



Resilient portfolio and strategic investment in challenging environment

Highlights second quarter 2020

- Net collections amounted to EUR 12.1M (13.5)*
- Cash EBITDA amounted to EUR 9.7M (10.5)*
- Net loss for the period of EUR 1.2M (2.2)*
- Cash on hand available for investment at the end of June 2020 was EUR 24M (11 at December 2019)
- COVID-19 pandemic has had an adverse impact on global business and economic activity, significantly decreasing net collections that the DDM Debt Group received at the beginning of the second quarter, but gradually improved throughout the quarter as operations resumed, although uncertainty remains over future collections

Highlights six months 2020

- Net collections amounted to EUR 31.4M (31.6)*
- Cash EBITDA amounted to EUR 26.6M (27.0)*
- Unrealized FX losses of EUR 1.7M driven by unfavorable movements of Croatian Kuna and Hungarian Forint due to COVID-19
- Net loss for the period of EUR 0.7M (2.7)*
- Strategic investment acquired 9.9% stake in Addiko Bank AG and exercised a call option to acquire a further 10.1% pending regulatory approval
- Buy-out of majority share co-investor in Hungary
- Written procedure completed with certain amendments to the terms and conditions of the DDM Debt AB up to EUR 150M senior secured bonds

Significant events after the end of the quarter

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

* 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 25.

IFRS Consolidated Amounts in EUR '000s (unless specified otherwise)	1 Apr–30 Jun 2020**	1 Apr–30 Jun 2019**	1 Jan–30 Jun 2020**	1 Jan–30 Jun 2019**	Full Year 2019
Net collections	11,090	12,096	28,604	28,300	54,272
Operating expenses	(2,468)	(2,983)	(4,807)	(4,679)	(11,097)
Cash EBITDA	8,622	9,113	23,797	23,621	43,175
Amortization, revaluation and impairment of invested assets	(6,551)	(7,954)	(14,871)	(20,480)	(36,302)
Share of net profits of joint venture	206	461	556	461	916
Operating profit	2,253	1,606	9,449	5,521	13,326
Net loss for the period***	(1,210)	(4,857)	(686)	(5,357)	(7,287)
Selected key figures					
Total assets	225,529	190,550	225,529	190,550	198,706
Net debt	147,471	127,378	147,471	127,378	135,666
Equity ratio****	18.3%	18.6%	18.3%	18.6%	21.1%
Cash flow from operating activities before working capital changes	7,901	1,554	21,388	14,041	30,687
Investments book value	188,814	161,564	188,814	161,564	173,251

** Unaudited

*** The results for Q2 2019, H1 2019 and the full year 2019 were negatively impacted by EUR 2.6M of non-recurring items relating to the bond refinancing during Q2 2019.

**** 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 30 July 2020 at 08:00 CEST

Comment by the CEO

In the first half of 2020 adjusted net collections were EUR 31.4M, only 1% lower than the first half of 2019 despite the adverse global impact of the COVID-19 pandemic. We have focused specifically on collections, liquidity management and cost saving initiatives in response to the pandemic. However, we were adversely affected by unrealized exchange rate movements of the Croatian Kuna and the Hungarian Forint in the first quarter of 2020. We expect the coming quarters to continue to be challenging with increased volatility and limited visibility over future collections.

Resilient portfolios in challenging market

The majority of the adjusted net collections during the first half of 2020 were received from Greece, with a further EUR 7.6M of adjusted net collections received from Croatia following the significant acquisitions that closed during 2019, including EUR 2.8M from the joint venture together with B2Holding. This has resulted in adjusted cash EBITDA of EUR 26.6M in the first half of 2020, a decrease of 1% compared to the first half of 2019. Going forward the timing of collections may be affected as a result of the challenging market environment due to the COVID-19 pandemic.

The collections that have been received during the first half of the year support the credit value of the portfolio which has continued to show resilience with downward revaluations and impairments in H1 2020 being less than 0.9% of the carrying value of the opening book at the start of the year despite the impact from the COVID-19 pandemic.

The net loss for the first half of 2020 is EUR 0.7M. The net result was negatively impacted by EUR 1.7M of unrealized exchange loss principally due to unfavorable exchange rate movements of the Croatian Kuna and the Hungarian Forint to the Euro during the first quarter.

Strategic investment in Addiko Bank AG pending regulatory approval

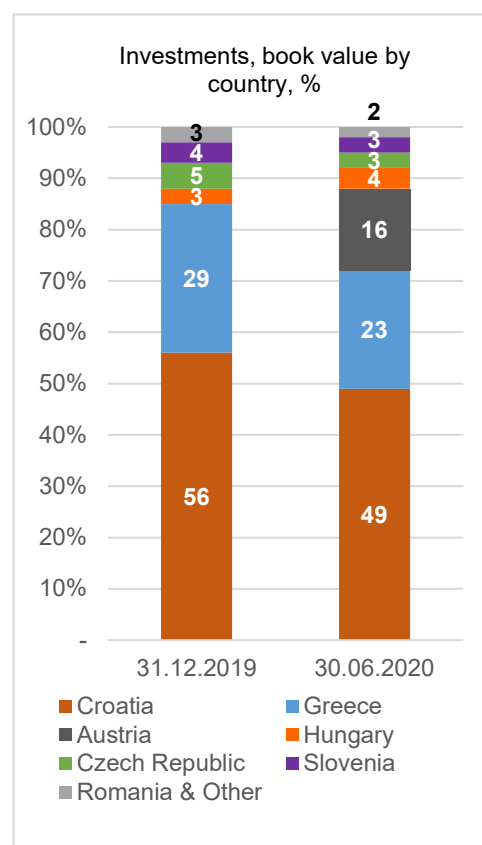
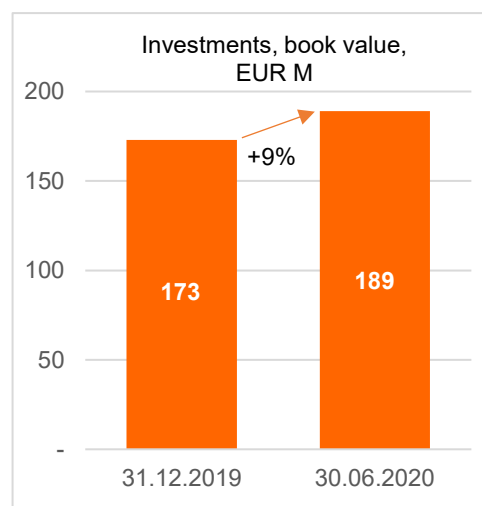
We made a strategic investment by acquiring a 9.9% stake in Addiko Bank AG (“Addiko Bank”) and exercised a call option to acquire a further 10.1% that is pending regulatory approval. Addiko Bank is well capitalized, with one of the highest tier one capital ratios in the region, which in our view provides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

Continued progress on debt structure

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

COVID-19 pandemic

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



Market outlook

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

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

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

Stockholm, 30 July 2020
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 2020:	29 October 2020
Q4 and full year report 2020:	18 February 2021
Annual report 2020:	26 March 2021

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

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

Presentation of the report

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

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

Financial results

Adjusted net collections decreased significantly at the beginning of the second quarter due to the impact of the COVID-19 pandemic, but improved gradually throughout the quarter to total EUR 12.1M, a decrease of 10% compared with EUR 13.5M for the corresponding period last year. EUR 4.5M of adjusted net collections were received from Croatia, following the significant acquisitions that closed during 2019. Greece performed strongly following the buy-out of the co-investor in the prior year.

Operating expenses were EUR 2.5M in the second quarter, EUR 0.5M lower than the corresponding period last year due to cost saving measures introduced in response to the pandemic. The operating profit margin of 47% in the second quarter is higher than the corresponding period last year due to the higher proportion of collections received from Greece, which has a lower amortization relative to the secured portfolios in the Balkans.

The change in composition of the portfolio towards primarily secured corporate portfolios is now making up the majority share of our overall portfolio of assets, which will result in increased variability in our collections from quarter to quarter.

The net loss for the second quarter of 2020 is EUR 1.2M. The quarter includes EUR 0.9M of revaluation loss and impairments primarily due to delays on certain settlements expected during 2020 on portfolios in the Balkans as a result of the COVID-19 pandemic.

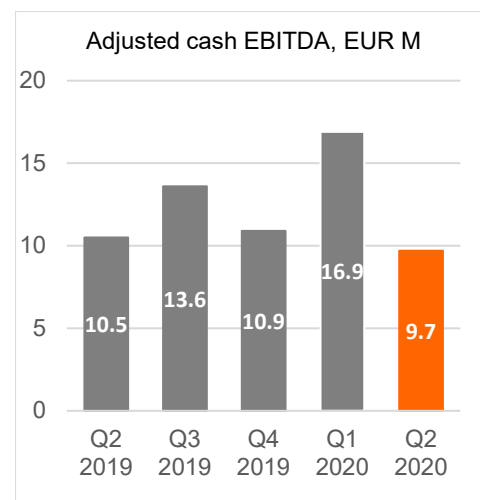
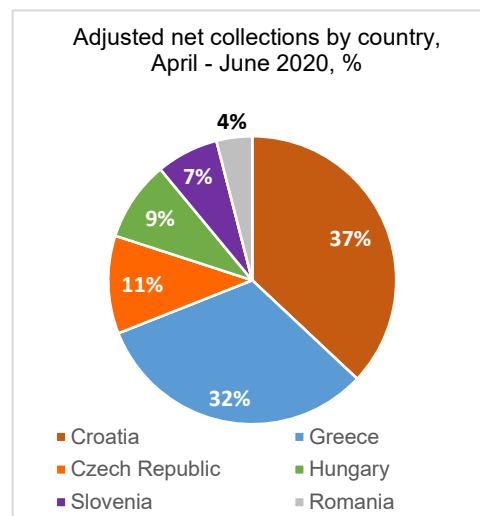
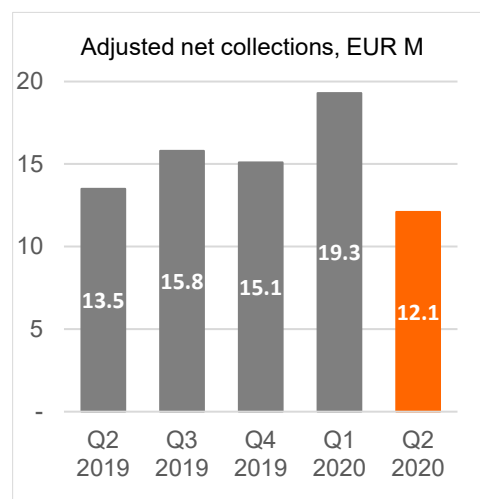
For the second quarter of 2020, cash flow from operating activities before working capital changes was EUR 7.9M compared to EUR 1.6M for the corresponding period in 2019. This is primarily as a result of the call premium that was paid in the prior year following the EUR 85M bond refinancing in April 2019, cash distributions received from the joint venture together with B2 Holding that closed during the prior year and the refund of corporation tax that was paid in the prior year.

Share of net profits of joint venture

Following the acquisition that closed during 2019 of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding, the results for the second quarter and first half of 2020 include EUR 0.2M and EUR 0.6M respectively from the 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

On 7 July 2020 DDM Debt initiated a written procedure to request certain amendments to the terms and conditions of its up to EUR 160M senior secured bonds. DDM Debt requested, among other things, to extend the final redemption date by twelve months from 11 December 2020 in anticipation that the volatility in the credit markets caused by the COVID-19 pandemic will decrease and that the financial markets will normalize. The amendments incorporate a mandatory partial redemption structure, call structure and consent fee of 1%. The written procedure will end by 14 August. Please refer to note 13 and the website www.ddm-group.ch for further details regarding the written procedure.



Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Apr–30 Jun 2020*	1 Apr–30 Jun 2019*	1 Jan–30 Jun 2020*	1 Jan–30 Jun 2019*	Full year 2019
Revenue on invested assets	4	4,539	4,142	13,733	9,756	22,446
Share of net profits of joint venture	4,7	206	461	556	461	916
Other operating income	4	–	–	–	–	1,142
Personnel expenses		(222)	(296)	(433)	(367)	(1,187)
Consulting expenses		(2,191)	(2,606)	(4,278)	(4,184)	(9,563)
Other operating expenses		(55)	(81)	(96)	(128)	(347)
Depreciation of tangible assets		(24)	(14)	(33)	(17)	(81)
Operating profit		2,253	1,606	9,449	5,521	13,326
Financial income		597	143	713	198	536
Financial expenses**		(4,444)	(7,596)	(9,056)	(11,820)	(21,620)
Unrealized exchange profit / (loss)		452	331	(1,675)	188	(264)
Realized exchange profit / (loss)		10	(64)	(10)	(71)	(130)
Net financial expenses		(3,385)	(7,186)	(10,028)	(11,505)	(21,478)
Loss before income tax		(1,132)	(5,580)	(579)	(5,984)	(8,152)
Tax (expense) / income		(78)	723	(107)	627	865
Net loss for the period		(1,210)	(4,857)	(686)	(5,357)	(7,287)
Net loss for the period attributable to:						
Owners of the Parent Company		(1,210)	(4,857)	(686)	(5,357)	(7,170)
Non-controlling interest		–	–	–	–	(117)

* Unaudited

** The results for Q2 2019, H1 2019 and the full year 2019 were negatively impacted by non-recurring items of approximately EUR 2.6M 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 relation to the bond refinancing in DDM Debt AB during Q2 2019.

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Apr–30 Jun 2020*	1 Apr–30 Jun 2019*	1 Jan–30 Jun 2020*	1 Jan–30 Jun 2019*	Full year 2019
Net loss for the period	(1,210)	(4,857)	(686)	(5,357)	(7,287)
Other comprehensive (loss) / income for the period					
Currency translation differences	(4)	(1)	(5)	5	9
Other comprehensive (loss) / income for the period, net of tax	(4)	(1)	(5)	5	9
Total comprehensive loss for the period	(1,214)	(4,858)	(691)	(5,352)	(7,278)
Total comprehensive loss for the period attributable to:					
Owners of the Parent Company	(1,214)	(4,858)	(691)	(5,352)	(7,161)
Non-controlling interest	–	–	–	–	(117)

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	30 June 2020*	31 December 2019
ASSETS			
<i>Non-current assets</i>			
Tangible assets	5	21	29
Right-of-use assets		70	98
Interests in associates	2,8	30,094	–
Distressed asset portfolios	6	130,999	140,276
Other long-term receivables from investments	6	–	3,023
Investment in joint venture	7	27,721	29,952
Loans to other group companies		4,000	4,000
Accrued interest from other group companies		989	768
Deferred tax assets		1,370	1,375
Other non-current assets		278	270
Total non-current assets		195,542	179,792
<i>Current assets</i>			
Accounts receivable		1,612	3,330
Receivables from other group companies		138	103
Tax assets		56	1,397
Other receivables		1,506	1,449
Prepaid expenses and accrued income		2,534	1,171
Cash and cash equivalents		24,141	11,464
Total current assets		29,987	18,914
TOTAL ASSETS		225,529	198,706
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		54	54
Other reserves		–	5
Retained earnings including net loss for the period		3,597	4,283
Total shareholders' equity to Parent Company's shareholders		3,651	4,342
LIABILITIES			
<i>Non-current liabilities</i>			
Loans and borrowings	9	98,557	97,626
Lease liabilities		40	57
Payables to other group companies		2,986	1,389
Payables to other group companies, subordinated		1,775	1,775
Loans from other group companies, subordinated		35,811	35,811
Deferred tax liabilities		221	220
Total non-current liabilities		139,390	136,878
<i>Current liabilities</i>			
Loans and borrowings	9	73,055	49,504
Accounts payable		358	578
Tax liabilities		77	102
Accrued interest		6,152	5,178
Accrued expenses and deferred income		2,799	2,077
Lease liabilities		47	47
Total current liabilities		82,488	57,486
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		225,529	198,706

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Apr–30 Jun 2020*	1 Apr–30 Jun 2019*	1 Jan–30 Jun 2020*	1 Jan–30 Jun 2019*	Full year 2019
Cash flow from operating activities					
Operating profit	2,253	1,606	9,449	5,521	13,326
Cash distribution from joint venture	1,780	–	2,946	–	2,654
<i>Adjustments for non-cash items:</i>					
<i>Amortization of invested assets</i>	5,634	8,413	13,415	19,881	33,458
<i>Revaluation and impairment of invested assets</i>	917	(459)	1,456	599	2,844
<i>Share of net profits of joint venture</i>	(206)	(461)	(556)	(461)	(916)
<i>Other operating income</i>	–	–	–	–	(1,142)
<i>Depreciation of tangible assets</i>	24	14	33	17	81
<i>Other items not affecting cash</i>	329	179	177	271	295
Interest paid	(4,527)	(5,915)	(7,212)	(9,953)	(16,544)
Interest received	482	63	482	63	179
Tax paid	(34)	(1,886)	(51)	(1,897)	(3,548)
Tax received	1,249	–	1,249	–	–
Cash flow from operating activities before working capital changes	7,901	1,554	21,388	14,041	30,687
Working capital adjustments					
(Increase) / decrease in accounts receivable	967	340	2,884	3,687	5,132
(Increase) / decrease in other receivables	(2,663)	(1,249)	(4,206)	(2,319)	(2,437)
Increase / (decrease) in accounts payable	(34)	129	(59)	(10)	(70)
Increase / (decrease) in other current liabilities	1,519	2,938	2,319	2,890	2,584
Net cash flow from operating activities	7,690	3,712	22,326	18,289	35,896
Cash flow from investing activities					
Purchases of associates	–	–	(30,094)	–	–
Purchases of distressed asset portfolios and other long-term receivables from investments	–	–	(3,216)	–	(66,342)
Purchases of investment of joint venture	–	(56,001)	–	(66,652)	(66,662)
Proceeds from divestment of distressed asset portfolios and joint venture	–	–	–	–	37,094
Purchases of non-current assets	–	–	–	–	(250)
Purchases of tangible assets	–	(5)	–	(21)	(22)
Net cash flow received / (used) in investing activities	–	(56,006)	(33,310)	(66,683)	(96,182)
Cash flow from financing activities					
Proceeds from issuance of loans	–	90,062	27,471	90,062	105,329
Proceeds from loans from group companies	–	–	–	–	4,950
Repayment of loans	(3,600)	(81,700)	(3,600)	(81,700)	(93,700)
Loan to other group companies	–	(2,000)	–	(2,000)	(2,000)
Net cash flow received / (used) in financing activities	(3,600)	6,362	23,871	6,362	14,579
Cash flow for the period	4,090	(45,932)	12,887	(42,032)	(45,707)
Cash and cash equivalents less bank overdrafts at beginning of the period	20,096	61,161	11,464	57,266	57,266
Foreign exchange gains / (losses) on cash and cash equivalents	(45)	81	(210)	76	(95)
Cash and cash equivalents less bank overdrafts at end of the period	24,141	15,310	24,141	15,310	11,464

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Other reserves	Retained earnings incl. net loss for the period	Total equity
Balance at 1 January 2019	54	(4)	8,811	8,861
Net loss for the period	–	–	(5,357)	(5,357)
Other comprehensive income				
Currency translation differences	–	5	–	5
Total comprehensive income / (loss)	–	5	(5,357)	(5,352)
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 30 June 2019*	54	1	3,454	3,509
Balance at 1 January 2020	54	5	4,283	4,342
Net loss for the period	–	–	(686)	(686)
Other comprehensive loss				
Currency translation differences	–	(5)	–	(5)
Total comprehensive loss	–	(5)	(686)	(691)
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 30 June 2020*	54	–	3,597	3,651

* Unaudited

Parent Company – Income Statement

Amounts in EUR '000s	1 Apr–30 Jun 2020*	1 Apr–30 Jun 2019*	1 Jan–30 Jun 2020*	1 Jan–30 Jun 2019*	Full year 2019
Revenue	–	–	–	–	–
Other operating income	–	–	–	–	1,142
Personnel expenses	(179)	(136)	(329)	(136)	(554)
Consulting expenses	(45)	(39)	(94)	(80)	(182)
Other operating expenses	(24)	(39)	(48)	(56)	(137)
Depreciation of tangible assets	(1)	(5)	(1)	(5)	(1)
Operating (loss) / profit	(249)	(219)	(472)	(277)	268
Financial income	5,286	3,919	9,586	7,770	15,491
Financial expenses	(4,043)	(4,277)	(8,269)	(7,783)	(15,546)
Unrealized exchange (loss) / profit	(4)	21	(15)	19	7
Realized exchange profit	1	4	9	5	8
Net financial income / (expense)	1,240	(333)	1,311	11	(40)
Profit / (loss) before income tax	991	(552)	839	(266)	228
Tax income / (expense)	–	63	–	–	(39)
Profit / (loss) for the period	991	(489)	839	(266)	189

* Unaudited

Parent Company – Statement of Comprehensive Income

Amounts in EUR '000s	1 Apr–30 Jun 2020*	1 Apr–30 Jun 2019*	1 Jan–30 Jun 2020*	1 Jan–30 Jun 2019*	Full year 2019
Net profit / (loss) for the period	991	(489)	839	(266)	189
Other comprehensive income / (loss) for the period, net of tax					
<i>Items that will not be reclassified to profit or loss</i>	–	–	–	–	–
<i>Items that may subsequently be reclassified to profit or loss</i>	–	–	–	–	–
Total other comprehensive income / (loss) for the period, net of tax	–	–	–	–	–
Total comprehensive income / (loss) for the period	991	(489)	839	(266)	189

* Unaudited

Parent Company – Balance Sheet

Amounts in EUR '000s	Notes	30 June 2020*	31 December 2019
ASSETS			
<i>Non-current assets</i>			
Tangible assets	5	4	4
Participations in other group companies	10	9,478	9,523
Loans to other group companies		178,328	150,503
Accrued interest from other group companies		741	631
Other non-current assets		291	279
Total non-current assets		188,842	160,940
<i>Current assets</i>			
Other receivables		1,373	1,374
Accrued interest from other group companies		9,968	9,434
Prepaid expenses and accrued income		16	13
Cash and cash equivalents		501	3,234
Total current assets		11,858	14,055
TOTAL ASSETS		200,700	174,995
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		54	54
Retained earnings including net profit / (loss) for the period		6,325	5,486
Total shareholders' equity		6,379	5,540
<i>Non-current liabilities</i>			
Loans and borrowings	9	98,088	97,626
Payables to other group companies		1,431	1,431
Loans from other group companies, subordinated		14,950	14,950
Accrued interest		3,771	2,795
Total non-current liabilities		118,240	116,802
<i>Current liabilities</i>			
Loans and borrowings	9	73,055	49,504
Accounts payable		232	392
Tax liabilities		33	46
Accrued interest		2,381	2,383
Accrued expenses and deferred income		380	328
Total current liabilities		76,081	52,653
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		200,700	174,995

* Unaudited

Parent Company – Cash Flow Statement

Amounts in EUR '000s	1 Apr–30 Jun 2020*	1 Apr–30 Jun 2019*	1 Jan–30 Jun 2020*	1 Jan–30 Jun 2019*	Full year 2019
Cash flow from operating activities					
Operating (loss) / profit	(249)	(219)	(472)	(277)	268
<i>Adjustments for non-cash items:</i>					
<i>Other operating income</i>	–	–	–	–	(1,142)
<i>Depreciation of tangible assets</i>	1	–	1	–	1
<i>Other items not affecting cash</i>	(36)	218	(73)	38	35
Interest paid	(4,527)	(5,915)	(7,212)	(9,953)	(16,544)
Interest received	8,282	3,314	8,732	7,271	10,624
Tax paid	–	–	–	–	(6)
Cash flow from operating activities before working capital changes	3,471	(2,602)	976	(2,921)	(6,764)
Working capital adjustments					
Increase / (decrease) in other receivables	21	(586)	(2)	(652)	(189)
Increase / (decrease) in accounts payable	(27)	241	(160)	139	90
Increase / (decrease) in other current liabilities	101	159	52	176	1,522
Net cash flow from operating activities	3,566	(2,788)	866	(3,258)	(5,341)
Cash flow from investing activities					
Loans to group companies	–	(44,400)	(27,000)	(44,400)	(60,750)
Repayment of loans to group companies	–	44,400	–	44,400	52,300
Purchases of non-current assets	–	–	–	–	(250)
Purchases of shares in subsidiaries	–	(24)	–	(24)	(24)
Net cash flow received / (used) in investing activities	–	(24)	(27,000)	(24)	(8,724)
Cash flow from financing activities					
Proceeds from issuance of loans	–	90,062	27,000	90,062	105,329
Proceeds from loans from group companies	–	–	–	–	4,950
Repayment of loans	(3,600)	(81,700)	(3,600)	(81,700)	(93,700)
Net cash flow received / (used) in financing activities	(3,600)	8,362	23,400	8,362	16,579
Cash flow for the period	(34)	5,550	(2,734)	5,080	2,514
Cash and cash equivalents less bank overdrafts at beginning of the period	539	236	3,234	707	707
Foreign exchange (losses) / gains on cash and cash equivalents	(4)	20	1	19	13
Cash and cash equivalents less bank overdrafts at end of the period	501	5,806	501	5,806	3,234

* 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 2019	54	5,252	5,306
Net loss for the period	–	(266)	(266)
Other comprehensive income	–	–	–
Total comprehensive (loss) / income	–	(266)	(266)
<i>Transactions with owners</i>			
Total transactions with owners	–	–	–
Balance at 30 June 2019*	54	4,986	5,040
Balance at 1 January 2020	54	5,486	5,540
Net profit for the period	–	839	839
Other comprehensive income	–	–	–
Total comprehensive income	–	839	839
<i>Transactions with owners</i>			
Total transactions with owners	–	–	–
Balance at 30 June 2020*	54	6,325	6,379

* 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 non-performing loans and special situations, 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 Humlegårdsgatan 4, 1 tr, 114 46 Stockholm, Sweden. DDM Debt is a wholly owned subsidiary of DDM Finance AB ("DDM Finance"), Stockholm, Sweden, being a wholly owned subsidiary of DDM Group AG, Baar, Switzerland.

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 recognized 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 registered on 29 May 2019, where 70% of the ownership was controlled by DDM Debt. 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. were 70% indirectly held subsidiaries through aXs GmbH.

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.

On 30 September 2019 DDM Treasury Sweden AB was contributed to DDM Debt by DDM Finance at book value, resulting in a EUR 45k capital contribution from DDM Finance. On 11 February 2020 DDM Treasury Sweden AB was merged into DDM Debt AB to simplify the existing DDM Group structure.

On 23 December 2019, a further 12% of the shares of aXs GmbH were acquired for a total consideration of EUR 200k. Subsequently 82% of the shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. (DDM Holding AG's largest shareholder) for a total deferred consideration of EUR 1,367k on 23 December. This transaction resulted in a gain on sale of shares of EUR 1,142k which was recognized in the consolidated income statement for the full year 2019 under "Other operating income".

On 27 February 2020, the DDM Debt Group acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l.

DDM Debt acts to directly or indirectly manage, acquire or invest in credits and/or loan portfolios, to on-lend or invest funds in group companies who directly or indirectly manage, acquire or invest in credits and/or loan portfolios and conduct related activities, to incur financing for its business and to conduct related activities. 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. The instances in which the Parent Company applies accounting principles differing from those of the Group are provided separately at the end of this section on accounting principles.

The accounting policies that are most critical to the Group and Parent Company are stated in DDM Debt AB's Annual Report for 2019, 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.

Pursuant to the Annual Accounts Act (ÅRL 1995:1554) the Parent Company applies the accounting for a financial leasing agreement as an operational lease agreement.

Note 2. Basis of preparation... continued

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which DDM Debt has control. DDM Debt controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and are de-consolidated from the date on which control ceases. Intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated.

Subsidiaries	Consolidation method	Domicile	30 June 2020	31 December 2019
Clipper Holding III S.à r.l.	Fully consolidated	Luxembourg	100%	–
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Treasury Sweden 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%

On 30 September 2019 DDM Treasury Sweden AB was contributed to DDM Debt by DDM Finance at book value, resulting in a EUR 45k capital contribution from DDM Finance. On 11 February 2020 DDM Treasury Sweden AB was merged into DDM Debt AB to simplify the existing DDM Group structure.

On 27 February 2020, the DDM Debt Group acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l.

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 recognized 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 recognized 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 recognizes 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 recognized 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 June 2020	31 December 2019
CE Partner S.à r.l.	Equity method	Luxembourg	50%	50%
CE Holding Invest S.C.S	Equity method	Luxembourg	50%	50%

Associates

Associates are all entities over which the 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. On 9 March 2020 the DDM Debt Group acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30M. On 30 March 2020 the DDM Debt Group exercised a call option to acquire an additional 10.1% shareholding in Addiko Bank AG that is subject to regulatory approval.

The DDM Debt Group has determined that it has significant influence over Addiko Bank AG through already acquiring a 9.9% shareholding and also by the execution of a call option to acquire a further 10.1% which is only dependent on regulatory approval. The DDM Debt Group as major shareholder is able and has requested an Extraordinary General Meeting of Addiko Bank AG to make changes to the composition of the supervisory board which took place on 10 July 2020.

Associates	Consolidation method	Domicile	30 June 2020	31 December 2019
Addiko Bank AG	Equity method	Austria	9.9%*	–

* A call option was exercised on 30 March 2020 to acquire a further 10.1% in Addiko Bank AG, which is subject to regulatory approval.

Note 3. Currency translation

All entities prepare their financial statements in their functional currency. At 30 June 2020 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 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.

Amounts in EUR '000s	1 Apr – 30 Jun	1 Apr – 30 Jun	1 Jan – 30 Jun	1 Jan – 30 Jun	Full Year
	2020	2019	2020	2019	2019
Net collections by country:					
Greece	3,873	164	14,682	1,100	12,111
Croatia	3,448	1,421	4,781	4,333	10,566
Czech Republic	1,359	2,590	3,159	5,410	9,418
Hungary	1,055	610	2,950	1,361	2,595
Slovenia	771	6,346	1,501	14,118	18,122
Romania	536	840	1,288	1,711	3,434
Serbia	43	100	232	215	481
Slovakia	5	25	11	32	45
Bosnia	–	–	–	2	23
Russia	–	–	–	1,954	1,953
Net collections*	11,090	12,096	28,604	30,236	58,748
Amortization of invested assets	(5,634)	(8,413)	(13,415)	(19,881)	(33,458)
Interest income on invested assets before revaluation and impairment	5,456	3,683	15,189	10,355	25,290
Revaluation of invested assets	(585)	719	(1,124)	422	2,936
Impairment of invested assets	(332)	(260)	(332)	(1,021)	(5,780)
Revenue on invested assets	4,539	4,142	13,733	9,756	22,446
Share of net profits of joint venture	206	461	556	461	916
Other operating income	–	–	–	–	1,142

* 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 2019 of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding, the second quarter of 2020, first half of 2020 and full year 2019 results include EUR 0.2M, EUR 0.6M (Q2 & H1 2019: EUR 0.5M) and EUR 0.9M 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, 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 for the first half and full year 2019 as net collections on sale of invested assets.

On 28 October 2019, the DDM Debt Group partially sold a consumer portfolio previously acquired in Croatia for a total consideration of EUR 5.8M. The transaction resulted in a realized gain on sale of EUR 2.5M recognized in the consolidated income statement for the full year 2019 as net collections on sale of invested assets.

Note 4. Revenue on invested assets by region... continued

Other operating income

On 23 December 2019, a further 12% of the shares of aXs GmbH were acquired for a total consideration of EUR 200k. Subsequently 82% of the shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. (DDM Holding AG's largest shareholder) for a total deferred consideration of EUR 1,367k on 23 December. This transaction resulted in a gain on sale of shares of EUR 1,142k which was recognized in the consolidated income statement for the full year 2019 under "Other operating income".

Note 5. Tangible assets

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

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

Furniture	5 years
Computer hardware	5 years

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

Note 6. Distressed asset portfolios and other long-term receivables from investments

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

Other long-term receivables from investments

DDM Group AG owned 100% of the shares in the local legal entities holding the leasing portfolios at 31 December 2019. However, the economic substance of the investments was the underlying portfolios of loans, which the DDM Debt Group owned together with a co-investor. As a result, the underlying assets which represented other long-term receivables from investments were recognized in the DDM Debt Group financial statements. The receivables were initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, adjusted for revaluation and impairment.

The following investments were treated in this manner:

Entity	Domicile	30 June 2020	31 December 2019
Lombard Pénzügyi és Lízing Zrt.	Hungary	–	100%
Lombard Ingatlan Lízing Zrt.	Hungary	–	100%
Lombard Bérlet Kft.	Hungary	–	100%

On 27 February 2020, the DDM Debt Group acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary. Prior to the acquisition the DDM Debt Group owned the rights to 30% of the portfolio, which was reclassified from other long-term receivables from investments to distressed asset portfolios.

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).

Note 6. Distressed asset portfolios... continued

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 recognized directly in profit or loss as a bargain purchase within the line "other operating income".

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 DDM Debt Group 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 line "Net collections on sale of invested assets".

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

EUR '000s	30 June 2020	31 December 2019
HRK	60,594	63,557
EUR	55,431	65,797
HUF	7,813	3,023
CZK	5,569	8,618
RSD	880	1,385
RON	712	919
Total	130,999	143,299

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.

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:

Note 7. Investment in joint venture... continued

Investment in joint venture EUR '000s	30 June 2020	31 December 2019
Balance at beginning of the period	29,952	–
Additions	–	66,662
Share of net profit of joint venture	556	916
Proceeds from funding of joint venture	–	(33,789)
Incremental net distribution from the joint venture	(2,787)	(3,837)
Balance at end of the period	27,721	29,952

The incremental net distribution from the joint venture includes EUR 2.9M (H1 2019: nil) that has been received as a cash distribution during the first half of 2020 and EUR 1.0M (31 December 2019: EUR 1.2M) that has been reclassified to accounts receivable at the end of the period.

Note 8. Investment in associates

On 9 March 2020 the DDM Debt Group acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30M. On 30 March 2020 the DDM Debt Group exercised a call option to acquire an additional 10.1% shareholding in Addiko Bank AG that is subject to regulatory approval.

The DDM Debt Group has determined that it has significant influence over Addiko Bank AG through already acquiring a 9.9% shareholding and also by the execution of a call option to acquire a further 10.1% which is only dependent on regulatory approval. The DDM Debt Group as major shareholder is able and has requested an Extraordinary General Meeting of Addiko Bank AG to make changes to the composition of the supervisory board which took place on 10 July 2020.

The investment is accounted for under the equity method in accordance with IAS 28 Associates and has changed as follows during the period:

Investment in associates EUR '000s	30 June 2020	31 December 2019
Balance at beginning of the period	–	–
Additions	30,094	–
Share of net profit of associates	–	–
Balance at end of the period	30,094	–

Note 9. Loans and borrowings

The Group had the following outstanding borrowings at the balance sheet dates of 30 June 2020 and/or 31 December 2019:

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.

On 16 March 2020 DDM Debt AB completed a written procedure regarding certain amendments to the terms and conditions of its up to EUR 150M senior secured bonds.

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 2020 and 31 December 2019.

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 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 and local credits. 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 until 15 March 2021 and priced at Euribor plus a margin of 350 basis points.

Note 9. Loans and borrowings... continued

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.

Other loans

In March 2020, the DDM Debt Group received approximately EUR 0.5M as financing as part of the government loan scheme in Switzerland for the COVID-19 pandemic.

Maturity profile and carrying value of borrowings:

Group 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 2020						
Revolving credit facility	26,885	–	–	–	–	26,885
Bond loan, 8%	46,170	–	–	–	–	46,170
Bond loan, 9.25%	–	98,088	–	–	–	98,088
Other loans	–	–	–	–	469	469
Total	73,055	98,088	–	–	469	171,612
at 31 December 2019						
Bond loan, 8%	49,504	–	–	–	–	49,504
Bond loan, 9.25%	–	–	97,626	–	–	97,626
Total	49,504	–	97,626	–	–	147,130

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 EUR '000s	IFRS 9 category	Fair value category	Fair value*	Carrying value
at 30 June 2020				
Revolving credit facility	Financial liabilities at amortized cost	Level 2	27,000	26,885
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	40,470	46,170
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	86,000	98,088
Other loans	Financial liabilities at amortized cost	Level 2	469	469
Total			153,939	171,612
at 31 December 2019				
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	51,012	49,504
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	101,623	97,626
Total			152,635	147,130

* The fair value at 30 June 2020 is highly indicative only due to the current market situation, which does not impact the carrying value under IFRS 9 amortized cost.

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 10. Participations in Group companies

Parent Company EUR '000s	30 June 2020	31 December 2019
Investment	9,478	9,523
Total	9,478	9,523

Parent Company EUR '000s	Investment
At 31 December 2019	9,523
Acquisitions	–
Merger	(45)
At 30 June 2020	9,478

The Parent Company holds shares in the following subsidiaries:

EUR '000s Company	Corporate identity number	Domicile	Proportion of equity 30 June 2020	Proportion of equity 31 December 2019	Net book value 30 June 2020	Net book value 31 December 2019
Clipper Holding III S.à r.l.*	B 200589	Luxembourg	100%	–	–	–
DDM Invest III AG	CHE 115.238.947	Switzerland	100%	100%	9,364	9,364
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 Treasury Sweden AB	556910-3053	Sweden	–	100%	–	45
DDM Debt Romania S.R.L.	39689815	Romania	99%	99%	106	106
Total					9,478	9,523

* The net book value of the investment in Clipper Holding III S.à r.l. amounts to EUR 1 as of 30 June 2020.

** DDM Invest V d.o.o. (formerly Ahive d.o.o.) is a 100% indirectly held subsidiary through DDM Invest III AG.

*** The net book value of the investment in DDM Debt Management d.o.o Beograd amounts to EUR 1 as of 30 June 2020 and 31 December 2019.

On 30 September 2019 DDM Treasury Sweden AB was contributed to DDM Debt by DDM Finance at book value, resulting in a EUR 45k capital contribution from DDM Finance. On 11 February 2020 DDM Treasury Sweden AB was merged into DDM Debt AB to simplify the existing DDM Group structure.

On 27 February 2020, the DDM Debt Group acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l.

Note 11. Related parties

In 2019 DDM Group Finance S.A. entered into an agreement with the DDM Debt Group where DDM Group Finance S.A. provides services under a brokerage contract. In relation to this agreement an amount of EUR 1,075k for H1 2020 (FY 2019: nil) was capitalized as transaction costs as part of the strategic investment in Addiko Bank AG. A further EUR 443k of brokerage fees were prepaid during Q2 2020. In relation to the full year 2019 an amount of EUR 1,250k was capitalized as transaction costs as part of the bond refinancing during Q2 2019, resulting in EUR 102k and EUR 201k (FY 2019: EUR 275k) of amortized transaction costs that were recognized within financial expenses during the second quarter and first half of 2020 respectively.

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 was controlled by the DDM Debt Group. On 23 December 2019, a further 12% of the shares of aXs GmbH were acquired for a total consideration of EUR 200k. Subsequently 82% of the shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. for a total deferred consideration of EUR 1,367k on 23 December. This transaction resulted in a gain on sale of shares of EUR 1,142k which has been recognized in the consolidated income statement for the full year 2019 under "Other operating income".

Note 12. Commitments

On 30 March 2020 the DDM Debt Group exercised a call option to acquire an additional 10.1% stake in Addiko Bank AG, an Austrian bank with operations in the DDM Debt Group's core markets in the Balkans, from Al Lake (Luxembourg) S.à r.l that is subject to regulatory approval. The commercial terms of the call option were adjusted since the initial investment to acquire 9.9% for approximately EUR 30M that closed on 9 March 2020.

Note 13. Subsequent events

On 7 July 2020 DDM Debt initiated a written procedure to request that certain amendments are made to the terms and conditions of its up to EUR 160M senior secured bonds. DDM Debt requested, among other things, to extend the final redemption date by twelve months from 11 December 2020 in anticipation that the volatility in the credit markets caused by the COVID-19 pandemic will decrease and the financial markets have normalized. The written procedure amends the call option structure, incorporate an obligation to cancel EUR 5M of Bonds and a mandatory partial redemption structure which will set the outstanding nominal amount to be redeemed on the new final maturity date at EUR 28M. If the proposals are approved by the Bondholders by 14 August, a consent fee amounting to EUR 1,000 per bond will be paid by DDM Debt to the eligible Bondholders.

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 30 June 2020 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 2019 Annual report.

Stockholm, 30 July 2020

Jörgen Durban
Chairman of the board

Joachim Cato
Board member

Erik Fällström
Board member

Florian Nowotny
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, 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 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 2020	1 Apr – 30 Jun 2019	1 Jan – 30 Jun 2020	1 Jan – 30 Jun 2019	Full Year 2019
Net collections *	12,121	13,509	31,391	31,649	62,585
Personnel expenses	(222)	(296)	(433)	(367)	(1,187)
Consulting expenses	(2,191)	(2,606)	(4,278)	(4,184)	(9,563)
Other operating expenses	(55)	(81)	(96)	(128)	(347)
Operating expenses	(2,468)	(2,983)	(4,807)	(4,679)	(11,097)
Cash EBITDA	9,653	10,526	26,584	26,970	51,488

* Net collections includes the gain on sale of invested assets and the incremental net distribution from joint venture. Please refer to page 25 for a reconciliation of alternative performance measures ("APMs") to IFRS

Net debt:

Revolving credit facility	26,885	–	26,885	–	–
Bond loan, 8%	46,170	49,250	46,170	49,250	49,504
Bond loan, 9.25%	98,088	93,438	98,088	93,438	97,626
Other loans	469	–	469	–	–
Less: Cash and cash equivalents	(24,141)	(15,310)	(24,141)	(15,310)	(11,464)
Net debt	147,471	127,378	147,471	127,378	135,666

Equity ratio:

Shareholder's equity	3,651	3,509	3,651	3,509	4,342
Shareholder debt (subordinated)	37,586	31,880	37,586	31,880	37,586
Total equity according to the senior secured bond and revolving credit facility terms	41,237	35,389	41,237	35,389	41,928
Total assets	225,529	190,550	225,529	190,550	198,756
Equity ratio	18.3%	18.6%	18.3%	18.6%	21.1%

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Apr–30 Jun 2020	1 Apr–30 Jun 2019	1 Jan–30 Jun 2020	1 Jan–30 Jun 2019	Full Year 2019
Net collections	11,090	12,096	28,604	28,300	54,272
Sale of invested assets	–	–	–	1,936	4,476
Incremental net distribution from joint venture	1,031	1,413	2,787	1,413	3,837
Adjusted net collections	12,121	13,509	31,391	31,649	62,585
Cash EBITDA	8,622	9,113	23,797	23,621	43,175
Sale of invested assets	–	–	–	1,936	4,476
Incremental net distribution from joint venture	1,031	1,413	2,787	1,413	3,837
Adjusted cash EBITDA	9,653	10,526	26,584	26,970	51,488
Net loss for the period	(1,210)	(4,857)	(686)	(5,357)	(7,287)
Non-recurring items bond refinancing	–	2,631	–	2,631	2,631
Adjusted net loss for the period	(1,210)	(2,226)	(686)	(2,726)	(4,656)

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 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 of invested assets and incremental net 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 Growth Market: DDM), a multinational investor in and manager of non-performing loans and special situations, 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 Growth Market in Stockholm, Sweden, since August 2014.



ddm

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