DDM DEBT AB (publ)

Corporate Registration Number: 559053-6230

Q3 Interim report | **1 January – 30 September 2020**

ddm

Restructuring of Greek transaction resulted in accelerated collections and confirms credit quality in challenging market

Highlights third quarter 2020

- Net collections increased by 292% to EUR 62.1M (15.8)*
- Cash EBITDA increased by 330% to EUR 58.6M (13.6)*
- Net profit for the period of EUR 5.1M (loss of 1.2)*
- Cash on hand at the end of September 2020 was EUR 51M (11 at December 2019)
- Greek restructuring resulted in accelerated collections of approximately EUR 55M
- Written procedure completed with certain amendments to the terms and conditions of the up to EUR 160M senior secured bonds, including a 12 month extension to the final redemption date and EUR 7.5M partial repayment in September

Highlights nine months 2020

- Net collections increased by 97% to EUR 93.5M (47.5)*
- Cash EBITDA increased by 110% to EUR 85.2M (40.6)*
- Unrealized FX losses of EUR 1.8M driven by unfavorable movements of Croatian Kuna and Hungarian Forint due to COVID-19
- Net profit for the period of EUR 4.4M (loss of 3.9)*
- Strategic investment made, acquiring 9.9% stake in Addiko Bank AG
- Buy-out of majority share co-investor in Hungary
- Written procedure completed with certain amendments to the terms and conditions of the up to EUR 150M senior secured bonds
- COVID-19 pandemic has had an adverse impact on global business and economic activity, and uncertainty remains over future collections

Significant events after the end of the quarter

- The call option exercised on 30 March to acquire an additional 10.1% stake in Addiko Bank AG lapsed. The DDM Debt Group continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding

** 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 Jul–30 Sep 2020****	**1 Jul–30 Sep 2019****	**1 Jan–30 Sep 2020****	**1 Jan–30 Sep 2019****	**Full Year 2019**
Net collections	61,592	14,632	90,196	42,932	54,272
Operating expenses	(3,488)	(2,208)	(8,295)	(6,887)	(11,097)
Cash EBITDA	58,104	12,424	81,901	36,045	43,175
Amortization, revaluation and impairment of invested assets	(48,356)	(8,749)	(63,227)	(29,229)	(36,302)
Share of net (losses) / profits of joint ventures and associates	(272)	212	284	673	916
Operating profit	9,467	3,871	18,916	9,392	13,326
Net profit / (loss) for the period***	5,074	(1,180)	4,388	(6,537)	(7,287)
Selected key figures					
Total assets	214,976	204,658	214,976	204,658	198,706
Net debt	100,706	144,577	100,706	144,577	135,666
Equity ratio****	22.4%	19.1%	22.4%	19.1%	21.1%
Cash flow from operating activities before working capital changes	56,368	8,108	77,756	22,149	30,687
Investments book value	141,461	184,780	141,461	184,780	173,251

** Unaudited

*** The results for 9M 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

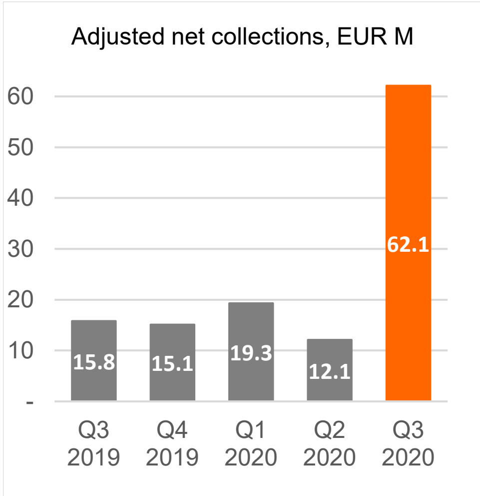
**** Equity ratio calculated according to the terms and conditions of the senior secured bonds

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 6 November 2020 at 08:00 CET.

DDM Debt AB is part of the DDM Group, a specialized multinational investor and manager of non-performing loans and special situations

Comment by the CEO

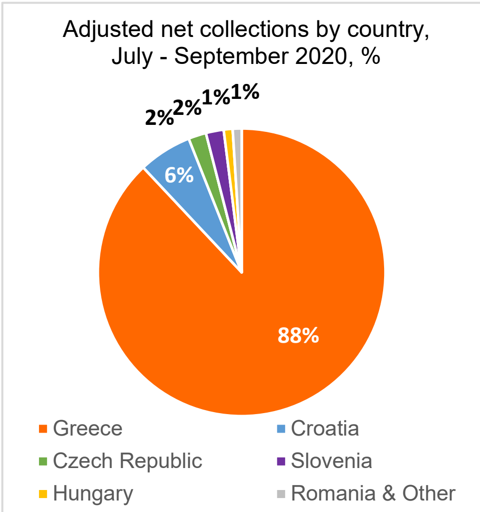
I am delighted to announce that following the successful restructuring of our investment in Greece, we have achieved significant net collections of EUR 62.1M and a substantial profit of EUR 5.1M in the third quarter of 2020. This is a particularly impressive achievement given the current challenging market conditions as a result of the COVID-19 pandemic. In the first nine months of 2020 adjusted net collections were EUR 93.5M, 97% higher than corresponding period in 2019 mainly due to the accelerated collections from Greece.



We have also focused on restructuring our existing debt structure having successfully completed written procedures in the first nine months of 2020 to amend certain terms and conditions of DDM Debt's senior secured bonds following the volatility and uncertainty in the capital markets. This included a 12 month extension to the final redemption of the up to EUR 160M senior secured bonds and a EUR 7.5M partial repayment in September.

Successful restructuring of Greek transaction

We successfully restructured the Greek transaction we first entered into in August 2017. The restructuring resulted in accelerated collections of approximately EUR 55M in the third quarter. The transaction was the first larger NPL transaction in Greece and was a landmark transaction for us. We have achieved a net multiple of over 1.7x and an IRR of above 30% on this investment. This not only proves the underlying credit quality of our portfolios, but also demonstrates our underwriting, portfolio management and transaction expertise in complex situations.



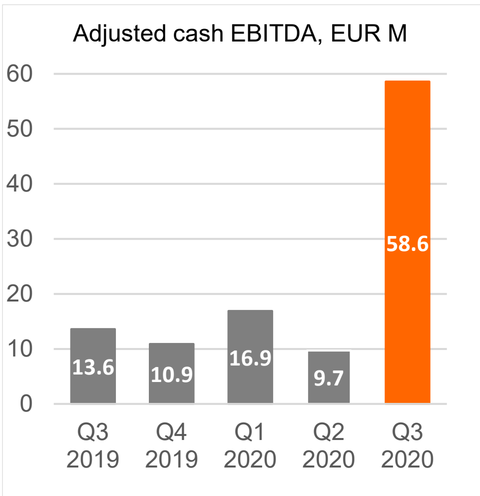
Accelerated collections and return to profit confirms our credit quality

In the first nine months of 2020 adjusted net collections were EUR 93.5M, 97% higher than corresponding period in 2019 mainly due to the accelerated collections received following the restructuring in Greece. This has resulted in adjusted cash EBITDA of EUR 85.2M in the first nine months of 2020, an increase of 110% compared to the first nine months of 2019. The net result for the third quarter is a profit of EUR 5.1M and for the first nine months of 2020 a profit of EUR 4.4M, despite being negatively impacted by EUR 1.8M of unrealized exchange losses principally due to unfavorable exchange rate movements of the Croatian Kuna and the Hungarian Forint to the Euro.

These results confirm the credit quality of our portfolios which have continued to show resilience with downward revaluations and impairments in the first nine months of 2020 being less than 1% of the carrying value of the opening book at the start of the year despite the adverse global impact from the COVID-19 pandemic.

Continued progress on debt structure

We successfully completed a written procedure in August to amend certain terms and conditions of DDM Debt's up to EUR 160M senior secured bonds, including extending the final redemption date by 12 months to 11 December 2021, following the recent volatility and uncertainty in the capital markets. The request included 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.



Strategic investment in Addiko Bank AG

We made a strategic investment by acquiring a 9.9% stake in Addiko Bank AG ("Addiko Bank") and intend to increase our shareholding further. The 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.

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 due to the COVID-19 pandemic. During the first nine months of 2020 the DDM Debt Group has made a strategic investment 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 as a result of adverse economic conditions due to the COVID-19 pandemic and European banks continuing to deleverage their balance sheets, thereby resulting in improved market returns. We are closely monitoring developments across our core markets. The recent resurgence in cases of infections across the SCEE region may result in further restrictions and therefore we expect the coming quarters to continue to be challenging with increased volatility and limited visibility over future collections.

Stockholm, 6 November 2020
DDM Debt AB (publ)
Henrik Wennerholm, CEO

Financial calendar
DDM Debt AB (publ) intends to publish financial information on the following dates:

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 6 November 2020, at 08:00 CET.

CEO Henrik Wennerholm and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 6 November 2020, 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 68, CH: +41 225 675 632, UK: +44 333 300 9274.

Financial results

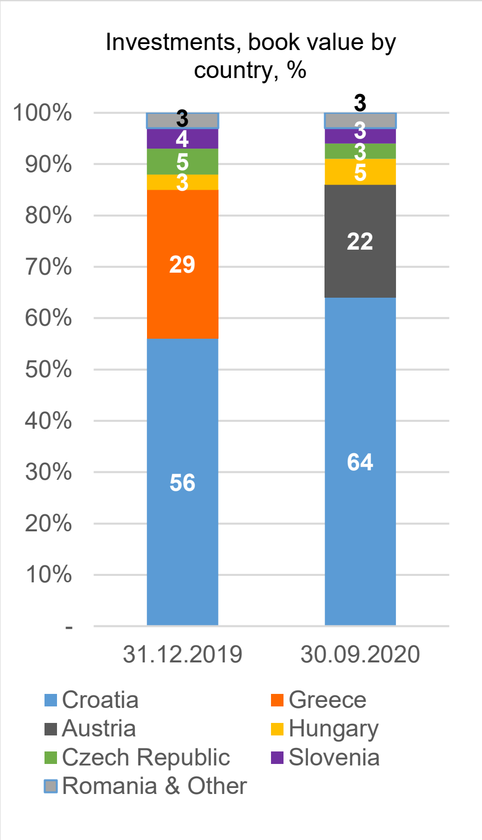
Adjusted net collections increased significantly in the third quarter to EUR 62.1M compared to 15.8M for the corresponding period last year. Approximately EUR 55M of net collections were received from Greece following the restructuring of the Greek investment.

Operating expenses were EUR 3.5M in the third quarter, EUR 1.3M higher than the corresponding period last year. This is due to the higher management fee from DDM Group AG that is permitted under the current DDM Debt senior secured bond and RCF terms. As a result, adjusted cash EBITDA totaled EUR 58.6M in the third quarter of 2020, an increase of 330% compared to the corresponding period last year.

The operating profit margin of 73% in the third 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 net profit for the third quarter of 2020 is EUR 5.1M, benefiting from the strong collections as a result of the Greek restructuring.

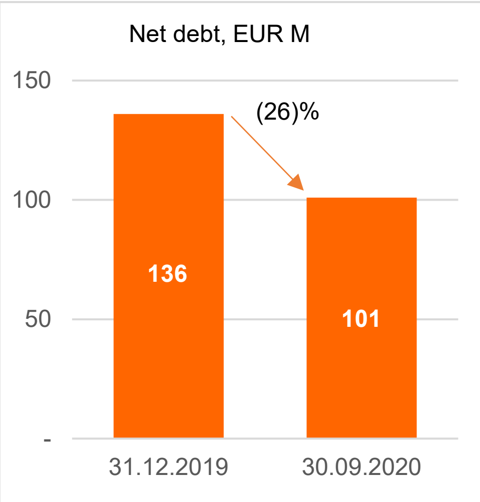
The composition of the portfolio will result in variability in our collections from quarter to quarter, however downward revaluations in the third quarter of 2020 were less than 0.1% of the carrying value of the opening book at the start of the quarter.

For the third quarter of 2020, cash flow from operating activities before working capital changes was EUR 56.4M compared to EUR 8.1M for the corresponding period in 2019. This is primarily as a result of the accelerated net collections received on the Greek restructuring, lower tax paid compared to the prior year and distributions received from the joint venture together with B2Holding that closed during the prior year.



Share of net profits of joint ventures and associates

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 third quarter and first nine months of 2020 include EUR 0.1M and EUR 0.7M respectively from the share of net profits of joint ventures accounted for under the equity method in accordance with IFRS. Following the acquisition of a 9.9% stake in Addiko Bank AG that closed during March 2020, the results for the third quarter and first nine months of 2020 include EUR 1.9M share of net income in other comprehensive income, partially offset by EUR 0.4M share of net losses in the income statement of the associate accounted for under the equity method in accordance with IFRS.



Significant events after the end of the quarter

The call option exercised on 30 March to acquire an additional 10.1% stake in Addiko Bank AG lapsed. However, the DDM Debt Group continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding.

Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Jul–30 Sep 2020*	1 Jul–30 Sep 2019*	1 Jan–30 Sep 2020*	1 Jan–30 Sep 2019*	Full year 2019
Revenue on invested assets	4	**13,236**	**5,883**	**26,969**	**15,639**	**22,446**
Share of net profits of joint ventures and associates	4,7,8	(272)	212	284	673	916
Other operating income	4	–	–	–	–	1,142
Personnel expenses		(209)	(430)	(642)	(797)	(1,187)
Consulting expenses		(3,214)	(1,699)	(7,492)	(5,883)	(9,563)
Other operating expenses		(65)	(79)	(161)	(207)	(347)
Depreciation of tangible assets		(9)	(16)	(42)	(33)	(81)
Operating profit		**9,467**	**3,871**	**18,916**	**9,392**	**13,326**
Financial income		1,100	112	1,813	310	536
Financial expenses**		(4,890)	(4,786)	(13,946)	(16,606)	(21,620)
Unrealized exchange loss		(163)	(366)	(1,838)	(178)	(264)
Realized exchange profit / (loss)		2	(72)	(8)	(143)	(130)
Net financial expenses		**(3,951)**	**(5,112)**	**(13,979)**	**(16,617)**	**(21,478)**
Profit / (loss) before income tax		**5,516**	**(1,241)**	**4,937**	**(7,225)**	**(8,152)**
Tax (expense) / income		(442)	61	(549)	688	865
Net profit / (loss) for the period		**5,074**	**(1,180)**	**4,388**	**(6,537)**	**(7,287)**
Net profit / (loss) for the period attributable to:						
Owners of the Parent Company		5,074	(1,149)	4,388	(6,506)	(7,170)
Non-controlling interest		–	(31)	–	(31)	(117)

* Unaudited

** The results for 9M 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 Jul–30 Sep 2020*	1 Jul–30 Sep 2019*	1 Jan–30 Sep 2020*	1 Jan–30 Sep 2019*	Full year 2019
Net profit / (loss) for the period	**5,074**	**(1,180)**	**4,338**	**(6,537)**	**(7,287)**
Other comprehensive income / (loss) for the period					
Currency translation differences	–	19	(5)	23	9
Share of net income in associate	1,946	–	1,946	–	–
Other comprehensive income / (loss) for the period, net of tax	**1,946**	**19**	**1,941**	**23**	**9**
Total comprehensive income / (loss) for the period	**7,020**	**(1,161)**	**6,329**	**(6,514)**	**(7,278)**
Total comprehensive income / (loss) for the period attributable to:					
Owners of the Parent Company	7,020	(1,130)	6,329	(6,483)	(7,161)
Non-controlling interest	–	(31)	–	(31)	(117)

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	30 September 2020*	31 December 2019
ASSETS			
Non-current assets			
Tangible assets	5	19	29
Right-of-use assets		63	98
Interests in associates	2,8	31,666	–
Distressed asset portfolios	6	82,485	140,276
Other long-term receivables from investments	6	–	3,023
Investment in joint venture	7	27,310	29,952
Loans to other group companies		4,000	4,000
Accrued interest from other group companies		1,099	768
Deferred tax assets		1,029	1,375
Other non-current assets		283	270
Total non-current assets		**147,954**	**179,792**
Current assets			
Accounts receivable		11,733	3,330
Receivables from other group companies		138	103
Tax assets		90	1,397
Other receivables		1,524	1,449
Prepaid expenses and accrued income		2,959	1,171
Cash and cash equivalents		50,578	11,464
Total current assets		**67,022**	**18,914**
TOTAL ASSETS		**214,976**	**198,706**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		54	54
Other reserves		-	5
Retained earnings including net profit / (loss) for the period		10,617	4,283
Total shareholders' equity to Parent Company's shareholders		**10,671**	**4,342**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	9	116,769	97,626
Lease liabilities		38	57
Payables to other group companies		3,052	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		343	220
Total non-current liabilities		**157,788**	**136,878**
Current liabilities			
Loans and borrowings	9	34,515	49,504
Accounts payable		332	578
Tax liabilities		69	102
Accrued interest		7,202	5,178
Accrued expenses and deferred income		4,352	2,077
Lease liabilities		47	47
Total current liabilities		**46,517**	**57,486**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**214,976**	**198,706**

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Jul–30 Sep 2020*	1 Jul–30 Sep 2019*	1 Jan–30 Sep 2020*	1 Jan–30 Sep 2019*	Full year 2019
Cash flow from operating activities					
Operating profit	9,467	3,871	18,916	9,392	13,326
Cash distribution from joint venture	1,025	–	3,971	–	2,654
Adjustments for non-cash items:					
Amortization of invested assets	*48,201*	*8,594*	*61,616*	*28,475*	*33,458*
Revaluation and impairment of invested assets	*155*	*155*	*1,611*	*754*	*2,844*
Share of net profits of joint ventures and associates	*272*	*(212)*	*(284)*	*(673)*	*(916)*
Other operating income	–	–	–	–	*(1,142)*
Depreciation of tangible assets	*9*	*16*	*42*	*33*	*81*
Other items not affecting cash	*(359)*	*(469)*	*(182)*	*(198)*	*295*
Interest paid	(3,350)	(2,307)	(10,562)	(12,260)	(16,544)
Interest received	984	–	1,466	63	179
Tax paid	(36)	(1,540)	(87)	(3,437)	(3,548)
Tax received	–	–	1,249	–	–
Cash flow from operating activities before working capital changes	**56,368**	**8,108**	**77,756**	**22,149**	**30,687**
Working capital adjustments					
(Increase) / decrease in accounts receivable	(10,121)	2,301	(7,237)	5,988	5,132
(Increase) / decrease in other receivables	(958)	947	(5,164)	(1,372)	(2,437)
Increase / (decrease) in accounts payable	(187)	(71)	(246)	(81)	(70)
Increase / (decrease) in other current liabilities	1,619	(56)	3,938	2,946	2,584
Net cash flow from operating activities	**46,721**	**11,341**	**69,047**	**29,630**	**35,896**
Cash flow from investing activities					
Purchases of associates	–	–	(30,094)	–	–
Purchases of distressed asset portfolios and other long-term receivables from investments	–	(66,342)	(3,216)	(66,342)	(66,342)
Purchases of investment of joint venture	–	–	–	(66,662)	(66,662)
Proceeds from divestment of distressed asset portfolios and joint venture	–	33,789	–	33,789	37,094
Purchases of non-current assets	–	–	–	–	(250)
Purchases of tangible assets	–	(1)	–	(22)	(22)
Net cash flow received / (used) in investing activities	**–**	**(32,554)**	**(33,310)**	**(99,237)**	**(96,182)**
Cash flow from financing activities					
Proceeds from issuance of loans	–	9,664	27,471	99,726	105,329
Proceeds from loans from group companies	–	4,450	–	4,450	4,950
Repayment of loans	(20,260)	–	(23,860)	(81,700)	(93,700)
Loan to other group companies	–	–	–	(2,000)	(2,000)
Net cash flow received / (used) in financing activities	**(20,260)**	**14,114**	**3,611**	**20,476**	**14,579**
Cash flow for the period	**26,461**	**(7,099)**	**39,348**	**(49,131)**	**(45,707)**
Cash and cash equivalents less bank overdrafts at beginning of the period	**24,141**	**15,310**	**11,464**	**57,266**	**57,266**
Foreign exchange losses on cash and cash equivalents	(24)	(184)	(234)	(108)	(95)
Cash and cash equivalents less bank overdrafts at end of the period	**50,578**	**8,027**	**50,578**	**8,027**	**11,464**

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Other reserves	Retained earnings incl. net profit / (loss) for the period	Total equity	Non-controlling interest	Total equity
	Attributable to Parent Company's shareholders					
Balance at 1 January 2019	**54**	**(4)**	**8,811**	**8,861**	**–**	**8,861**
Net loss for the period	–	–	(6,506)	**(6,506)**	(31)	**(6,537)**
Other comprehensive income						
Currency translation differences	–	23	–	**23**	–	**23**
Total comprehensive income / (loss)	**–**	**23**	**(6,506)**	**(6,483)**	**(31)**	**(6,514)**
Transactions with owners						
Contribution agreement	–	–	45	**45**	–	**45**
Total transactions with owners	**–**	**–**	**45**	**45**	**–**	**45**
Balance at 30 September 2019*	**54**	**19**	**2,350**	**2,423**	**(31)**	**2,392**
Balance at 1 January 2020	**54**	**5**	**4,283**	**4,342**	**–**	**4,342**
Net profit for the period	**–**	**–**	4,388	**4,388**	**–**	**4,388**
Other comprehensive income / (loss)						
Currency translation differences	**–**	(5)	**–**	**(5)**	**–**	**(5)**
Share of net income in associate	**–**	**–**	1,946	**1,946**	**–**	**1,946**
Total comprehensive income / (loss)	**–**	**(5)**	**6,334**	**6,329**	**–**	**6,329**
Transactions with owners	–	–	–	–	–	–
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 September 2020*	**54**	**–**	**10,617**	**10,671**	**–**	**10,671**

* Unaudited

Parent Company – Income Statement

Amounts in EUR '000s	1 Jul–30 Sep 2020*	1 Jul–30 Sep 2019*	1 Jan–30 Sep 2020*	1 Jan–30 Sep 2019*	Full year 2019
Revenue	–	–	–	–	–
Other operating income	–	–	–	–	1,142
Personnel expenses	(179)	(278)	(508)	(414)	(554)
Consulting expenses	(125)	(33)	(219)	(113)	(182)
Other operating expenses	(46)	(26)	(94)	(82)	(137)
Depreciation of tangible assets	–	(7)	(1)	(12)	(1)
Operating (loss) / profit	**(350)**	**(344)**	**(822)**	**(621)**	**268**
Financial income	5,623	3,945	15,209	11,715	15,491
Financial expenses	(4,440)	(3,946)	(12,709)	(11,729)	(15,546)
Unrealized exchange (loss) /profit	(1)	(7)	(16)	12	7
Realized exchange profit	6	1	15	6	8
Net financial income / (expense)	**1,188**	**(7)**	**2,499**	**4**	**(40)**
Profit / (loss) before income tax	**838**	**(351)**	**1,677**	**(617)**	**228**
Tax income / (expense)	46	–	46	–	(39)
Profit / (loss) for the period	**884**	**(351)**	**1,723**	**(617)**	**189**

* Unaudited

Parent Company – Statement of Comprehensive Income

Amounts in EUR '000s	1 Jul–30 Sep 2020*	1 Jul–30 Sep 2019*	1 Jan–30 Sep 2020*	1 Jan–30 Sep 2019*	Full year 2019
Net profit / (loss) for the period	**884**	**(351)**	**1,723**	**(617)**	**189**
Other comprehensive income / (loss) for the period, net of tax					
Items that will not be reclassified to profit or loss	–	–	–	–	–
Items that may subsequently be reclassified to profit or loss	–	–	–	–	–
Total other comprehensive income / (loss) for the period, net of tax	**–**	**–**	**–**	**–**	**–**
Total comprehensive income / (loss) for the period	**884**	**(351)**	**1,723**	**(617)**	**189**

* Unaudited

Parent Company – Balance Sheet

Amounts in EUR '000s	Notes	30 September 2020*	31 December 2019
ASSETS			
Non-current assets			
Tangible assets	5	3	4
Participations in other group companies	10	9,478	9,523
Loans to other group companies		159,807	150,503
Accrued interest from other group companies		796	631
Other non-current assets		297	279
Total non-current assets		**170,381**	**160,940**
Current assets			
Other receivables		1,373	1,374
Accrued interest from other group companies		10,046	9,236
Prepaid expenses		32	211
Cash and cash equivalents		1,041	3,234
Total current assets		**12,492**	**14,055**
TOTAL ASSETS		**182,873**	**174,995**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		54	54
Retained earnings including net profit / (loss) for the period		7,209	5,486
Total shareholders' equity		**7,263**	**5,540**
Non-current liabilities			
Loans and borrowings	9	116,306	97,626
Payables to other group companies		1,389	1,431
Loans from other group companies, subordinated		14,950	14,950
Accrued interest		4,277	2,795
Total non-current liabilities		**136,922**	**116,802**
Current liabilities			
Loans and borrowings	9	34,515	49,504
Accounts payable		341	392
Tax liabilities		–	46
Accrued interest		2,925	2,383
Accrued expenses and deferred income		907	328
Total current liabilities		**38,688**	**52,653**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**182,873**	**174,995**

* Unaudited

Parent Company – Cash Flow Statement

Amounts in EUR '000s	1 Jul–30 Sep 2020*	1 Jul–30 Sep 2019*	1 Jan–30 Sep 2020*	1 Jan–30 Sep 2019*	Full year 2019
Cash flow from operating activities					
Operating (loss) / profit	(350)	(344)	(822)	(621)	268
Adjustments for non-cash items:					
Other operating income	–	–	–	–	*(1,142)*
Depreciation of tangible assets	–	*7*	*1*	*12*	*1*
Other items not affecting cash	*166*	*194*	*93*	*227*	*35*
Interest paid	(3,350)	(2,307)	(10,562)	(12,260)	(16,544)
Interest received	5,284	1,990	14,016	9,261	10,624
Tax paid	–	–	–	–	(6)
Cash flow from operating activities before working capital changes	**1,750**	**(460)**	**2,726**	**(3,381)**	**(6,764)**
Working capital adjustments					
Increase / (decrease) in other receivables	(16)	(2,330)	(18)	(2,982)	(189)
Increase / (decrease) in accounts payable	109	(130)	(51)	9	90
Increase / (decrease) in other current liabilities	52	109	104	285	1,522
Net cash flow from operating activities	**1,895**	**(2,811)**	**2,761**	**(6,069)**	**(5,341)**
Cash flow from investing activities					
Loans to group companies	–	(16,350)	(27,000)	(60,750)	(60,750)
Repayment of loans to group companies	18,900	340	18,900	44,740	52,300
Purchases of non-current assets	–	–	–	–	(250)
Purchases of shares in subsidiaries	–	–	–	(24)	(24)
Net cash flow received / (used) in investing activities	**18,900**	**(16,010)**	**(8,100)**	**(16,034)**	**(8,724)**
Cash flow from financing activities					
Proceeds from issuance of loans	–	9,664	27,000	99,726	105,329
Proceeds from loans from group companies	–	4,450	–	4,450	4,950
Repayment of loans	(20,260)	–	(23,860)	(81,700)	(93,700)
Net cash flow received / (used) in financing activities	**(20,260)**	**14,114**	**3,140**	**22,476**	**16,579**
Cash flow for the period	**535**	**(4,707)**	**(2,199)**	**373**	**2,514**
Cash and cash equivalents less bank overdrafts at beginning of the period	**501**	**5,806**	**3,234**	**707**	**707**
Foreign exchange gains / (losses) on cash and cash equivalents	5	(5)	6	14	13
Cash and cash equivalents less bank overdrafts at end of the period	**1,041**	**1,094**	**1,041**	**1,094**	**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	–	(617)	**(617)**
Other comprehensive loss	–	–	**–**
Total comprehensive loss	**–**	**(617)**	**(617)**
Transactions with owners			
Contribution agreement	–	45	**45**
Total transactions with owners	–	–	**–**
Balance at 30 September 2019*	**54**	**4,680**	**4,734**
Balance at 1 January 2020	**54**	**5,486**	**5,540**
Net profit for the period	–	1,723	**1,723**
Other comprehensive income	–	–	**–**
Total comprehensive income	–	**1,723**	**1,723**
Transactions with owners	–	–	–
Total transactions with owners	**–**	**–**	**–**
Balance at 30 September 2020*	**54**	**7,209**	**7,263**

* 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 from financial institutions and international banks with lending operations in Southern, Central and Eastern Europe. This enables 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, Zug, Switzerland.

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.

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 25 for reconciliation of alternative performance measures including adjusted net collections, adjusted cash EBITDA and adjusted net profit / (loss) for the period.

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.

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 September 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%
DDM REO Adria d.o.o.	Fully consolidated	Croatia	100%	–

Note 2. **Basis of preparation…** *continued*

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., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft ("Lombard"). Prior to the acquisition DDM owned the rights to 30 percent of the portfolio and 100 percent of the equity in Lombard which has been reclassified from other long-term receivables from investments to distressed asset portfolios.

On 23 July 2020 DDM REO Adria d.o.o. was incorporated.

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 September 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 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.

The DDM Debt Group has determined that it has significant influence over Addiko Bank AG through already acquiring a 9.9% shareholding and the call option exercised on 30 March to acquire an additional 10.1% stake in Addiko Bank AG that lapsed after the end of the quarter. The DDM Debt Group continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding. The DDM Debt Group as a major shareholder is able and 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 September 2020	31 December 2019
Addiko Bank AG	Equity method	Austria	9.9%	–

Note 3. **Currency translation**

All entities prepare their financial statements in their functional currency. At 30 September 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, DDM Debt Romania S.R.L, which has Romanian leu (RON) as its functional currency and DDM REO Adria d.o.o. which has Croatia Kuna (HRK) 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 Jul – 30 Sep 2020	1 Jul – 30 Sep 2019	1 Jan – 30 Sep 2020	1 Jan – 30 Sep 2019	Full Year 2019
Net collections by country:					
Greece	54,748	6,610	69,430	7,712	12,111
Croatia	2,960	2,274	7,741	6,607	10,566
Czech Republic	1,161	2,121	4,320	7,531	9,418
Slovenia	1,018	2,032	2,519	16,150	18,122
Hungary	928	511	3,878	1,869	2,595
Romania	628	881	1,916	2,593	3,434
Serbia	140	202	372	417	481
Slovakia	9	7	20	39	45
Bosnia	–	(6)	–	(4)	23
Russia	–	–	–	1,954	1,953
Net collections*	**61,592**	**14,632**	**90,196**	**44,868**	**58,748**
Amortization of invested assets	(48,201)	(8,594)	(61,616)	(28,475)	(33,458)
Interest income on invested assets before revaluation and impairment	**13,391**	**6,038**	**28,580**	**16,393**	**25,290**
Revaluation of invested assets	(155)	944	(1,279)	1,366	2,936
Impairment of invested assets	–	(1,099)	(332)	(2,120)	(5,780)
Revenue on invested assets	**13,236**	**5,883**	**26,969**	**15,639**	**22,446**
Share of net (losses) / profits of joint ventures and associates	(272)	212	284	673	916
Other operating income	–	–	–	–	1,142

* Included within net collections is the sale of invested assets

Net collections includes EUR 54.7M received from Greece, due to the accelerated collections received following the restructuring of the Greek investment. The entire carrying value remaining of EUR 43.8M prior to the restructuring has been recognized as amortization. The DDM Debt Group has assessed the transaction and concluded it retains the same contractual rights to future cashflows in the distressed asset portfolio as prior to the restructuring and therefore has not derecognized the asset under IFRS 9 amortized cost as of 30 September 2020.

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 and associate
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 third quarter of 2020, first nine months of 2020 and full year 2019 results include EUR 0.1M (Q3 2019: EUR 0.2M), EUR 0.7M (9M 2019: EUR 0.7M) and EUR 0.9M respectively from share of net profits of joint venture accounted for under the equity method in accordance with IFRS. Following the acquisition of a 9.9% stake in Addiko Bank AG ("Addiko Bank") that closed during March 2020, the results for the third quarter and first nine months of 2020 include EUR 1.9M share of net income in other comprehensive income, partially offset by EUR 0.4M share of net losses in the income statement of the associate 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 nine months and full year 2019 as net collections on sale of invested assets.

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

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.

Other operating income
On 23 December 2019, a further 12% of the shares of aXs GmbH (in addition to the 70% already held) 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 2019. 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 September 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, resulting in the consolidation of Clipper Holding III S.à r.l., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. And Lombard Bérlet Kft ("Lombard"). Prior to the acquisition the DDM Debt Group owned the rights to 30% of the portfolio and 100 percent of the equity in Lombard which has been 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.

Note 6. Distressed asset portfolios… continued

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 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 September 2020	31 December 2019
HRK	58,931	63,557
EUR	10,469	65,797
HUF	7,430	3,023
CZK	4,305	8,618
RSD	732	1,385
RON	618	919
Total	**82,485**	**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, the DDM Debt Group 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 September 2020	31 December 2019
Balance at beginning of the year	29,952	–
Additions	–	66,662
Share of net profit of joint venture	659	916
Proceeds from funding of joint venture	–	(33,789)
Incremental net distribution from the joint venture	(3,301)	(3,837)
Balance at end of the period	**27,310**	**29,952**

The incremental net distribution from the joint venture includes EUR 4.0M (9M 2019: nil) that has been received as a cash distribution during the first nine months of 2020 and EUR 0.5M (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.

The DDM Debt Group has determined that it has significant influence over Addiko Bank AG through already acquiring a 9.9% shareholding and the call option exercised on 30 March to acquire an additional 10.1% stake in Addiko Bank AG that lapsed after the end of the quarter. The DDM Debt Group continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding. The DDM Debt Group as a major shareholder is able and 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 September 2020	31 December 2019
Balance at beginning of the year	–	–
Additions	30,094	–
Share of net income in other comprehensive income	1,946	–
Share of net losses in the income statement	(374)	–
Balance at end of the period	**31,666**	–

Following the acquisition of a 9.9% stake in Addiko Bank AG ("Addiko Bank") that closed during March 2020, the results for the third quarter and first nine months of 2020 include EUR 1.9M share of net income in other comprehensive income, partially offset by EUR 0.4M share of net losses in the income statement of the associate accounted for under the equity method in accordance with IFRS.

Note 9. Loans and borrowings

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

<u>Bond loan EUR 100M</u>
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 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 September 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.

Note 9. ***Loans and borrowings…*** *continued*

Revolving credit facility EUR 27M
On 15 March 2019, DDM Debt agreed a super senior revolving credit facility of EUR 27M with an international bank. The revolving credit facility is available to finance investments and for general corporate purposes. The facility is available until 15 March 2021 and priced at Euribor plus a margin of 350 basis points.

Bond loan EUR 50M
On 11 December 2017, DDM Debt issued EUR 50M of senior secured bonds at 8% within a total framework amount of EUR 160M. The bonds with ISIN number SE0010636746 have a final maturity date of 11 December 2021 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.

On 14 August 2020 DDM Debt completed a written procedure to request certain amendments to the terms and conditions of its up to EUR 160M senior secured bonds. DDM Debt AB 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 incorporated a mandatory partial redemption structure, call structure, including a EUR 7.5M of nominal value bond buyback paid on 16 September and consent fee of 1% that was paid on 28 August.

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 September 2020						
Revolving credit facility	24,927	–	–	–	–	**24,927**
Bond loan, 8%	9,588	27,564	–	–	–	**37,152**
Bond loan, 9.25%	–	88,742	–	–	–	**88,742**
Other Loan	–	–	–	–	463	**463**
Total	**34,515**	**116,306**	–	–	**463**	**151,284**
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 September 2020				
Revolving credit facility	Financial liabilities at amortized cost	Level 2	25,000	24,927
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	37,080	37,152
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	82,942	88,742
Other loans	Financial liabilities at amortized cost	Level 2	463	463
Total			**145,485**	**151,284**
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**

Note 9.* Loans and borrowings… *continued

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 September 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 September 2020	**9,478**

The Parent Company holds shares in the following subsidiaries:

EUR '000s Company	Corporate identity number	Domicile	Proportion of equity 30 September 2020	Proportion of equity 31 December 2019	Net book value 30 September 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**	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
DDM REO Adria d.o.o.*	05288215	Croatia	100%	–	–	–
Total					**9,478**	**9,523**

* The net book value of the investments in Clipper Holding III S.à r.l. and DDM REO Adria d.o.o. amount to EUR 1 each as of 30 September 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 September 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.

On 23 July 2020 DDM REO Adria d.o.o. was incorporated.

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 in the first quarter of 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 capitalized during Q2 2020 and EUR 1,425k of brokerage fees were recognized in consultancy expenses during Q3 2020. In relation to the full year 2019 an amount of EUR 1,610k was capitalized as transaction costs as part of the bond refinancing during Q2 2019, resulting in EUR 106k and EUR 307k (FY 2019: EUR 316k) of amortized transaction costs that were recognized within financial expenses during the third quarter and first nine months 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 2019. 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. Subsequent events

The call option exercised on 30 March to acquire an additional 10.1% stake in Addiko Bank AG lapsed. However, the DDM Debt Group continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding.

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 30 September 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, 6 November 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.

Estimated Remaining Collections / ERC
Estimated Remaining Collections refers to the sum of all undiscounted future projected cash collections before collection costs from acquired portfolios. This includes the Group's share of proceeds on portfolios purchased, held in joint ventures and associates. ERC is not a balance sheet item, however it is provided for informational purposes as a common measure in the debt purchasing industry. ERC may be calculated differently by other companies and may not be comparable.

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, investment in joint venture and associate.

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 Jul – 30 Sep 2020**	**1 Jul – 30 Sep 2019**	**1 Jan – 30 Sep 2020**	**1 Jan – 30 Sep 2019**	**Full Year 2019**
Net collections *	62,106	15,838	93,497	47,487	62,585
Personnel expenses	(209)	(430)	(642)	(797)	(1,187)
Consulting expenses	(3,214)	(1,699)	(7,492)	(5,883)	(9,563)
Other operating expenses	(65)	(79)	(161)	(207)	(347)
Operating expenses	(3,488)	(2,208)	(8,295)	(6,887)	(11,097)
Cash EBITDA	58,618	13,630	85,202	40,600	51,488

** Net collections includes the 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	24,927	9,759	24,927	9,759	–
Bond loan, 8%	37,152	49,376	37,152	49,376	49,504
Bond loan, 9.25%	88,742	93,469	88,742	93,469	97,626
Other loans	463	–	463	–	–
Less: Cash and cash equivalents	(50,578)	(8,027)	(50,578)	(8,027)	(11,464)
Net debt	100,706	144,577	100,706	144,577	135,666

Equity ratio:

Shareholder's equity	10,671	2,392	10,671	2,392	4,342
Shareholder debt (subordinated)	37,586	36,702	37,586	36,702	37,586
Total equity according to the senior secured bond and revolving credit facility terms	48,257	39,094	48,257	39,094	41,928
Total assets	214,976	204,658	214,976	204,658	198,756
Equity ratio	22.4%	19.1%	22.4%	19.1%	21.1%

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Jul – 30 Sep 2020	1 Jul – 30 Sep 2019	1 Jan – 30 Sep 2020	1 Jan – 30 Sep 2019	Full Year 2019
Net collections	**61,592**	**14,632**	**90,196**	**42,932**	**54,272**
Sale of invested assets	–	–	–	1,936	4,476
Incremental net distribution from joint venture	514	1,206	3,301	2,619	3,837
Adjusted net collections	**62,106**	**15,838**	**93,497**	**47,487**	**62,585**
Cash EBITDA	**58,104**	**12,424**	**81,901**	**36,045**	**43,175**
Sale of invested assets	–	–	–	1,936	4,476
Incremental net distribution from joint venture	514	1,206	3,301	2,619	3,837
Adjusted cash EBITDA	**58,618**	**13,630**	**85,202**	**40,600**	**51,488**
Net profit / (loss) for the period	**5,074**	**(1,180)**	**4,388**	**(6,537)**	**(7,287)**
Non-recurring items bond refinancing	–	–	–	2,631	2,631
Adjusted net profit / (loss) for the period	**5,074**	**(1,180)**	**4,388**	**(3,906)**	**(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 profit / (loss) for the period provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include one-time costs not affecting the Group's run rate cost level, significant earnings effects from acquisitions 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 Zug, Switzerland and listed on Nasdaq First North Growth Market in Stockholm, Sweden, since August 2014.

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