DDM DEBT AB (publ)

Corporate Registration Number: 559053-6230

Q2 interim report | 1 January – 30 June 2019

ddm

Successful refinancing supports future growth

Highlights second quarter 2019

- Net collections amounted to EUR 13.5M (15.4)
- Cash EBITDA amounted to EUR 10.5M (13.7)
- Net loss for the period of EUR 2.2M (profit of 0.6)
- Investment in a significant corporate secured portfolio in Croatia made through a 50/50 joint venture with B2Holding was finalized. Entered into an agreement to acquire a further significant portfolio in Croatia
- Successful refinancing issuing a new EUR 100M senior secured bond with a three-year term replacing the existing EUR 85M bond, priced at Euribor plus a margin of 925 basis points

Highlights six months 2019

- Net collections increased by 22% to EUR 31.6M (25.9)
- Cash EBITDA increased by 20% to EUR 27.0M (22.5)
- Net loss for the period of EUR 2.7M (profit of 1.5)
- Secured super senior RCF of EUR 27M significantly lowering the cost of funding, undrawn at 30 June
- Sale of portfolios in Russia resulted in EUR 2M operating gain

Significant events after the end of the quarter

- Financing finalized for part of the joint venture with B2Holding, at a lower cost of borrowing than the existing senior secured bond framework
- Equity injection to be received after EUR 6M of bonds were issued by DDM Debt's parent company
- Strengthened management team with Chief Operating Officer to further increase focus on portfolio management, business development and servicing of third party portfolios
- Buy-out of co-investor in Greece

Key financial highlights above include non-IFRS alternative performance measures that represent underlying business performance. Further details including a reconciliation to IFRS can be found on page 23.

IFRS Consolidated Amounts in EUR '000s (unless specified otherwise)	**1 Apr–30 Jun 2019***	**1 Apr–30 Jun 2018***	**1 Jan–30 Jun 2019***	**1 Jan–30 Jun 2018***	**Full year 2018**
Net collections	12,096	15,366	28,300	25,910	64,759
Operating expenses	(2,983)	(1,710)	(4,679)	(3,386)	(6,809)
Cash EBITDA	9,113	13,656	23,621	22,524	57,950
Amortization, revaluation and impairment of invested assets	(7,954)	(8,021)	(20,480)	(11,789)	(37,002)
Share of net profits of joint venture	461	–	461	–	–
Operating profit	1,606	5,634	5,521	10,734	20,946
Net (loss) / profit for the period**	(4,857)	605	(5,357)	1,545	2,144
Selected key figures					
Total assets	190,550	180,615	190,550	180,615	184,719
Net debt	127,378	93,960	127,378	93,960	75,959
Cash flow from operating activities before working capital changes	1,554	11,404	14,041	16,310	45,308
Equity ratio***	18.6%	20.5%	18.6%	20.5%	21.7%

* Unaudited

** The bond refinancing in Q2 2019 resulted in total negative non-recurring items of approximately EUR 2.6M in Q2 and H1 2019 due to the call premium of EUR 2.0M in relation to the EUR 85M bond and the non-cash write off of about EUR 0.6M for the remaining capitalized transaction costs

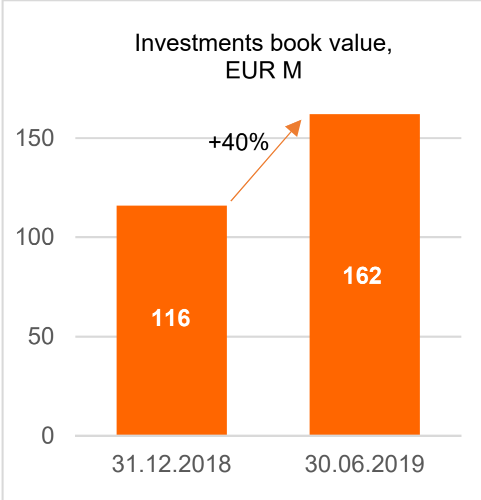
*** Equity ratio calculated according to the terms and conditions of the senior secured bonds

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 1 August 2019 at 08:00 CEST.

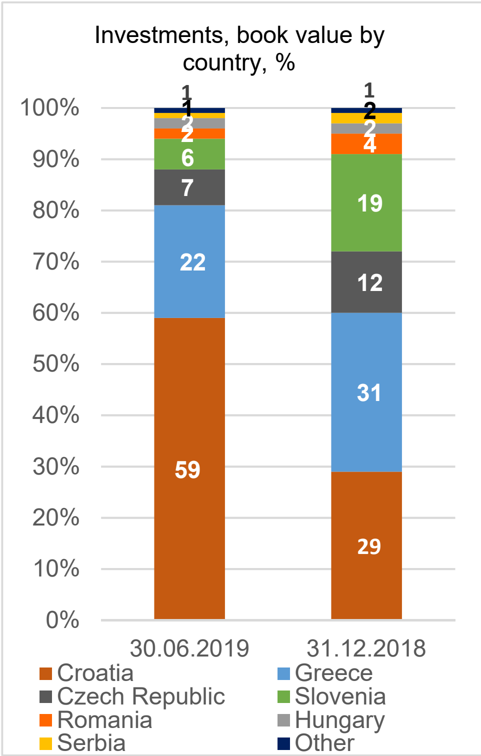
DDM Debt AB is part of the DDM Group, a specialized multinational investor and manager of distressed assets.

Comment by the CEO

The first half of 2019 has been a significant step forward in the strategic growth of the DDM Debt Group as a specialized investor in non-performing loan ("NPL") portfolios. We have finalized the acquisition of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding and secured third party financing to partially fund this acquisition after the end of the second quarter. We have further committed to a significant acquisition in Croatia of a distressed asset portfolio that is expected to close in the third quarter of 2019.



Significant acquisitions in Croatia
During the quarter we finalized the significant 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. This has significantly increased our ERC, with the majority of collections expected to be received in the first three years. Our ERC will increase further in light of the recently announced agreement to acquire a distressed asset portfolio in Croatia with a face value of approximately EUR 200M and the buy-out of the co-investor in Greece.



Strengthening of our operations
Following the launch of a partnership with the company 720 Restructuring & Advisory focusing on the servicing of our portfolios, we have further strengthened our management team to increase focus on portfolio management and business development services. This will complement our existing network of outsourced debt collection agencies and work out specialists and enable us to be closer to the market. It will also ensure increased control and management by servicing DDMs own portfolios, whilst also gradually providing third party work out servicing and adjacent professional services. We believe our servicing platform will build further value to our shareholders by actively networking with vendors and work out specialists to further identify profitable business opportunities to invest across the NPL market. Initially it is expected there will be a period of development to build the servicing platform, in order to generate third party revenues from work outs, increasing the scalability of our existing operations.

Successful refinancing supports future growth
We have also successfully refinanced our debt structure to support our future growth, improving flexibility and extending the maturity of our existing financing. We secured a new Revolving Credit Facility ("RCF") of EUR 27M at a significantly lower cost of funding with an international bank in March, and then successfully refinanced the existing EUR 85M bond by issuing a new EUR 100M bond in April with a three-year term. The EUR 27M RCF was undrawn at 30 June and is available until March 2021. Cash on hand available for investment of EUR 15M at the end of June 2019 will be utilized to fund acquisitions that will improve financial performance.

The DDM Debt Group secured third party financing together with B2Holding in July to partially fund the joint venture acquisition in Croatia. The financing within the joint venture structure is at a lower cost of borrowing than the existing senior secured bond framework. It also confirms the portfolio quality following extensive due diligence by the financing provider and enables the DDM Debt Group to invest the proceeds into future acquisitions.

In July DDM Debt's parent company, DDM Finance AB also issued EUR 6M of bonds gross of financing costs. Part of the net proceeds will be used to provide a shareholder loan to DDM Debt, which thereby qualifies as equity under the current DDM Debt senior secured bond terms. This strengthens the opportunities for DDM Debt to support continued growth.

Market outlook
We aim to deliver sizeable and profitable growth 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 ERC to increase further with the majority of collections expected to be received in the first three years in light of committed investments including the acquisition of a significant distressed asset portfolio in Croatia and the buy-out of the co-investor in Greece. DDM's rate of growth and financial results will continue to vary from quarter to quarter, as DDM invests further in secured corporate portfolios that are impacted by the timing of significant investments and larger settlements.

Having a strong investment track record and directly owning local servicing capabilities for secured portfolios in our core markets, the DDM Debt Group is uniquely positioned to capitalize on economic growth. The regions have shown macro-economic growth over recent years and we expect continued positive market environment supporting our continued development.

Stockholm, 1 August 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 – September 2019:	7 November 2019
Q4 and full year report 2019:	20 February 2020
Annual report 2019:	27 March 2020

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

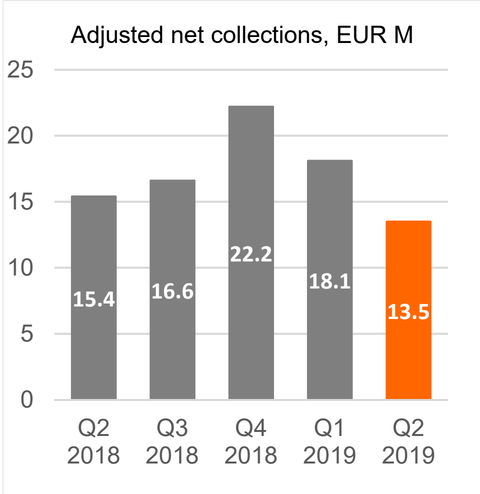
This report has not been reviewed by the Company's auditors.

Presentation of the report
The report and presentation material are available at www.ddm-group.ch on 1 August 2019, at 08:00 CEST.

CEO Henrik Wennerholm and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 1 August 2019, 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 8 566 426 93, CH: +41 225 675 632 or UK: +44 333 300 9272.

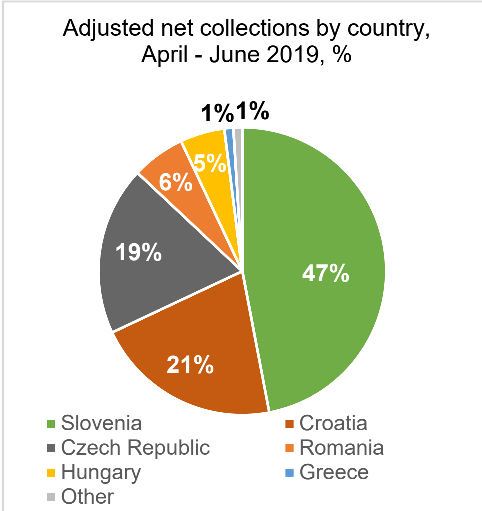
Financial results

Adjusted net collections totaled EUR 13.5M in the second quarter of 2019, a decrease of 12% compared with EUR 15.4M for the corresponding period last year. This decrease is driven by weaker collections in Greece and the volatility in collections on secured corporate portfolios quarter to quarter. This has been offset by collections received from portfolios acquired in 2018 in the Balkans and collections from the recently acquired joint venture in Croatia, resulting in adjusted net collections totaling EUR 31.6M for the first half of 2019, 22% above H1 2018. As a result, adjusted cash EBITDA increased by 20% to EUR 27.0M for the first half of 2019, compared to EUR 22.5M in H1 2018.



Operating expenses were EUR 3.0M in the second quarter, EUR 1.3M higher than the corresponding period last year due to the increase in management fees as a result of higher operating expenses incurred in the DDM Holding Group and the cost of management changes that were hired during the prior period.

The operating profit margin of 35% in the second quarter is lower than the corresponding period last year, as a result of higher amortization on large, complex cases that were settled earlier on corporate secured portfolios in the Balkans and higher operating expenses. The quarter includes EUR 0.7M of positive revaluation due to strong performance in Hungary and an impairment of EUR 0.2M primarily relating to portfolios in the Balkans. The change in composition of the portfolios towards primarily secured corporate portfolios is now making up the majority share of our overall portfolio of assets and will result in increased variability in our collections from quarter to quarter.

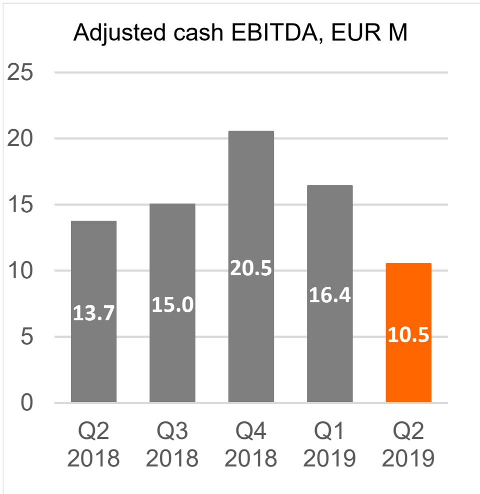


Following the bond refinancing, the net loss for the quarter of EUR 4.9M includes non-recurring items of approximately EUR 2.6M of financial expenses. This is due to the call premium of EUR 2.0M that was paid in relation to the EUR 85M bond and the non-cash write off of about EUR 0.6M for the remaining capitalized transaction costs.

In the first half of 2019, cash flow from operating activities before working capital changes was EUR 14.0M compared to EUR 16.3M in the corresponding period of 2018, primarily as a result of the call premium that was paid following the EUR 85M bond refinancing.

Share of net profits of joint venture

Following the acquisition that closed on 31 May of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding, the second quarter and first half 2019 results include EUR 0.5M from share of net profits of joint venture accounted for under the equity method in accordance with IFRS.



Significant events after the end of the quarter

Third party financing was also secured in July to partially fund the joint venture acquisition in Croatia. The cost of the financing is lower than the existing DDM Debt senior secured bonds. Further the DDM Debt Group bought out the co-investor in its Greek NPL portfolio which was acquired by DDM in August 2017.

In July DDM Debt's parent company, DDM Finance AB also issued EUR 6M of bonds gross of financing costs. Part of the net proceeds will be used to provide a shareholder loan to DDM Debt, which thereby qualifies as equity under the current DDM Debt senior secured bond terms. This strengthens the opportunities for DDM Debt to support continued growth.

Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Apr–30 Jun 2019*	1 Apr–30 Jun 2018*	1 Jan–30 Jun 2019*	1 Jan–30 Jun 2018*	Full year 2018
Revenue on invested assets	4	**4,142**	**7,345**	**9,756**	**14,121**	**27,757**
Share of net profits of joint venture	4,7	461	–	461	–	–
Personnel expenses		(296)	(88)	(367)	(154)	(144)
Consulting expenses		(2,606)	(1,569)	(4,184)	(3,133)	(6,304)
Other operating expenses		(81)	(53)	(128)	(99)	(361)
Depreciation of tangible assets		(14)	(1)	(17)	(1)	(2)
Operating profit		**1,606**	**5,634**	**5,521**	**10,734**	**20,946**
Financial income		143	55	198	110	220
Financial expenses**		(7,596)	(4,425)	(11,820)	(8,741)	(17,634)
Unrealized exchange profit / (loss)		331	(562)	188	(479)	(328)
Realized exchange loss		(64)	(94)	(71)	(83)	(123)
Net financial expenses		**(7,186)**	**(5,026)**	**(11,505)**	**(9,193)**	**(17,865)**
(Loss) / profit before income tax		**(5,580)**	**608**	**(5,984)**	**1,541**	**3,081**
Tax income / (expense)		723	(3)	627	4	(937)
Net (loss) / profit for the period		**(4,857)**	**605**	**(5,357)**	**1,545**	**2,144**
Net (loss) / profit for the period attributable to:						
Owners of the Parent Company		**(4,857)**	**605**	**(5,357)**	**1,545**	**2,144**

* Unaudited
** The bond refinancing in Q2 2019 resulted in total negative non-recurring items of approximately EUR 2.6M in Q2 and H1 2019 due to the call premium of EUR 2.0M that was paid in relation to the EUR 85M bond and the non-cash write off of about EUR 0.6M for the remaining capitalized transaction costs

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Apr–30 Jun 2019*	1 Apr–30 Jun 2018*	1 Jan–30 Jun 2019*	1 Jan–30 Jun 2018*	Full year 2018
Net (loss) / profit for the period	**(4,857)**	**605**	**(5,357)**	**1,545**	**2,144**
Other comprehensive (loss) / income for the period					
Currency translation differences	(1)	4	5	–	(4)
Other comprehensive (loss) / income for the period, net of tax	**(1)**	**4**	**5**	–	**(4)**
Total comprehensive (loss) / income for the period	**(4,858)**	**609**	**(5,352)**	**1,545**	**2,140**
Total comprehensive (loss) / income for the period attributable to:					
Owners of the Parent Company	**(4,858)**	**609**	**(5,352)**	**1,545**	**2,140**

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	30 June 2019*	31 December 2018
ASSETS			
Non-current assets			
Tangible assets	2, 5	143	9
Interests in associates	2	–	13
Distressed asset portfolios	6	93,033	113,943
Other long-term receivables from investments	6	2,821	2,422
Investment in joint venture	7	65,710	–
Loans to other group companies		4,000	2,000
Accrued interest from other group companies		546	411
Deferred tax assets		1,099	436
Other non-current assets		68	107
Total non-current assets		**167,420**	**119,341**
Current assets			
Accounts receivable		5,005	7,279
Receivables from other group companies		85	422
Other receivables		1,360	374
Prepaid expenses and accrued income		1,370	37
Cash and cash equivalents		15,310	57,266
Total current assets		**23,130**	**65,378**
TOTAL ASSETS		**190,550**	**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		3,454	8,811
Total shareholders' equity attributable to Parent Company's shareholders		**3,509**	**8,861**
LIABILITIES			
Non-current liabilities			
Bond loans	8	142,688	133,225
Lease liabilities	2	75	–
Payables to other group companies		4,016	1,433
Payables to other group companies, subordinated		1,775	1,775
Loans from other group companies, subordinated		20,105	19,400
Deferred tax liabilities		250	250
Total non-current liabilities		**168,909**	**156,083**
Current liabilities			
Accounts payable		438	448
Tax liabilities		1,665	2,190
Accrued interest		4,467	5,165
Accrued expenses and deferred income		1,515	1,972
Loans from other group companies, subordinated		10,000	10,000
Lease liabilities	2	47	–
Total current liabilities		**18,132**	**19,775**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**190,550**	**184,719**

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Apr–30 Jun 2019*	1 Apr–30 Jun 2018*	1 Jan–30 Jun 2019*	1 Jan–30 Jun 2018*	Full year 2018
Cash flow from operating activities					
Operating profit	1,606	5,634	5,521	10,734	20,946
Adjustments for non-cash items:					
Amortization of invested assets	*8,413*	*8,224*	*19,881*	*11,992*	*34,405*
Revaluation and impairment of invested assets	*(459)*	*(203)*	*599*	*(203)*	*2,597*
Share of net profits of joint venture	*(461)*	*–*	*(461)*	*–*	*–*
Depreciation of tangible assets	*14*	*1*	*17*	*1*	*2*
Other items not affecting cash	*179*	*91*	*271*	*167*	*(184)*
Interest paid	(5,915)	(2,319)	(9,953)	(6,357)	(12,395)
Interest received	63	–	63	–	–
Tax paid	(1,886)	(24)	(1,897)	(24)	(63)
Cash flow from operating activities before working capital changes	**1,554**	**11,404**	**14,041**	**16,310**	**45,308**
Working capital adjustments					
(Increase) / decrease in accounts receivable	340	(24)	3,687	2,809	(2,285)
(Increase) / decrease in other receivables	(1,249)	89	(2,319)	(1,145)	40
Increase / (decrease) in accounts payable	129	(13)	(10)	68	150
Increase / (decrease) in other current liabilities	2,938	(481)	2,890	(736)	(1,183)
Net cash flow from operating activities	**3,712**	**10,975**	**18,289**	**17,306**	**42,030**
Cash flow from investing activities					
Purchases of distressed asset portfolios and other long-term receivables from investments	–	(6,209)	–	(36,186)	(42,313)
Acquisition of joint venture	(56,001)	–	(66,662)	–	–
Purchases of tangible assets	(5)	(1)	(21)	(2)	(4)
Net cash flow received / (used) in investing activities	**(56,006)**	**(6,210)**	**(66,683)**	**(36,188)**	**(42,317)**
Cash flow from financing activities					
Proceeds from issuance of loans	90,062	–	90,062	–	–
Repayment of loans	(81,700)	–	(81,700)	–	–
Loan to other group companies	(2,000)	–	(2,000)	–	–
Net cash flow received / (used) in financing activities	**6,362**	**–**	**6,362**	**–**	**–**
Cash flow for the period	**(45,932)**	**4,765**	**(42,032)**	**(18,882)**	**(287)**
Cash and cash equivalents less bank overdrafts at beginning of the period	**61,161**	**34,062**	**57,266**	**57,697**	**57,697**
Foreign exchange gains / (losses) on cash and cash equivalents	81	(128)	76	(116)	(144)
Cash and cash equivalents less bank overdrafts at end of the period	**15,310**	**38,699**	**15,310**	**38,699**	**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	–	–	1,545	**1,545**
Other comprehensive income				
Currency translation differences	–	–	–	–
Total comprehensive income	**–**	**–**	**1,545**	**1,545**
Transactions with owners				
Total transactions with owners	**–**	**–**	**–**	**–**
Balance at 30 June 2018*	**54**	**–**	**8,212**	**8,266**
Balance at 1 January 2019	**54**	**(4)**	**8,811**	**8,861**
Net loss for the period	**–**	**–**	**(5,357)**	**(5,357)**
Other comprehensive income / (loss)				
Currency translation differences	**–**	**5**	**–**	**5**
Total comprehensive income / (loss)	**–**	**5**	**(5,357)**	**(5,352)**
Transactions with owners				
Total transactions with owners	**–**	**–**	**–**	**–**
Balance at 30 June 2019*	**54**	**1**	**3,454**	**3,509**

* Unaudited

Parent Company – Income Statement

Amounts in EUR '000s	1 Apr–30 Jun 2019*	1 Apr–30 Jun 2018*	1 Jan–30 Jun 2019*	1 Jan–30 Jun 2018*	Full year 2018
Revenue	–	–	–	–	–
Personnel expenses	(136)	(9)	(136)	(19)	(24)
Consulting expenses	(39)	(28)	(80)	(56)	(172)
Other operating expenses	(39)	(18)	(56)	(37)	(92)
Depreciation of tangible assets	(5)	–	(5)	–	–
Operating loss	**(219)**	**(55)**	**(277)**	**(112)**	**(288)**
Financial income	3,919	3,754	7,770	7,450	14,973
Financial expenses	(4,277)	(3,652)	(7,783)	(7,329)	(14,641)
Unrealized exchange profit / (loss)	21	1	19	(1)	(2)
Realized exchange profit	4	–	5	1	–
Net financial (expense) / income	**(333)**	**103**	**11**	**121**	**330**
(Loss) / profit before income tax	**(552)**	**48**	**(266)**	**9**	**42**
Tax income / (expense)	63	(2)	–	(2)	2
Net (loss) / profit for the period	**(489)**	**46**	**(266)**	**7**	**44**

* Unaudited

Parent Company – Statement of Comprehensive Income

Amounts in EUR '000s	1 Apr–30 Jun 2019*	1 Apr–30 Jun 2018*	1 Jan–30 Jun 2019*	1 Jan–30 Jun 2018*	Full year 2018
Net (loss) / profit for the period	**(489)**	**46**	**(266)**	**7**	**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	**(489)**	**46**	**(266)**	**7**	**44**

* Unaudited

Parent Company – Balance Sheet

Amounts in EUR '000s	Notes	30 June 2019*	31 December 2018
ASSETS			
Non-current assets			
Tangible assets	5	50	–
Participations in other group companies	9	9,502	9,478
Loans to other group companies		155,277	150,123
Accrued interest from other group companies		542	411
Other non-current assets		7	–
Total non-current assets		**165,378**	**160,012**
Current assets			
Other receivables		1	16
Prepaid expenses and accrued interest income		6,697	6,030
Cash and cash equivalents		5,806	707
Total current assets		**12,504**	**6,753**
TOTAL ASSETS		**177,882**	**166,765**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		54	54
Retained earnings including net profit / (loss) for the period		4,986	5,252
Total shareholders' equity		**5,040**	**5,306**
Non-current liabilities			
Bond loans	8	142,688	133,225
Payables to other group companies		7,216	5,316
Loans from other group companies		7,000	7,000
Lease liabilities		56	–
Total non-current liabilities		**156,960**	**145,541**
Current liabilities			
Accounts payable		241	102
Tax liabilities		8	13
Accrued interest		5,388	5,734
Accrued expenses and deferred income		245	69
Loans from other group companies, subordinated		10,000	10,000
Total current liabilities		**15,882**	**15,918**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**177,882**	**166,765**

* Unaudited

Parent Company – Cash Flow Statement

Amounts in EUR '000s	1 Apr–30 Jun 2019*	1 Apr–30 Jun 2018*	1 Jan–30 Jun 2019*	1 Jan–30 Jun 2018*	Full year 2018
Cash flow from operating activities					
Operating loss	(219)	(55)	(277)	(112)	(288)
Other items not affecting cash	218	(3)	38	(81)	(116)
Interest paid	(5,915)	(2,319)	(9,953)	(6,357)	(12,395)
Interest received	3,314	1,472	7,271	5,312	11,924
Cash flow from operating activities before working capital changes	**(2,602)**	**(905)**	**(2,921)**	**(1,238)**	**(875)**
Working capital adjustments					
(Increase) / decrease in other receivables	(586)	–	(652)	800	800
Increase / (decrease) in accounts payable	241	5	139	5	95
Increase / (decrease) in other current liabilities	159	629	176	395	(173)
Net cash flow from operating activities	**(2,788)**	**(271)**	**(3,258)**	**(38)**	**(153)**
Cash flow from investing activities					
Loans to group companies	(44,400)	–	(44,400)	(48,500)	(59,500)
Repayment of loans to group companies	44,400	–	44,400	–	8,696
Dividends received	–	–	–	–	2,500
Purchases of subsidiaries	–	–	–	–	(106)
Purchases of shares in subsidiaries	(24)	–	(24)	–	(88)
Net cash flow received / (used) in investing activities	**(24)**	**–**	**(24)**	**(48,500)**	**(48,498)**
Cash flow from financing activities					
Proceeds from issuance of loans	90,062	–	90,062	–	–
Repayment of loans	(81,700)	–	(81,700)	–	–
Proceeds from payables to other group companies	–	–	–	–	600
Net cash flow received / (used) in financing activities	**8,362**	–	**8,362**	**–**	**600**
Cash flow for the period	**5,550**	**(271)**	**5,080**	**(48,538)**	**(48,051)**
Cash and cash equivalents less bank overdrafts at beginning of the period	**236**	**492**	**707**	**48,753**	**48,753**
Foreign exchange gains / (losses) on cash and cash equivalents	20	–	19	6	5
Cash and cash equivalents less bank overdrafts at end of the period	**5,806**	**221**	**5,806**	**221**	**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 profit for the period	–	7	**7**
Other comprehensive income	–	–	**–**
Total comprehensive income	**–**	**7**	**7**
Transactions with owners			
Total transactions with owners	–	–	**–**
Balance at 30 June 2018*	**54**	**5,215**	**5,269**
Balance at 1 January 2019	**54**	**5,252**	**5,306**
Net loss for the period	–	(266)	**(266)**
Other comprehensive (loss) / income	–	–	**–**
Total comprehensive (loss) / income	**–**	**(266)**	**(266)**
Transactions with owners			
Total transactions with owners	–	–	**–**
Balance at 30 June 2019*	**54**	**4,986**	**5,040**

* 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 were 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 III AG that was incorporated in Slovenia on 22 October 2018. CE Partner S.à r.l. and CE Holding Invest S.C.S were incorporated on 4 December 2018 in Luxembourg and the equity investment was recognised as an associate. The DDM Debt Group's joint arrangement with B2Holding closed on 31 May 2019 where each party holds 50% of the share capital and voting rights of (the "Joint Venture") and therefore was reclassified to joint ventures. aXs GmbH was incorporated on 29 May 2019, where 70% of the ownership is controlled by DDM Debt.

On 14 June 2019, the following subsidiaries were merged into DDM Invest III AG to simplify the existing DDM Group structure: DDM Invest I AG, DDM Invest II AG, DDM Invest IV AG, DDM Invest VII AG, DDM Invest X AG and DDM Invest XX AG. DDM Invest III AG has assumed all rights, liabilities and obligations from the merged subsidiaries.

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 consolidated 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.

Note 2. *Basis of preparation… continued*

Subsidiaries	Consolidation method	Domicile	30 June 2019	31 December 2018
DDM Invest I AG	Fully consolidated	Switzerland	–	100%
DDM Invest II AG	Fully consolidated	Switzerland	–	100%
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Invest IV AG	Fully consolidated	Switzerland	–	100%
DDM Invest VII AG	Fully consolidated	Switzerland	–	100%
DDM Invest X AG	Fully consolidated	Switzerland	–	100%
DDM Invest XX AG	Fully consolidated	Switzerland	–	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%
aXs GmbH	Fully consolidated	Austria	70%	–

On 14 June 2019, the following subsidiaries were merged into DDM Invest III AG to simplify the existing DDM Group structure: DDM Invest I AG, DDM Invest II AG, DDM Invest IV AG, DDM Invest VII AG, DDM Invest X AG and DDM Invest XX AG. DDM Invest III AG has assumed all rights, liabilities and obligations from the merged subsidiaries.

Joint ventures
The Company applies IFRS 11 Joint Arrangements, where the DDM Debt Group, together with one or several parties have joint control over an arrangement in accordance with a shareholder agreement. The DDM Debt Group's joint arrangement with B2Holding where each party holds 50% of the share capital and voting rights of CE Partner S.à r.l. and CE Holding Invest S.C.S (the "Joint Venture") is classified as a joint venture, as the DDM Debt Group is entitled to 50% of the net assets of the Joint Venture rather than having a direct entitlement to assets and responsibility for liabilities. The equity method is applied when accounting for the joint venture. Under the equity method of accounting the investment is recognised at cost and subsequently adjusted to the DDM Debt Group's 50% share of the change in the net assets of the Joint Venture since the acquisition date. The consolidated income statement includes the DDM Debt Group's share of earnings, and this is reported under Share of net profits of joint venture. Dividends received from the joint venture are not recognised in the income statement and instead reduce the carrying value of the investment. The equity method is applied from the date joint control arises until the time it ceases, or if the joint venture becomes a subsidiary. Upon loss of joint control over the joint venture, and as such the equity method ceases, the Company measures and recognises any difference between the carrying amount of the investment in the joint venture with the fair value of the remaining investment and/or proceeds from disposal which is recognised as gain or loss directly in the income statement. The financial statements of the Joint Venture are prepared for the same reporting period as the Company.

Associates	Consolidation method	Domicile	30 June 2019	31 December 2018
CE Partner S.a.r.l.	Equity method	Luxembourg	50.00%	–
CE Holding Invest S.C.S	Equity method	Luxembourg	49.99%	–

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. CE Partner S.à r.l. and CE Holding Invest S.C.S were incorporated on 4 December 2018 in Luxembourg and the equity investment was recognised as an associate. The DDM Debt Group's joint arrangement with B2Holding closed on 31 May 2019 where each party holds 50% of the share capital and voting rights of (the "Joint Venture") and therefore was reclassified to joint ventures.

Associates	Consolidation method	Domicile	30 June 2019	31 December 2018
CE Partner S.a.r.l.	Equity method	Luxembourg	–	50.00%
CE Holding Invest S.C.S	Equity method	Luxembourg	–	49.99%

Note 3. Currency translation

All entities prepare their financial statements in their functional currency. At 30 June 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 the DDM Debt Group 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 the DDM Debt Group, minus commission and fees to third parties. The net amount of cash collected is recorded as "Net collections" within the line "Revenue on invested assets" in the consolidated income statement. The DDM Debt Group discloses the alternative performance measure "Net collections" in the notes separately, as it is an important measurement for the DDM Debt Group to monitor the performance of the portfolios and measure the cash available for operating expenses and to service its debt. The DDM Debt Group believes that disclosing net collections as a separate performance measure in the notes improves the transparency and understanding of the DDM Debt Group's financial statements and performance, meeting the expectations of its investors.

EUR'000s	1 Apr–30 Jun 2019	1 Apr–30 Jun 2018	1 Jan–30 Jun 2019	1 Jan–30 Jun 2018	Full Year 2018
Net collections by country:					
Slovenia	6,346	4,311	14,118	6,743	20,277
Czech Republic	2,590	2,937	5,410	5,971	12,576
Croatia	1,421	2,720	4,333	3,107	9,038
Romania	840	1,118	1,711	2,171	4,069
Hungary	610	1,041	1,361	2,219	3,789
Greece	164	2,998	1,100	5,198	13,962
Serbia	100	122	215	222	699
Slovakia	25	35	32	167	193
Russia	–	14	1,954	42	86
Bosnia	–	70	2	70	70
Net collections*	**12,096**	**15,366**	**30,236**	**25,910**	**64,759**
Amortization of invested assets	(8,413)	(8,224)	(19,881)	(11,992)	(34,405)
Interest income on invested assets before revaluation and impairment*	**3,683**	**7,142**	**10,355**	**13,918**	**30,354**
Revaluation of invested assets	719	203	422	203	(152)
Impairment of invested assets	(260)	–	(1,021)	–	(2,445)
Revenue on invested assets	**4,142**	**7,345**	**9,756**	**14,121**	**27,757**
Share of net profits of joint venture	**461**	–	**461**	–	–

* 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.

Share of net profits of joint venture
Following the acquisition that closed on 31 May of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding, the second quarter and first half 2019 results include EUR 0.5M from share of net profits of joint venture accounted for under the equity method in accordance with IFRS.

Net collections on sale of invested assets
On 29 March 2019, the DDM Debt Group sold its legacy portfolios in Russia for a total consideration of EUR 2.1M. The transaction resulted in a realized gain on sale of EUR 1.9M recognized in the consolidated income statement as net collections on sale of invested assets.

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

Note 5. Tangible assets... continued

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	30 June 2019	31 December 2018
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 judgement 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".

Note 6. Distressed asset portfolios… continued

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	30 June 2019	31 December 2018
EUR	56,662	70,620
HRK	21,618	24,570
CZK	11,805	14,878
HUF	2,821	2,422
RSD	1,765	2,116
RON	1,183	1,564
RUB	–	195
Total	**95,854**	**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. Investment in joint venture

On 31 May 2019, the DDM Debt Group acquired a distressed asset portfolio containing secured corporate receivables in Croatia through a 50/50 joint venture with B2Holding. As part of the co-investment structure with B2Holding, the DDM Debt Group became 50% owner of the share capital and voting rights of CE Partner S.à r.l. and CE Holding Invest S.C.S. (the "Joint Venture") registered in Luxembourg.

The investment is accounted for under the equity method in accordance with IFRS 11 Joint Arrangements and has changed as follows during the period:

Investment in joint venture EUR '000s	30 June 2019	31 December 2018
Balance at beginning of the period	–	–
Additions	66,662	–
Share of net profit of joint venture	461	–
Reclassified to accounts receivable	(1,413)	–
Balance at end of the period	**65,710**	–

Adjusted net collections includes EUR 1.4M due to be distributed from the joint venture and therefore has been reclassified to accounts receivable.

Note 8. Borrowings

The Group had the following outstanding borrowings at the balance sheet dates of 30 June 2019 and/or 31 December 2018:

Bond loan EUR 100M
On 8 April 2019, DDM Debt issued EUR 100M of senior secured bonds priced at Euribor plus a margin of 9.25% within a total framework amount of EUR 150M. The bonds with ISIN number SE0012454940 have a final maturity date of 8 April 2022 and are listed on the Corporate Bond list at Nasdaq Stockholm. The proceeds from the new bond issue were mainly employed towards refinancing the existing EUR 85M bond and for general corporate purposes.

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 30 June 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.

Note 8. Borrowings… continued

Revolving credit facility EUR 27M
On 15 March 2019, DDM Debt agreed a super senior revolving credit facility of EUR 27M with an international bank. The revolving credit facility is available to finance investments and for general corporate purposes. The facility 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 were for acquiring additional debt portfolios.

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 had a final maturity date of 30 January 2020 and were listed on the Corporate Bond list at Nasdaq Stockholm. 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%.

On 2 May 2019, DDM Debt redeemed in advance its EUR 85M senior secured bonds with ISIN SE0009548332, in accordance with Clause 9.3 (Voluntary total redemption (call option)) of the terms and conditions of the bonds. The bonds were redeemed each at the applicable call option (being 102.38 per cent. of the outstanding nominal amount) totaling EUR 2.0M, plus accrued but unpaid interest. In addition remaining capitalized transaction costs of approximately EUR 0.6M were expensed to the income statement as a non-cash write off in relation to the existing EUR 85M bond. The redemption amount was paid to the bondholders holding bonds on the relevant record date, being 24 April 2019. The bonds were de-listed from the corporate bond list of Nasdaq Stockholm in connection with the redemption date and the last day of trading occurred on 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 30 June 2019						
Bond loan, 8%	–	49,250	–	–	–	**49,250**
Bond loan, 9.25%	–	–	93,438	–	–	**93,438**
Total	–	**49,250**	**93,438**	**–**	**–**	**142,688**
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 30 June 2019				
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	50,875	49,250
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	95,713	93,438
Total			**146,588**	**142,688**
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 9. Participations in Group companies

Parent Company EUR '000s	30 June 2019	31 December 2018
Investment	9,502	9,478
Total	**9,502**	**9,478**

Parent Company EUR '000s	Investment
At 31 December 2018	**9,478**
Acquisitions	24
At 30 June 2019	**9,502**

The Parent Company holds shares in the following subsidiaries:

EUR '000s Company	Corporate identity number	Domicile	Proportion of equity 30 June 2019	Proportion of equity 31 Dec 2018	Net book value 30 June 2019	Net book value 31 Dec 2018
DDM Invest I AG	CHE 113.863.850	Switzerland	–	100%	–	1,393
DDM Invest II AG*	CHE 115.038.302	Switzerland	–	100%	–	–
DDM Invest III AG	CHE 115.238.947	Switzerland	100%	100%	9,364	635
DDM Invest IV AG*	CHE 317.413.116	Switzerland	–	100%	–	–
DDM Invest VII AG	CHE 153.128.633	Switzerland	–	100%	–	90
DDM Invest X AG	CHE 130.419.930	Switzerland	–	100%	–	1,465
DDM Invest XX AG	CHE 349.886.186	Switzerland	–	100%	–	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
aXs GmbH	FN 513105 t.	Austria	70%	–	24	–
Total					**9,502**	**9,478**

* The net book value of the investment in DDM Debt Management d.o.o Beograd amounts to EUR 1 as of 30 June 2019 and 31 December 2018. The net book value of the investments in DDM Invest II AG and DDM Invest IV AG amounted to EUR 1 each as of 31 December 2018. DDM Invest V d.o.o. (formerly Ahive d.o.o.) is a 100% indirectly held subsidiary through DDM Invest III AG.

On 14 June 2019, the following subsidiaries were merged into DDM Invest III AG to simplify the existing DDM Group structure: DDM Invest I AG, DDM Invest II AG, DDM Invest IV AG, DDM Invest VII AG, DDM Invest X AG and DDM Invest XX AG. DDM Invest III AG has assumed all rights, liabilities and obligations from the merged subsidiaries.

Note 10. Subsequent events

In July DDM Debt announced that the Company had secured third party financing together with B2Holding to partially fund the joint venture acquisition in Croatia at a lower cost of funding than the existing DDM Debt AB senior secured bonds in issue. Further DDM Debt bought out the co-investor in its Greek non-performing loan portfolio which was acquired by DDM in August 2017.

In July DDM Debt's parent company, DDM Finance AB also issued EUR 6M of bonds gross of financing costs. Part of the net proceeds will be used to provide a shareholder loan to DDM Debt, which thereby qualifies as equity under the current DDM Debt senior secured bond terms.

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 30 June 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, 1 August 2019

Torgny Hellström
Chairman of the board

Joachim Cato
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 the DDM Debt Group, minus commission and fees to third parties. The net amount of cash collected is recorded as "Net collections" within the line "Revenue on invested assets" in the consolidated income statement. The DDM Debt Group discloses the alternative performance measure "Net collections" in the notes separately, as it is an important measurement for the DDM Debt Group to monitor the performance of the portfolios and measure the cash available for operating expenses and to service its debt. The DDM Debt Group believes that disclosing net collections as a separate performance measure in the notes improves the transparency and understanding of the DDM Debt Group'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 Apr–30 Jun 2019**	**1 Apr–30 Jun 2018**	**1 Jan–30 Jun 2019**	**1 Jan–30 Jun 2018**	**Full year 2018**
Net collections*	13,509	15,366	31,649	25,910	64,759
Personnel expenses	(296)	(88)	(367)	(154)	(144)
Consulting expenses	(2,606)	(1,569)	(4,184)	(3,133)	(6,304)
Other operating expenses	(81)	(53)	(128)	(99)	(361)
Operating expenses	(2,983)	(1,710)	(4,679)	(3,386)	(6,809)
Cash EBITDA	10,526	13,656	26,970	22,524	57,950

** Net collections includes the gain on sale of invested assets and the anticipated distribution from joint venture. Please refer to page 23 for a reconciliation of alternative performance measures ("APMs") to IFRS*

Net debt:

Bond loan, 8%	49,250	48,774	49,250	48,774	49,006
Bond loan, 9.25%	93,438	–	93,438	–	–
Bond loan, 9.5%	–	83,885	–	83,885	84,219
Less: Cash and cash equivalents	(15,310)	(38,699)	(15,310)	(38,699)	(57,266)
Net debt	127,378	93,960	127,378	93,960	75,959

Equity ratio:

Shareholder's equity	3,509	8,266	3,509	8,266	8,861
Shareholder debt (subordinated)	31,880	28,742	31,880	28,742	31,175
Total equity according to the senior secured bond terms	35,389	37,008	35,389	37,008	40,036
Total assets	190,550	180,615	190,550	180,615	184,719
Equity ratio	18.6%	20.5%	18.6%	20.5%	21.7%

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Apr–30 Jun 2019	1 Apr–30 Jun 2018	1 Jan–30 Jun 2019	1 Jan–30 Jun 2018	Full Year 2018
Net collections	**12,096**	**15,366**	**28,300**	**25,910**	**64,759**
Sale of invested assets	–	–	1,936	–	–
Anticipated distribution from joint venture	1,413	–	1,413	–	–
Adjusted net collections	**13,509**	**15,366**	**31,649**	**25,910**	**64,759**
Cash EBITDA	**9,113**	**13,656**	**23,621**	**22,524**	**57,950**
Sale of invested assets	–	–	1,936	–	–
Anticipated distribution from joint venture	1,413	–	1,413	–	–
Adjusted cash EBITDA	**10,526**	**13,656**	**26,970**	**22,524**	**57,950**
Net (loss) / profit for the period	**(4,857)**	**605**	**(5,357)**	**1,545**	**2,144**
Non-recurring items bond refinancing	2,631	–	2,631	–	–
Non-recurring items deferred taxes & interest in associates	–	–	–	–	963
Adjusted net (loss) / profit for the period	**(2,226)**	**605**	**(2,726)**	**1,545**	**3,107**

The financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting. In addition, the Group presents alternative performance measures ("APMs"). Adjusted key figures for net collections, cash EBITDA and net profit / (loss) for the period provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include one-time costs not affecting the Group's run rate cost level, significant earnings effects from acquisition and disposals and anticipated distributions from joint ventures. These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies. The APMs are regularly reviewed by Management and their aim is to enhance stakeholders' understanding of the Group's performance and to enhance comparability between financial periods. The APMs are reported in addition to but are not substitutes for the financial statements prepared in accordance with IFRS. The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of Management, distort the evaluation of the performance of our operations. The APMs also provide measures commonly reported and widely used by investors as an indicator of the Group's operating performance and as a valuation metric of debt purchasing companies. Furthermore, APMs are also relevant when assessing our ability to incur and service debt. APMs are defined consistently over time and are based on the financial data presented in accordance with IFRS.

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 billion.

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

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

DDM Holding AG 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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