DDM HOLDING AG

Corporate Registration Number: CHE-115906312

Q3 interim report | 1 January – 30 September 2019

ddm

Significant acquisitions in core markets support growth

Highlights third quarter 2019

- Net collections amounted to EUR 16.5M (16.8)*
- Cash EBITDA amounted to EUR 13.1M (14.7)*
- Net loss for the period of EUR 1.5M (profit of 0.3)*
- Gross ERC at the end of September 2019 was EUR 330M (240 at December 2018)
- Investment in a significant portfolio in Croatia finalized with a gross collection value (face value) of c. EUR 200M
- Buy-out of co-investor in Greece
- Financing finalized for part of the joint venture with B2Holding, at a lower cost of borrowing than the existing senior secured bond framework
- Refinanced EUR 12M senior secured bonds issued by DDM Finance AB, extending the maturity to June 2022 and issued a further EUR 6M of bonds that qualify as equity under the existing senior secured bond framework
- Strengthened management team with Chief Operating Officer to further increase focus on portfolio management, business development and servicing of third-party portfolios

Highlights nine months 2019

- Net collections increased by 16% to EUR 49.6M (42.9)*
- Cash EBITDA increased by 10% to EUR 40.9M (37.2)*
- Net loss for the period of EUR 3.0M (profit of 2.4)*
- Investment in a significant corporate secured portfolio in Croatia made through a 50/50 joint venture with B2Holding
- Secured super senior RCF of EUR 27M significantly lowering the cost of funding, EUR 17M undrawn at 30 September
- 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
- Sale of portfolios in Russia resulted in EUR 2M operating gain

** 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 17.*

IFRS Consolidated Amounts in EUR '000s (unless specified otherwise)	**1 Jul–30 Sep 2019****	**1 Jul–30 Sep 2018****	**1 Jan–30 Sep 2019****	**1 Jan–30 Sep 2018****	**Full Year 2018**
Net collections	15,316	16,754	45,088	42,928	65,669
Revenue from management fees	43	282	423	943	1,233
Operating expenses	(3,479)	(2,322)	(9,204)	(6,716)	(9,246)
Cash EBITDA	11,880	14,714	36,307	37,155	57,656
Amortization, revaluation and impairment of invested assets	(8,987)	(10,414)	(30,056)	(22,336)	(37,425)
Share of net profits of joint venture	212	–	673	–	–
Operating profit	3,056	4,268	8,719	14,721	22,068
Net (loss) / profit for the period***	(1,494)	(547)	(5,592)	1,425	4,817
Selected key figures					
Total assets	210,919	186,594	210,919	186,594	194,534
Net debt	159,431	94,797	159,431	94,797	87,363
Equity ratio****	14.4%	17.3%	14.4%	17.3%	18.4%
Cash flow from operating activities before working capital changes	7,741	10,647	22,733	26,756	43,685
Gross ERC 120 months (EUR M)	330	250	330	250	240
Earnings per share before and after dilution (EUR)	(0.11)	(0.04)	(0.41)	0.11	0.36
Total number of shares at the end of the period	13,560,447	13,560,447	13,560,447	13,560,447	13,560,447

** Unaudited

*** The bond refinancing in Q2 2019 resulted in total negative non-recurring items of approximately EUR 2.6M in Q2 and 9M 2019. The results for Q3 and 9M 2018 were negatively impacted by EUR 0.8M and EUR 1.0M respectively of non-recurring items relating to deferred taxes and interests in associates.

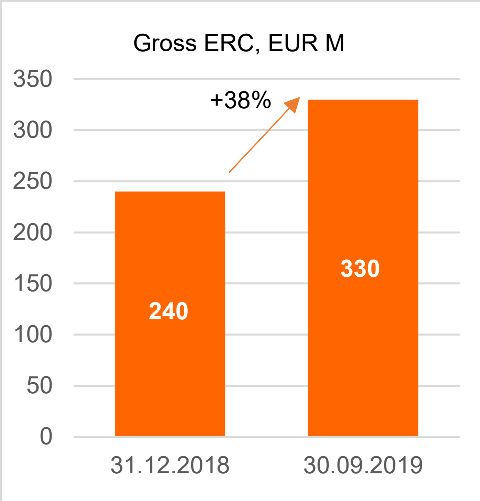
**** Equity ratio calculated according to the terms and conditions of the DDM Debt AB senior secured bonds is 19.1%

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 7 November 2019 at 08:00 CET.

DDM Holding AG is a specialized multinational investor and manager of distressed assets.

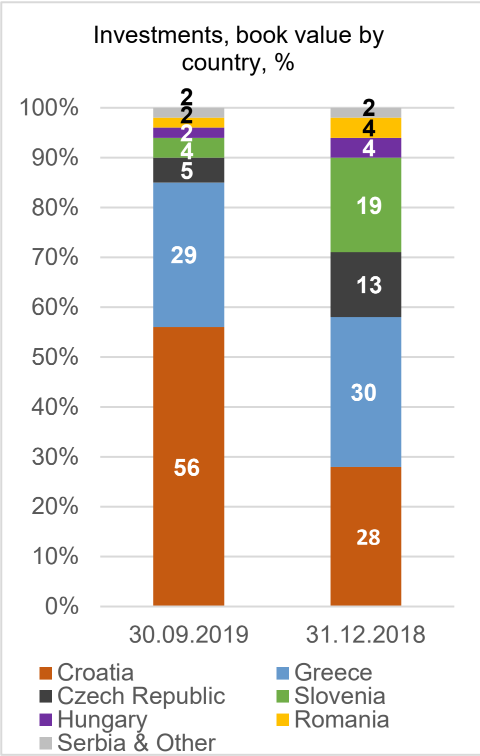
Comment by the CEO

As part of DDM's strategic growth plan as a specialized investor in non-performing loans ("NPL"), we have acquired significant portfolios of approximately EUR 100M across our core markets in the first nine months of 2019. In addition, we have also continued to successfully refinance our existing debt structure to improve flexibility, extending the maturity of our existing financing, which in combination with strong collections will support our future growth.



Significant acquisitions in core markets
During the third quarter we secured third party financing together with B2Holding to partially fund the joint venture acquisition in Croatia acquired in the second quarter. The financing within the joint venture structure is at a lower cost of borrowing than the existing senior secured bond frameworks. This not only confirmed the portfolio quality but also enabled DDM to invest the proceeds in further acquisitions.

Furthermore, we bought out the co-investor in our Greek non-performing loan portfolio which was acquired by DDM in August 2017. The total investment amounted to approximately EUR 20M. In September, we also finalized the acquisition of a significant distressed asset portfolio in Croatia with a gross collection value (face value) of about EUR 200M.



These acquisitions have significantly increased our ERC by 38% compared to 31 December 2018 to EUR 330M. The proportion of secured portfolios has also increased from 61% of ERC at 31 December 2018 to 72% of ERC at 30 September 2019, with the majority of collections expected to be received in the next three years.

Newly appointed COO increases focus on portfolio management
Our servicing platform in partnership with the company 720 Restructuring & Advisory and lead by Bernhard Engel, our newly appointed COO, will increase DDM's focus on portfolio management and business development services. This complements our existing network of outsourced debt collection agencies and work out specialists as well as enabling us to be closer to the market. It will also ensure increased control and management by partially servicing DDM's own secured portfolios, whilst gradually providing third party work out servicing and adjacent professional services. 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 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.

Continued refinancing of debt structure supports future growth
We continue to successfully refinance our debt structure to support our future growth, improving flexibility and extending the maturity of our existing financing.

During the third quarter we refinanced the existing EUR 12M bonds issued by DDM Finance AB, extending the maturity to June 2022 and issued a further EUR 6M of bonds gross of financing costs. Part of the net proceeds were used to provide a shareholder loan to DDM Debt AB, which thereby qualifies as equity under the existing senior secured bond framework in DDM Debt AB. This strengthens the opportunities for DDM to support continued growth.

The headroom under the EUR 27M revolving loan facility ("RCF") was EUR 17M at 30 September and is available until March 2021 and cash on hand was almost EUR 11M at the end of September.

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 target to increase ERC, as we seek to invest in future acquisitions. The majority of collections are expected to be received in the next three years following the recent acquisitions in Croatia and Greece. DDM's rate of growth and financial results will continue to vary from quarter to quarter, as we invest further in portfolios that are impacted by the timing of investments and larger settlements.

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

Baar, 7 November 2019
DDM Holding AG
Henrik Wennerholm, CEO

Extraordinary General Meeting 2019
DDM Holding AG held an Extraordinary General Meeting ("EGM") on 30 August 2019. All resolutions proposed by the Board of Directors were approved. The EGM resolved to elect Jörgen Durban and Florian Nowotny as new members of the Board of Directors. The EGM also resolved to elect Jörgen Durban as Chairman of the Board of Directors replacing Torgny Hellström. Please see our website www.ddm-group.ch, for further information about the resolutions passed at the EGM.

Financial calendar
DDM intends to publish financial information on the following dates:

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.

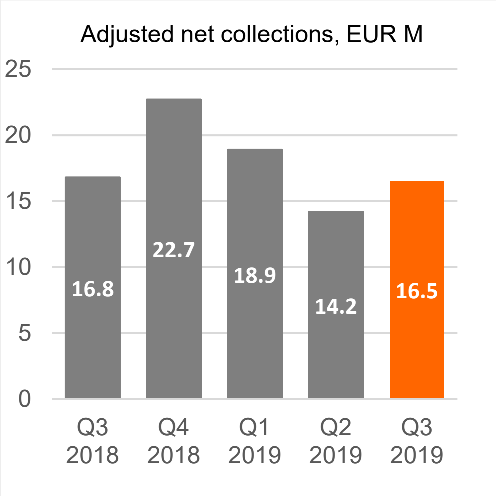
This report has not been reviewed by the Company's auditors.

Presentation of the report
The report and presentation material are available at www.ddm-group.ch on 7 November 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 7 November 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 69, CH: +41 225 805 977 or UK: +44 333 300 9035.

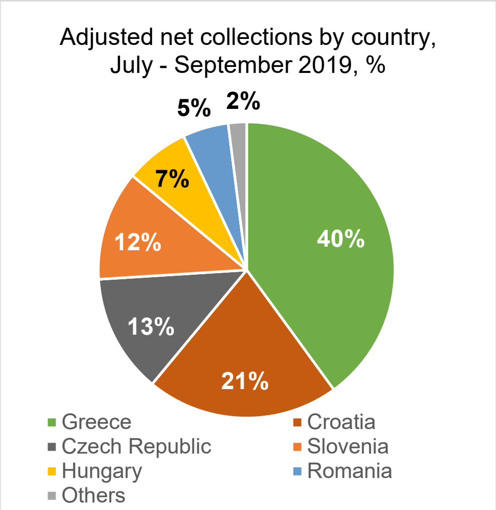
Financial results

Adjusted net collections totaled EUR 16.5M in the third quarter 2019, a decrease of 1% compared with EUR 16.8M for the corresponding period last year. The majority of collections during the quarter were received from Greece and the Balkans including from the recently acquired joint venture in Croatia. Adjusted net collections totaled EUR 49.6M for the first nine months of 2019, 16% above the corresponding period in 2018. As a result, adjusted cash EBITDA increased by 10% to EUR 40.9M for the first nine months of 2019, compared to EUR 37.2M for the corresponding period in 2018.



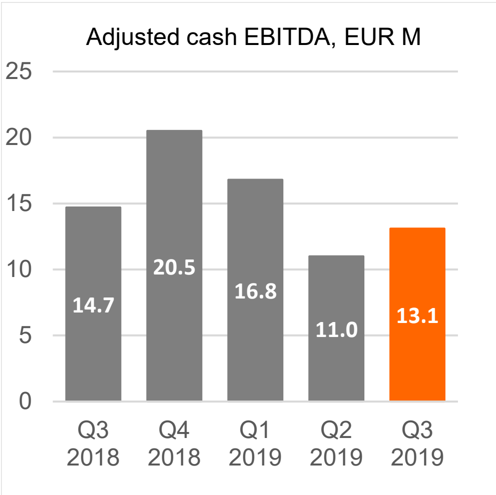
Operating expenses were EUR 3.5M in the third quarter, EUR 1.2M higher than the corresponding period last year. This is due to transaction costs incurred related to discontinued acquisitions, start-up costs incurred to build-up the new servicing platform, consolidation of the collections platform in Hungary that was fully acquired in November 2018 and consultancy fees for business development services.

The operating profit margin of 46% in the third quarter is lower than the corresponding period last year. This is 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 1.1M of impairment primarily relating to one-off write downs on portfolios in the Balkans offset by EUR 0.9M of revaluation gain following the buy-out of the co-investor in Greece. 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 first nine months of 2019 of EUR 5.6M 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 nine months of 2019, cash flow from operating activities before working capital changes was EUR 22.7M compared to EUR 26.8M in the corresponding period of 2018. This is primarily a result of the call premium that was paid following the EUR 85M bond refinancing and corporation tax that was prepaid in advance.



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 results for the third quarter and the first nine months of 2019 include EUR 0.2M and EUR 0.7M respectively from the share of net profits of joint venture accounted for under the equity method in accordance with IFRS.

Estimated Remaining Collections

ERC at the end of the quarter stands at EUR 330M, corresponding to an increase of 38% compared to 31 December 2018. The proportion of secured portfolios has increased from 61% in December 2018 to 72% of ERC in September 2019. The majority of the collections are expected to be received in the first three years, thereby accelerating the overall collections profile.

Significant events after the end of the quarter

The Company partially sold a portfolio previously acquired in Croatia containing consumer receivables.

Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Jul–30 Sep 2019*	1 Jul–30 Sep 2018*	1 Jan–30 Sep 2019*	1 Jan–30 Sep 2018*	Full Year 2018
Reconciliation of revenue on invested assets:						
Net collections		*15,316*	*16,754*	*45,088*	*42,928*	*65,669*
Amortization of invested assets		*(8,832)*	*(8,679)*	*(29,302)*	*(20,804)*	*(34,828)*
Interest income on invested assets	**9**	**6,484**	**8,075**	**15,786**	**22,124**	**30,841**
Net collections on sale of invested assets		–	–	*1,936*	–	–
Revaluation and impairment of invested assets		*(155)*	*(1,735)*	*(754)*	*(1,532)*	*(2,597)*
Revenue on invested assets	**9**	**6,329**	**6,340**	**16,968**	**20,592**	**28,244**
Share of net profits of joint venture	5, 9	212	–	673	–	–
Other operating income	9	–	–	–	–	1,967
Revenue from management fees	9	43	282	423	943	1,233
Personnel expenses		(1,427)	(1,264)	(4,124)	(3,374)	(4,816)
Consulting expenses		(1,477)	(674)	(3,304)	(1,997)	(2,443)
Other operating expenses		(575)	(384)	(1,776)	(1,345)	(1,987)
Amortization and depreciation of tangible and intangible assets		(49)	(32)	(141)	(98)	(130)
Operating profit		**3,056**	**4,268**	**8,719**	**14,721**	**22,068**
Financial income		–	–	63	–	–
Financial expenses**		(4,098)	(4,172)	(14,605)	(11,887)	(15,476)
Unrealized exchange (loss) / profit		(418)	39	(250)	(508)	(402)
Realized exchange loss		(118)	(77)	(213)	(244)	(261)
Net financial expenses		**(4,634)**	**(4,210)**	**(15,005)**	**(12,639)**	**(16,139)**
(Loss) / profit before income tax		**(1,578)**	**58**	**(6,286)**	**2,082**	**5,929**
Tax income / (expense)**		84	(605)	694	(657)	(1,112)
Net (loss) / profit for the period		**(1,494)**	**(547)**	**(5,592)**	**1,425**	**4,817**
Net (loss) / profit for the period attributable to:						
Owners of the Parent Company		(1,463)	(547)	(5,561)	1,425	4,817
Non-controlling interest		(31)	–	(31)	–	–
Earnings per share before and after dilution (EUR)		(0.11)	(0.04)	(0.41)	0.11	0.36
Average number of shares		13,560,447	13,560,447	13,560,447	13,560,447	13,560,447
Number of shares at the end of period		13,560,447	13,560,447	13,560,447	13,560,447	13,560,447

* Unaudited

** The bond refinancing in Q2 2019 resulted in total negative non-recurring items of approximately EUR 2.6M in Q2 and 9M 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. The results for Q3 2018 and 9M 2018 were negatively impacted by EUR 0.8M and EUR 1.0M respectively of non-recurring items relating to deferred taxes and interests in associates.

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Jul–30 Sep 2019*	1 Jul–30 Sep 2018*	1 Jan–30 Sep 2019*	1 Jan–30 Sep 2018*	Full Year 2018
Net (loss) / profit for the period	**(1,494)**	**(547)**	**(5,592)**	**1,425**	**4,817**
Other comprehensive (loss) / income for the period					
Items that will not be reclassified to profit or loss:					
Actuarial gain on post-employment benefit commitments	–	–	–	–	68
Deferred tax on post-employment benefit commitments	–	–	–	–	49
Items that may subsequently be reclassified to profit or loss:					
Currency translation differences	4	(4)	6	(4)	2
Other comprehensive (loss) / income for the period, net of tax	**4**	**(4)**	**6**	**(4)**	**119**
Total comprehensive (loss) / income for the period	**(1,490)**	**(551)**	**(5,586)**	**1,421**	**4,936**
Total comprehensive (loss) / income for the period attributable to:					
Owners of the Parent Company	(1,459)	(551)	(5,555)	1,421	4,936
Non-controlling interest	(31)	–	(31)	–	–

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	30 September 2019*	31 December 2018
ASSETS			
Non-current assets			
Goodwill	7	4,160	4,160
Intangible assets	7	1,331	1,415
Tangible assets	1,6	181	57
Interests in associates	1	–	13
Distressed asset portfolios	4	152,794	116,143
Other long-term receivables from investments	4	2,374	2,422
Investment in joint venture	5	30,927	–
Deferred tax assets	3	1,790	1,041
Other non-current assets		72	106
Total non-current assets		**193,629**	**125,357**
Current assets			
Accounts receivable		3,909	7,280
Other receivables		1,965	761
Prepaid expenses and accrued income		596	1,274
Cash and cash equivalents		10,820	59,862
Total current assets		**17,290**	**69,177**
TOTAL ASSETS		**210,919**	**194,534**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		11,780	11,780
Share premium		21,030	21,030
Other reserves		(482)	(488)
Retained earnings including net (loss) / profit for the period		(2,033)	3,528
Total shareholders' equity attributable to Parent Company's shareholders		**30,295**	**35,850**
Shareholders' equity attributable to non-controlling interest		(31)	–
Total shareholders' equity		**30,264**	**35,850**
Long-term liabilities			
Loans and borrowings	8	170,251	133,225
Lease liabilities	1	71	–
Post-employment benefit commitments		1,093	966
Deferred tax liabilities	3	250	307
Total long-term liabilities		**171,665**	**134,498**
Current liabilities			
Accounts payable		1,100	1,400
Tax liabilities		153	2,370
Accrued interest		4,570	3,789
Accrued expenses and deferred income		3,119	2,627
Lease liabilities	1	48	–
Loans	8	–	14,000
Total current liabilities		**8,990**	**24,186**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**210,919**	**194,534**

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Jul–30 Sep 2019*	1 Jul–30 Sep 2018*	1 Jan–30 Sep 2019*	1 Jan–30 Sep 2018*	Full Year 2018
Cash flow from operating activities					
Operating profit	3,056	4,268	8,719	14,721	22,068
Adjustments for non-cash items:					
Amortization of invested assets	8,832	*8,679*	*29,302*	*20,804*	*34,828*
Revaluation and impairment of invested assets	*155*	*1,735*	*754*	*1,532*	*2,597*
Share of net profits of joint venture	*(212)*	–	*(673)*	–	–
Other operating income	–	–	–	–	*(1,967)*
Depreciation, amortization and impairment of tangible and intangible assets	*49*	*32*	*141*	*98*	*130*
Other items not affecting cash	*(102)*	*85*	*471*	*224*	*(256)*
Interest paid	(2,307)	(4,127)	(12,417)	(10,574)	*(13,652)*
Interest received	–	–	63	–	–
Tax paid	(1,730)	(25)	(3,627)	(49)	*(63)*
Cash flow from operating activities before working capital changes	**7,741**	**10,647**	**22,733**	**26,756**	**43,685**
Working capital adjustments					
(Increase) / decrease in accounts receivable	2,301	(574)	5,989	2,235	(2,286)
(Increase) / decrease in other receivables	1,702	309	(526)	(1,284)	(1,027)
Increase / (decrease) in accounts payable	(456)	79	(300)	342	542
Increase / (decrease) in other current liabilities	254	426	817	429	1,027
Net cash flow from operating activities	**11,542**	**10,887**	**28,713**	**28,478**	**41,941**
Cash flow from investing activities					
Purchases of distressed asset portfolios and other long-term receivables from investments	(66,342)	–	(66,342)	(36,186)	(42,313)
Acquisition of joint venture	–	–	(66,662)	–	–
Proceeds from funding of joint venture	33,789	–	33,789	–	–
Acquisition of subsidiary, net of cash acquired	–	–	–	–	410
Purchases of tangible and intangible assets	(1)	(1)	(36)	(3)	(22)
Net cash flow received / (used) in investing activities	**(32,554)**	**(1)**	**(99,251)**	**(36,189)**	**(41,925)**
Cash flow from financing activities					
Proceeds from issuance of loans	15,305	–	105,367	–	12,000
Repayment of loans	–	–	(83,700)	–	(10,000)
Net cash flow received / (used) in financing activities	**15,305**	–	**21,667**	–	**2,000**
Cash flow for the period	**(5,707)**	**10,886**	**(48,871)**	**(7,711)**	**2,016**
Cash and cash equivalents less bank overdrafts at beginning of the period	**16,787**	**39,315**	**59,862**	**58,118**	**58,118**
Foreign exchange gains / (losses) on cash and cash equivalents	(260)	(58)	(171)	(264)	(272)
Cash and cash equivalents less bank overdrafts at end of the period	**10,820**	**50,143**	**10,820**	**50,143**	**59,862**

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Attributable to Parent Company's shareholders						
	Share capital	Share premium	Other reserves	Retained earnings including net (loss) / profit for the period	Total equity	Non-controlling interest	Total equity
Balance at 1 January 2018	**11,780**	**21,030**	**(540)**	**(1,356)**	**30,914**	–	**30,914**
Net profit for the period	–	–	–	1,425	**1,425**	–	**1,425**
Other comprehensive income							
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	–	**–**	–	–
Currency translation differences	–	–	(4)	–	**(4)**	–	**(4)**
Deferred tax on post-employment benefit commitments	–	–	–	–	**–**	–	–
Total comprehensive income	**–**	**–**	**(4)**	**1,425**	**1,421**	–	**1,421**
Transactions with owners							
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	–	–
Balance at 30 September 2018*	**11,780**	**21,030**	**(544)**	**69**	**32,335**	–	**32,335**
Balance at 1 January 2019	**11,780**	**21,030**	**(488)**	**3,528**	**35,850**	–	**35,850**
Net loss for the period	–	–	–	(5,561)	(5,561)	(31)	**(5,592)**
Other comprehensive (loss) / income							
Actuarial gain / (loss) on post-employment benefit commitments	–	–	–	–	–	–	–
Currency translation differences	–	–	6	–	6	–	6
Deferred tax on post-employment benefit commitments	–	–	–	–	–	–	–
Total comprehensive (loss) / income	–	–	**6**	**(5,561)**	**(5,555)**	**(31)**	**(5,586)**
Transactions with owners							
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 September 2019*	**11,780**	**21,030**	**(482)**	**(2,033)**	**30,295**	**(31)**	**30,264**

* Unaudited

Notes

Note 1. Basis of preparation

These consolidated financial statements (the “financial statements”) of DDM Holding AG and its subsidiaries (together "DDM" or "the Company") have been prepared in accordance with IAS 34 Interim Financial Reporting, are unaudited, and should be read in conjunction with DDM’s last annual consolidated financial statements as of and for the year ended 31 December 2018. DDM’s principal accounting policies are set out in Note 3 to the consolidated financial statements in the Annual Report 2018 and conform with International Financial Reporting Standards (IFRS) as adopted by the EU.

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not be considered as a substitute for measures defined under IFRS. Please refer to page 17 for reconciliation of alternative performance measures including adjusted net collections, adjusted cash EBITDA and adjusted net (loss) / profit for the period.

DDM 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 resulted in the recognition of EUR 835k right-of-use assets and a corresponding lease liability on the balance sheet, of which EUR 768k related to the Swiss office lease that was terminated earlier than expected during the second quarter and therefore was released during 2019.

All amounts are reported in thousands of Euros (EUR k), unless stated otherwise. Rounding differences may occur.

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

Subsidiaries	Consolidation method	Domicile	30 September 2019	31 December 2018
DDM Group AG	Fully consolidated	Switzerland	100%	100%
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 Debt AB	Fully consolidated	Sweden	100%	100%
DDM Finance AB	Fully consolidated	Sweden	100%	100%
DDM Treasury Sweden AB	Fully consolidated	Sweden	100%	100%
DDM Facility Debt AB	Fully consolidated	Sweden	–	100%
DDM Facility Finance AB	Fully consolidated	Sweden	–	100%
DDM Invest V d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Invest VII 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%
Finalp Zrt.	Fully consolidated	Hungary	100%	100%
aXs GmbH	Fully consolidated	Austria	70%	–
aXs Croatia d.o.o.	Fully consolidated	Croatia	70%	–
aXs, poslovne storitve d.o.o.	Fully consolidated	Slovenia	70%	–

On 29 May 2019, aXs GmbH was registered following the partnership that was launched with the company 720 Restructuring & Advisory, where 70% of the ownership is controlled by DDM.

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 1. *Basis of preparation… continued*

On 25 July 2019, aXs Croatia d.o.o. (formerly Silverton720 debt solutions d.o.o) and on 19 August 2019 aXs, poslovne storitve d.o.o. were fully acquired by aXs GmbH. aXs Croatia d.o.o. and aXs, poslovne storitve d.o.o. are 70% indirectly held subsidiaries through aXs GmbH.

In September 2019, the following dormant subsidiaries were sold in order to simplify the existing DDM Group structure: DDM Facility Finance AB and DDM Facility Debt AB.

Joint ventures
The Company applies IFRS 11 Joint Arrangements, where DDM, together with one or several parties have joint control over an arrangement in accordance with a shareholder agreement. DDM'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 DDM 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 DDM's 50% share of the change in the net assets of the Joint Venture since the acquisition date. The consolidated income statement includes DDM'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.

Joint Ventures	Consolidation method	Domicile	30 September 2019	31 December 2018
CE Partner S.à r.l.	Equity method	Luxembourg	50%	–
CE Holding Invest S.C.S	Equity method	Luxembourg	50%	–

Associates
Associates are all entities over which DDM Holding AG has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method. The carrying amount (including goodwill) of equity accounted investments is tested annually for impairment. 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. DDM'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 September 2019	31 December 2018
CE Partner S.à r.l.	Equity method	Luxembourg	–	50%
CE Holding Invest S.C.S	Equity method	Luxembourg	–	50%

Post-employment benefit commitment
The post-employment benefit commitment is calculated on an annual basis. In 2018 and 2019 one quarter of the estimated annual post-employment benefit commitment has been recorded in the consolidated interim financial statements of DDM Holding AG per quarter, with an adjustment in fourth quarter of each respective year for the final actuarial valuation.

Note 2. Currency translation

All entities prepare their financial statements in their functional currency. At 30 September 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, DDM Debt Romania S.R.L, which has Romanian Leu (RON) as its functional currency, Finalp Zrt., which has Hungarian Forint (HUF) as its functional currency and aXs Croatia d.o.o., which has Croatian Kuna (HRK) as its functional currency.

Note 3. Deferred taxes

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

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

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

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

Entity	Domicile	30 September 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%

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

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

The acquisition method of accounting is used to account for all business combinations, the excess of the consideration transferred for the acquisition over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase within the line "other operating income".

Cash flow projections are made at the portfolio / receivable level since each portfolio / receivable consists of a large number of homogeneous amounts of receivables. Assumptions must be made at each reporting date as to the expected timing and amount of future cash flows. Cash flows include the nominal amount, reminder fees, collection fees and late interest that are expected to be received from debtors less forecasted collection costs. These projections are updated at each reporting date based on actual collection information, planned collection actions as well as macroeconomic scenarios and the specific features of the assets concerned. 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. Changes in cash flow forecasts are treated symmetrically i.e. both increases and decreases in forecast cash flows affect the portfolios' book value and as a result "Revenue on invested assets". If there is objective evidence that one or more events have taken place that will have a positive impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows then this is recorded within the line "Revaluation of invested assets".

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

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

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

Note 4. *Distressed asset portfolios… continued*

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

Distressed asset portfolios and other long-term receivables from investments by currency EUR '000s	30 September 2019	31 December 2018
EUR	71,761	70,620
HRK	67,051	24,570
CZK	10,001	14,878
HUF	3,689	4,622
RSD	1,620	2,116
RON	1,046	1,564
RUB	–	195
Total	**155,168**	**118,565**

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

Note 5. Investment in joint venture

On 31 May 2019, DDM 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, DDM 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.

On 15 July 2019, DDM 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.

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 September 2019	31 December 2018
Balance at beginning of the period	–	–
Additions	66,662	–
Share of net profits of joint venture	673	–
Proceeds from funding of joint venture	(33,789)	–
Reclassified to accounts receivable	(2,619)	–
Balance at end of the period	**30,927**	–

Adjusted net collections includes EUR 2.6M due to be distributed from the joint venture which therefore has been reclassified to accounts receivable.

Note 6. Tangible assets

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

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

Furniture	5 years
Computer hardware	5 years

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

Note 7. Intangible assets

(i) Identifiable intangible assets

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

(ii) Goodwill

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

Note 8. Loans and borrowings

The Group had the following borrowings outstanding during the periods ending 30 September 2019 and/or 31 December 2018:

Bond loan EUR 100M
On 8 April 2019, DDM Debt AB (publ) ("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 are: an equity ratio of at least 15.00%, net interest bearing debt to cash EBITDA below 4:1, and net interest bearing debt to ERC below 75.00%. DDM's management carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded. Please also refer to the financial statements of DDM Debt. DDM Debt complied with all bond covenants for the periods ending 30 September 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 AB 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 and revolving credit facility contain a number of restrictions, including relating to distributions, the nature of the business, financial indebtedness, disposals of assets, dealings with related parties, negative pledges, new market loans, mergers and demergers, local credits and intercompany loans. The terms and conditions of the senior secured bonds are available in their entirety on our website.

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 three month Euribor plus a margin of 350 basis points.

Senior secured notes EUR 18M
DDM Finance AB ("DDM Finance") raised EUR 10M in a bridge financing transaction in early November 2017. DDM Finance used the net proceeds from the bridge financing to provide a shareholder loan to DDM Debt. Under the terms and conditions investors receive a share pledge over the shares of DDM Finance, and any downstream loans to DDM Finance's direct subsidiary are pledged to investors as intercompany loans.

In November 2018, the Company refinanced its subsidiary DDM Finance's EUR 10M senior secured notes by issuing EUR 12M of senior secured notes, and on 23 July 2019 the Company refinanced the EUR 12M senior secured notes. Certain amendments were made to the Terms and Conditions, including extending the maturity date to 30 June 2022. At the same time, DDM Finance also issued EUR 6M of additional bonds under the same framework. Part of the net proceeds were used to provide a shareholder loan to DDM Finance's wholly owned subsidiary DDM Debt, which thereby qualifies as equity under the current DDM Debt senior secured bond terms.

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.

Note 8.* Loans and borrowings… *continued

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, the 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.

Other loans
DDM had an outstanding EUR 2M loan that was repaid in full during 2019.

Maturity profile and carrying value of borrowings:

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 30 September 2019						
Revolving credit facility	–	9,759	–	–	–	**9,759**
Senior secured notes	–	–	17,647	–	–	**17,647**
Bond loan, 8%	–	49,376	–	–	–	**49,376**
Bond loan, 9.25%	–	–	93,469	–	–	**93,469**
Total	**–**	**59,135**	**111,116**	**–**	**–**	**170,251**
at 31 December 2018						
Senior secured notes	12,000	–	–	–	–	**12,000**
Bond loan, 8%	–	49,006	–	–	–	**49,006**
Bond loan, 9.5%	–	84,219	–	–	–	**84,219**
Loans	2,000	–	–	–	–	**2,000**
Total	**14,000**	**133,225**	–	–	–	**147,225**

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:

EUR '000s	IFRS 9 category	Fair value category	Fair value	Carrying value
at 30 September 2019				
Revolving credit facility	Financial liabilities at amortized cost	Level 2	10,000	9,759
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,647
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	50,562	49,376
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	97,019	93,469
Total			**175,581**	**170,251**
at 31 December 2018				
Senior secured notes	Financial liabilities at amortized cost	Level 2	12,000	12,000
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
Loans	Financial liabilities at amortized cost	Level 2	2,000	2,000
Total			**147,648**	**147,225**

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. Revenue recognition

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

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

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

EUR ‘000s	1 Jul–30 Sep 2019	1 Jul–30 Sep 2018	1 Jan–30 Sep 2019	1 Jan–30 Sep 2018	Full Year 2018
Net collections by country:					
Greece	6,610	3,314	7,710	8,512	13,962
Croatia	2,274	2,334	6,607	5,441	9,038
Czech Republic	2,121	3,340	7,531	9,311	12,576
Slovenia	2,032	5,750	16,150	12,493	20,277
Hungary	1,195	815	4,028	3,298	4,699
Romania	881	955	2,592	3,126	4,069
Serbia	202	215	417	437	699
Slovakia	7	10	39	177	193
Russia	–	21	1,954	63	86
Bosnia	(6)	–	(4)	70	70
Net collections*	**15,316**	**16,754**	**47,024**	**42,928**	**65,669**
Amortization of invested assets	(8,832)	(8,679)	(29,302)	(20,804)	(34,828)
Interest income on invested assets before revaluation and impairment	**6,484**	**8,075**	**17,722**	**22,124**	**30,841**
Revaluation of invested assets	944	(640)	1,366	(437)	(152)
Impairment of invested assets	(1,099)	(1,095)	(2,120)	(1,095)	(2,445)
Revenue on invested assets	**6,329**	**6,340**	**16,968**	**20,592**	**28,244**
Share of net profits of joint venture	**212**	–	**673**	–	–
Revenue from management fees	**43**	**282**	**423**	**943**	**1,233**
Other operating income	–	–	–	–	**1,967**

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

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 third quarter and nine month 2019 results include EUR 0.2M and EUR 0.7M respectively 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, DDM 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 income statement as net collections on sale of invested assets.

Other operating income
On 7 November 2018, DDM acquired the remaining share of the economic rights to a distressed asset portfolio located in Hungary, Finalp Zrt for a total consideration of EUR 1.2M, resulting in a gain on bargain purchase of EUR 2.0M recognized in the consolidated income statement as other operating income. Prior to the acquisition DDM owned the rights to 20% of the portfolio and 100% of the equity in Finalp Zrt, which has been reclassified from other long-term receivables from investments to distressed asset portfolios.

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

Note 10. Subsequent events

The Company partially sold a portfolio previously acquired in Croatia containing consumer receivables.

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Jul–30 Sep 2019	1 Jul–30 Sep 2018	1 Jan–30 Sep 2019	1 Jan–30 Sep 2018	Full Year 2018
Net collections	**15,316**	**16,754**	**45,088**	**42,928**	**65,669**
Sale of invested assets	–	–	1,936	–	–
Incremental net distribution from joint venture	1,206	–	2,619	–	–
Adjusted net collections	**16,522**	**16,754**	**49,643**	**42,928**	**65,669**
Cash EBITDA	**11,880**	**14,714**	**36,307**	**37,155**	**57,656**
Sale of invested assets	–	–	1,936	–	–
Incremental net distribution from joint venture	1,206	–	2,619	–	–
Adjusted cash EBITDA	**13,086**	**14,714**	**40,862**	**37,155**	**57,656**
Net (loss) / profit for the period	**(1,494)**	**(547)**	**(5,592)**	**1,425**	**4,817**
Non-recurring items bond refinancing	–	–	2,631	–	–
Non-recurring items deferred taxes & interest in associates	–	843	–	963	963
Adjusted net (loss) / profit for the period	**(1,494)**	**296**	**(2,961)**	**2,388**	**5,780**

The financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting. In addition, the Company presents alternative performance measures ("APMs"). Adjusted key figures for net collections, cash EBITDA and net (loss) / profit 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 Company'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 Company'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 Company'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.

Definitions

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

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

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

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

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

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

Equity
Shareholders' equity at the end of the period.

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

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

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

Net collections
Gross collections from Portfolios held by the Group less commission and collection fees to third parties (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 loans, liabilities to credit institutions (bank overdrafts) less cash and cash equivalents.

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

Operating expenses
Personnel, consulting and other operating expenses.

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

About DDM

DDM Holding AG (First North Growth Market: DDM) is a multinational investor in and manager of distressed assets, offering the prospect of attractive returns from the expanding Southern, Central and Eastern European market. Since 2007, the DDM Group has built a successful platform in Southern, Central and Eastern Europe, and has acquired 2.3 million receivables with a nominal value of over EUR 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, the Parent Company, is a company incorporated and domiciled in Baar, Switzerland and listed on Nasdaq First North Growth Market in Stockholm, Sweden, since August 2014.

ddm

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