

Full year report January – December 2018

Press release issued by DDM Holding AG

21 February 2019

Highlights fourth quarter 2018

- **Net collections** increased by 79% to a record high EUR 22.7M (Q4 2017: EUR 12.7M)
- **Cash EBITDA** increased by 83% and amounted to a record level of EUR 20.5M (Q4 2017: EUR 11.2M)
- **Net profit for the period** of EUR 3.4M (Q4 2017: EUR 1.8M)
- **Gross ERC** at the end of December 2018 was EUR 240M (Q4 2017: EUR 250M)
- **Cash** on hand available for investment at the end of December 2018 was EUR 60M (Q4 2017: EUR 58M)
- **Investments** in the Balkans of EUR 6M following regulatory approval
- **Buy-out** of co-investor in Hungary resulting in EUR 2M gain
- **Public takeover offer** Demeter Finance S.à r.l. offers SEK 40.00 in cash for each share in DDM Holding AG
- **Refinancing** raised EUR 12M of senior secured bonds lowering the cost of funding, remaining a key focus area

Highlights 2018

- **Strategic shift** to invest in secured portfolios
- **Net collections** increased by 76% to a record high EUR 65.7M (2017: EUR 37.4M)
- **Cash EBITDA** increased by 79% and amounted to a record level of EUR 57.7M (2017: EUR 32.3M)
- **Net profit for the year** of EUR 4.8M (2017: EUR 0.7M)
- **Investments** in the Balkans, the Czech Republic and Hungary, totaling approximately EUR 43M
- **Henrik Wennerholm** appointed as Chief Executive Officer

Significant events after the end of the year

- **Operational launch** of partnership to provide portfolio management services for secured portfolios in the Balkans
- **Investment** agreement signed for acquisition in Croatia, thereby expecting to be fully invested. Investment made through a joint venture with B2Holding where each party holds 50%

Comment by the CEO

2018 has been an intense and exciting year for DDM and me personally. Since I had the privilege to take on the CEO-role in July we have achieved record collections and cash EBITDA for consecutive quarters and the full year of 2018. We have taken several major strategic and operational steps to further improve and strengthen our position in the market, most importantly being DDM's strategic shift towards becoming a specialized investor in secured corporate portfolios.

In combination with the reduced funding costs and expecting to become fully invested in 2019 following the acquisition of a portfolio containing secured corporate receivables in Croatia, we have established a platform for continued significant growth.

Net collections reached an all-time high level with collections of EUR 22.7M in the fourth quarter and EUR 65.7M in 2018. This increase is primarily driven by collections in the Balkans, Greece and the Czech Republic from portfolios acquired in H2 2017 and Q1 2018. This has resulted in record cash EBITDA of EUR 20.5M in the fourth quarter and EUR 57.7M in 2018.

After the end of the quarter we announced a milestone acquisition through a 50% joint venture with B2Holding of a distressed asset portfolio containing secured corporate receivables in Croatia with a Gross Collection Value (face value) of approximately EUR 800M. Following the completion of this transaction DDM expects to be fully invested and the transaction will have a major impact on our ERC and other key financial measurements.

Strategic shift towards secured portfolios

During 2018 we have strategically shifted towards becoming an investor in primarily secured portfolios, a shift which was intensified during the fourth quarter. The proportion of secured portfolios has increased from 42 percent of ERC in June 2017 to 61 percent of ERC in December 2018 following recent acquisitions. This shift will result in increased variability in our collections from quarter to quarter due to the timing of larger settlements from corporate portfolios. However, we are confident that this shift will benefit all of DDM's stakeholders, through enabling higher operating profit.

Lowering the cost of funding

During the fourth quarter DDM refinanced the EUR 10M senior secured bonds maturing on November 6, 2018 by way of issuing EUR 12M senior secured bonds. The bonds carry an interest rate of 7% per annum for the first six months and can be prolonged by the Company at 8% per annum for another six months. Funding of the business remains a focus area and we will continue to work on this going forward to further improve flexibility, decrease the cost of capital and support our rapid growth.

Market outlook

The sale of non-performing assets continues to be a key focus area of active portfolio management by banking industry players in Central and Eastern Europe and the

supply of new corporate NPL portfolios continues to grow as European banks consolidate and deleverage their balance sheets. The most active markets for DDM are currently the Balkans and Greece. We expect economic expansion, improving labour market conditions and increased lending activity in Greece following years of austerity to present further investment opportunities. Real estate in our region has also benefited from positive price development supporting our business and further transactions.

DDM's business model is flexible and opportunistic and we believe that there will continue to be good business opportunities for us. However, DDM's rate of growth and financial results will continue to vary from quarter to quarter, impacted by the timing of significant investments and larger settlements from corporate portfolios.

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

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 21 February 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 21 February 2019, starting at 10:00 CET. The presentation can be followed live at www.ddm-group.ch, through: <https://tv.streamfabriken.com/ddm-holding-q4-2018> and/or by telephone with dial-in numbers: SE: +46 8 505 583 50, CH: +41 225 675 632 or UK: +44 333 300 9265.

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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 21 February 2019 at 08:00 CET.

DDM Holding AG (Nasdaq First North, Stockholm: DDM) is a multinational investor in and manager of distressed assets. 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 3.5 billion. **DDM Debt AB** (publ) (Nasdaq Stockholm: DDM2) is a wholly owned subsidiary of DDM Holding AG. Arctic Securities is DDM Holding AG's Certified Adviser (tel: +46 8 44686080, e-mail: certifiedadviser@arctic.com).