



Collections in line with last year whilst earnings were affected by market volatility

Highlights first quarter 2022

- **Gross ERC** at the end of March 2022 was EUR 296m (297 at December 2021)
- **Cash** at the end of March 2022 was EUR 60.4m (62.7 at December 2021)
- **Gross collections** amounted to EUR 15.7m (14.4)*
- **Net collections** amounted to EUR 12.7m (12.6)*
- **Cash EBITDA** amounted to EUR 11.8m (10.1)*
- **Net loss for the period** of EUR 1.0m (0.2)* including EUR 3.4m mark-to-market loss on the investment in Addiko Bank driven by the proposed CHF law in Slovenia and market volatility
- **Investment** in a bolt-on portfolio in Croatia with a gross collection value (face value) of over EUR 20m
- **Strategic partnership in Italy** with Borgosesia S.p.A completed the structuring of a co-investment in a portfolio with a gross collection (face value) of over EUR 10m as part of the target investment volume that amounts to up to EUR 100m over a three-year horizon

* 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 Jan – 31 Mar 2022**	1 Jan – 31 Mar 2021**	Full Year 2021
Gross collections	11,728	12,650	40,344
Collection and commission expenses	(1,778)	(971)	(3,952)
Net collections	9,950	11,679	36,392
Revenue from management fees	–	–	100
Operating expenses	(977)	(2,470)	(8,718)
Cash EBITDA	8,973	9,209	27,774
Interest income	611	–	998
Amortization, revaluation and impairment of invested assets	(4,248)	(6,686)	(18,242)
Share of net profits of associate and joint venture	2,545	955	3,631
Operating profit	7,880	3,469	14,116
Net loss for the period***	(1,047)	(246)	(5,662)
Selected key figures			
Total assets	249,454	184,519	248,152
Net debt	123,289	86,491	120,702
Equity ratio****	21.5%	35.2%	21.9%
Cash flow from operating activities before working capital changes	10,791	9,457	20,463
Gross ERC 120 months (EUR M)	296	242	297
Investments book value	166,031	130,075	163,944

** Unaudited

*** The bond refinancing in Q2 2021 resulted in total negative non-recurring items of approximately EUR 3.9m in 2021 due to the call premium of EUR 2.4m that was paid in relation to the EUR 100m and EUR 33.5m bonds, and the non-cash write off of about EUR 1.5m for the remaining capitalized transaction costs

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

The information in this 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 19 May 2022 at 08:00 CEST.

Comment by the CEO

Collections during the first quarter were largely in line with last year, whilst our earnings were affected by a EUR 3.4m mark-to-market loss on the investment in Addiko Bank driven by the proposed CHF law in Slovenia and market volatility. I am confident that we can achieve growth by investing in both new and existing markets, with approximately EUR 296m of ERC at the end of the March, which is expected to increase further during the year.

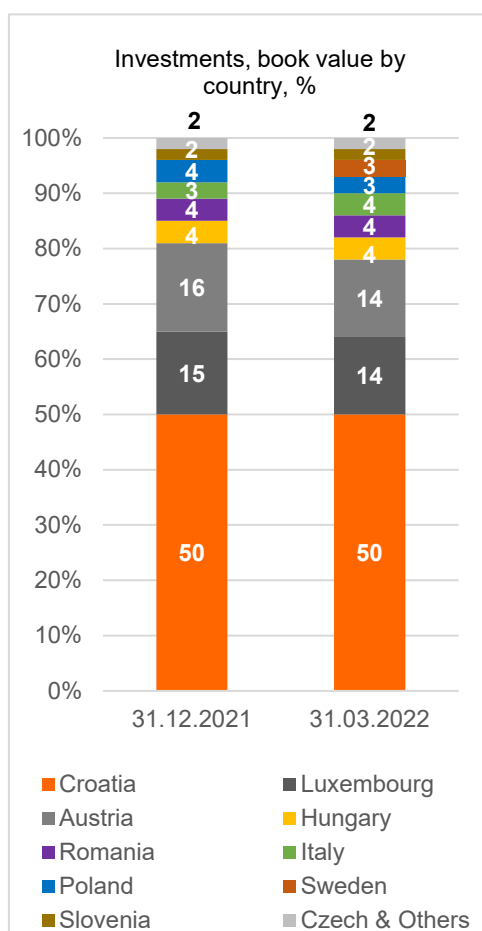
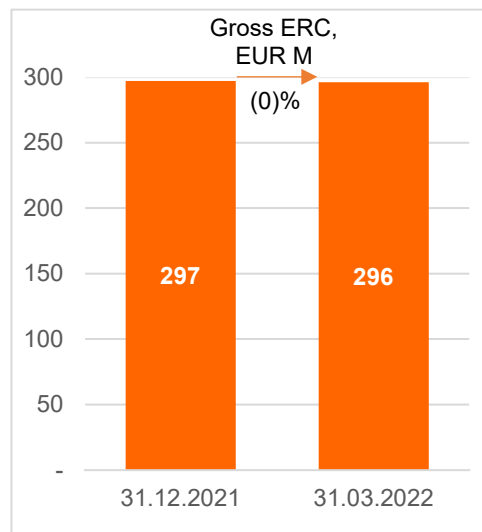
The DDM Debt Group is in the final stages of completion to acquire Swiss Bankers Prepaid Services AG ("Swiss Bankers"), an attractive opportunity to acquire a market-leading Swiss payments company that is pending regulatory approval and is expected to close during the second quarter. This is part of the DDM Debt Group's growth strategy to invest into opportunities arising out of the transformation of the European Banking sector.

Further investments and progress to strategic partnership

During February we acquired an NPL portfolio containing secured corporate receivables located in Croatia with a gross collection value (face value) of the portfolio that amounts to over EUR 20m that was financed by cash on hand. This bolt-on acquisition enables us to fully control the insolvency process and the underlying collateral assets of an existing large, secured receivable located in Croatia where we expect to receive a higher net realizable value on resolution. Further progress has been made to the strategic partnership with Borgosesia that was entered into in December 2021 following the completion of the structuring of the co-investment alongside Borgosesia in an NPL portfolio containing secured residential receivables with a gross collection (face value) of over EUR 10m financed by cash on hand. The DDM Debt Group now has access to an exciting pipeline of Italian mid-market real estate-backed special situation investment opportunities, with an expert and knowledgeable partner and co-investor. The target investment volume amounts to up to EUR 100m over a three-year horizon.

Strategic acquisition in Switzerland nears completion

The agreement that was entered into in December 2021 to acquire 100% of the share capital of Swiss Bankers is in the final stages of completion, with closing subject to regulatory approval, which is expected to be received during the second quarter and financed by cash on hand. Swiss Bankers is the Swiss market leader in prepaid cards and provides innovative, credit-based payment products and offers solutions in cashless, globally secure payment transactions. This transaction follows the DDM Debt Group's growth strategy to invest into special situation opportunities arising out of the transformation of the European Banking sector. The acquisition of Swiss Bankers is an attractive opportunity to access a highly scalable platform for payments with an e-money banking licence that is eligible for passporting into the EU. The DDM Debt Group will support Swiss Bankers in its strategic direction and the associated implementation of its digitization and international expansion strategy by extending the product offering into alternative banking and embedded finance solutions. As of 31 December 2021, Swiss Bankers, had total assets of approximately CHF 402m.



Market outlook

During the first quarter of 2022 most restrictions imposed in response to the COVID-19 pandemic were released, and therefore economic growth is expected to remain strong across the SCEE region despite the ongoing Ukraine crisis that borders some of our invested markets. Neighboring countries including Poland, Hungary and Romania have partially offset some of the negative effects on growth as a result of the war in Ukraine through continued disbursement of EU recovery funds following the pandemic.

The composition of our portfolios that are secured is approximately 80% of ERC over the next three years at 31 March 2022, mitigating the effect of inflation that is expected to remain high across the SCEE region. The conflict in Ukraine has also caused volatility particularly across the foreign exchange market where the DDM Debt Group is exposed to movements relative to the Euro.

The DDM Debt Group has positioned itself well for growth by actively working both in existing markets across the SCEE region and by entering new markets by teaming up with strategic partners and co-investors to invest into opportunities arising out of the transformation of the European Banking sector.

Stockholm, 19 May 2022

DDM Debt AB (publ)

Florian Nowotny, CEO

Financial calendar

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

Interim report for January – June 2022:	25 August 2022
Interim report for January – September 2022:	3 November 2022
Q4 and full year report for January – December 2022:	16 February 2023

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

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 19 May 2022, at 08:00 CEST.

CEO Florian Nowotny and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 19 May 2022, starting at 10:00 CEST. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers: SE: +46 8 566 427 06, CH: +41 225 805 976, UK: +44 333 300 9269.

Financial results

Adjusted gross collections amounted to EUR 15.7m in the first quarter of 2022, EUR 1.3m higher than the corresponding period last year principally due to the increased collections received from the joint venture together with B2Holding following the buy-out of third-party financing in the prior year. After deducting commission and collection fees to third parties this resulted in EUR 12.7m of adjusted net collections being received for the first quarter of 2022.

Operating expenses were EUR 1.0m in the first quarter of 2022, EUR 1.5m lower than Q1 2021. This is due to the higher management fee from DDM Group AG in the prior year that is permitted under the current DDM Debt senior secured bonds. As a result, adjusted cash EBITDA totaled EUR 11.8m in the first quarter of 2022, equating to a high cash conversion ratio of above 92% for Q1 2022 as a percentage of adjusted net collections.

The operating profit margin of 89% in the first quarter of 2022 includes EUR 2.5m share of net profits of joint venture under the equity method of accounting, following the buy-out of third-party financing together with B2Holding in the prior year. A further EUR 1.7m of upwards revaluation has been recognized during the first quarter on portfolios located across the Balkans for which large, secured receivables are expected to be collected at a higher realizable value in the future. This is principally due the lifting of all restrictions imposed in the prior year in response to the Covid-19 pandemic across most of our core markets improving economic expectations and partly as a result of a higher net realizable value on resolution that is expected to be received for an existing large, secured receivable located in Croatia following the bolt-on acquisition during the quarter.

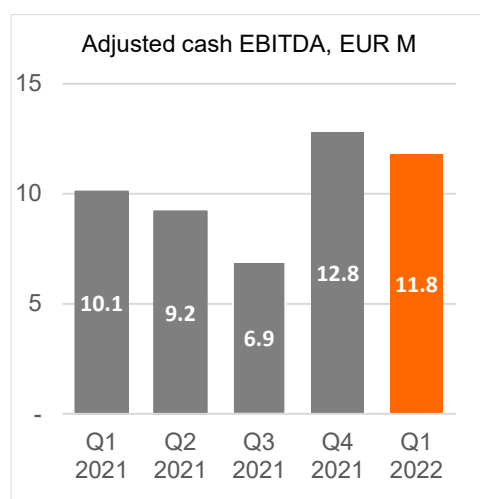
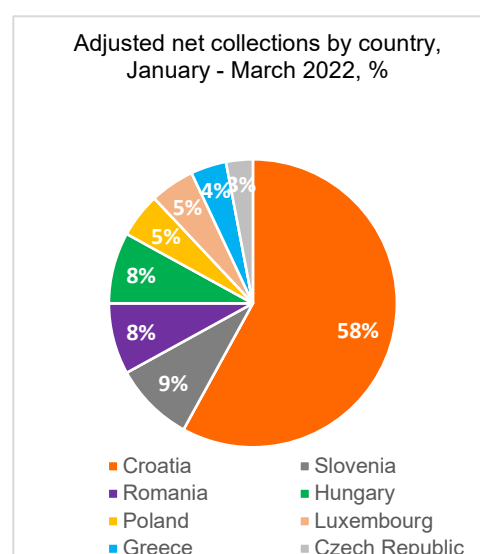
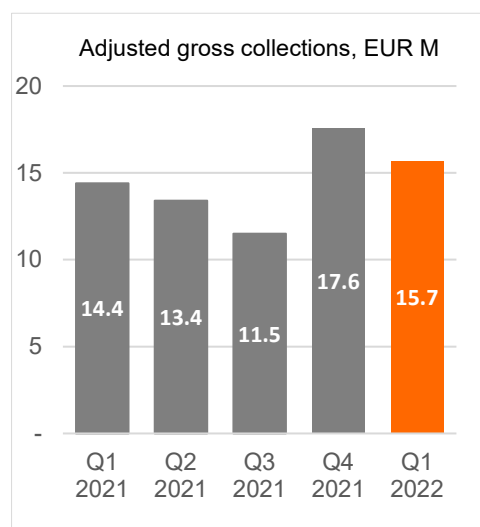
The net loss for the first quarter of 2022 is EUR 1.0m compared to loss of EUR 0.2m for the corresponding period in the prior year. This includes a EUR 3.4m mark-to-market loss on the investment in Addiko Bank driven by the proposed CHF law in Slovenia and market volatility. During the quarter, the National Assembly of Slovenia approved a controversial law to restructure retrospectively consumer loans that were denominated in CHF, which was temporarily suspended from implementation on the 10 March by the Constitutional Court of the Republic of Slovenia pending a final decision regarding its constitutionality. As at 31 March 2022 none of the DDM Debt Group's distressed asset portfolios located in Slovenia contain receivables with loan agreements that were denominated in Swiss francs. The net result was further negatively impacted by EUR 0.8m of exchange losses principally due to unfavorable exchange rate movements of the Swiss Franc and the Croatian Kuna to the Euro in the quarter due to the market volatility caused by the ongoing conflict in Ukraine.

Cash flow and financing

For the first quarter of 2022, cash flow from operating activities before working capital changes was EUR 10.8m, largely in line with Q1 2021. We continue to have a strong cash position of EUR 60.4m at 31 March that is available to fund investments and acquisitions.

Estimated Remaining Collections

ERC in relation to invested assets at 31 March stands at EUR 296m, largely in line with 31 December 2021, as a result of collections that have been received during Q1 2022 partially offset by investments acquired, and is expected to increase further during 2022 following the receipt of regulatory approval for the Swiss Bankers acquisition. Over 69% of the collections are expected to be received within the next three years and the composition of the portfolios that are secured is approximately 80% of ERC over the next three years at 31 March 2022.



Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Jan – 31 Mar	1 Jan – 31 Mar	Full Year
		2022*	2021*	2021
Interest income on invested assets	4	4,605	4,461	14,986
Revaluation and impairment of invested assets		1,708	532	4,162
Revenue on invested assets	4	6,313	4,993	19,148
Share of net profits of associate and joint venture	4,7,8	2,545	955	3,631
Revenue from management fees		–	–	100
Personnel expenses		(25)	(237)	(646)
Consulting expenses		(871)	(2,158)	(7,720)
Other operating expenses		(81)	(75)	(352)
Depreciation of tangible assets		(1)	(9)	(45)
Operating profit		7,880	3,469	14,116
Financial income		571	116	498
Financial expenses**		(8,621)	(3,531)	(21,253)
Unrealized exchange profit / (loss)		109	(130)	392
Realized exchange loss		(901)	(46)	(40)
Net financial expenses		(8,842)	(3,591)	(20,403)
Loss before income tax		(962)	(122)	(6,287)
Tax (expense) / income		(85)	(124)	625
Net loss for the period		(1,047)	(246)	(5,662)
Net loss for the period attributable to:				
Owners of the Parent Company		(1,047)	(246)	(5,662)

* Unaudited

** The bond refinancing in Q2 2021 resulted in total negative non-recurring items of approximately EUR 3.9m in 2021 due to the call premium of EUR 2.4m that was paid in relation to the EUR 100m and EUR 33.5m bonds, and the non-cash write off of about EUR 1.5m for the remaining capitalized transaction costs

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Jan – 31 Mar	1 Jan – 31 Mar	Full Year
	2022*	2021*	2021
Net loss for the period	(1,047)	(246)	(5,662)
Other comprehensive (loss) / income for the period			
Currency translation differences	(70)	(2)	(32)
Share of other comprehensive income of associates accounted for using the equity method	–	433	313
Recycling of share of other comprehensive income of associates to the income statement	–	–	(3,011)
Other comprehensive (loss) / income for the period, net of tax	(70)	431	(2,730)
Total comprehensive (loss) / income for the period	(1,117)	185	(8,392)
Total comprehensive (loss) / income for the period attributable to:			
Owners of the Parent Company	(1,117)	185	(8,392)

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 March 2022*	31 December 2021
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents		60,401	62,750
Accounts receivable		3,450	1,711
Receivables from other group companies		157	157
Prepaid expenses and accrued income		2,197	1,506
Other receivables		3,283	4,192
Tax assets		82	82
Total current assets		69,570	70,398
<i>Non-current assets</i>			
Financial assets at fair value	9	53,155	51,547
Distressed asset portfolios	6	80,682	80,578
Investment in joint venture	7	32,194	31,819
Receivables from other group companies		5,936	5,936
Loans to other group companies		4,000	4,000
Deferred tax assets		1,828	1,900
Accrued interest from other group companies		1,759	1,649
Other non-current assets		320	313
Tangible assets	5	10	12
Total non-current assets		179,884	177,754
TOTAL ASSETS		249,454	248,152
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		54	54
Other reserves		(103)	(33)
Retained earnings including net (loss) / profit for the period		12,379	13,426
Total shareholders' equity to Parent Company's shareholders		12,330	21,839
LIABILITIES			
<i>Non-current liabilities</i>			
<i>Current liabilities</i>			
Accounts payable		179	323
Accrued expenses and deferred income		459	2,458
Tax liabilities		–	414
Accrued interest		11,290	6,559
Total current liabilities		11,928	9,754
Deferred tax liabilities		629	629
Payables to other group companies		3,291	3,284
Loans and borrowings	10	183,690	183,452
Loans from other group companies, subordinated		37,586	37,586
Total non-current liabilities		225,196	224,951
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		249,454	248,152

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Jan – 31 Mar 2022*	1 Jan – 31 Mar 2021*	Full Year 2021*
Cash flow from operating activities			
Net loss for the period	(1,047)	(246)	(5,662)
Cash distribution from associate and joint venture	1,939	2,037	10,214
<i>Adjustments for non-cash items:</i>			
<i>Amortization of invested assets</i>	5,956	7,218	22,404
<i>Revaluation and impairment of invested assets</i>	(1,708)	(532)	(4,162)
<i>Share of net profits of associate and joint venture</i>	(2,545)	(955)	(3,631)
<i>Depreciation of tangible assets</i>	1	9	45
<i>Financial income</i>	(571)	(116)	(498)
<i>Financial expenses</i>	8,621	3,531	21,253
<i>Unrealized exchange (profit) / loss</i>	(109)	130	(392)
<i>Tax expense / (income)</i>	85	124	(625)
<i>Other items not affecting cash</i>	169	174	(600)
Call premium paid	–	–	(2,408)
Interest paid	–	(1,917)	(15,400)
Tax paid	–	–	(75)
Cash flow from operating activities before working capital changes	10,791	9,457	20,463
Working capital adjustments			
(Increase) / decrease in accounts receivable	(1,739)	(3,251)	(5,035)
(Increase) / decrease in other receivables	218	(1,106)	(1,784)
Increase / (decrease) in accounts payable	(144)	(104)	(35)
Increase / (decrease) in other current liabilities	(1,999)	(1,006)	(2,150)
Net cash flow from operating activities	7,127	3,990	11,459
Cash flow from investing activities			
Purchases of distressed asset portfolios	(4,570)	–	(17,527)
Purchases of financial assets at fair value	(4,507)	–	(13,416)
Purchases of associates and joint ventures	–	–	(8,521)
Purchases of tangible assets	–	–	–
Net cash flow received / (used) in investing activities	(9,077)	–	(39,464)
Cash flow from financing activities			
Proceeds from issuance of loans	–	–	182,756
Repayment of loans	–	(13,000)	(122,590)
Principal element of lease payments	–	(2)	(24)
Net cash flow received / (used) in financing activities	–	(13,002)	60,142
Cash flow for the period	(1,950)	(9,012)	32,137
Cash and cash equivalents less bank overdrafts at beginning of the period	62,750	30,672	30,672
Foreign exchange losses on cash and cash equivalents	(399)	(64)	(59)
Cash and cash equivalents less bank overdrafts at end of the period	60,401	21,596	62,750

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Other reserves	Retained earnings incl. net (loss) / profit for the period	Total equity
Balance at 1 January 2021	54	2,697	19,088	21,839
Net loss for the period	–	–	(246)	(246)
Other comprehensive income / (loss)				
Currency translation differences	–	(2)	–	(2)
Share of other comprehensive income of associates accounted for using the equity method	–	433	–	433
Total comprehensive income / (loss)	–	431	(246)	185
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 31 March 2021*	54	3,128	18,842	22,024
Balance at 1 January 2022	54	(33)	13,426	13,447
Net loss for the period	–	–	(1,047)	(1,047)
Other comprehensive loss				
Currency translation differences	–	(70)	–	(70)
Total comprehensive loss	–	(70)	(1,047)	(1,117)
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 31 March 2022*	54	(103)	12,379	12,330

* Unaudited

Parent Company – Income Statement

Amounts in EUR '000s	1 Jan – 31 Mar 2022*	1 Jan – 31 Mar 2021*	Full Year 2021
Revenue	–	–	–
Personnel expenses	–	(201)	(534)
Consulting expenses	(25)	(26)	(273)
Other operating expenses	(14)	(69)	(176)
Depreciation of tangible assets	–	–	(1)
Operating loss	(39)	(296)	(984)
Financial income	5,459	3,263	16,329
Financial expenses	(5,169)	(3,161)	(18,431)
Unrealized exchange loss	–	(8)	(11)
Realized exchange profit / (loss)	–	1	(5)
Net financial income / (expense)	290	95	(2,118)
Profit / (loss) before income tax	251	(201)	(3,102)
Tax expense	–	–	–
Profit / (loss) for the period	251	(201)	(3,102)

* Unaudited

Parent Company – Statement of Comprehensive Income

Amounts in EUR '000s	1 Jan – 31 Mar 2022*	1 Jan – 31 Mar 2021*	Full Year 2021
Net profit / (loss) for the period	251	(201)	(3,102)
Other comprehensive income 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 for the period, net of tax	–	–	–
Total comprehensive income / (loss) for the period	251	(201)	(3,102)

* Unaudited

Parent Company – Balance Sheet

Amounts in EUR '000s	Notes	31 March 2022*	31 December 2021
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents		3,359	3,453
Prepaid expenses		10	12
Other receivables		1,401	1,402
Accrued interest from other group companies		11,177	5,779
Total current assets		15,947	10,646
<i>Non-current assets</i>			
Receivables from other group companies		5,936	5,936
Loans to other group companies	2	212,625	212,825
Accrued interest from other group companies		1,126	1,071
Participations in other group companies	11	9,478	9,478
Other non-current assets		309	303
Tangible assets	5	2	2
Total non-current assets		229,476	229,615
TOTAL ASSETS		245,423	240,261
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		54	54
Retained earnings including net profit / (loss) for the period		11,213	14,064
Total shareholders' equity		11,267	11,016
<i>Current liabilities</i>			
Accounts payable		26	54
Accrued expenses and deferred income		155	167
Tax liabilities		85	103
Accrued interest		11,290	6,559
Total current liabilities		11,556	6,883
<i>Non-current liabilities</i>			
Payables to other group companies		1,324	1,324
Loans and borrowings	10	183,690	183,452
Loans from other group companies, subordinated	2	37,586	37,586
Total non-current liabilities		222,600	222,362
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		245,423	158,303

* Unaudited

Parent Company – Cash Flow Statement

Amounts in EUR '000s	1 Jan – 31 Mar 2022*	1 Jan – 31 Mar 2021*	Full Year 2021*
Cash flow from operating activities			
Profit / (loss) for the period	251	(201)	(3,102)
<i>Adjustments for non-cash items:</i>			
<i>Depreciation of tangible assets</i>	–	–	1
Financial income	(5,459)	(3,263)	(16,329)
Financial expenses	5,169	3,161	18,431
Unrealized exchange loss	–	8	11
<i>Other items not affecting cash</i>	(18)	105	111
Call premium paid	–	–	(2,408)
Interest paid	–	(1,917)	(15,400)
Interest received	–	1,900	20,132
Cash flow from operating activities before working capital changes	(57)	(207)	1,447
Working capital adjustments			
Increase / (decrease) in other receivables	3	(22)	(12)
Increase / (decrease) in accounts payable	(28)	(40)	(135)
Increase / (decrease) in other current liabilities	(12)	(7)	(105)
Net cash flow from operating activities	(94)	(276)	1,195
Cash flow from investing activities			
Loans to group companies	–	–	(205,000)
Repayment of loans to group companies	–	13,000	146,586
Net cash flow received / (used) in investing activities	–	13,000	(58,414)
Cash flow from financing activities			
Proceeds from issuance of loans	–	–	182,756
Repayment of loans	–	(13,000)	(122,590)
Net cash flow received / (used) in financing activities	–	(13,000)	60,166
Cash flow for the period	(94)	(276)	2,947
Cash and cash equivalents less bank overdrafts at beginning of the period	3,453	521	521
Foreign exchange losses on cash and cash equivalents	–	(7)	(15)
Cash and cash equivalents less bank overdrafts at end of the period	3,359	238	3,453

* 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 2021	54	14,064	14,118
Net profit for the period	–	(201)	(201)
Other comprehensive income	–	–	–
Total comprehensive income	–	(201)	(201)
<i>Transactions with owners</i>			
Total transactions with owners	–	–	–
Balance at 31 March 2021*	54	13,863	13,917
Balance at 1 January 2022	54	10,962	11,016
Net profit for the period	–	251	251
Other comprehensive profit	–	–	–
Total comprehensive profit	–	251	251
<i>Transactions with owners</i>			
Total transactions with owners	–	–	–
Balance at 31 March 2022*	54	11,213	11,267

* 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”) are wholly owned subsidiaries of DDM Holding AG (“DDM”), which is a specialized multinational investor in situations arising out of the general strategic challenges in the European banking markets. This includes investments into assets and companies previously held by financial institutions, including performing and non-performing loans and special situations. DDM strives to create value for its stakeholders by combining significant expertise in financial services, credit underwriting and technology with a focus on operational excellence.

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 Strandvägen 7A, 114 51 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. The indirect ultimate parent company is DDM Group Finance S.A, a Luxembourg registered company owning 95.2% of the shares in DDM Holding AG at 31 March 2022.

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 2021, 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 a reconciliation of alternative performance measures including adjusted gross collections, adjusted net collections, adjusted cash EBITDA and adjusted net 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.

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	31 March 2022	31 December 2021
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Mergeco AG	Fully consolidated	Switzerland	100%	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%	100%

Note 2. Basis of preparation... continued

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 / (losses) 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	31 March 2022	31 December 2021
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.

Financial assets at fair value

Equity-traded instruments and other investments that do not meet the criteria under IFRS 9 of cash flows consisting solely of payments of principle and interest (SPPI) and Hold to collect for being measured at amortised cost nor elected at FVTOCI are measured at fair value through profit or loss (FVTPL).

Financial assets held at FVTPL are initially recognised and subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses recognised through financial income or expenses respectively in the consolidated income statement. Dividends or any interest earned on the financial assets are included within interest income.

During 2021, the DDM Debt Group acquired a 5% stake in Borgosesia S.p.A. ("Borgosesia"), an Italian investment platform specialized in secured non-performing loans and special situations measured at a closing share price of EUR 0.73/share at 31 March 2022 (31 December 2021: EUR 0.62/share), which resulted in a fair value gain of EUR 0.3m being recognized through financial income in the consolidated income statement during Q1 2022. The investment in Addiko Bank AG was reclassified from investment in associates in the prior year and measured at a closing share price of EUR 11.90/share at 31 March 2022 (31 December 2021: EUR 13.65/share), which resulted in a fair value loss of EUR 3.4m being recognized through financial expense in the consolidated income statement during Q1 2022. During 2021, the DDM Debt Group also invested into a total of EUR 15.8m of pre-IPO convertible bonds in Omnione S.A ("Omnio"), a leading innovator in Banking-as-a-Service measured at cost within financial assets at fair value level 3, which are due to mature in accordance with the terms of the pre-IPO convertible bonds on 31 December 2024 accruing at an annual rate of 2% cash interest and 6% Payment-in-Kind ("PIK"), including convertibility rights into ordinary shares of Omnio. In addition, EUR 7.9m was invested in Omnio during 2021 which is expected to be received by 31 December 2024 in line with the maturity of the pre-IPO convertible bonds accruing at an annual rate of 15% PIK. During 2022, the DDM Debt Group invested EUR 4.5m into a special purpose acquisition company that is located in Sweden.

Note 3. Currency translation

All entities prepare their financial statements in their functional currency. At 31 March 2022 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. Revenue from management fees related to revenue received from third parties where the DDM Debt Group managed the operations of these assets but did not own 100% of the portfolio.

Gross collections are comprised of cash collections from the distressed asset portfolios held by the DDM Debt Group, before commission and fees to third parties. The gross amount of cash collected is recorded as "Gross collections" within the line "Interest income on invested assets" in the consolidated income statement. The DDM Debt Group discloses the alternative performance measure "Gross collections" in the notes separately, as it is a common measure to monitor the performance of portfolios in the debt purchasing industry.

Net collections is comprised of gross collections from the distressed asset portfolios 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 "Interest income 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 Jan – 31 Mar	1 Jan – 31 Mar	Full Year
	2022	2021	2021
Gross collections	11,728	12,650	40,344
Collection and commission expenses	(1,778)	(971)	(3,952)
Net collections by country:			
Croatia	5,213	6,961	18,104
Slovenia	1,103	1,287	3,837
Romania	1,027	652	5,068
Hungary	1,010	895	3,802
Poland	688	–	481
Greece	476	–	952
Czech Republic	403	1,011	3,430
Serbia	29	594	330
Slovakia	1	3	34
Bosnia	–	276	354
Net collections	9,950	11,679	36,392
Interest income	611	–	998
Amortization of invested assets	(5,956)	(7,218)	(22,404)
Interest income on invested assets before revaluation and impairment	4,605	4,461	14,986
Revaluation of invested assets	1,708	532	4,162
Impairment of invested assets	–	–	–
Revenue on invested assets	6,313	4,993	19,148
Share of net profits of associate and joint venture	2,545	955	3,631
Revenue from management fees	–	–	100

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.

Interest income

During 2021, the DDM Debt Group invested into a total of EUR 15.8m of pre-IPO convertible bonds in Omnione S.A ("Omnio"), a leading innovator in Banking-as-a-Service measured at cost within financial assets at fair value level 3, which are due to mature in accordance with the terms of the pre-IPO convertible bonds on 31 December 2024 accruing at an annual rate of 2% cash interest and 6% Payment-in-Kind ("PIK"), including convertibility rights into ordinary shares of Omnio. In addition, EUR 7.9m was invested in Omnio during 2021 which is expected to be received by 31 December 2024 in line with the maturity of the pre-IPO convertible bonds accruing at an annual rate of 15% PIK. Interest income from Omnio to the DDM Debt Group amounted to EUR 0.6m (Q1 2021: EUR nil, FY 2021: 1.0m) which has been recognized in interest income during the period.

Share of net profits of associate and joint venture

The results for the period up to 17 December 2021 include EUR 1.4m of share of net profits of the associate in the income statement and EUR 0.3m of share of other comprehensive income of associates accounted for using the equity method in other comprehensive income. On 17 December 2021, the investment in Addiko Bank was reclassified from investment in associates to financial assets at fair value and measured at a closing share price of EUR 13.65/share on 31 December 2021.

The results for Q1 2022 include EUR 2.5m (Q1 2021: EUR 0.2m and FY 2021: EUR 2.3m) from share of net profits of joint venture accounted for using the equity method in accordance with IFRS.

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

The DDM Debt Group invests in distressed asset portfolios, where the receivables are directly against the debtor. The recognition of the acquisition of distressed asset portfolios is based on the DDM Debt Group's own forecast of future cash flows from acquired portfolios. Distressed asset portfolios 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 corresponds to the present value of all projected future cash flows discounted by an initial effective interest rate determined on the date the portfolio 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 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 "interest income on invested assets". 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 are reported at amortized cost using the effective interest method. The initial effective interest rate is calculated for each portfolio 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 is impaired. A portfolio 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 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 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 "Interest income on invested assets".

Note 6. Distressed asset portfolios... continued

The carrying values of distressed asset portfolios owned by the DDM Debt Group are distributed by currency as follows:

EUR '000s	31 March 2022	31 December 2021
HRK	51,875	51,179
EUR	9,752	9,155
HUF	6,766	7,309
PLN	5,569	5,781
RON	4,900	5,279
RSD	1,751	1,591
CZK	69	284
Total	80,682	80,578

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

Note 7. Investment in joint venture

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

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

Investment in joint venture EUR '000s	31 March 2022	31 December 2021
Balance at beginning of the year	31,819	25,691
Additions	–	8,521
Share of net profits of joint venture	2,545	2,258
Incremental net distribution from the joint venture	(2,170)	(4,651)
Balance at end of the period	32,194	31,819

Cash distributions of EUR 1.9m (FY 2021: EUR 5.6m) have been received from the joint venture during Q1 2022, of which EUR 1.1m relates to 2021 and EUR 0.8m relates to 2022. A further EUR 1.3m (31 December 2021: EUR 1.1m) 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 for a cash consideration totaling approximately EUR 30m.

Following the acquisition of a 9.9% stake in Addiko Bank that closed during March 2020, the results for the period up to 17 December 2021 include EUR 1.4m of share of net profits of the associate in the income statement and EUR 0.3m of share of other comprehensive income of associates accounted for using the equity method in other comprehensive income. The DDM Debt Group received a capital dividend amounting to EUR 0.7m on 4 May 2021 and a further EUR 3.9m capital dividend on 11 November 2021 from Addiko Bank.

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

Investment in associates EUR '000s	31 March 2022	31 December 2021
Balance at beginning of the year	–	32,986
Additions	–	–
Share of net profits in the income statement	–	1,373
Share of other comprehensive income of associates accounted for using the equity method	–	313
Reclassification to financial assets at fair value	–	(26,351)
Dividends received & other	–	(4,622)
Fair value loss recognized in the income statement	–	(3,699)
Balance at end of the period	–	–

In January 2021, a non-binding forward flow agreement and commitment to acquire a further 10.1% shareholding in Addiko Bank was signed, however this was not pursued and DDM did not increase its shareholding above the existing 9.9% held. DDM is no longer pursuing the plan to increase its shareholding in Addiko Bank following the agreement that was announced on 17 December 2021 to acquire 100% of the share capital of Swiss Bankers. At 31 December 2021, the DDM Debt Group had an effective influence on the Supervisory Board of Addiko Bank of 12.5% (as there are 8 Board Members in total appointed) which

Note 8. Investment in associates... continued

is below the required 20% and therefore DDM reached the conclusion that it is no longer presumed to be able to exert significant influence over Addiko Bank and therefore the investment in Addiko Bank was reclassified to a financial asset at fair value. This resulted in a EUR 3.7m fair value loss recognized within financial expenses in the income statement measured at a closing share price of EUR 13.65/share on 31 December 2021, partially offset by EUR 3.0m of other comprehensive income being recycled to the income statement.

Note 9. Financial assets at fair value

Equity-traded instruments and other investments that do not meet the criteria under IFRS 9 of cash flows consisting solely of payments of principle and interest (SPPI) and Hold to collect for being measured at amortised cost nor elected at FVTOCI are measured at fair value through profit or loss (FVTPL).

Financial assets held at FVTPL are initially recognised and subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses recognised through financial income or expenses respectively in the consolidated income statement. Dividends or any interest earned on the financial assets are included within interest income.

During 2021, the DDM Debt Group acquired a 5% stake in Borgosesia S.p.A. ("Borgosesia"), an Italian investment platform specialized in secured non-performing loans and special situations measured at a closing share price of EUR 0.73/share at 31 March 2022 (31 December 2021: EUR 0.62/share), which resulted in a fair value gain of EUR 0.3m being recognized through financial income in the consolidated income statement during Q1 2022. The investment in Addiko Bank AG was reclassified from investment in associates in the prior year and measured at a closing share price of EUR 11.90/share at 31 March 2022 (31 December 2021: EUR 13.65/share), which resulted in a fair value loss of EUR 3.4m being recognized through financial expense in the consolidated income statement during Q1 2022. During 2021, the DDM Debt Group also invested into a total of EUR 15.8m of pre-IPO convertible bonds in Omnio S.A ("Omnio"), a leading innovator in Banking-as-a-Service measured at cost within financial assets at fair value level 3, which are due to mature in accordance with the terms of the pre-IPO convertible bonds on 31 December 2024 accruing at an annual rate of 2% cash interest and 6% Payment-in-Kind ("PIK"), including convertibility rights into ordinary shares of Omnio. In addition, EUR 7.9m was invested in Omnio during 2021 which is expected to be received by 31 December 2024 in line with the maturity of the pre-IPO convertible bonds accruing at an annual rate of 15% PIK. During 2022, the DDM Debt Group invested EUR 4.5m into a special purpose acquisition company that is located in Sweden.

Financial assets at fair value EUR '000s	31 March 2022	31 December 2021
Balance at beginning of the year	51,547	–
Additions	4,507	13,416
Accrued PIK interest	172	–
Exchange movements	45	–
Reclassification from investment in associates at fair value	–	26,351
Reclassification from accounts receivable	–	11,780
Net fair value loss recognized in the income statement	(3,116)	–
Balance at end of the period	53,155	51,547

Note 10. Loans and borrowings

The Group had the following borrowings outstanding during the periods ending 31 March 2022 and/or 31 December 2021:

Bond loan EUR 200m

On 19 April 2021, DDM Debt issued EUR 150m of senior secured fixed rate bonds at 9% within a total framework amount of EUR 300m. The bonds with ISIN number SE0015797683 have a final maturity date of 19 April 2026 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 100m and EUR 33.5m bonds (of which EUR 23m of the EUR 100m bonds were already held by DDM Debt) and for investments and acquisitions.

On 21 September 2021, DDM Debt successfully completed a EUR 50M tap issue under the EUR 300M senior secured bond framework. The bond tap issue was placed at a price of 102.0%. Following the tap issue the total outstanding amount of the company's bond loan is EUR 200 million.

DDM Debt's financial instruments contain a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds are: an equity ratio of at least 20.00% and net interest bearing debt to ERC below 75.00%. The financial covenants must be complied with on an incurrence test basis. 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 has pledged the shares in its material wholly-owned subsidiaries as security under the terms and conditions. DDM Finance AB is a guarantor of the bonds. In addition, the investors receive a first ranking share pledge over the shares of DDM Debt. The terms and conditions of DDM Debt's senior secured bonds 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 10. Loans and borrowings... continued

Bond loan EUR 100m

On 6 May 2021, DDM Debt redeemed in advance its EUR 100m senior secured bonds with ISIN SE0012454940 and its EUR 33.5m senior secured bonds with ISIN number SE0010636746, 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 101.85 per cent. and 103.0 per cent. of the outstanding nominal amount for the EUR 100m bonds and EUR 33.5m bonds respectively) totaling EUR 2.4m, plus accrued but unpaid interest. In addition, the remaining capitalized transaction costs of approximately EUR 1.5m were expensed to the income statement as a non-cash write off in relation to the existing bonds. The redemption amount was paid to the bondholders holding bonds on the relevant record date, being 29 April 2021. 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 23 April 2021.

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 had a final maturity date of 8 April 2022 and were listed on the Corporate Bond list at Nasdaq Stockholm. At the redemption date DDM Debt held EUR 23m of the EUR 100m senior secured bonds following bond buybacks.

Bond loan EUR 50m (EUR 33.5m at redemption date)

The EUR 33.5m bonds were redeemed in advance on 6 May 2021 (see "Bond loan EUR 100m" section above for further details).

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 had a final maturity date of 11 December 2021 and were listed on the Corporate Bond list at Nasdaq Stockholm.

On 14 August 2020 DDM Debt AB completed a written procedure to request certain amendments to the terms and conditions of its up to EUR 160m senior secured bonds. The amendments incorporated a mandatory partial redemption structure, including a EUR 7.5m of nominal value bond buyback paid on 16 September 2020, EUR 5m bond cancellation on 18 December 2020, call structure and consent fee of 1% that was paid on 28 August 2020. On 30 March 2021 EUR 4m was repaid as part of the mandatory partial redemption structure.

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 31 March 2022						
Bond loan, 9%	–	–	–	–	183,690	183,690
Total	–	–	–	–	183,690	183,690
at 31 December 2021						
Bond loan, 9%	–	–	–	–	183,452	183,452
Total	–	–	–	–	183,452	183,452

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 31 March 2022				
Bond loan, 9%	Financial liabilities at amortized cost	Level 2	178,829	183,690
Total			178,829	183,690
at 31 December 2021				
Bond loan, 9%	Financial liabilities at amortized cost	Level 2	189,304	183,452
Total			189,304	183,452

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 11. Participations in Group companies

Parent Company EUR '000s	31 March 2022	31 December 2021
Investment	9,478	9,478
Total	9,478	9,478

Parent Company EUR '000s	Investment
At 31 December 2021	9,478
Acquisitions	–
At 31 March 2022	9,478

The Parent Company holds shares in the following subsidiaries:

EUR '000s Company	Corporate identity number	Domicile	Proportion of equity 31 March 2022	Proportion of equity 31 December 2021	Net book value 31 March 2022	Net book value 31 December 2021
DDM Invest III AG	CHE 115.238.947	Switzerland	100%	100%	9,364	9,364
DDM Mergeco AG*	CHE 353.292.452	Switzerland	100%	100%	–	–
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 Debt Romania S.R.L	39689815	Romania	99%	99%	106	106
DDM REO Adria d.o.o.* **	05288215	Croatia	100%	100%	–	–
Total					9,478	9,478

* DDM Mergeco AG, DDM Invest V d.o.o. and DDM REO Adria d.o.o. are subsidiaries 100% indirectly held through DDM Invest III AG.

** The net book value of the investments in DDM Debt Management d.o.o Beograd and DDM REO Adria d.o.o. amount to EUR 1 each as of 31 March 2022 and 31 December 2021.

Note 12. 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 2.4m of brokerage fees were capitalized as part of the bond refinancing during 2021, resulting in EUR 0.1m (Q1 2021: EUR nil, FY 2021: EUR 0.3m) of amortized transaction costs that were recognized within financial expenses during the period. In relation to the full year 2020 EUR 1.1m of brokerage fees were capitalized as transaction costs as part of the strategic investment in Addiko Bank. In relation to the full year 2019 an amount of EUR 1.3m of brokerage fees was capitalized as transaction costs as part of the bond refinancing during Q2 2019, resulting in EUR nil (Q1 2021: EUR 0.1m, FY 2021: 0.6m) of amortized transaction costs that were recognized within financial expenses during the period.

Current assets at 31 March 2022 and 31 December 2021 includes EUR 1.4m receivable from AxFina Holding S.A. ("AxFina") for the sale of 82% of the shares held in AxFina Austria GmbH during the full year 2019.

During 2020, AxFina entered into an agreement with the DDM Debt Group where AxFina provides debt collection services under a servicing contract. In relation to this agreement EUR 0.8m (Q1 2021: EUR 0.5m, FY 2021: EUR 2.1m) was expensed and recognized principally within collection and commission expenses in Q1 2022.

During 2020 the DDM Debt Group restructured its investment in the Greek NPL transaction which resulted in accelerated collections of EUR 59.8m being received in H2 2020 and the entire carrying value remaining of EUR 43.8m prior to the restructuring was recognized as amortization. The DDM Debt Group assessed the transaction and concluded that 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 at 31 March 2022 the DDM Debt Group released EUR 0.5m (31 December 2021: EUR 1.6m) of accrued expenses and deferred income recognized during 2020 following the restructured investment in the Greek NPL transaction, of which EUR 0.5m (Q1 2021: nil, FY 2021: 1.0m) has been recognized to net collections, EUR nil (Q1 2021: nil, FY 2021: 0.4m) netted against prepaid expenses and accrued income and EUR nil (Q1 2021: nil, FY 2021: EUR 0.2m) has been paid during the period. Transactions between the DDM Debt Group companies (fully consolidated) and Artemis Finance Holding (and its subsidiaries) were as follows:

Note 12. Related parties... continued

Transactions between the DDM Debt Group companies (fully consolidated) and Artemis Finance Holding (and its subsidiaries) were as follows:

EUR '000s		1 Jan – 31 Mar 2022	1 Jan – 31 Mar 2021	Full Year 2021
Income Statement	Net collections	476	–	952
Income Statement, Total		476	–	952

EUR '000s		31 March 2022	31 December 2021
Balance sheet	Accrued expenses and deferred income	–	(476)
Balance sheet, Total		–	(476)

During 2021, the DDM Debt Group invested into a total of EUR 15.8m of pre-IPO convertible bonds in Omnio S.A (“Omnio”), a leading innovator in Banking-as-a-Service measured at cost within financial assets at fair value level 3, which are due to mature in accordance with the terms of the pre-IPO convertible bonds on 31 December 2024 accruing at an annual rate of 2% cash interest and 6% Payment-in-Kind (“PIK”), including convertibility rights into ordinary shares of Omnio. In addition, EUR 7.9m was invested in Omnio during 2021 which is expected to be received by 31 December 2024 in line with the maturity of the pre-IPO convertible bonds accruing at an annual rate of 15% PIK. Interest income from Omnio to the DDM Debt Group amounted to EUR 0.6m (Q1 2021: EUR nil, FY 2021: 1.0m) which has been recognized in interest income during the period.

Non-current assets at 31 March 2022 includes EUR 0.3m (31 December 2021: EUR 0.3m) from AxFina for amounts paid during 2020.

Note 13. Subsequent events

There were no significant events that have arisen subsequent to the end of the reporting period.

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 31 March 2022 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 2021 Annual report.

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

Stockholm, 19 May 2022

Jörgen Durban
Chairman of the board

Joachim Cato
Board member

Erik Fällström
Board member

Dr. Andreas Tuczka
Board member

Florian Nowotny
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

ERC means the sum of future, undiscounted projected cash collections before commission and fees from acquired portfolios and future reasonably expected dividends, distributions or other payments from investments, in each case for the next following 120 months, either directly or as a result of any rights to collect or any rights to participate in amounts generated from portfolios or investments.

This includes the Group's share of proceeds on all portfolios purchased or other investments made, however adjusted for any profit-sharing arrangements entered into by any member of the Group and where available the market value of any portfolio acquired or investment made.

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.

GCV

Gross collection value is the face (nominal) value of the portfolio.

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, investments in joint ventures and associates and financial assets at fair value.

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 "Interest income 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 Jan – 31 Mar 2022	1 Jan – 31 Mar 2021	Full Year 2021
Net collections *	12,731	12,598	47,599
Revenue from management fees	–	–	100
Personnel expenses	(25)	(237)	(646)
Consulting expenses	(871)	(2,158)	(7,720)
Other operating expenses	(81)	(75)	(352)
Operating expenses	(977)	(2,470)	(8,718)
Cash EBITDA	11,754	10,128	38,981

* Net collections includes the incremental net distribution from associate and joint venture and distributions from financial assets at fair value. Please refer to page 25 for a reconciliation of alternative performance measures ("APMs") to IFRS

Net debt:

Bond loan, 9%	183,690	–	183,452
Bond loan, 8%	–	32,521	–
Bond loan, 9.25%	–	75,566	–
Less: Cash and cash equivalents	(60,401)	(21,596)	(62,750)
Net debt	123,289	86,491	120,702

Equity ratio:

Shareholder's equity	12,330	22,024	13,447
Shareholder debt (subordinated)	37,586	37,586	37,586
Accrued interest on shareholder debt	3,706	5,335	3,214
Total equity according to the senior secured bond terms	53,622	64,945	54,247
Total assets	249,454	184,519	248,152
Equity ratio	21.5%	35.2%	21.9%

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Jan – 31 Mar 2022	1 Jan – 31 Mar 2021	Full Year 2021
Gross collections	11,728	12,650	40,344
Incremental gross distribution from associate and joint venture	3,343	1,737	15,563
Distributions from financial assets at fair value	611	–	998
Adjusted gross collections	15,682	14,387	56,905
Net collections	9,950	11,679	36,392
Incremental net distribution from associate and joint venture	2,170	919	10,209
Distributions from financial assets at fair value	611	–	998
Adjusted net collections	12,731	12,598	47,599
Cash EBITDA	8,973	9,209	27,774
Incremental net distribution from associate and joint venture	2,170	919	10,209
Distributions from financial assets at fair value	611	–	998
Adjusted cash EBITDA	11,754	10,128	38,981
Net loss for the period	(1,047)	(246)	(5,662)
Non-recurring items bond refinancing	–	–	3,911
Adjusted net loss for the period	(1,047)	(246)	(1,751)

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 gross collections, 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 acquisitions and disposals of invested assets, incremental distributions from associates and joint ventures and distributions from financial assets at fair value.

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: DDM Debt 2026) is a subsidiary of **DDM Holding AG** (First North Growth Market: DDM), a specialized multinational investor in situations arising out of the general strategic challenges in the European banking markets. This includes investments into assets and companies previously held by financial institutions, including performing and non-performing loans and special situations. DDM strives to create value for its stakeholders by combining significant expertise in financial services, credit underwriting and technology with a focus on operational excellence.

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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