DDM DEBT AB (publ)

Corporate Registration Number: 559053-6230

Q1 interim report | 1 January – 31 March 2019

Strong collections and successful refinancing supporting future acquisitions

Highlights first quarter 2019

- Net collections increased by 72% to EUR 18.1M (Q1 2018 EUR 10.5M)**
- Cash EBITDA increased by 85% and amounted to EUR 16.4M (Q1 2018: EUR 8.9M)
- Net loss for the period of EUR 0.5M (Q1 2018: profit of EUR 0.9M)
- Cash on hand available for investment at the end of March 2019 was EUR 61M (Q4 2018: EUR 57M)
- Secured super senior revolving credit facility of EUR 27M significantly lowering the cost of funding, priced at Euribor plus a margin of 350 basis points and available for a period of up to two years
- Sale of portfolios in Russia resulted in EUR 2M gain
- Operational launch of partnership to provide portfolio management services for secured portfolios in the Balkans

Significant events after the end of the quarter

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

Amounts in EUR '000s (unless specified otherwise)	**1 Jan – 31 Mar 2019***	**1 Jan – 31 Mar 2018***	**Full year 2018**
Net collections***	18,140	10,544	64,759
Operating expenses	(1,696)	(1,676)	(6,809)
Cash EBITDA	16,444	8,868	57,950
Amortization, revaluation and impairment of invested assets	(12,526)	(3,768)	(37,002)
Operating profit	3,915	5,100	20,946
Net (loss) / profit for the period	(500)	940	2,144
Selected key figures			
Total assets	184,084	178,232	184,719
Net debt	72,358	98,326	75,959
Cash flow from operating activities before working capital changes	12,653	4,906	45,308
Equity ratio**	21.7%	20.2%	21.7%

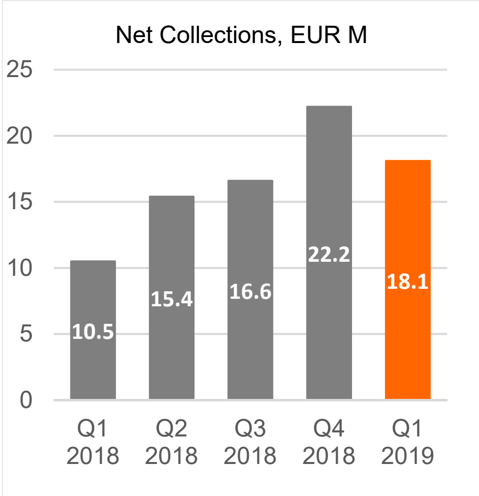
* Unaudited
** Equity ratio calculated according to the terms and conditions of the senior secured bonds
*** Included within net collections is the gain on sale of invested assets

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

DDM Debt AB is part of the DDM Group, a specialized multinational investor and manager of distressed assets.

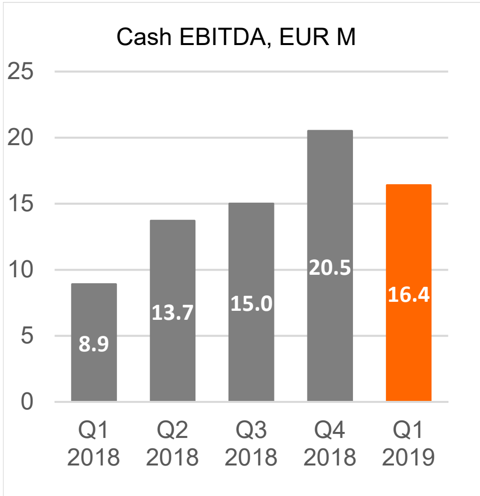
Comment by the CEO

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



Net collections increased by 72% compared to the first quarter in 2018 driven by collections from corporate secured portfolios acquired in 2018 in the Balkans and the collections from the sale of our Russian portfolios. The sale of our Russian portfolios resulted in a gain of EUR 2M that demonstrates the underlying value of the portfolios, ERC and our dynamic business model that can capitalize on profitable business opportunities. This has resulted in cash EBITDA of EUR 16M, a significant increase of 85% to the corresponding period last year due to both the increased scalability of DDM's operations and the strategic shift to invest primarily in secured portfolios following recent acquisitions.

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



Significantly lowering the cost of funding

The new RCF is available for a period of up to two years and priced at Euribor plus a margin of 350 basis points. After the end of the period we also issued a new EUR 100M senior secured bond with a three-year period, priced at Euribor plus a margin of 925 basis points. The proceeds from the new bond issue will mainly be employed towards refinancing the existing EUR 85M bond issue and for general corporate purposes. Cash on hand available for investment is EUR 61M at the end of March 2019, which is expected to be fully utilized and thereby increasing asset utilization from 67% and improving the financial performance.

Third party review confirming DDM's future ERC

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

Strategic shift towards secured portfolios

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

Market outlook

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

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

Stockholm, 2 May 2019
DDM Debt AB (publ)
Henrik Wennerholm, CEO

Financial calendar

DDM Debt AB (publ) intends to publish financial information on the following dates:

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

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

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

Presentation of the report

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

CEO Henrik Wennerholm and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 2 May 2019, starting at 10:00 CET. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers: SE: +46 8 505 583 59, CH: +41 225 805 977 or UK: +44 333 300 9260.

Financial results
Net collections totalled EUR 18.1M in the first quarter 2019, an increase by 72% compared with EUR 10.5M for the corresponding period last year. This increase is driven by the corporate secured portfolios acquired in 2018 located in the Balkans and collections from the sale of our Russian portfolios. Following this positive trend, cash EBITDA increased significantly by 85% to EUR 16.4M, compared to EUR 8.9M for the corresponding period last year.

In the first quarter 2019 operating expenses were EUR 1.7M, in line with the corresponding period in 2018.

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

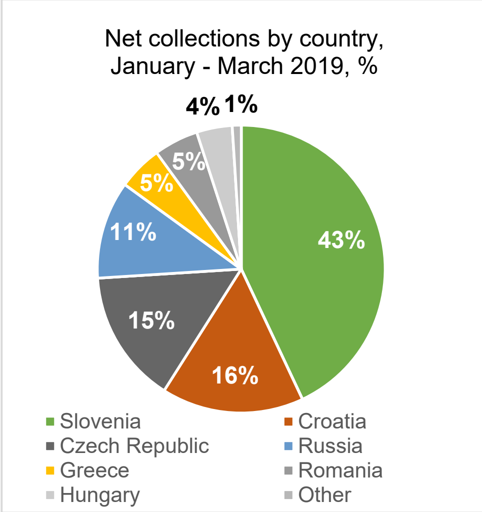
Strong operational performance resulted in cash flow from operating activities before working capital changes of EUR 12.7M in the first quarter compared to EUR 4.9M in Q1 2018.

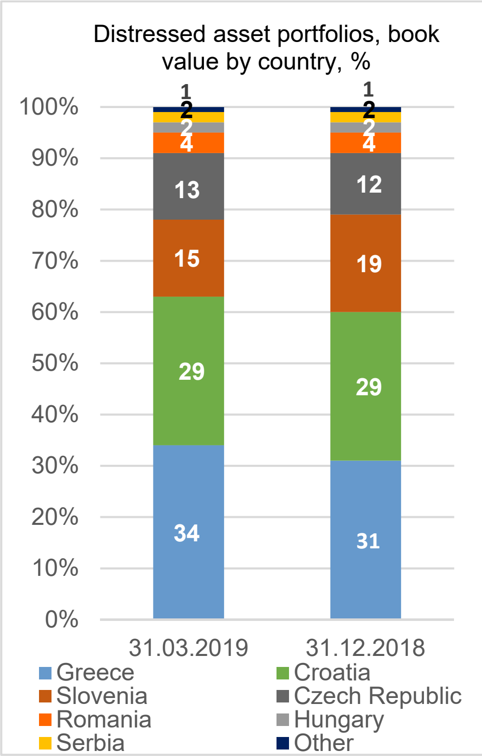
Sale of Russian portfolios resulting in approximately EUR 2M gain
During the first quarter DDM sold its portfolios in Russia resulting in a realized gain of approximately EUR 2M that has been recognized in the P&L as net collections on sale of invested assets. This transaction demonstrates the underlying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

Projected ERC
ERC at the end of the quarter stands at EUR 211M, 10% lower than as at 31 December 2018. Projected ERC is expected to increase by about EUR 100M or 46% to EUR 311M, from EUR 217M at the end of March 2019 in light of committed investments including the acquisition of a significant portfolio containing secured corporate receivables in Croatia. The majority of the collections are expected to be received in the first three years and thereby accelerate the overall collections profile.

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

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





Consolidated Income Statement

Amounts in EUR ‘000s	Notes	1 Jan – 31 Mar 2019*	1 Jan – 31 Mar 2018*	Full year 2018
Revenue on invested assets	4	**5,614**	**6,776**	**27,757**
Personnel expenses		(71)	(66)	(144)
Consulting expenses		(1,578)	(1,564)	(6,304)
Other operating expenses		(47)	(46)	(361)
Depreciation of tangible assets		(3)	–	(2)
Operating profit		**3,915**	**5,100**	**20,946**
Financial income		55	55	220
Financial expenses		(4,224)	(4,316)	(17,634)
Unrealized exchange (loss) / profit		(143)	83	(328)
Realized exchange (loss) / profit		(7)	11	(123)
Net financial expenses		**(4,319)**	**(4,167)**	**(17,865)**
(Loss) / profit before income tax		**(404)**	**933**	**3,081**
Tax income / (expense)		(96)	7	(937)
Net (loss) / profit for the period		**(500)**	**940**	**2,144**
Net (loss) / profit for the period attributable to:				
Owners of the Parent Company		**(500)**	**940**	**2,144**

* Unaudited

Consolidated Statement of Comprehensive Income

Amounts in EUR ‘000s	1 Jan – 31 Mar 2019*	1 Jan – 31 Mar 2018*	Full year 2018
Net (loss) / profit for the period	**(500)**	**940**	**2,144**
Other comprehensive income for the period			
Currency translation differences	5	(4)	(4)
Other comprehensive income for the period, net of tax	**5**	**(4)**	**(4)**
Total comprehensive income for the period	**(495)**	**936**	**2,140**
Total comprehensive income for the period attributable to:			
Owners of the Parent Company	**(495)**	**936**	**2,140**

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 March 2019*	31 December 2018
ASSETS			
Non-current assets			
Tangible assets	5	102	9
Interests in associates		13	13
Distressed asset portfolios	6	101,448	113,943
Other long-term receivables from investments	6	2,081	2,422
Prepayment on investment in joint venture	6	10,661	–
Loans to other group companies		2,000	2,000
Accrued interest from other group companies		466	411
Deferred tax assets		436	436
Other non-current assets		113	107
Total non-current assets		**117,320**	**119,341**
Current assets			
Accounts receivable		3,932	7,279
Receivables from other group companies		190	422
Other receivables		389	374
Prepaid expenses and accrued income		1,092	37
Cash and cash equivalents		61,161	57,266
Total current assets		**66,764**	**65,378**
TOTAL ASSETS		**184,084**	**184,719**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		54	54
Other reserves		1	(4)
Retained earnings including net profit / (loss) for the period		8,311	8,811
Total shareholders' equity attributable to Parent Company's shareholders		**8,366**	**8,861**
LIABILITIES			
Non-current liabilities			
Bond loans	7	49,127	133,225
Lease liabilities	1	39	–
Payables to other group companies		1,670	1,433
Payables to other group companies, subordinated		1,775	1,775
Loans from other group companies, subordinated		19,747	19,400
Deferred tax liabilities		250	250
Total non-current liabilities		**72,608**	**156,083**
Current liabilities			
Accounts payable		309	448
Tax liabilities		2,242	2,190
Accrued interest		4,446	5,165
Accrued expenses and deferred income		1,687	1,972
Loans from other group companies, subordinated		10,000	10,000
Bond loans	7	84,392	–
Lease liabilities	1	34	–
Total current liabilities		**103,110**	**19,775**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**184,084**	**184,719**

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Jan – 31 Mar 2019*	1 Jan – 31 Mar 2018*	Full year 2018
Cash flow from operating activities			
Operating profit	3,915	5,100	20,946
Adjustments for non-cash items:			
Amortization of invested assets	*11,468*	*3,768*	34,405
Revaluation and impairment of invested assets	1,058	–	2,597
Depreciation of tangible assets	3	–	2
Other items not affecting cash	*258*	*76*	(184)
Interest paid	(4,038)	(4,038)	(12,395)
Tax paid	(11)	–	(63)
Cash flow from operating activities before working capital changes	**12,653**	**4,906**	**45,308**
Working capital adjustments			
(Increase) / decrease in accounts receivable	3,347	2,833	(2,285)
(Increase) / decrease in other receivables	(1,070)	(1,234)	40
Increase / (decrease) in accounts payable	(139)	81	150
Increase / (decrease) in other current liabilities	(214)	(255)	(1,183)
Net cash flow from operating activities	**14,577**	**6,331**	**42,030**
Cash flow from investing activities			
Purchases of distressed asset portfolios and other long-term receivables from investments	–	(29,977)	(42,313)
Prepayment on investment in joint venture	(10,661)	–	–
Purchases of tangible assets	(16)	(1)	(4)
Net cash flow received / (used) in investing activities	**(10,677)**	**(29,978)**	**(42,317)**
Cash flow from financing activities			
Net cash flow received / (used) in financing activities	**–**	**–**	**–**
Cash flow for the period	**3,900**	**(23,647)**	**(287)**
Cash and cash equivalents less bank overdrafts at beginning of the period	**57,266**	**57,697**	**57,697**
Effects from the acquisition of other group companies	–	–	–
Foreign exchange gains / (losses) on cash and cash equivalents	(5)	12	(144)
Cash and cash equivalents less bank overdrafts at end of the period	**61,161**	**34,062**	**57,266**

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Other reserves	Retained earnings incl. net profit / (loss) for the period	Total equity
Balance at 1 January 2018	**54**	**–**	**6,667**	**6,721**
Net profit for the period	–	–	940	**940**
Other comprehensive income				
Currency translation differences	–	(4)	–	**(4)**
Total comprehensive income	**–**	**(4)**	**940**	**936**
Transactions with owners				
Total transactions with owners	**–**	**–**	**–**	**–**
Balance at 31 March 2018*	**54**	**(4)**	**7,607**	**7,657**
Balance at 1 January 2019	**54**	**(4)**	**8,811**	**8,861**
Net profit / (loss) for the period	–	–	(500)	**(500)**
Other comprehensive income				
Currency translation differences	–	5	–	**5**
Total comprehensive income	**–**	**5**	**(500)**	**(495)**
Transactions with owners				
Total transactions with owners	**–**	**–**	**–**	**–**
Balance at 31 March 2019*	**54**	**1**	**8,311**	**8,366**

* Unaudited

Parent Company – Income Statement

Amounts in EUR '000s	1 Jan – 31 Mar 2019*	1 Jan – 31 Mar 2018*	Full year 2018
Revenue	–	–	–
Personnel expenses	–	(10)	(24)
Consulting expenses	(41)	(28)	(172)
Other operating expenses	(17)	(19)	(92)
Operating loss	**(58)**	**(57)**	**(288)**
Financial income	3,851	3,696	14,973
Financial expenses	(3,506)	(3,677)	(14,641)
Unrealized exchange loss	(2)	(2)	(2)
Realized exchange profit	1	1	–
Net financial income / (expense)	**344**	**18**	**330**
Profit / (loss) before income tax	**286**	**(39)**	**42**
Tax expense	(63)	–	2
Net profit / (loss) for the period	**223**	**(39)**	**44**

* Unaudited

Parent Company – Statement of Comprehensive Income

Amounts in EUR '000s	1 Jan – 31 Mar 2019*	1 Jan – 31 Mar 2018*	Full year 2018
Net profit / (loss) for the period	**223**	**(39)**	**44**
Other comprehensive income for the period, net of tax			
Items that will not be reclassified to profit or loss	–	–	–
Items that may subsequently be reclassified to profit or loss	–	–	–
Total other comprehensive income for the period, net of tax	**–**	**–**	**–**
Total comprehensive income for the period	**223**	**(39)**	**44**

* Unaudited

Parent Company – Balance Sheet

Amounts in EUR '000s	Notes	31 March 2019*	31 December 2018
ASSETS			
Non-current assets			
Tangible assets		5	–
Participations in other group companies	8	9,478	9,478
Loans to other group companies		150,417	150,123
Accrued interest from other group companies		466	411
Other non-current assets		7	–
Total non-current assets		**160,373**	**160,012**
Current assets			
Other receivables		1	16
Prepaid expenses and accrued interest income		6,111	6,030
Cash and cash equivalents		236	707
Total current assets		**6,348**	**6,753**
TOTAL ASSETS		**166,721**	**166,765**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		54	54
Retained earnings including net profit / (loss) for the period		5,475	5,252
Total shareholders' equity		**5,529**	**5,306**
Non-current liabilities			
Bond loans	7	49,127	133,225
Payables to other group companies		5,316	5,316
Loans from other group companies		7,000	7,000
Total non-current liabilities		**61,443**	**145,541**
Current liabilities			
Accounts payable		–	102
Tax liabilities		74	13
Accrued interest		5,197	5,734
Accrued expenses and deferred income		86	69
Loans from other group companies, subordinated		10,000	10,000
Bond loans		84,392	–
Total current liabilities		**99,749**	**15,918**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**166,721**	**166,765**

* Unaudited

Parent Company – Cash Flow Statement

Amounts in EUR '000s	1 Jan – 31 Mar 2019*	1 Jan – 31 Mar 2018*	Full year 2018
Cash flow from operating activities			
Operating loss	(58)	(57)	(288)
Other items not affecting cash	(261)	(78)	(116)
Interest paid	(4,038)	(4,038)	(12,395)
Interest received	3,957	3,840	11,924
Cash flow from operating activities before working capital changes	**(400)**	**(333)**	**(875)**
Working capital adjustments			
(Increase) / decrease in other receivables	15	800	800
Increase / (decrease) in accounts payable	(102)	–	95
Increase / (decrease) in other current liabilities	17	(234)	(173)
Net cash flow from operating activities	**(470)**	**233**	**(153)**
Cash flow from investing activities			
Loans to group companies	–	(48,500)	(59,500)
Repayment of loans to group companies	–	–	8,696
Dividends received	–	–	2,500
Purchases of subsidiaries	–	–	(106)
Purchases of shares in subsidiaries	–	–	(88)
Net cash flow received / (used) in investing activities	–	**(48,500)**	**(48,498)**
Cash flow from financing activities			
Proceeds from payables to other group companies	–	–	600
Net cash flow received / (used) in financing activities	**–**	**–**	**600**
Cash flow for the period	**(470)**	**(48,267)**	**(48,051)**
Cash and cash equivalents less bank overdrafts at beginning of the period	**707**	**48,753**	**48,753**
Foreign exchange gains / (losses) on cash and cash equivalents	(1)	6	5
Cash and cash equivalents less bank overdrafts at end of the period	**236**	**492**	**707**

* Unaudited

Parent Company – Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Retained earnings incl. net profit / (loss) for the period	Total equity
Balance at 1 January 2018	**54**	**5,208**	**5,262**
Net loss for the period	–	(39)	**(39)**
Other comprehensive income	–	–	**–**
Total comprehensive income	**–**	**(39)**	**(39)**
Transactions with owners			
Total transactions with owners	–	–	**–**
Balance at 31 March 2018*	**54**	**5,169**	**5,223**
Balance at 1 January 2019	**54**	**5,252**	**5,306**
Net profit for the period	–	223	**223**
Other comprehensive income	–	–	**–**
Total comprehensive income	**–**	**223**	**223**
Transactions with owners			
Total transactions with owners	–	–	**–**
Balance at 31 March 2019*	**54**	**5,475**	**5,529**

* Unaudited

Notes

Note 1. General information

DDM Debt AB (publ) ("DDM Debt" or "the Company") and its subsidiaries (together "the DDM Debt Group" or "the Group") provide liquidity to lenders in certain markets by acquiring distressed debt, enabling the lenders to continue providing loans to companies and individuals. The DDM Debt Group then assists the debtors to restructure their overdue debt.

The Company was registered on 3 March 2016, and changed from a private limited liability company to a public limited liability company on 26 May 2016. The Company has registered offices in Stockholm, Sweden and its Swedish Corporate ID No. is 559053-6230. The address of the main office and postal address is Västra Trädgårdsgatan 15, 111 53 Stockholm, Sweden. DDM Debt is a wholly owned subsidiary of DDM Finance AB, Stockholm, Sweden, being a wholly owned subsidiary of DDM Group AG, Baar, Switzerland.

In 2016 DDM Invest VII AG, Switzerland, and DDM Invest VII d.o.o., Slovenia, were wholly owned subsidiaries of DDM Debt. In connection with the bond refinancing in Q1 2017, DDM Debt AB also acquired DDM Treasury Sweden AB's subsidiaries (DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG, DDM Invest X AG and DDM Invest XX AG) holding the NPL portfolios on 17 February 2017. They are wholly owned subsidiaries, therefore this acquisition was not considered as a business combination according to IFRS 3, as the transaction was done in the ordinary course of business among entities which are under common control of DDM Holding AG. A new subsidiary of DDM Debt, DDM Debt Management d.o.o Beograd, was incorporated in Serbia on 22 August 2017 and DDM Debt Romania S.R.L was incorporated in Romania on 31 July 2018. DDM Invest V d.o.o. (formerly Ahive d.o.o.) is a 100% indirectly held subsidiary through DDM Invest I AG that was incorporated in Slovenia on 22 October 2018.

DDM Debt acts solely as an issuer of financial instruments and extends this funding intra-group, whereas DDM Group AG acts as the investment manager and makes all decisions regarding investments and allocation of resources.

Note 2. Basis of preparation

This interim report has been prepared in compliance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as endorsed by the EU, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups issued by RFR, the Swedish Financial Reporting Board. The Parent Company's financial statements have been prepared in compliance with the Annual Accounts Act (ÅRL 1995:1554) and RFR 2 Accounting for Legal Entities and applicable statements.

DDM Debt has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. IFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. Based on the volume of in-force non-cancellable operating leases as of 1 January 2019, the impact of IFRS 16 has resulted in the recognition of EUR 134k right-of-use assets and a corresponding lease liability on the balance sheet.

The accounting policies that are most critical to the Group and Parent Company are stated in DDM Debt AB's Annual Report for 2018, which also contains a description of the material risks and uncertainties facing the Parent Company and the Group.

All amounts are reported in thousands of Euros (EUR k), unless stated otherwise. Rounding differences may occur. Figures in tables and comments may be rounded.

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

Subsidiaries	Consolidation method	Domicile	31 March 2019	31 December 2018
DDM 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 Invest VII d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Invest V d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Debt Management d.o.o Beograd	Fully consolidated	Serbia	100%	100%
DDM Debt Romania S.R.L	Fully consolidated	Romania	100%	100%

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

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

Note 3. Currency translation

All entities prepare their financial statements in their functional currency. At 31 March 2019 all fully consolidated group entities have EUR as their functional currency, except for DDM Debt Management d.o.o Beograd, which has Serbian Dinar (RSD) as its functional currency, and DDM Debt Romania S.R.L, which has Romanian leu (RON) as its functional currency.

Note 4. Revenue on invested assets by region

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 includes management fees received from co-investors, as DDM manages the operations of these assets. These fees are considered to be immaterial and have therefore not been disclosed separately.

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 notes 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 notes improves the transparency and understanding of DDM's financial statements and performance, meeting the expectations of its investors.

EUR’000s	1 Jan – 31 Mar 2019	1 Jan – 31 Mar 2018	Full Year 2018
Net collections by country:			
Slovenia	7,773	2,432	20,277
Croatia	2,912	387	9,038
Czech Republic	2,820	3,034	12,576
Russia	1,954	28	86
Greece	935	2,200	13,962
Romania	871	1,053	4,069
Hungary	751	1,178	3,789
Serbia	115	100	699
Slovakia	7	132	193
Bosnia	2	–	70
Net collections**	**18,140**	**10,544**	**64,759**
Amortization of invested assets	(11,468)	(3,768)	(34,405)
Interest income on invested assets before revaluation and impairment**	**6,672**	**6,776**	**30,354**
Revaluation of invested assets	(298)	–	(152)
Impairment of invested assets	(760)	–	(2,445)
Revenue on invested assets	**5,614**	**6,776**	**27,757**

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

The chief operating decision maker of DDM reviews the financial outcome as a whole. Analysis is performed on a portfolio-by-portfolio basis but the chief operating decision maker reviews the outcome of the group as a whole. Each portfolio is not considered to be an identifiable segment and the Group reports segment on an entity basis, i.e. one operating segment.

The Group discloses information regarding net collections based on its key geographic areas.

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 DDM Debt Group 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 DDM Debt Group 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. Distressed asset portfolios and other long-term receivables from investments

The DDM Debt Group 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 Group AG owns 100% of the shares in the local legal entities holding the leasing portfolios. However, the economic substance of the investments are the underlying portfolios of loans, which the DDM Debt Group owns together with a co-investor. As a result, the underlying assets which represent other long-term receivables from investments are recognized in the DDM Debt Group 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 following investments are treated in this manner:

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

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

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

Distressed asset portfolios and other long-term receivables from investments are reported at amortized cost using the effective interest method. The initial effective interest rate is calculated for each portfolio / receivable based on its purchase price including transaction costs and estimated cash flows that, based on a probability assessment, are expected to be received from the debtors of the corresponding portfolio net of collection costs. Current cash flow projections are monitored over the course of the year and updated based on, among other things, achieved collection results and macroeconomic information. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, and upside and downside scenarios. The estimation and application of this forward-looking information requires significant judgment and is subject to appropriate internal governance and scrutiny. If the cash flow projections are revised, the carrying amount is adjusted to reflect actual and revised estimated cash flows. The DDM Debt Group recalculates the carrying amount by computing the present value of estimated future cash flows using the original effective interest rate. 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".

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

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

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

The carrying values of distressed asset portfolios and other long-term receivables from investments owned by the DDM Debt Group are distributed by currency as follows:

EUR '000s	31 December 2018	31 December 2018
EUR	62,276	70,620
HRK	22,531	24,570
CZK	13,419	14,878
HUF	2,081	2,422
RSD	1,899	2,116
RON	1,323	1,564
RUB	–	195
Total	**103,529**	**116,365**

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

Note 7. Borrowings

The Group had the following outstanding borrowings at the balance sheet dates of 31 March 2019 and/or 31 December 2018:

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

DDM Debt's financial instruments contain a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds 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. DDM Debt complied with all bond covenants for the periods ending 31 March 2019 and 31 December 2018.

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

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

Bond loan EUR 50M
On 11 December 2017, DDM Debt issued EUR 50M of senior secured bonds at 8% within a total framework amount of EUR 160M. The bonds with ISIN number SE0010636746 have a final maturity date of 11 December 2020 and are listed on the Corporate Bond list at Nasdaq Stockholm. The bonds contain a number of financial covenants. Please refer to the "Bond loan EUR 100M" section above for further details. The net proceeds are for acquiring additional debt portfolios.

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 was available to finance investments and for general corporate purposes. The facility was for an initial six month term, and was extended for a further six months until 28 September 2018.

Bond loan EUR 85M

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

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

Maturity profile and carrying value of borrowings:

Group & Parent co. EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 31 March 2019						
Bond loan, 8%	–	49,127	–	–	–	**49,127**
Bond loan, 9.5%	84,392	–	–	–	–	**84,392**
Total	**84,392**	**49,127**	**–**	**–**	**–**	**133,519**
at 31 December 2018						
Bond loan, 8%	–	49,006	–	–	–	**49,006**
Bond loan, 9.5%	–	84,219	–	–	–	**84,219**
Total	**–**	**133,225**	**–**	**–**	**–**	**133,225**

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

Fair value of borrowings:

Group & Parent co. EUR '000s	IAS 39 category	Fair value category	Fair value	Carrying value
at 31 March 2019				
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	48,995	49,127
Bond loan, 9.5%	Financial liabilities at amortized cost	Level 2	83,750	84,392
Total			**132,745**	**133,519**
at 31 December 2018				
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	49,490	49,006
Bond loan, 9.5%	Financial liabilities at amortized cost	Level 2	84,158	84,219
Total			**133,648**	**133,225**

The levels in the hierarchy are:

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

Note 8. Participations in Group companies

Parent Company EUR '000s	31 March 2019	31 December 2018
Investment	9,478	9,478
Total	**9,478**	**9,478**

Parent Company EUR '000s	Investment
At 31 December 2018	**9,478**
Acquisitions	–
At 31 March 2019	**9,478**

The Parent Company holds shares in the following subsidiaries:

EUR '000s Company	Corporate identity number	Domicile	Proportion of equity 31 Mar 2019	Proportion of equity 31 Dec 2018	Net book value 31 Mar 2019	Net book value 31 Dec 2018
DDM Invest I AG	CHE 113.863.850	Switzerland	100%	100%	1,393	1,393
DDM Invest II AG*	CHE 115.038.302	Switzerland	100%	100%	–	–
DDM Invest III AG	CHE 115.238.947	Switzerland	100%	100%	635	635
DDM Invest IV AG*	CHE 317.413.116	Switzerland	100%	100%	–	–
DDM Invest VII AG	CHE 153.128.633	Switzerland	100%	100%	90	90
DDM Invest X AG	CHE 130.419.930	Switzerland	100%	100%	1,465	1,465
DDM Invest XX AG	CHE 349.886.186	Switzerland	100%	100%	5,781	5,781
DDM Invest V d.o.o. (formerly Ahive d.o.o.)	8297355000	Slovenia	100%	100%	–	–
DDM Invest VII d.o.o.	7109806000	Slovenia	100%	100%	8	8
DDM Debt Management d.o.o Beograd*	21313963	Serbia	100%	100%	–	–
DDM Debt Romania S.R.L	39689815	Romania	99%	99%	106	106
Total					**9,478**	**9,478**

* The net book value of the investments in DDM Invest II AG, DDM Invest IV AG and DDM Debt Management d.o.o Beograd amount to EUR 1 each as of 31 March 2019 and 31 December 2018. DDM Invest V d.o.o. (formerly Ahive d.o.o. is a 100% indirectly held subsidiary through DDM Invest I AG.

Note 9. Subsequent events

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

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

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

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 31 March 2019 provides a fair overview of the Parent Company's and the Group's operations, their financial positions and result. The material risks and uncertainties facing the Parent Company and the Group are described in the 2018 Annual report.

Stockholm, 2 May 2019

Torgny Hellström
Chairman of the board

Fredrik Waker
Board member

Erik Fällström
Board member

Henrik Wennerholm
CEO

Definitions

DDM
DDM Holding AG and its subsidiaries, including DDM Debt AB (publ) and its 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 less operating expenses.

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

Equity
Shareholders' equity at the end of the period.

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

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

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

Net debt
Long-term and short-term third party loans, interest-bearing intercompany loans (excluding subordinated debt) and 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.

Reconciliation tables, non-IFRS measures

This section includes a reconciliation of certain non-IFRS financial measures to the most directly reconcilable line items in the financial statements. The presentation of non-IFRS financial measures has limitations as analytical tools and should not be considered in isolation or as a substitute for our related financial measures prepared in accordance with IFRS.

Non-IFRS financial measures are presented to enhance an investor's evaluation of ongoing operating results, to aid in forecasting future periods and to facilitate meaningful comparison of results between periods. Management uses these non-IFRS financial measures to, among other things, evaluate ongoing operations in relation to historical results and for internal planning and forecasting purposes.

The non-IFRS financial measures presented in this report may differ from similarly-titled measures used by other companies.

Net collections:

Net collections is comprised of gross collections from the invested assets held and/or sold 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 notes 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 notes improves the transparency and understanding of DDM's financial statements and performance, meeting the expectations of its investors.

Amortization, revaluation and impairment of invested assets:

The recognition of the acquisition of invested assets is based on the DDM Group's own forecast of future cash flows from acquired portfolios. 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 at the time the portfolio was purchased, based on the relation between cost 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.

Operating expenses and Cash EBITDA:

Amounts in EUR '000s (unless specified otherwise)	**1 Jan – 31 Mar 2019**	**1 Jan – 31 Mar 2018**	**Full year 2018**
Net collections**	18,140	10,544	64,759
Personnel expenses	(71)	(66)	(144)
Consulting expenses	(1,578)	(1,564)	(6,304)
Other operating expenses	(47)	(46)	(361)
Operating expenses	(1,696)	(1,676)	(6,809)
Cash EBITDA	16,444	8,868	57,950

** Net collections includes the gain on sale of invested assets

Net debt:

Bond loan, 8%	49,127	48,662	49,006
Bond loan, 9.5%	84,392	83,726	84,219
Less: Cash and cash equivalents	(61,161)	(34,062)	(57,266)
Net debt	72,358	98,326	75,959

Equity ratio:

Shareholder's equity	8,366	7,657	8,861
Shareholder debt (subordinated)	31,522	28,429	31,175
Total equity according to the senior secured bond terms	39,888	36,086	40,036
Total assets	184,034	178,232	184,719
Equity ratio	21.7%	20.2%	21.7%

About DDM

DDM Debt AB (Nasdaq Stockholm: DDM2) is a subsidiary of **DDM Holding AG** (First North: DDM), a multinational investor in and manager of distressed assets, offering the prospect of attractive returns from the expanding Southern, Central and Eastern European market. Since 2007, the DDM Group has built a successful platform in Southern, Central and Eastern Europe, and has acquired 2.3 million receivables with a nominal value of over EUR 4.0BN.

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

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

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

ddm

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