0.02	(0.01)	0.67
Total average and number of shares at the end of the period	13,560,447	13,560,447	13,560,447

** Unaudited

*** The equity ratio for the DDM Debt Bond Group calculated according to the terms and conditions of the DDM Debt AB bonds is 32.3% at 31 March 2021

DDM Holding AG is a specialized multinational investor and manager of non-performing loans and special situations

Comment by the CEO

During the first quarter of 2021 we have successfully extended our bond program by issuing EUR 150m of fixed rate senior secured bonds maturing in 2026 to refinance our existing senior secured bonds and provide long-term stability, enabling us to capitalize on market opportunities to expand our investment portfolio. We have also continued to focus on collections and liquidity management in response to the ongoing COVID-19 pandemic.

DDM assigned 'B' Rating with stable outlook

In March we received our first ratings from S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch"), which is a significant milestone in our financing plan for the years to come and underlines our strong capital and liquidity position. S&P and Fitch both assigned DDM Debt AB ("DDM Debt") a 'B' rating with stable outlook.

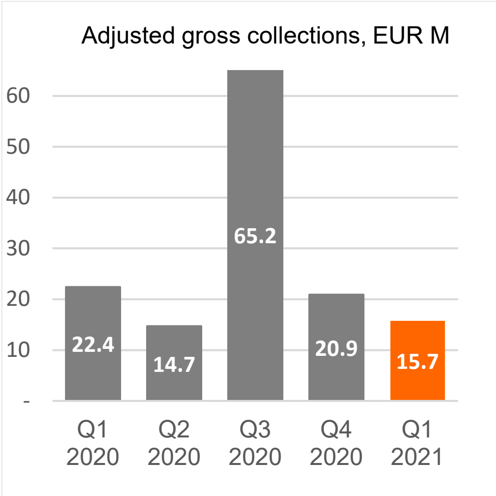
Successfully issued EUR 150m of bonds with a five-year tenor

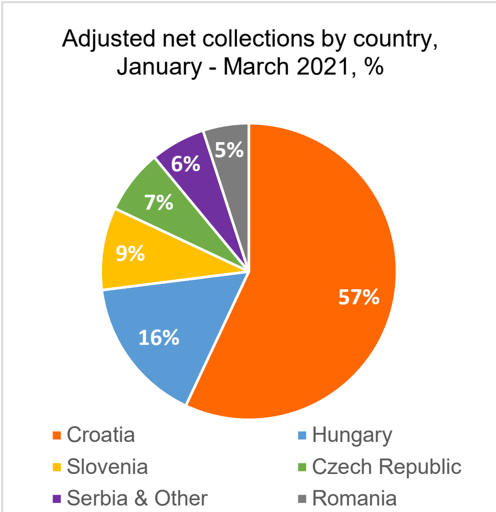
Subsequent to the end of the first quarter, DDM Debt successfully issued senior secured fixed rate bonds in an initial amount of EUR 150m under a framework of up to EUR 300m. The bonds have a five-year tenor and carry a fixed rate coupon of 9%. The proceeds from the new bond issue were mainly employed towards refinancing the existing DDM2 02 EUR 33.5m bonds and DDM2 03 EUR 100m bonds as well as being for investments and acquisitions. At the time of the new bond issuance DDM Debt was holding approximately EUR 23m of the outstanding EUR 100m bonds. The issuance demonstrates the continued support that we received from existing investors across the Nordic region and also attracted interest from new international investors. We are very pleased to have secured this long-term financing providing stability and the opportunity for DDM to capitalize on market opportunities to expand its investment portfolio.

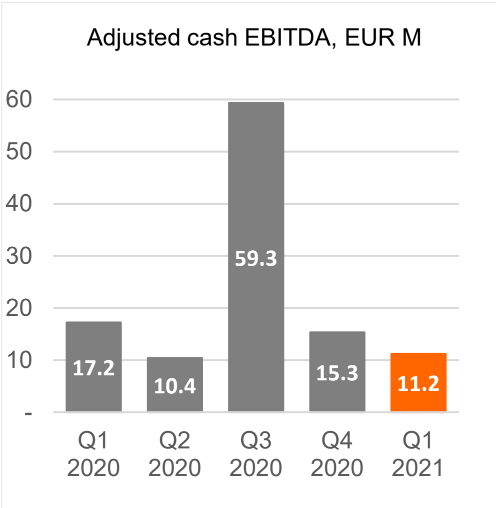
Collections and cash EBITDA

During the first quarter of 2021 we have achieved adjusted gross collections of EUR 15.7m, 30% lower than the corresponding period in the prior year mainly due to collections that were received from Greece during the first quarter of 2020. DDM discloses gross collections comprised of cash collections from the acquired portfolios held by DDM, before commission and fees to third parties, as it is a common measure to monitor the performance of portfolios in the debt purchasing industry. Gross collections for the first quarter of 2021 were approximately 32% lower that the ERC forecasted at the start of the year, due to the deferral of certain secured receivables in Croatia that are expected to be received later in the year.

Adjusted net collections in Q1 2021 were 59% above the corresponding period in the prior year when excluding Greece in Q1 2020. Around 57% of the adjusted net collections of EUR 13.9m in Q1 2021 were received from Croatia. This has resulted in adjusted cash EBITDA of EUR 11.2m for the for the first quarter of 2021. The timing of collections on large, secured cases may vary on a quarter-by-quarter basis.







Market outlook

DDM has successfully extended its bond program to be well-positioned to capitalize on market opportunities. The supply of new NPL volumes is expected to increase significantly this year following the end of loan moratoria that were implemented in response to the COVID-19 pandemic that previously limited banks' abilities to dispose of non-core NPLs.

The European Central Bank ("ECB") has established various financial support packages that are designed to help accelerate the process of recovery across Europe following the COVID-19 pandemic. This, in conjunction with continued focus by the ECB for European banks to reduce their NPL ratios by deleveraging balance sheets, will present DDM with further investment opportunities at attractive prices.

Zug, 6 May 2021
DDM Holding AG
Henrik Wennerholm, CEO

Financial calendar

DDM intends to publish financial information on the following dates:

Annual General Meeting 2021:	22 June 2021
Interim report for January – June 2021:	29 July 2021
Interim report for January – September 2021:	4 November 2021
Q4 and full year report for January – December 2021:	18 February 2022

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.

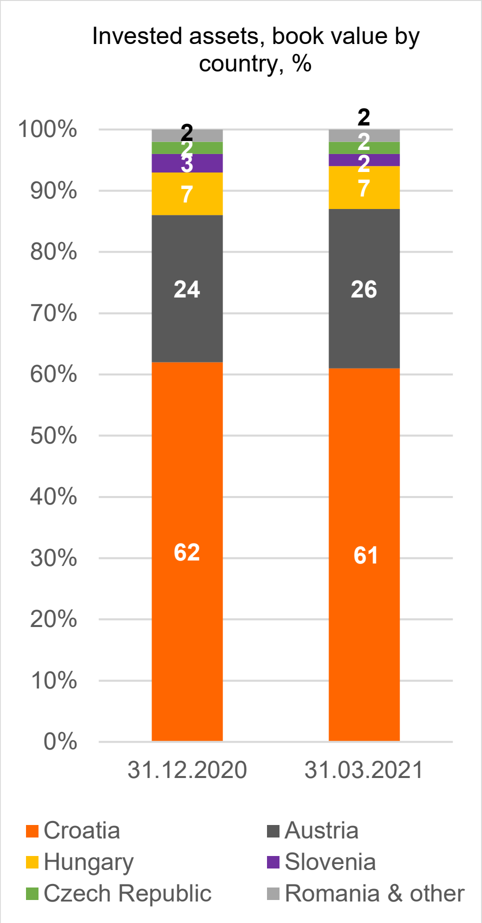
Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 6 May 2021, at 08:00 CEST.

CEO Henrik Wennerholm and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 6 May 2021, 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 8 505 583 51, CH: +41 225 805 976, UK: +44 333 300 9030.

Financial results

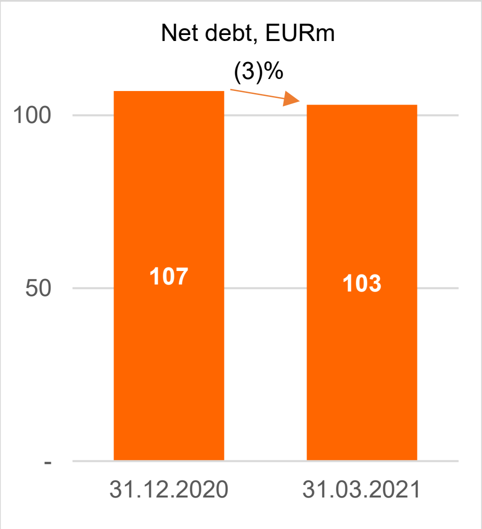
Adjusted gross collections amounted to EUR 15.7m in the first quarter of 2021, compared to EUR 22.4m for the corresponding period last year, mainly due to collections that were received from Greece during Q1 2020. Commission and collection fees to third parties were 11% of gross collections resulting in EUR 13.9m of adjusted net collections being received for the first quarter of 2021. EUR 7.9m of the net collections were received from Croatia including from the joint venture.



Operating expenses were EUR 2.7m in the quarter, EUR 0.3m higher than the corresponding period last year. This is principally due to the consolidation of the collections platform in Hungary following the buy-out of the co-investor that was acquired on 27 February 2020. As a result, adjusted cash EBITDA totaled EUR 11.2m in the first quarter of 2021.

The operating profit margin of 60% in the first quarter is lower than the corresponding period last year due to the collections received from Greece in the prior year, which had a lower amortization relative to the secured portfolios in the Balkans. This is partially offset by EUR 0.8m share of net profits following the strategic investment to acquire 9.9% of Addiko Bank in March 2020 and EUR 0.5m upwards revaluation of portfolios located in Croatia, where a 6-month moratorium on debt enforcements ended in October 2020. As a result the net profit for the first quarter of 2021 is EUR 0.3m compared to loss of EUR 0.1m for the corresponding period in the prior year.

For the first quarter of 2021, cash flow from operating activities before working capital changes was EUR 10.6m compared to EUR 14.1m for the corresponding period in 2020. This is primarily as a result of the higher net collections received from Greece during the first quarter of 2020 that was restructured in the second half of 2020. We have also continued to deleverage the balance sheet prior to the bond refinancing by fully repaying EUR 9m of the revolving credit facility and by making a partial redemption of EUR 4m of the bonds due December 2021 during the first quarter.



Estimated Remaining Collections

ERC in relation to invested assets at 31 March 2021 stands at EUR 244m, corresponding to a decrease of 5% compared to 31 December 2020, as a result of the collections that have been received during the first quarter of 2021. The composition of the portfolios that are secured is approximately 77% of ERC at 31 March 2021 with 68% of the collections expected to be received in the next three years.

Share of net profits of associate and joint venture

The results for the first quarter include EUR 0.8m share of net profits of associates in the income statement and EUR 0.4m share of other comprehensive income of associates accounted for using the equity method in other comprehensive income. The results for the first quarter of 2021 also include EUR 0.2m from the share of net profits of joint ventures accounted for using the equity method in accordance with IFRS.

Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Jan – 31 Mar 2021*	1 Jan – 31 Mar 2020*	Full Year 2020
Reconciliation of revenue on invested assets:				
*Gross collections**		*13,946*	*18,662*	*113,232*
*Collection and commission expenses**		*(971)*	*(879)*	*(3,863)*
Net collections		**12,975**	***17,783***	***109,369***
Amortization of invested assets		*(7,439)*	*(8,062)*	*(68,433)*
Interest income on invested assets	**10**	**5,536**	**9,721**	**40,936**
Revaluation and impairment of invested assets		*532*	*(539)*	*(1,040)*
Revenue on invested assets	**10**	**6,068**	**9,182**	**39,896**
Share of net profits of associate and joint venture	5,6,10	955	350	1,257
Revenue from management fees	10	–	1	74
Personnel expenses		(1,312)	(1,219)	(5,234)
Consulting expenses		(703)	(742)	(5,153)
Other operating expenses		(694)	(414)	(2,217)
Amortization and depreciation of tangible and intangible assets		(80)	(82)	(408)
Operating profit		**4,234**	**7,076**	**28,215**
Financial income		10	6	2,172
Financial expenses		(3,596)	(4,670)	(18,134)
Unrealized exchange loss		(90)	(2,357)	(1,824)
Realized exchange loss		(55)	(49)	(60)
Net financial expenses		**(3,731)**	**(7,070)**	**(17,846)**
Profit before income tax		**503**	**6**	**10,369**
Tax expense		(235)	(113)	(1,229)
Net profit / (loss) for the period		**268**	**(107)**	**9,140**
Net profit / (loss) for the period attributable to:				
Owners of the Parent Company		268	(107)	9,140
Earnings per share before and after dilution (EUR)		0.02	(0.01)	0.67
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 2021*	1 Jan – 31 Mar 2020*	Full Year 2020
Net profit / (loss) for the period	**268**	**(107)**	**9,140**
Other comprehensive income / (loss) for the period			
Items that will not be reclassified to profit or loss:			
Actuarial loss on post-employment benefit commitments	–	–	(129)
Deferred tax on post-employment benefit commitments	–	–	(12)
Items that may subsequently be reclassified to profit or loss:			
Currency translation differences	(2)	(54)	(72)
Share of other comprehensive income of associates accounted for using the equity method	433	–	2,698
Other comprehensive income / (loss) for the period, net of tax	**431**	**(54)**	**2,485**
Total comprehensive income / (loss) for the period	**699**	**(161)**	**11,625**
Total comprehensive income / (loss) for the period attributable to:			
Owners of the Parent Company	699	(161)	11,625

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 March 2021*	31 December 2020
ASSETS			
Non-current assets			
Goodwill	8	4,160	4,160
Intangible assets	8	998	1,043
Tangible assets	7	80	88
Right-of-use assets		247	254
Interests in associate	1,6	34,191	32,986
Distressed asset portfolios	4	72,772	79,252
Investment in joint venture	5	24,955	25,691
Deferred tax assets	3	849	870
Other non-current assets	11	1,321	1,251
Total non-current assets		**139,573**	**145,595**
Current assets			
Accounts receivable		15,366	14,158
Tax assets		98	93
Other receivables		2,793	1,698
Prepaid expenses and accrued income		4,174	2,565
Cash and cash equivalents		22,545	31,416
Total current assets		**44,976**	**49,930**
TOTAL ASSETS		**184,549**	**195,525**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		11,780	11,780
Share premium		21,030	21,030
Other reserves		2,594	2,163
Retained earnings including net profit / (loss) for the period		8,610	8,342
Total shareholders' equity		**44,014**	**43,315**
Long-term liabilities			
Loans and borrowings	9	93,178	92,840
Lease liabilities		158	166
Accrued interest		2,725	2,203
Provisions		699	704
Post-employment benefit commitments		1,521	1,459
Deferred tax liabilities	3	308	308
Total long-term liabilities		**98,589**	**97,680**
Current liabilities			
Loans and borrowings	9	32,521	45,362
Accounts payable		1,172	1,379
Tax liabilities		532	428
Accrued interest		2,509	1,834
Accrued expenses and deferred income		5,089	5,404
Lease liabilities		123	123
Total current liabilities		**41,946**	**54,530**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**184,549**	**195,525**

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Jan– 31 Mar 2021*	1 Jan – 31 Mar 2020*	Full Year 2020
Cash flow from operating activities			
Operating profit	4,234	7,076	28,215
Cash distribution from joint venture	2,037	1,166	4,511
Adjustments for non-cash items:			
Amortization of invested assets	*7,439*	*8,062*	*68,433*
Revaluation and impairment of invested assets	*(532)*	*539*	*1,040*
Share of net profits of associate and joint venture	*(955)*	*(350)*	*(1,257)*
Depreciation, amortization and impairment of tangible and intangible assets	*80*	*82*	*408*
Other items not affecting cash	*207*	*214*	*309*
Interest paid	(1,917)	(2,685)	(14,774)
Interest received	–	–	2,137
Tax paid	–	(17)	(184)
Tax received	–	–	1,249
Cash flow from operating activities before working capital changes	**10,593**	**14,087**	**90,087**
Working capital adjustments			
(Increase) / decrease in accounts receivable	(3,245)	(1,005)	(14,481)
(Increase) / decrease in other receivables	(2,704)	223	(1,041)
Increase / (decrease) in accounts payable	(207)	(159)	71
Increase / (decrease) in other current liabilities	(233)	131	3,818
Net cash flow from operating activities	**4,204**	**13,277**	**78,454**
Cash flow from investing activities			
Purchases of investment in associate	–	(30,094)	(30,094)
Acquisition of subsidiary, net of cash acquired	–	(1,178)	(1,178)
Purchases of non-current assets	–	(180)	(180)
Purchases of tangible and intangible assets	–	–	(66)
Net cash flow received / (used) in investing activities	**–**	**(31,452)**	**(31,518)**
Cash flow from financing activities			
Proceeds from issuance of loans	–	27,818	27,818
Repayment of loans	(13,000)	–	(55,218)
Principal element of lease payments	(2)	–	(58)
Net cash flow received / (used) in financing activities	**(13,002)**	**27,818**	**(27,458)**
Cash flow for the period	**(8,798)**	**9,643**	**19,478**
Cash and cash equivalents less bank overdrafts at beginning of the period	**31,416**	**12,285**	**12,285**
Foreign exchange losses on cash and cash equivalents	(73)	(165)	(347)
Cash and cash equivalents less bank overdrafts at end of period	**22,545**	**21,763**	**31,416**

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Share premium	Other reserves	Retained earnings including net profit / (loss) for the period	Total equity
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)**
Transactions with owners					
Total transactions with owners	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2020*	**11,780**	**21,030**	**(505)**	**(776)**	**31,529**
Balance at 1 January 2021	**11,780**	**21,030**	**2,163**	**8,342**	**43,315**
Net profit for the period	–	–	–	268	**268**
Other comprehensive income / (loss)					
Currency translation differences	–	–	(2)	–	**(2)**
Share of other comprehensive income of associates accounted for using the equity method	–	–	433	–	**433**
Total comprehensive income	**–**	**–**	**431**	**268**	**699**
Transactions with owners					
Total transactions with owners	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2021*	**11,780**	**21,030**	**2,594**	**8,610**	**44,014**

* 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 2020. DDM’s principal accounting policies are set out in Note 3 to the consolidated financial statements in the Annual Report 2020 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 18 for reconciliation of alternative performance measures including adjusted gross collections, adjusted net collections and adjusted cash EBITDA 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 2021	31 December 2020
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 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%
DDM REO Adria d.o.o.	Fully consolidated	Croatia	100%	100%
Finalp Zrt.	Fully consolidated	Hungary	100%	100%
Lombard Pénzügyi és Lízing Zrt.	Fully consolidated	Hungary	100%	100%
Lombard Ingatlan Lízing Zrt.	Fully consolidated	Hungary	100%	100%
Lombard Bérlet Kft.	Fully consolidated	Hungary	100%	100%

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.

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 a 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 2021	31 December 2020
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.

Note 1. Basis of preparation… continued

DDM has determined that it has significant influence over Addiko Bank AG through already acquiring a 9.9% shareholding and confirms its intention to increase its shareholding further. The financial statements of the associate are prepared based on the most recent available financial statements for the period ending 31 December 2020, with adjustments made for the effects of any significant transactions until 31 March 2021.

Associates	Consolidation method	Domicile	31 March 2021	31 December 2020
Addiko Bank AG	Equity method	Austria	9.9%	9.9%

Post-employment benefit commitment
The post-employment benefit commitment is calculated on an annual basis. In 2020 and 2021 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 2021 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, DDM REO Adria d.o.o. which has Croatia Kuna (HRK) as its functional currency and Finalp Zrt., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan 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 invested assets (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

DDM invests in distressed asset portfolios, where the receivables are directly against the debtor. The recognition of the acquisition of distressed asset portfolios is based on the DDM Group's own forecast of future cash flows from acquired portfolios. Distressed asset portfolios 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 corresponds to the present value of all projected future cash flows discounted by an initial effective interest rate determined on the date the portfolio 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 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 level since each portfolio consists of a large number 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.

Note 4. *Distressed asset portfolios… continued*

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".

DDM assesses at each reporting date whether there is objective evidence that a portfolio is impaired. A portfolio 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 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 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").

The carrying values of distressed asset portfolios are distributed by currency as follows:

Distressed asset portfolios by currency EUR '000s	31 March 2021	31 December 2020
HRK	51,833	55,214
HUF	8,970	9,405
EUR	8,553	9,971
CZK	2,309	3,338
RSD	662	792
RON	445	532
Total	**72,772**	**79,252**

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 using 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 2021	31 December 2020
Balance at beginning of the period	25,691	29,952
Share of net profits of joint venture	183	1,063
Incremental net distribution from the joint venture	(919)	(5,324)
Balance at end of the period	**24,955**	**25,691**

The incremental net distribution from the joint venture includes EUR 2.0m (FY 2020: EUR 4.5m) that has been received as a cash distribution during Q1 2021, which relates to 2020. A further EUR 0.9m (31 December 2020: EUR 2.0m) has been reclassified to accounts receivable at the end of the period.

Note 6. Investment in associates

On 9 March 2020 DDM acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30m.

DDM has determined that it has significant influence over Addiko Bank AG through already acquiring a 9.9% shareholding and confirms its intention to increase its shareholding further. The financial statements of the associate are prepared based on the most recent available financial statements for the period ending 31 December 2020, with adjustments made for the effects of any significant transactions until 31 March 2021.

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

Investment in associates **EUR '000s**	**31 March 2021**	**31 December 2020**
Balance at beginning of the period	32,986	–
Additions	–	30,094
Share of net profits in the income statement	772	194
Share of other comprehensive income of associates accounted for using the equity method	433	2,698
Balance at end of the period	**34,191**	**32,986**

Following the acquisition of a 9.9% stake in Addiko Bank AG ("Addiko Bank") that closed during March 2020, the results for Q1 2021 include EUR 0.8m (FY 2020: EUR 0.2m) share of net profits of the associate in the income statement and EUR 0.4m (FY 2020: EUR 2.7m) share of other comprehensive income of associates accounted for using the equity method in other comprehensive income.

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 2021 and/or 31 December 2020:

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 completed a written procedure regarding certain amendments to the terms and conditions of its up to EUR 150m senior secured bonds. At 31 March 2021 and 31 December 2020 DDM Debt held EUR 23m of the EUR 100m senior secured bonds following bond buybacks.

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 2021 and 31 December 2020.

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 was available until 15 March 2021 and priced at Euribor plus a margin of 350 basis points.

Senior secured notes EUR 18m
DDM Finance AB ("DDM Finance") has a total of EUR 18m of senior secured notes outstanding. DDM Finance used the majority of the net proceeds 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. 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. The maturity date of the senior secured notes is 30 June 2022.

Bond loan EUR 50m (EUR 33.5m at 31 March 2021)
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 2021 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.

On 14 August 2020 DDM Debt AB completed a written procedure to request certain amendments to the terms and conditions of its up to EUR 160m senior secured bonds. DDM Debt AB requested, among other things, to extend the final redemption date by twelve months to 11 December 2021 in anticipation that the volatility in the credit markets caused by the COVID-19 pandemic will decrease and that the financial markets will normalize. The amendments incorporated a mandatory partial redemption structure, including a EUR 7.5m of nominal value bond buyback paid on 16 September 2020, EUR 5m bond cancellation on 18 December 2020, call structure and consent fee of 1% that was paid on 28 August 2020. On 30 March 2021 EUR 4m was repaid as part of the mandatory partial redemption structure.

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. This was repaid in full in November 2020.

Note 9. Loans and borrowings… continued

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 2021						
Bond loan, 8%	32,521	–	–	–	–	**32,521**
Bond loan, 9.25%	–	75,566	–	–	–	**75,566**
Senior secured notes	–	17,612	–	–	–	**17,612**
Total	**32,521**	**93,178**	**–**	**–**	**–**	**125,699**
at 31 December 2020						
Revolving credit facility	8,971	–	–	–	–	**8,971**
Bond loan, 8%	36,391	–	–	–	–	**36,391**
Bond loan, 9.25%	–	75,303	–	–	–	**75,303**
Senior secured notes	–	17,537	–	–	–	**17,537**
Total	**45,362**	**92,840**	**–**	**–**	**–**	**138,202**

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 2021				
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	33,612	32,521
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	77,084	75,566
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,612
Total			**128,696**	**125,699**
at 31 December 2020				
Revolving credit facility	Financial liabilities at amortized cost	Level 2	9,000	8,971
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	36,244	36,391
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	72,865	75,303
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,537
Total			**136,109**	**138,202**

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.

Gross collections are comprised of cash collections from the distressed asset portfolios held by DDM, before commission and fees to third parties. The gross amount of cash collected is recorded as "Gross collections" within the line "Revenue on invested assets" in the consolidated income statement. DDM discloses the alternative performance measure "Gross collections" in the consolidated income statement separately, as it is a common measure to monitor the performance of portfolios in the debt purchasing industry.

Net collections is comprised of gross collections from the distressed asset portfolios 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, 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.

Note 10. ***Revenue recognition…*** *continued*

EUR '000s	1 Jan – 31 Mar 2021	1 Jan – 31 Mar 2020	Full Year 2020
Gross collections	**13,946**	**18,662**	**113,232**
Collection and commission expenses	(971)	(879)	(3,863)
Net collections by country:			
Croatia	6,961	1,333	14,461
Hungary	2,191	2,165	8,825
Slovenia	1,287	730	2,984
Czech Republic	1,011	1,800	5,411
Romania	652	752	2,658
Serbia	594	189	427
Bosnia	276	–	41
Slovakia	3	6	40
Greece	–	10,808	74,522
Net collections	**12,975**	**17,783**	**109,369**
Amortization of invested assets	(7,439)	(8,062)	(68,433)
Interest income on invested assets before revaluation and impairment	**5,536**	**9,721**	**40,936**
Revaluation of invested assets	532	(539)	(708)
Impairment of invested assets	–	–	(332)
Revenue on invested assets	**6,068**	**9,182**	**39,896**
Share of net profits of associate and joint venture	955	350	1,257
Revenue from management fees	–	1	74

Net collections for the full year 2020 included EUR 59.8m received from Greece in H2 2020, due to the accelerated collections received following the restructuring of the Greek investment. The entire carrying value remaining of EUR 43.8m prior to the restructuring was recognized as amortization. DDM assessed the transaction and concluded that it retains the same contractual rights to future cashflows in the distressed asset portfolio as prior to the restructuring and therefore has not derecognized the asset under IFRS 9 amortized cost.

Share of net profits of associate and joint venture
The results for Q1 2021 include EUR 0.8m (FY 2020: EUR 0.2m) share of net profits of the associate in the income statement and EUR 0.4m (FY 2020: EUR 2.7m) share of other comprehensive income of associates accounted for using the equity method in other comprehensive income.

The results for Q1 2021 also includes EUR 0.2m (Q1 2020: EUR 0.4m and FY 2020: EUR 1.1m) from share of net profits of joint venture accounted for using the equity method in accordance with IFRS.

Revenue from management fees
Revenue from management fees related to revenue received from co-investors where DDM managed the operations of the assets, but did 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-investors.

Note 11. **Related parties**

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 1,500k of brokerage fees were capitalized to prepayments in the first quarter of 2021 (FY 2020: 443k). In relation to the full year 2020 a further EUR 1,075k of brokerage fees was capitalized as transaction costs as part of the strategic investment in Addiko Bank AG and EUR 2,270k of brokerage fees were recognized in consultancy expenses. In relation to the full year 2019 an amount of EUR 1,610k of brokerage fees was capitalized as transaction costs as part of the bond refinancing during Q2 2019, resulting in EUR 143k (Q1 2020: EUR 125k and FY 2020: EUR 523k) of amortized transaction costs that were recognized within financial expenses in Q1 2021.

Current assets at 31 March 2021 includes EUR 1,367k receivable from AXFina Holding S.A. ("AxFina") for the sale of 82% of the shares held in AXFina Austria GmbH during the full year 2019.

Non-current assets at 31 March 2021 includes EUR 725k receivable from Omnione S.A. for an amount paid during the full year 2019 and EUR 430k from AxFina for amounts paid during 2019 and 2020.

Note 11. ***Related parties…*** *continued*

On 1 May 2020, NFE Unternehmensberatungs GmbH ("NFE"), a company related to Florian Nowotny, entered into an agreement with DDM where NFE provides services under an advisory agreement. Advisory services from NFE to DDM amounted to EUR 47k (FY 2020: EUR 126k) which has been recognized in consultancy expenses during Q1 2021.

On 1 September 2020, Therese Wennerholm, a person related to Henrik Wennerholm, entered into an employment agreement with DDM Debt AB to provide administration services for a period of up to twelve months. Administration services in relation to this agreement amounted to EUR 14k (FY 2020: EUR 18k) which has been recognized in consultancy expenses during Q1 2021.

On 18 December 2020, an agreement was signed to sell 100% of the equity in Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft ("Lombard") to AxFina for a nominal consideration. The closing of the transaction is subject to certain conditions precedent, and therefore at 31 March 2021 and 31 December 2020 DDM retained 100% control and ownership of the economic rights to the distressed asset portfolio located in Hungary.

In 2017 DDM undertook an investment in a Greek NPL transaction which was executed by making a structured investment of a net amount of EUR 36.4m into a Luxembourg SPV ("Artemis Finance Holding S.A.R.L."), whose shares are ultimately held by trusts attributable to Erik Fällström and Andreas Tuczka. In 2019 DDM further bought out the co-investor, with a total investment amounting to approximately EUR 20.1m. In 2020 DDM restructured its investment in the Greek NPL transaction which resulted in accelerated collections of EUR 59.8m being received in H2 2020 and the entire carrying value remaining of EUR 43.8m prior to the restructuring was recognized as amortization. DDM assessed the transaction and concluded that it retains the same contractual rights to future cashflows in the distressed asset portfolio as prior to the restructuring and therefore has not derecognized the asset under IFRS 9 amortized cost. Transactions between DDM Group companies (fully consolidated) and Artemis Finance Holding (and its subsidiaries) were as follows:

EUR '000s		**31 March 2021**	**31 March 2020**	**31 December 2020**
Income Statement	Net collections	–	10,808	74,522
	Revenue from management fees	–	–	70
	Amortization net of revaluation	–	(5,426)	(49,890)
Income Statement, Total		**–**	**5,382**	**24,702**

EUR '000s		**31 March 2021**	**31 December 2020**
Balance sheet	Accounts receivable	11,876	11,876
	Accrued expenses and deferred income	(2,064)	(2,064)
Balance sheet, Total		**9,812**	**9,812**

Note 12. **Subsequent events**

In April 2021, DDM Debt issued senior secured fixed rate bonds in an initial amount of EUR 150m under a framework of up to EUR 300m. The bonds have a five-year tenor and carry a fixed rate coupon of 9.00%. The bonds with ISIN number SE0015797683 have a final maturity date of 19 April 2026 and DDM Debt intends to apply for the bonds to be listed on the Corporate Bond list at Nasdaq Stockholm. The proceeds from the new bond issue were mainly employed towards refinancing the existing DDM2 02 EUR 33.5m bonds and DDM2 03 EUR 100m bonds with the remainder to be used for investments and acquisitions. At the time of the new bond issuance DDM Debt was holding approximately EUR 23m of the outstanding EUR 100m bonds.

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Jan – 31 Mar 2021	1 Jan – 31 Mar 2020	Full Year 2020
Gross collections	**13,946**	**18,662**	**113,232**
Incremental gross distribution from joint venture	1,737	3,787	10,055
Adjusted gross collections	**15,683**	**22,449**	**123,287**
Net collections	**12,975**	**17,783**	**109,369**
Incremental net distribution from joint venture	919	1,755	5,324
Adjusted net collections	**13,894**	**19,538**	**114,693**
Cash EBITDA	**10,266**	**15,409**	**96,839**
Incremental net distribution from joint venture	919	1,755	5,324
Adjusted cash EBITDA	**11,185**	**17,164**	**102,163**

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 gross collections, net collections and cash EBITDA 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 future, undiscounted projected cash collections before commission and fees from acquired portfolios and future reasonably expected dividends, distributions or other payments from investments, in each case for the next following 120 months, either directly or as a result of any rights to collect or any rights to participate in amounts generated from portfolios or investments. This includes the Group's share of proceeds on all portfolios purchased or other investments made, however adjusted for any profit-sharing arrangements entered into by any member of the Group and where available the market value of any portfolio acquired or investment made.

ERC is not a balance sheet item, however it is provided for informational purposes as a common measure in the debt purchasing industry. ERC may be calculated differently by other companies and may not be comparable.

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, investments in joint ventures and associates.

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 specialized multinational investor and manager of non-performing loans and special situations, 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 Zug, Switzerland and listed on Nasdaq First North Growth Market in Stockholm, Sweden, since August 2014.

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