

Q2 and half year report January – June 2020

Press release issued by DDM Holding AG

30 July 2020

Resilient portfolio and strategic investment in challenging environment

Highlights second quarter 2020

- **Net collections** amounted to EUR 13.3M (14.2)*
- **Cash EBITDA** amounted to EUR 10.4M (11.0)*
- **Net loss for the period** of EUR 0.7M (1.5)*
- **Cash** on hand available for investment at the end of June 2020 was EUR 26M (12 at December 2019)
- **COVID-19 pandemic** has had an adverse impact on global business and economic activity, significantly decreasing net collections that DDM received at the beginning of the second quarter, but gradually improved throughout the quarter as operations resumed, although uncertainty remains over future collections

Highlights six months 2020

- **Net collections** amounted to EUR 32.9M (33.1)*
- **Cash EBITDA** amounted to EUR 27.6M (27.8)*
- **Unrealized FX losses** of EUR 1.9M driven by unfavorable movements of Croatian Kuna and Hungarian Forint due to COVID-19
- **Net loss for the period** of EUR 0.8M (1.5)*
- **Gross ERC** at the end of June 2020 was EUR 292M (328 at December 2019)
- **Strategic investment** acquired 9.9% stake in Addiko Bank AG and exercised a call option to acquire a further 10.1% pending regulatory approval
- **Buy-out** of majority share co-investor in Hungary
- **Written procedure** completed with certain amendments to the terms and conditions of the DDM Debt AB up to EUR 150M senior secured bonds

Significant events after the end of the quarter

- **Written procedure** initiated to amend certain terms and conditions of the DDM Debt AB up to EUR 160M senior secured bonds to extend the final redemption date by 12 months, following the volatility and uncertainty in the capital markets. The request includes a mandatory partial redemption structure, call structure and consent fee

Comment by the CEO

In the first half of 2020 adjusted net collections were EUR 32.9M, only 1% lower than the first half of 2019 despite the adverse global impact of the COVID-19 pandemic. We have focused specifically on collections, liquidity management and cost saving initiatives in response to the pandemic. However, we were adversely affected by unrealized exchange rate movements of the Croatian Kuna and the Hungarian Forint in the first quarter of 2020. We expect the coming quarters to continue to be challenging with increased volatility and limited visibility over future collections.

Resilient portfolios in challenging market

The majority of the adjusted net collections during the first half of 2020 were received from Greece, with a further EUR 7.6M of adjusted net collections received from Croatia following the significant acquisitions that closed during 2019, including EUR 2.8M from the joint venture together with B2Holding. This has resulted in adjusted cash EBITDA of EUR 27.6M in the first half of 2020, a decrease of 1% compared to the first half of 2019. Going forward the timing of collections may be affected as a result of the challenging market environment due to the COVID-19 pandemic.

The collections that have been received during the first half of the year support the credit value of the portfolio which has continued to show resilience with downward revaluations and impairments in H1 2020 being less than 0.7% of the carrying value of the opening book at the start of the year despite the impact from the COVID-19 pandemic.

The net loss for the first half of 2020 is EUR 0.8M. The net result was negatively impacted by EUR 1.9M of unrealized exchange loss principally due to unfavorable exchange rate movements of the Croatian Kuna and the Hungarian Forint to the Euro during the first quarter.

Strategic investment in Addiko Bank AG pending regulatory approval

We made a strategic investment by acquiring a 9.9% stake in Addiko Bank AG (“Addiko Bank”) and exercised a call option to acquire a further 10.1% that is pending regulatory approval. Addiko Bank is well capitalized, with one of the highest tier one capital ratios in the region, which in our view provides a strong platform for further growth and allows Addiko Bank to selectively grow the business at a time where other competitors are limited due to capital constraints. We strongly believe that the region in which Addiko Bank operates, and which is well known to DDM, continues to offer attractive opportunities for SME and retail banking. DDM plans to support Addiko Bank in its transformation from being a full-scale bank to focusing on the consumer and SME segments with a strong focus on digitalization, including the disposal of non-core assets.

Continued progress on debt structure

We initiated a written procedure in July to amend certain terms and conditions of the DDM Debt AB up to EUR 160M senior secured bonds, including a request to extend the final redemption date by 12 months, following the recent volatility and uncertainty in the capital markets. The request includes a mandatory partial redemption structure, call structure and consent fee. We will continue to focus on our debt structure to support our future growth and improve flexibility.

COVID-19 pandemic

In response to the COVID-19 pandemic that continues to have an adverse impact on global economic activity, we have focused specifically on collections, liquidity management and cost saving initiatives. This includes strengthening operations in core markets including Greece and Croatia, where we have achieved the highest collections during the period, whilst implementing cost reduction programs across other markets including Hungary and Slovenia.

Market outlook

DDM is exploring new opportunities and diversifying its business model to be better positioned to work through the challenges faced by the COVID-19 pandemic. During the first half of 2020 DDM has made a strategic investment to acquire a 20% stake in Addiko Bank AG. DDM is a highly experienced investor in Addiko’s core markets and is looking to support Addiko in its transformation process.

The supply of new NPLs is also expected to increase more than investor demand in the foreseeable future and thereby result in improved market returns for us. We are closely monitoring developments across our core markets, as the SCEE region resumes activity following lockdowns, loan moratoriums and courts gradually being reopened with limited operations resulting in delays of case settlements. In addition, the pandemic will impact tourism and thereby the economies of our markets in Croatia and Greece. We expect the coming quarters to continue to be challenging with increased volatility and limited visibility over future collections.

We have initiated a written procedure to request that certain amendments are made to the terms and conditions of DDM Debt AB’s up to EUR 160M senior secured bonds in anticipation that the volatility in the credit markets caused by the COVID-19 pandemic will decrease, enabling us to refinance the bonds when the financial markets have normalized.

Financial calendar

DDM intends to publish financial information on the following dates:

Annual General Meeting 2020:	17 September 2020
Interim report for January – September 2020:	29 October 2020
Q4 and full year report 2020:	18 February 2021
Annual report 2020:	26 March 2021

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

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

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 30 July 2020, at 08:00 CEST.

CEO Henrik Wennerholm and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 30 July 2020, starting at 10:00 CEST. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers: SE: +46 8 505 583 73, CH: +41 225 805 976, UK: +44 333 300 9272, AT: +43 192 822 09.

The information in this report requires DDM Holding AG to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 30 July 2020 at 08:00 CEST.

For more information, please visit DDM's website at www.ddm-group.ch or contact:

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DDM Holding AG (Nasdaq First North, Stockholm: DDM) is a multinational investor in and manager of non-performing loans and special situations. Since 2007, the DDM Group has built a successful platform in Southern, Central and Eastern Europe, having acquired 2.3 million receivables with a nominal value of over EUR 4.0 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 (email: certifiedadviser@arctic.com, tel: +46 8 44686100).