



Significant investment in the Balkans and RCF extended

Highlights first quarter 2018

- **Significant investment in the Balkans** of about EUR 30M, with an additional investment of about EUR 10M pending regulatory approval expected in the coming months
- **Super senior revolving credit facility of EUR 17M** extended for a further six months until 28 September
- **Kent Hansson**, founder and Chairman of the Board of Directors became acting CEO from 5 February
- **New Chief Investment Officer**, Alessandro Pappalardo, appointed as a member of the Executive Management Committee
- **Gross ERC** at the end of March 2018 was EUR 279M, a significant increase of 240% (Q1 2017: EUR 82M)
- **Net collections** increased by 31% to EUR 10.7M (Q1 2017 EUR 8.1M)
- **Cash EBITDA** increased by 24% and amounted to EUR 8.6M (Q1 2017: EUR 7.0M)
- **Net profit for the period** of EUR 1.0M (Q1 2017: loss of EUR 2.5M)

Significant events after the end of the quarter

- **New Head of Business Development**, Henrik Wennerholm, appointed as a member of the Executive Management Committee

Amounts in EUR '000s (unless specified otherwise)	1 Jan – 31 Mar 2018*	1 Jan – 31 Mar 2017*	Full Year 2017
Net collections	10,683	8,147	37,434
Revenue from management fees	229	346	1,876
Operating expenses	(2,270)	(1,508)	(7,039)
Cash EBITDA	8,642	6,985	32,271
Amortization, revaluation and impairment of invested assets	(3,838)	(4,423)	(18,959)
Operating profit	4,772	2,531	13,169
Net profit / (loss) for the period**	997	(2,547)	664
Selected key figures			
Total assets	184,124	84,489	183,577
Net debt	110,125	22,974	86,048
Equity ratio	17.3%	32.9%	16.8%
Cash flow from operating activities before working capital changes	4,506	3,212	21,639
Gross ERC 120 months (EUR M)	279	82	250
Earnings per share before and after dilution (EUR)	0.07	(0.28)	0.05
Average number of shares during the period	13,560,447	9,040,298	12,408,738
Total number of shares at the end of the period***	13,560,447	13,560,447	13,560,447

* Unaudited

** The results for Q1 2017 and the full year 2017 were negatively impacted by c. EUR 3.1M of non-recurring items due to the bond refinancing in Q1 2017

*** The rights issue was recognized in equity in Q1 2017 as the proceeds were received at the end of the quarter, and the new shares were registered with the commercial register on 3 April 2017

The information in this interim report requires DDM Holding AG to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 3 May 2018 at 08:00 CET.

Comment by the CEO

In the first quarter of 2018 we built on the positive momentum from 2017, and continued our rapid expansion. In March we invested about EUR 30M in a significant portfolio containing secured corporate receivables in the Balkans. About 90% of the portfolio value is located in Slovenia and Croatia, and this transaction also includes receivables in Bosnia & Herzegovina and Montenegro, among others. Entering these markets delivers on our growth strategy and demonstrates our flexibility and solid industry experience. As a result of this transaction our Estimated Remaining Collections (ERC) increased by 12% compared to 31 December 2017. This transaction also rebalanced the composition of DDM's portfolio, resulting in Croatia being our largest market at the end of March, amounting to 29% of our overall book value of distressed asset portfolios, followed by Greece and Slovenia representing 28% and 19% respectively. An additional investment of about EUR 10M in the Balkans portfolio is pending regulatory approval, which is expected in the coming months.

During the quarter we also strengthened the management team, with Alessandro Pappalardo appointed as Chief Investment Officer and a member of DDM's Executive Management Committee in February. Mr. Pappalardo has extensive industry experience, including from Goldman Sachs as well as Intrum Justitia, where he served as Chief Investment Officer on the Group Management Team. Kent Hansson, founder and Chairman of the Board of Directors also assumed the position of acting CEO from 5 February. After the end of the quarter, Henrik Wennerholm was appointed as Head of Business Development and a member of DDM's Executive Management Committee. Mr. Wennerholm also has extensive industry experience from companies such as Hoist, Aktiv Kapital (PRA Group) and, most recently, B2Holding ASA where he served as Head of Business Development and a member of the Group Executive Management Team. He was also the founding partner and CEO of the Nordic NPL investor and debt recovery specialist Sileo Kapital AB, which was acquired by B2Holding ASA in 2014. The management team is expected to be further strengthened in the coming quarters.

Net collections increased by 31% in Q1 2018 compared to Q1 2017. Revenue from management fees were EUR 0.2M in the quarter. The higher net collections resulted in cash EBITDA for the first quarter of EUR 8.6M, an increase of 24% compared to Q1 2017. The net result was a profit of EUR 1.0M for Q1 2018 compared to a loss of EUR 2.5M in Q1 2017 (profit of EUR 0.6M in Q1 2017 excluding non-recurring items related to the refinancing).

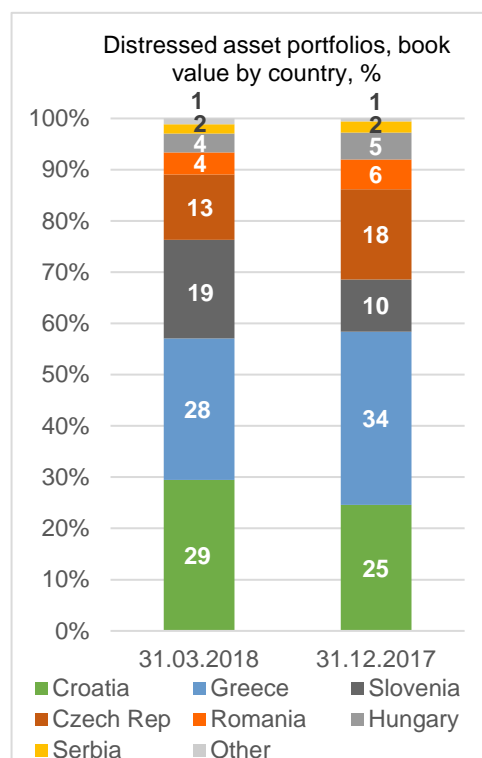
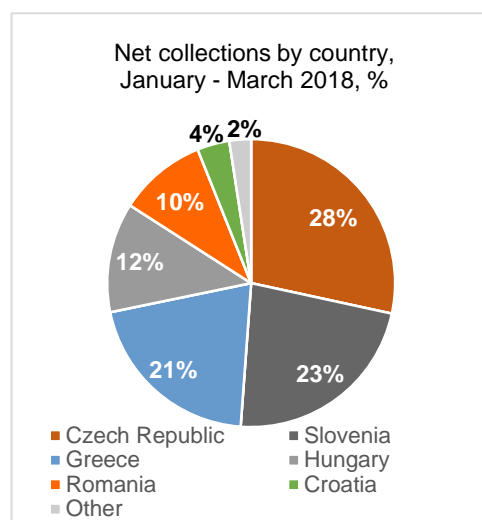
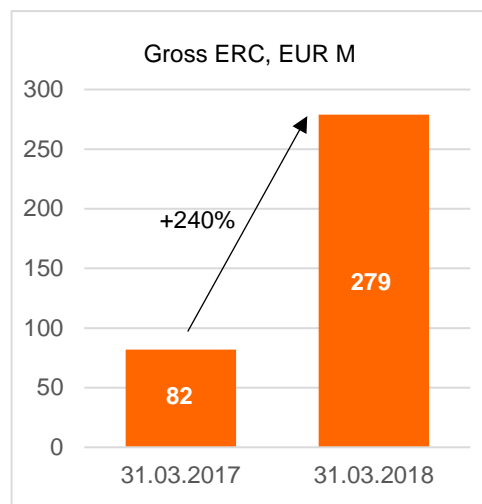
In March we extended our revolving credit facility of EUR 17M with a Swedish bank for a further six months until 28 September. Funding of the business will continue to be a focus area going forward to further improve flexibility, decrease the cost of capital and support our rapid growth.

Our strong operational performance resulted in cash flow from operating activities before working capital changes of EUR 4.5M in the first quarter compared to EUR 3.2M in Q1 2017.

Market outlook

Regulatory, accounting and market pressures will continue to drive banks and financial institutions around Europe to improve their balance sheets through disposing of their non-performing assets. We therefore expect our strong profitable growth to continue, as we believe that there will continue to be plenty of good business opportunities for DDM.

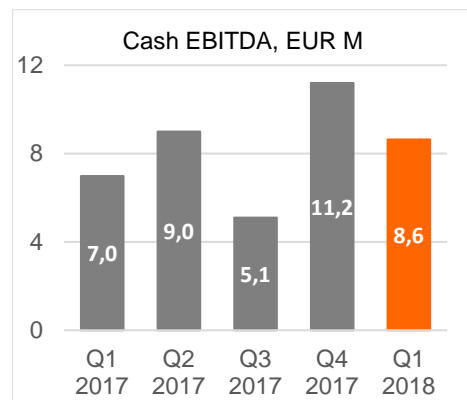
However, DDM's rate of growth and financial results will continue to vary from quarter to quarter, impacted by the timing of significant investments. As we



primarily target larger portfolios and they generally take longer to complete, this potentially results in positive one-off effects during the quarter the portfolio is acquired.

In 2018 our target is to double our investments compared to 2017 by investing more than EUR 165M and we anticipate operating expenses of EUR 8M. We aim to deliver sizeable and profitable growth in 2018 as we continue to focus on our markets in SEE and CEE where we have strong market knowledge and relationships.

Baar, 3 May 2018
DDM Holding AG
Kent Hansson, acting CEO



Financial calendar

DDM intends to publish financial information on the following dates:

Annual General Meeting:	23 May 2018
Interim report for January – June 2018:	31 July 2018
Interim report for January – September 2018:	8 November 2018
Q4 and full year report 2018:	February 2019

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

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

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 3 May 2018, at 08:00 CET.

Acting CEO Kent Hansson and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 3 May 2018, starting at 10:00 CET. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers: SE: +46 8 503 365 64, CH: +41 225 675 548 or UK: +44 203 008 9803.

Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Jan – 31 Mar 2018*	1 Jan – 31 Mar 2017*	Full Year 2017
Revenue on invested assets	8	6,845	3,724	18,475
Reconciliation of revenue on invested assets:				
<i>Net collections</i>		10,683	8,147	37,434
<i>Amortization of invested assets</i>		(3,838)	(4,725)	(19,164)
<i>Revaluation and impairment of invested assets</i>		–	302	205
Revenue from management fees	8	229	346	1,876
Personnel expenses		(1,032)	(771)	(3,422)
Consulting expenses		(704)	(507)	(2,381)
Other operating expenses		(534)	(229)	(1,236)
Amortization and depreciation of tangible and intangible assets		(32)	(32)	(143)
Operating profit		4,772	2,531	13,169
Financial expenses**		(3,809)	(4,808)	(12,016)
Unrealized exchange profit / (loss)		85	(262)	594
Realized exchange (loss) / profit		(32)	50	(526)
Net financial expenses		(3,756)	(5,021)	(11,948)
Profit / (loss) before income tax		1,016	(2,490)	1,221
Tax (expense) / income		(19)	(57)	(557)
Net profit / (loss) for the period		997	(2,547)	664
Net profit / (loss) for the period attributable to:				
Owners of the Parent Company		997	(2,547)	664
Earnings per share before and after dilution (EUR)		0.07	(0.28)	0.05
Average number of shares		13,560,447	9,040,298	12,408,738
Number of shares at the end of period		13,560,447	13,560,447	13,560,447

* Unaudited

** The bond refinancing in Q1 2017 resulted in total negative non-recurring items of approximately EUR 3.1M in the first quarter of 2017 due to the non-cash write off of about EUR 1.9M for the remaining transaction costs on the old bonds, in addition to the call premium of approximately EUR 1.2M for the SEK 300M bond

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Jan – 31 Mar 2018*	1 Jan – 31 Mar 2017*	Full Year 2017
Net profit / (loss) for the period	997	(2,547)	664
Other comprehensive income for the period			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gain / (loss) on post-employment benefit commitments	–	–	(184)
Deferred tax on post-employment benefit commitments	–	–	44
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Currency translation differences	(4)	–	57
Other comprehensive income for the period, net of tax	(4)	–	(83)
Total comprehensive income for the period	993	(2,547)	581
Total comprehensive income for the period attributable to:			
Owners of the Parent Company	993	(2,547)	581

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 March 2018*	31 December 2017
ASSETS			
<i>Non-current assets</i>			
Goodwill	6	4,160	4,160
Intangible assets	6	1,498	1,526
Tangible assets	5	50	54
Interests in associates		600	600
Distressed asset portfolios	4	132,658	105,547
Other long-term receivables from investments	4	5,109	5,865
Deferred tax assets	3	1,403	1,403
Other non-current assets		115	116
Total non-current assets		145,593	119,271
<i>Current assets</i>			
Accounts receivable		2,161	4,994
Other receivables		1,583	603
Prepaid expenses and accrued income		524	591
Cash and cash equivalents		34,263	58,118
Total current assets		38,531	64,306
TOTAL ASSETS		184,124	183,577
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		11,780	11,780
Share premium		21,030	21,030
Other reserves		(544)	(540)
Accumulated losses incl. net profit / loss for the period		(359)	(1,356)
Total shareholders' equity attributable to Parent Company's shareholders		31,907	30,914
<i>Long-term liabilities</i>			
Loans	7	134,388	134,166
Post-employment benefit commitments		963	913
Deferred tax liabilities	3	490	490
Total long-term liabilities		135,841	135,569
<i>Current liabilities</i>			
Accounts payable		1,086	858
Tax liabilities		986	814
Accrued interest		3,020	3,822
Accrued expenses and deferred income		1,284	1,600
Loans	7	10,000	10,000
Total current liabilities		16,376	17,094
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		184,124	183,577

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Jan – 31 Mar 2018*	1 Jan – 31 Mar 2017*	Full Year 2017
Cash flow from operating activities			
Operating profit	4,772	2,531	13,169
<i>Adjustments for non-cash items:</i>			
<i>Amortization of invested assets</i>	3,838	4,725	19,164
<i>Revaluation and impairment of invested assets</i>	–	(302)	(205)
<i>Depreciation, amortization and impairment of tangible and intangible assets</i>	32	32	143
<i>Other items not affecting cash</i>	(8)	38	(2,653)
Interest paid	(4,128)	(3,797)	(7,947)
Interest received	–	–	6
Tax paid	–	(14)	(38)
Cash flow from operating activities before working capital changes	4,506	3,212	21,639
Working capital adjustments			
(Increase) / decrease in accounts receivable	2,833	6	(2,118)
(Increase) / decrease in other receivables	(1,099)	(430)	(892)
Increase / (decrease) in accounts payable	228	140	(710)
Increase / (decrease) in other current liabilities	(316)	1,153	681
Net cash flow from operating activities	6,152	4,081	18,600
Cash flow from investing activities			
Purchases of distressed asset portfolios and other long-term receivables from investments	(29,977)	(5,593)	(95,579)
Proceeds from divestment of distressed asset portfolios and other long-term receivables from investments	–	–	13,570
Purchases of tangible and intangible assets	(1)	(9)	(22)
Net cash flow received / (used) in investing activities	(29,978)	(5,602)	(82,031)
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	–	4,240	4,240
Share premium	–	5,518	5,518
Proceeds from issuance of loans	–	48,452	158,212
Repayment of loans	–	(39,645)	(56,645)
Net cash flow received / (used) in financing activities	–	18,565	111,325
Cash flow for the period	(23,826)	17,045	47,894
Cash and cash equivalents less bank overdrafts at beginning of the period	58,118	10,599	10,599
Foreign exchange gains / (losses) on cash and cash equivalents	(29)	(90)	(375)
Cash and cash equivalents less bank overdrafts at end of the period	34,263	27,553	58,118

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Share premium	Other reserves	Accumulated losses incl. net profit / loss for the period	Total equity
Balance at 1 January 2017	7,540	15,512	(584)	(1,893)	20,575
Net loss for the period	–	–	–	(2,547)	(2,547)
Other comprehensive income					
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	–	–
Currency translation differences	–	–	–	–	–
Deferred tax on post-employment benefit commitments	–	–	–	–	–
Total comprehensive income	–	–	–	(2,547)	(2,547)
<i>Transactions with owners</i>					
New share issue	4,240	5,518	–	–	9,758
Total transactions with owners	4,240	5,518	–	–	9,758
Balance at 31 March 2017*	11,780	21,030	(584)	(4,439)	27,787
Balance at 1 January 2018	11,780	21,030	(540)	(1,356)	30,914
Net profit for the period	–	–	–	997	997
Other comprehensive income					
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	–	–
Currency translation differences	–	–	(4)	–	(4)
Deferred tax on post-employment benefit commitments	–	–	–	–	–
Total comprehensive income	–	–	(4)	997	993
<i>Transactions with owners</i>					
Total transactions with owners	–	–	–	–	–
Balance at 31 March 2018*	11,780	21,030	(544)	(359)	31,907

* 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 2017. DDM's principal accounting policies are set out in Note 3 to the consolidated financial statements in the Annual Report 2017 and conform with International Financial Reporting Standards (IFRS) as adopted by the EU.

As of 1 January 2018 there are several new IFRS standards. IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers have been applied from 1 January 2018.

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 2018	31 December 2017
DDM Group AG	Fully consolidated	Switzerland	100%	100%
DDM Invest I AG	Fully consolidated	Switzerland	100%	100%
DDM Invest II AG	Fully consolidated	Switzerland	100%	100%
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Invest IV AG	Fully consolidated	Switzerland	100%	100%
DDM Invest VII AG	Fully consolidated	Switzerland	100%	100%
DDM Invest X AG	Fully consolidated	Switzerland	100%	100%
DDM Invest XX AG	Fully consolidated	Switzerland	100%	100%
DDM Debt AB	Fully consolidated	Sweden	100%	100%
DDM Finance AB	Fully consolidated	Sweden	100%	100%
DDM Treasury Sweden AB	Fully consolidated	Sweden	100%	100%
DDM Facility Debt AB	Fully consolidated	Sweden	100%	–
DDM Facility Finance AB	Fully consolidated	Sweden	100%	–
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Debt Management d.o.o Beograd	Fully consolidated	Serbia	100%	100%

Associates

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

Associates	Consolidation method	Domicile	31 March 2018	31 December 2017
Profinance doo Beograd	Equity method	Serbia	49.67%	49.67%

Post-employment benefit commitment

The post-employment benefit commitment is calculated on an annual basis. In 2017 and 2018 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 2018 all fully consolidated group entities have EUR as their functional currency, except for DDM Debt Management d.o.o Beograd, which has Serbian Dinar (RSD) as its functional currency.

Note 3. Deferred taxes

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

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

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

Other long-term receivables from investments

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

The following investments are treated in this manner:

Entity	Domicile	31 March 2018	31 December 2017
FinAlp Zrt.	Hungary	100%	100%
Lombard Pénzügyi és Lízing Zrt.	Hungary	100%	100%
Lombard Ingatlan Lízing Zrt.	Hungary	100%	100%
Lombard Bérlet Kft.	Hungary	100%	100%

Distressed asset portfolios and other long-term receivables from investments

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

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

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

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

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

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

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 2018	31 December 2017
EUR	82,005	53,427
HRK	28,128	27,368
CZK	17,590	19,595
HUF	5,109	5,865
RSD	2,449	2,417
RON	2,187	2,411
RUB	299	329
Total	137,767	111,412

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. Tangible assets

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

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

Furniture	5 years
Computer hardware	5 years

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

Note 6. Intangible assets

- (i) Identifiable intangible assets

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

- (ii) Goodwill

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

Note 7. Borrowings

The Group had the following outstanding borrowings at the balance sheet dates of 31 March 2018 and/or 31 December 2017:

Bond loan EUR 50M

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

Senior secured notes EUR 10M

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, which thereby qualifies as equity under the 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.

Revolving credit facility EUR 17M

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

Bond loan EUR 85M

EUR 50M of senior secured bonds at 9.5% were issued by DDM Debt on 30 January 2017, within a total framework amount of EUR 85M. The bonds with ISIN number SE0009548332 have a final maturity date of 30 January 2020 and are listed on the Corporate Bond list at Nasdaq Stockholm. The proceeds were used to refinance existing debt within the DDM Group, with the remaining balance of about EUR 10M used for portfolio investments. In April 2017, DDM Debt successfully completed a EUR 35M tap issue under the EUR 85M senior secured bond framework. The bond tap issue was placed at a price of 101.5%, representing a yield to maturity of c. 9%.

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 and the revolving credit facility 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 2018 and 31 December 2017.

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

Other loans

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

Bond loan SEK 300M

A bond loan was issued in June 2013, totaling SEK 300M at 13% interest by DDM Treasury Sweden AB ("DDM Treasury"). The bonds were voluntarily fully redeemed by DDM Treasury on 20 February 2017 in connection with the issuance of the EUR 50M bond loan in January 2017 (see "Bond loan EUR 85M" section above for details). In connection with the redemption, the bond holders were paid the applicable call option amount, being 104% of the nominal amount, plus accrued but unpaid interest.

Bond loan EUR 11M

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

Maturity profile and carrying value of borrowings:

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 2018						
Senior secured notes	10,000	–	–	–	–	10,000
Bond loan, 8%	–	–	48,662	–	–	48,662
Bond loan, 9.5%	–	83,726	–	–	–	83,726
Loans	–	2,000	–	–	–	2,000
Total	10,000	85,726	48,662	–	–	144,388
at 31 December 2017						
Senior secured notes	10,000	–	–	–	–	10,000
Bond loan, 8%	–	–	48,597	–	–	48,597
Bond loan, 9.5%	–	–	83,569	–	–	83,569
Loans	–	2,000	–	–	–	2,000
Total	10,000	2,000	132,166	–	–	144,166

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

Fair value of borrowings:

EUR '000s	IFRS 9 category	Fair value category	Fair value	Carrying value
at 31 March 2018				
Senior secured notes	Financial liabilities at amortized cost	Level 2	10,000	10,000
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	50,000	48,662
Bond loan, 9.5%	Financial liabilities at amortized cost	Level 2	87,975	83,726
Loans	Financial liabilities at amortized cost	Level 2	2,000	2,000
Total			149,975	144,388
at 31 December 2017				
Senior secured notes	Financial liabilities at amortized cost	Level 2	10,000	10,000
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	50,000	48,597
Bond loan, 9.5%	Financial liabilities at amortized cost	Level 2	87,975	83,569
Loans	Financial liabilities at amortized cost	Level 2	2,000	2,000
Total			149,975	144,166

The levels in the hierarchy are:

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

Note 8. Revenue recognition

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

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

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

EUR '000s	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017	Full Year 2017
Net collections by country:			
Czech Republic	3,034	1,493	7,252
Slovenia	2,432	3,275	10,564
Greece	2,200	–	1,958
Hungary	1,317	2,025	8,365
Romania	1,053	1,237	5,042
Croatia	387	–	3,592
Slovakia	132	66	362
Serbia	100	–	111
Russia	28	52	188
Net collections	10,683	8,147	37,434
Amortization of invested assets	(3,838)	(4,725)	(19,164)
Interest income on invested assets before revaluation and impairment	6,845	3,422	18,270
Revaluation of invested assets	–	514	808
Impairment of invested assets	–	(213)	(603)
Revenue on invested assets	6,845	3,724	18,475
Revenue from management fees	229	346	1,876

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

Note 9. Subsequent events

New Head of Business Development, Henrik Wennerholm, appointed as a member of the Executive Management Committee.

Definitions

DDM

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

Amortization of invested assets

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

Cash EBITDA

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

Earnings per share/EPS

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

EBITDA

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

Estimated Remaining Collections / ERC

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

Equity

Shareholders' equity at the end of the period.

Equity ratio

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

Impairment of invested assets

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

Invested assets

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

Net collections

Gross collections in respect of the invested assets held by DDM minus commission and fees to third parties.

Net debt

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

Non-recurring items

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

Operating expenses

Personnel, consulting and other operating expenses.

Revaluation of invested assets

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

About DDM

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

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

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

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



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