



Collections broadly in line with prior year whilst market volatility continued to impact earnings

Highlights second quarter 2022

- **Gross ERC** at the end of June 2022 was EUR 285m (299 at December 2021)
- **Cash** at the end of June 2022 was EUR 54.8m (65.5 at December 2021)
- **Gross collections** amounted to EUR 15.8m (14.7)*
- **Net collections** amounted to EUR 13.8m (11.9)*
- **Cash EBITDA** amounted to EUR 10.9m (9.4)*
- **Net loss for the period** of EUR 4.2m (loss of 0.1)* including EUR 2.4m mark-to-market loss on the investment in Addiko Bank driven by market volatility

Highlights six months 2022

- **Gross collections** amounted to EUR 31.9m (30.4)*
- **Net collections** amounted to EUR 26.9m (25.7)*
- **Cash EBITDA** amounted to EUR 22.5m (20.6)*
- **Net loss for the period** of EUR 5.9m (profit of 0.2)* including EUR 5.8m 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

Significant events after the end of the quarter

- **Acquisition** of 50.2% of AxFina Holding S.A, a pan European debt servicing provider and business outsourcing company

* 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 20.

| IFRS Consolidated Amounts in EUR '000s (unless specified otherwise) | 1 Apr–30 Jun 2022** | 1 Apr–30 Jun 2021** | 1 Jan–30 Jun 2022** | 1 Jan–30 Jun 2021** | Full Year 2021 |
|--|------------------------|------------------------|------------------------|------------------------|-------------------|
| Gross collections | 12,497 | 10,715 | 24,606 | 24,661 | 45,185 |
| Collection and commission expenses | (1,342) | (1,584) | (3,120) | (2,555) | (6,291) |
| Net collections | 11,155 | 9,131 | 21,486 | 22,106 | 38,894 |
| Revenue from management fees | – | – | – | – | 100 |
| Operating expenses | (2,901) | (2,488) | (4,397) | (5,197) | (11,275) |
| Cash EBITDA | 8,254 | 6,643 | 17,089 | 16,909 | 27,719 |
| Interest income | 781 | – | 1,392 | – | 998 |
| Amortization, revaluation and impairment of invested assets | (6,502) | (4,995) | (10,902) | (11,902) | (18,292) |
| Share of net profits of associate and joint venture | 275 | 874 | 2,820 | 1,829 | 3,631 |
| Operating profit | 2,704 | 2,397 | 10,221 | 6,631 | 13,664 |
| Net loss for the period*** | (4,198) | (4,010) | (5,918) | (3,742) | (6,828) |
| Selected key figures | | | | | |
| Total assets | 242,827 | 204,963 | 242,827 | 204,963 | 248,194 |
| Invested assets | 162,886 | 131,111 | 162,886 | 131,111 | 164,960 |
| Net debt | 147,164 | 109,977 | 147,164 | 109,977 | 135,809 |
| Equity ratio**** | 11.5% | 19.2% | 11.5% | 19.2% | 13.7% |
| Cash flow from operating activities before working capital changes | 1,152 | 1,293 | 11,893 | 11,886 | 22,179 |
| Gross ERC 120 months (EUR M) | 285 | 243 | 285 | 243 | 299 |
| Earnings per share before and after dilution (EUR) | (0.31) | (0.30) | (0.44) | (0.28) | (0.50) |
| Total average and number of shares at the end of the period | 13,560,447 | 13,560,447 | 13,560,447 | 13,560,447 | 13,560,447 |

** Unaudited

*** The bond refinancing in Q2 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 and expensed 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.

**** The equity ratio for the DDM Debt Bond Group calculated according to the terms and conditions of the DDM Debt AB bonds is 21.0% at 30 June 2022

The information in this report requires DDM Holding AG to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 28 July 2022 at 08:00 CEST.

Comment by the CEO

Collections during the second quarter were slightly above the same period in 2021, whilst our earnings continued to be impacted by market volatility which resulted in a EUR 2.4m mark-to-market loss on the investment in Addiko Bank, partially offset by FX gains of EUR 0.8m.

Continued market volatility will increase NPL volumes

We expect the market volatility observed during the first half of the year to continue for the remainder of 2022. Given the uncertainties in the macroeconomic environment and the impact of inflation on businesses and the cost of living for consumers, we expect higher default rates and an increase in the volume of NPL portfolios coming to the market. Given this background, we continue to monitor opportunities both in existing markets across the SCEE region and by recently entering new markets by teaming up with strategic partners and co-investors.

Strategic acquisition in Switzerland

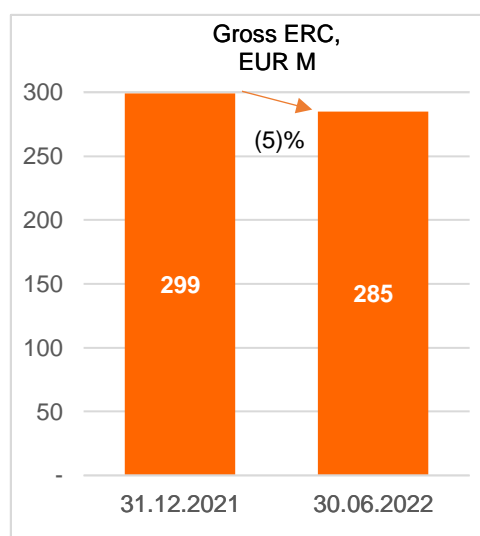
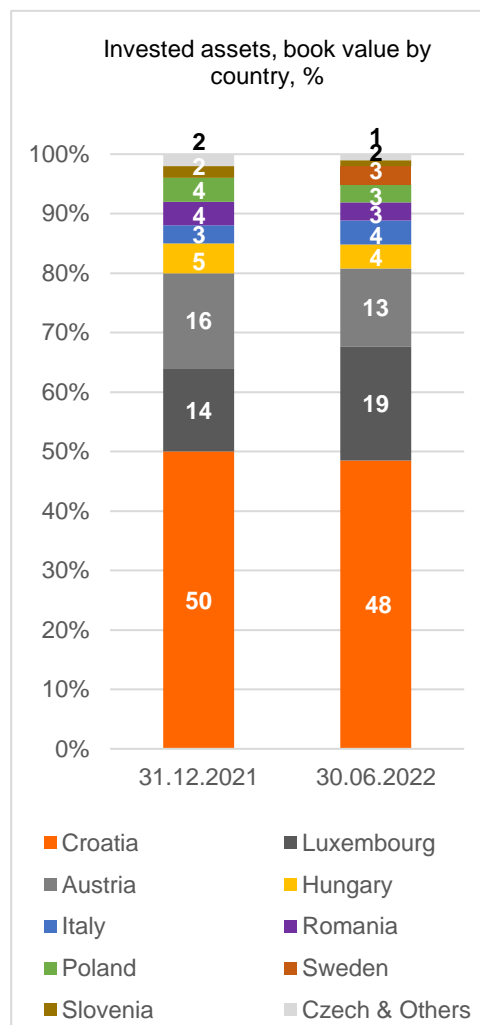
Regarding the planned acquisition of 100% of the share capital of Swiss Bankers Prepaid Services AG ("Swiss Bankers") the regulatory approval process is ongoing. DDM is currently reviewing the situation and is in dialogue with the stakeholders and selling shareholders of Swiss Bankers. Swiss Bankers is the Swiss market leader in prepaid cards and provides innovative, credit-based payment products and offers solutions in cashless, globally secure payment transactions.

Acquisition of majority stake in debt servicing and business outsourcing company AxFina

Shortly after the quarter end DDM Debt AB ("DDM Debt"), acquired 50.2% of the share capital of AxFina Holding SA ("AxFina"). AxFina is a pan-European debt servicing provider and a key partner for DDM's loan portfolios. In addition to its core debt servicing solutions, AxFina is also providing business outsourcing services and digital debt management solutions ("Finastic") to multiple industries. AxFina is active in 7 countries and has c. 180 employees. DDM expects to profit from the intended growth of the service revenues of AxFina, both in (third party) debt servicing as well as in digital solutions, which complement the asset intensive business of DDM. AxFina will also facilitate new market entries for DDM. The seller of the stake in AxFina is DDM Group Finance S.A, with the transaction carried out at an implied valuation for 100% of AxFina of EUR 28m. In addition to the now acquired stake in AxFina, DDM Debt entered into a call option agreement giving it the right to acquire the remaining shares in AxFina held by DDM Group Finance S.A. at the same terms until 31 December 2022. AxFina will remain an independently run company. The acquisition strengthens DDM's equity story to accelerate into a pan-European investment company around NPLs, Servicing, Consumer Finance and FinTech.

Equity base

To be prepared to capture the opportunities we expect to come up over the coming quarters, we are also intensifying our efforts to strengthen the equity base of the Group. We are therefore evaluating options to access equity or equity linked capital markets by potentially seeking a listing of DDM Finance AB or another Group entity.



Zug, 28 July 2022
DDM Holding AG
Florian Nowotny, CEO

Annual General Meeting 2022

DDM Holding AG held its Annual General Meeting (“AGM”) on 23 June 2022. All resolutions were approved. The AGM resolved to re-elect Jörgen Durban, Erik Fällström, Joachim Cato and Dr. Andreas Tuczka as members of the Board of Directors. The AGM also resolved to re-elect Jörgen Durban as Chairman of the Board of Directors. Please see our website www.ddm-group.ch, for further information about the resolutions passed at the AGM.

Financial calendar

DDM intends to publish financial information on the following dates:

| | |
|--|------------------|
| Interim report for January – September 2022: | 30 November 2022 |
| Q4 and full year report for January – December 2022: | 23 February 2023 |
| Annual report 2022: | 31 March 2023 |

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 28 July 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 28 July 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 8 505 163 86, UK: +44 20 319 84884, Global toll free: +1 412 317 6300, Pin code (for all numbers): 8265134#.

Financial results

Adjusted gross collections amounted to EUR 15.8m in the second quarter of 2022, EUR 1.1m above the corresponding period last year. After deducting commission and collection fees to third parties this resulted in EUR 13.8m of adjusted net collections being received for the second quarter of 2022.

Operating expenses were EUR 2.9m in the second quarter of 2022, largely in line with Q2 2021. As a result, adjusted cash EBITDA totaled EUR 10.9m in the second quarter of 2022, equating to a high cash conversion ratio of 79% for Q2 2022 as a percentage of adjusted net collections.

The operating profit margin of 47% in the second quarter of 2022 includes EUR 0.3m share of net profits of joint venture under the equity method of accounting. EUR 1.1m of upwards revaluation has been recognized during the second quarter mainly on portfolios in the Czech Republic due to stronger than expected collections.

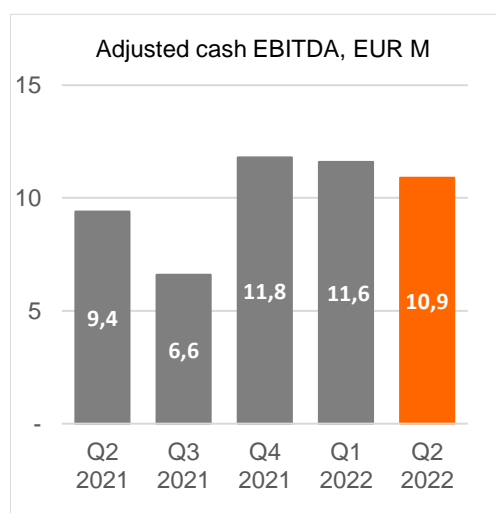
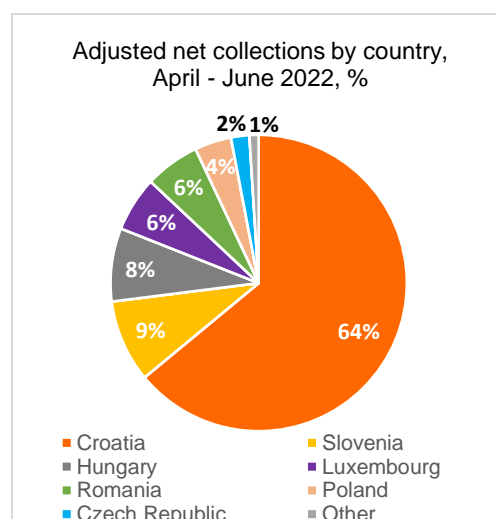
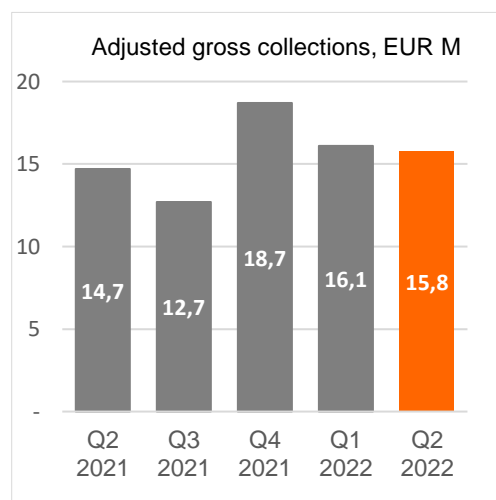
The net loss for the second quarter of 2022 is EUR 4.2m compared to a loss of EUR 0.1m for the corresponding period in the prior year. This includes a EUR 2.4m mark-to-market loss on the investment in Addiko Bank driven by market volatility. The net result for the quarter benefitted from EUR 0.8m of exchange gains principally due to favorable exchange rate movements of the Swiss Franc to the Euro, offsetting the exchanges losses in the first quarter which resulted from the market volatility caused by the conflict in Ukraine.

Cash flow and financing

For the second quarter of 2022, cash flow from operating activities before working capital changes was EUR 1.2m, largely in line with Q2 2021. We continue to have a strong cash position of EUR 54.8m at 30 June that is available to fund investments and acquisitions.

Estimated Remaining Collections

ERC in relation to invested assets at 30 June stands at EUR 285m, 5% below 31 December 2021, as a result of collections that have been received during H1 2022 partially offset by investments acquired. 73% of the collections are expected to be received within the next three years and the composition of the portfolios that are secured is approximately 69% of ERC over the next three years at 30 June 2022.



Consolidated Income Statement

| Amounts in EUR '000s | Notes | 1 Apr–30 Jun 2022* | 1 Apr–30 Jun 2021* | 1 Jan–30 Jun 2022* | 1 Jan–30 Jun 2021* | Full Year 2021 |
|---|--------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|
| Interest income on invested assets | | 4,313 | 2,976 | 9,147 | 8,512 | 16,599 |
| Revaluation and impairment of invested assets | | 1,121 | 1,160 | 2,829 | 1,692 | 5,001 |
| Revenue on invested assets | 11 | 5,434 | 4,136 | 11,976 | 10,204 | 21,600 |
| Share of net profits of associate and joint venture | 5,6,11 | 275 | 874 | 2,820 | 1,829 | 3,631 |
| Revenue from management fees | 11 | – | – | – | – | 100 |
| Personnel expenses | | (864) | (911) | (1,531) | (2,223) | (4,119) |
| Consulting expenses | | (1,738) | (1,377) | (2,305) | (2,080) | (4,944) |
| Other operating expenses | | (299) | (200) | (561) | (894) | (2,212) |
| Amortization and depreciation of tangible and intangible assets | | (104) | (125) | (178) | (205) | (392) |
| Operating profit | | 2,704 | 2,397 | 10,221 | 6,631 | 13,664 |
| Financial income | | 8 | 46 | 475 | 56 | 81 |
| Financial expenses** | | (8,024) | (7,844) | (16,774) | (11,440) | (21,511) |
| - of which fair value losses on financial assets at fair value | | (2,594) | – | (5,973) | – | (688) |
| Unrealized exchange profit | | 859 | 1,037 | 862 | 947 | 271 |
| Realized exchange (loss) / profit | | (30) | 48 | (875) | (7) | (76) |
| Net financial expenses | | (7,187) | (6,713) | (16,312) | (10,444) | (21,235) |
| Loss before income tax | | (4,483) | (4,316) | (6,091) | (3,813) | (7,571) |
| Tax income | | 285 | 306 | 173 | 71 | 743 |
| Net loss for the period | | (4,198) | (4,010) | (5,918) | (3,742) | (6,828) |
| Net loss for the period attributable to: | | | | | | |
| Owners of the Parent Company | | (4,198) | (4,010) | (5,918) | (3,742) | (6,828) |
| Earnings per share before and after dilution (EUR) | | (0.31) | (0.30) | (0.44) | (0.28) | (0.50) |
| Average number of shares | | 13,560,447 | 13,560,447 | 13,560,447 | 13,560,447 | 13,560,447 |
| Number of shares at the end of period | | 13,560,447 | 13,560,447 | 13,560,447 | 13,560,447 | 13,560,447 |

* Unaudited

** The bond refinancing in Q2 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 Apr–30 Jun 2022* | 1 Apr–30 Jun 2021* | 1 Jan–30 Jun 2022* | 1 Jan–30 Jun 2021* | Full Year 2021 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|
| Net loss for the period | (4,198) | (4,010) | (5,918) | (3,742) | (6,828) |
| Other comprehensive income / (loss) for the period | | | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | | | |
| Actuarial gain on post-employment benefit commitments | – | – | – | – | 155 |
| Deferred tax on post-employment benefit commitments | – | – | – | – | (9) |
| <i>Items that may subsequently be reclassified to profit or loss:</i> | | | | | |
| Currency translation differences | 70 | 7 | (2) | 5 | (26) |
| Share of other comprehensive (loss) / income of associates accounted for using the equity method | – | (560) | – | (127) | 313 |
| Recycling of share of other comprehensive income of associates to the income statement | – | – | – | – | (3,011) |
| Other comprehensive income / (loss) for the period, net of tax | 70 | (553) | (2) | (122) | (2,578) |
| Total comprehensive loss for the period | (4,128) | (4,563) | (5,920) | (3,864) | (9,406) |
| Total comprehensive loss for the period attributable to: | | | | | |
| Owners of the Parent Company | (4,128) | (4,563) | (5,920) | (3,864) | (9,406) |

* Unaudited

Consolidated Balance Sheet

| Amounts in EUR '000s | Notes | 30 June 2022* | 31 December 2021 |
|---|-------|------------------|---------------------|
| ASSETS | | | |
| <i>Current assets</i> | | | |
| Cash and cash equivalents | | 54,775 | 65,485 |
| Accounts receivable | | 7,420 | 1,711 |
| Prepaid expenses and accrued income | | 3,850 | 2,957 |
| Other receivables | | 3,629 | 4,218 |
| Tax assets | | 96 | 82 |
| Total current assets | | 69,770 | 74,453 |
| <i>Non-current assets</i> | | | |
| Financial assets at fair value | 7 | 56,908 | 51,547 |
| Distressed asset portfolios | 4 | 69,491 | 81,594 |
| Other long-term receivables from investments | 4 | 5,864 | – |
| Investment in joint venture | 5 | 30,623 | 31,819 |
| Deferred tax assets | 3 | 2,451 | 2,269 |
| Other non-current assets | 12 | 2,742 | 1,356 |
| Tangible assets | 8 | 52 | 68 |
| Right-of-use assets | | 114 | 146 |
| Intangible assets | 9 | 652 | 782 |
| Goodwill | 9 | 4,160 | 4,160 |
| Total non-current assets | | 173,057 | 173,741 |
| TOTAL ASSETS | | 242,827 | 248,194 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| <i>Shareholders' equity</i> | | | |
| Share capital | | 11,780 | 11,780 |
| Share premium | | 21,030 | 21,030 |
| Other reserves | | (572) | (570) |
| Retained earnings including net loss for the period | | (4,249) | 1,669 |
| Total shareholders' equity | | 27,989 | 33,909 |
| <i>Current liabilities</i> | | | |
| Accounts payable | | 1,604 | 1,990 |
| Accrued expenses and deferred income | | 1,965 | 2,697 |
| Tax liabilities | | 268 | 569 |
| Lease liabilities | | 86 | 86 |
| Accrued interest | | 6,833 | 5,548 |
| Loans and borrowings | 10 | 18,000 | 17,842 |
| Total current liabilities | | 28,756 | 28,732 |
| <i>Long-term liabilities</i> | | | |
| Deferred tax liabilities | 3 | 536 | 629 |
| Lease liabilities | | 58 | 83 |
| Loans and borrowings | 10 | 183,939 | 183,452 |
| Post-employment benefit commitments | | 1,549 | 1,389 |
| Total long-term liabilities | | 186,082 | 185,553 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 242,827 | 248,194 |

* Unaudited

Consolidated Cash Flow Statement

| Amounts in EUR '000s | 1 Apr–30 Jun 2022* | 1 Apr–30 Jun 2021* | 1 Jan–30 Jun 2022* | 1 Jan–30 Jun 2021* | Full Year 2021* |
|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|
| Cash flow from operating activities | | | | | |
| Net loss for the period | (4,198) | (4,010) | (5,918) | (3,742) | (6,828) |
| Cash distribution from associate and joint venture | 1,299 | 695 | 3,238 | 2,732 | 10,214 |
| <i>Adjustments for non-cash items:</i> | | | | | |
| <i>Amortization of invested assets</i> | 7,623 | 6,155 | 13,731 | 13,594 | 23,293 |
| <i>Revaluation and impairment of invested assets</i> | (1,121) | (1,160) | (2,829) | (1,692) | (5,001) |
| <i>Share of net profits of associate and joint venture</i> | (275) | (874) | (2,820) | (1,829) | (3,631) |
| <i>Depreciation, amortization, and impairment of tangible and intangible assets</i> | 104 | 125 | 178 | 205 | 392 |
| <i>Financial income</i> | (8) | (46) | (475) | (56) | (81) |
| <i>Financial expenses</i> | 8,024 | 7,844 | 16,774 | 11,440 | 21,511 |
| <i>Unrealized exchange profit</i> | (859) | (1,037) | (862) | (947) | (271) |
| <i>Tax income</i> | (285) | (306) | (173) | (71) | (743) |
| <i>Other items not affecting cash</i> | (99) | (391) | 102 | (129) | (363) |
| Interest paid | (8,478) | (3,155) | (8,478) | (5,072) | (13,738) |
| Call premium paid | – | (2,408) | – | (2,408) | (2,408) |
| Tax paid | (575) | (139) | (575) | (139) | (167) |
| Cash flow from operating activities before working capital changes | 1,152 | 1,293 | 11,893 | 11,886 | 22,179 |
| Working capital adjustments | | | | | |
| (Increase) / decrease in accounts receivable | (3,970) | (551) | (5,709) | (3,796) | (5,029) |
| (Increase) / decrease in other receivables | (913) | 1,252 | (1,670) | (1,452) | (2,912) |
| Increase / (decrease) in accounts payable | 139 | 262 | (386) | 55 | 611 |
| Increase / (decrease) in other current liabilities | (153) | (40) | (1,033) | (273) | (1,270) |
| Net cash flow from operating activities | (3,745) | 2,216 | 3,095 | 6,420 | 13,579 |
| Cash flow from investing activities | | | | | |
| Purchases of distressed asset portfolios | – | (4,280) | (4,570) | (4,280) | (17,527) |
| Purchases of financial assets at fair value | (5,400) | (3,000) | (9,907) | (3,000) | (13,416) |
| Purchases of associates and joint ventures | – | – | – | – | (8,521) |
| Purchases of tangible and intangible assets | – | – | – | – | (9) |
| Net cash flow received / (used) in investing activities | (5,400) | (7,280) | (14,477) | (7,280) | (39,473) |
| Cash flow from financing activities | | | | | |
| Principal element of lease payments | (11) | (50) | (25) | (52) | (75) |
| Proceeds from issuance of loans | – | 133,275 | – | 133,275 | 182,756 |
| Repayment of loans | – | (109,590) | – | (122,590) | (122,590) |
| Net cash flow received / (used) in financing activities | (11) | 23,635 | (25) | 10,633 | 60,091 |
| Cash flow for the period | (9,156) | 18,571 | (11,407) | 9,773 | 34,197 |
| Cash and cash equivalents less bank overdrafts at beginning of the period | 62,737 | 22,545 | 65,485 | 31,416 | 31,416 |
| Foreign exchange losses on cash and cash equivalents | 1,194 | 74 | 697 | 1 | (128) |
| Cash and cash equivalents less bank overdrafts at end of period | 54,775 | 41,190 | 54,775 | 41,190 | 65,485 |

* Unaudited

Consolidated Statement of Changes in Equity

| Amounts in EUR '000s | Share capital | Share premium | Other reserves | Retained earnings including net loss for the period | Total equity |
|---|---------------|---------------|----------------|---|----------------|
| Balance at 1 January 2021 | 11,780 | 21,030 | 2,163 | 8,342 | 43,315 |
| Net loss for the period | – | – | – | (3,742) | (3,742) |
| Other comprehensive income / (loss) | | | | | |
| Currency translation differences | – | – | 5 | – | 5 |
| Share of other comprehensive income of associates accounted for using the equity method | – | – | (127) | – | (127) |
| Total comprehensive loss | – | – | (122) | (3,742) | (3,864) |
| <i>Transactions with owners</i> | – | – | – | – | – |
| Total transactions with owners | – | – | – | – | – |
| Balance at 30 June 2021* | 11,780 | 21,030 | 2,041 | 4,600 | 39,451 |
| Balance at 1 January 2022 | 11,780 | 21,030 | (570) | 1,669 | 33,909 |
| Net loss for the period | – | – | – | (5,918) | (5,918) |
| Other comprehensive loss | | | | | |
| Currency translation differences | – | – | (2) | – | (2) |
| Total comprehensive loss | – | – | (2) | (5,918) | (5,920) |
| <i>Transactions with owners</i> | – | – | – | – | – |
| Total transactions with owners | – | – | – | – | – |
| Balance at 30 June 2022* | 11,780 | 21,030 | (572) | (4,249) | 27,989 |

* Unaudited

Notes

Note 1. Basis of preparation

These consolidated financial statements (the "financial statements") of DDM Holding AG and its subsidiaries (together "DDM" or "the Company") have been prepared in accordance with IAS 34 Interim Financial Reporting, are unaudited, and should be read in conjunction with DDM's last annual consolidated financial statements as of and for the year ended 31 December 2021. DDM's principal accounting policies are set out in Note 3 to the consolidated financial statements in the Annual Report 2021 and conform with International Financial Reporting Standards (IFRS). The ultimate parent company is DDM Group Finance S.A, a Luxembourg registered company owning 95.2% of the shares in DDM Holding AG at 30 June 2022.

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

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

Subsidiaries

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

| Subsidiaries | Consolidation method | Domicile | 30 June 2022 | 31 December 2021 |
|-----------------------------------|----------------------|-------------|-----------------|---------------------|
| DDM Group AG | Fully consolidated | Switzerland | 100% | 100% |
| DDM Invest III AG | Fully consolidated | Switzerland | 100% | 100% |
| DDM Mergeco AG | Fully consolidated | Switzerland | 100% | 100% |
| DDM Debt AB | Fully consolidated | Sweden | 100% | 100% |
| DDM Finance AB | Fully consolidated | Sweden | 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% |
| Finalp Zrt. | Fully consolidated | Hungary | 100% | 100% |

Joint ventures

The Company applies IFRS 11 Joint Arrangements, where DDM, together with one or several parties have joint control over an arrangement in accordance with a shareholder agreement. DDM's joint arrangement with B2Holding where each party holds 50% of the share capital and voting rights of CE Partner S.à r.l. and CE Holding Invest S.C.S (the "Joint Venture") is classified as a joint venture, as DDM is entitled to 50% of the net assets of the Joint Venture rather than having a direct entitlement to assets and responsibility for liabilities. The equity method is applied when accounting for the joint venture. Under the equity method of accounting the investment is recognized at cost and subsequently adjusted to DDM's 50% share of the change in the net assets of the Joint Venture since the acquisition date.

The consolidated income statement includes DDM's share of earnings, and this is reported under Share of net profits / (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 a gain or loss directly in the income statement. The financial statements of the Joint Venture are prepared for the same reporting period as the Company.

| Joint Ventures | Consolidation method | Domicile | 30 June 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% |

Note 1. Basis of preparation... continued

Associates

Associates are all entities over which DDM Holding AG has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method. The carrying amount (including goodwill) of equity accounted investments is tested annually for impairment.

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 financial income.

During 2021, DDM 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 0.66/share at 30 June 2022 (31 March 2022: EUR 0.73/share, 31 December 2021: EUR 0.62/share), which resulted in a fair value loss of EUR 0.2m being recognized through financial income in the consolidated income statement during Q2 2022 and a fair value gain of EUR 0.1m in H1 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 10.65/share at 30 June 2022 (31 March 2022: EUR 11.90/share, 31 December 2021: EUR 13.65/share), which resulted in a fair value loss of EUR 2.4m being recognized through financial expenses in the consolidated income statement during Q2 2022 and a fair value loss of EUR 5.8m in H1 2022. During 2021, DDM 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 and EUR 5.4m during H1 2022 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 H1 2022, DDM also invested EUR 4.5m into a special purpose acquisition company that is located in Sweden.

Post-employment benefit commitment

The post-employment benefit commitment is calculated on an annual basis. In 2021 and 2022 one quarter of the estimated annual post-employment benefit commitment has been recorded in the consolidated interim financial statements of DDM Holding AG per quarter, with an adjustment in fourth quarter of each respective year for the final actuarial valuation.

Note 2. Currency translation

All entities prepare their financial statements in their functional currency. At 30 June 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, DDM REO Adria d.o.o. which has Croatia Kuna (HRK) as its functional currency and Finalp Zrt., which has Hungarian Forint (HUF) as its functional currency.

Note 3. Deferred taxes

Income tax expense reported for the business year includes the income tax expense of consolidated subsidiaries (calculated from their taxable income with the tax rate applicable in the relevant country). Income tax expense also includes deferred taxes, which have been recognized on the temporary differences arising from the invested assets (difference between the reported book values for tax and accounting purposes). Deferred income tax assets on temporary differences and tax losses carried forward are reported to the extent that it is probable that future profit will be available, against which the temporary differences can be utilized.

The amount of deferred tax assets is reduced when they are utilized or when it is no longer deemed likely that they will be utilized. The Company does not have group taxation, hence each legal entity is taxed separately. Under Swiss law, net operating losses can be carried forward for a period of up to seven years.

Note 4. Distressed asset portfolios

DDM 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 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".

Cash flow projections are made at the portfolio level since each portfolio consists of a large number of receivables. Assumptions must be made at each reporting date as to the expected timing and amount of future cash flows. Cash flows include the nominal amount, reminder fees, collection fees and late interest that are expected to be received from debtors less forecasted collection costs. These projections are updated at each reporting date based on actual collection information, planned collection actions as well as macroeconomic scenarios and the specific features of the assets concerned. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, and upside and downside scenarios.

The estimation and application of this forward-looking information requires significant judgment and is subject to appropriate internal governance and scrutiny. Changes in cash flow forecasts are treated symmetrically i.e. both increases and decreases in forecast cash flows affect the portfolios' book value and as a result "Revenue on invested assets". If there is objective evidence that one or more events have taken place that will have a positive impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows then this is recorded within the line "Revaluation of invested assets".

DDM 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 DDM 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").

The carrying values of distressed asset portfolios are distributed by currency as follows:

| Distressed asset portfolios by currency, EUR '000s | 30 June 2022 | 31 December 2021 |
|---|-------------------------|-----------------------------|
| HRK | 46,809 | 51,179 |
| EUR | 9,691 | 9,155 |
| PLN | 4,936 | 5,781 |
| RON | 4,521 | 5,279 |
| RSD | 1,627 | 1,591 |
| CZK | 1,226 | 284 |
| HUF | 681 | 8,325 |
| Total | 69,491 | 81,594 |

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

Note 5. Investment in joint venture

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

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 | 30 June 2022 | 31 December 2021 |
|---|-------------------------|-----------------------------|
| Balance at beginning of the period | 31,819 | 25,691 |
| Additions | – | 8,521 |
| Share of net profits of joint venture | 2,820 | 2,258 |
| Incremental net distribution from the joint venture | (4,016) | (4,651) |
| Balance at end of the period | 30,623 | 31,819 |

Cash distributions of EUR 3.2m (FY 2021: EUR 5.6m) have been received from the joint venture during H1 2022, of which EUR 1.1m relates to 2021 and EUR 2.1m relates to 2022. A further EUR 1.9m (31 December 2021: EUR 1.1m) has been reclassified to accounts receivable at the end of the period.

Note 6. Investment in associates

On 9 March 2020, DDM acquired a 9.9% shareholding in Addiko Bank for a cash consideration totalling 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. DDM 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 | 30 June 2022 | 31 December 2021 |
|--|-------------------------|-----------------------------|
| Balance at beginning of the period | – | 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 |
| Dividends received & other | – | (4,622) |
| Fair value loss recognized in the income statement | – | (3,699) |
| Reclassification to financial assets at fair value | – | (26,351) |
| Balance at end of the period | – | – |

In January 2021, a non-binding 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, DDM had an effective influence below the required 20% and therefore DDM reached the conclusion that it was 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 7. 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, DDM 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 0.66/share at 30 June 2022 (31 March 2022: EUR 0.73/share, 31 December 2021: EUR 0.62/share), which resulted in a fair value loss of EUR 0.2m being recognized through financial income in the consolidated income statement during Q2 2022 and a fair value gain of EUR 0.1m in H1 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 10.65/share at 30 June 2022 (31 March 2022: EUR 11.90/share, 31 December 2021: EUR 13.65/share), which resulted in a fair value loss of EUR 2.4m being recognized through financial expenses in the consolidated income statement during Q2 2022 and a fair value loss of EUR 5.8m in H1 2022. During 2021, DDM 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 and EUR 5.4m during H1 2022 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 H1 2022, DDM also invested EUR 4.5m into a special purpose acquisition company that is located in Sweden.

| Financial assets at fair value EUR '000s | 30 June 2022 | 31 December 2021 |
|--|-------------------------|-----------------------------|
| Balance at beginning of the period | 51,547 | – |
| Additions | 9,907 | 13,416 |
| Accrued PIK interest | 1,119 | – |
| 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 | (5,710) | – |
| Balance at end of the period | 56,908 | 51,547 |

Note 8. Tangible assets

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

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

| | |
|-------------------|---------|
| Furniture | 5 years |
| Computer hardware | 5 years |

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

Note 9. Intangible assets

(i) Identifiable intangible assets

The Company's identifiable intangible assets are stated at cost less accumulated amortization and include the "FUSION" computer software that was developed in-house in cooperation with external IT consultancy firms that has a finite useful life. FUSION is the proprietary IT system which integrates investment data, case data, payment data and activity data into one effective and comprehensive IT system. This asset is capitalized and amortized on a straight-line basis in the income statement over its expected useful life of 5 years.

(ii) Goodwill

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

Note 10. Loans and borrowings

The Group had the following borrowings outstanding during the periods ending 30 June 2022 and/or 31 December 2021:

Bond loan EUR 200m

On 19 April 2021, DDM Debt AB (publ) ("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 nominal amount of DDM Debt's bond loan is EUR 200m.

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. Please also refer to the financial statements of DDM Debt.

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.

Senior secured notes EUR 18m

At 30 June 2022 DDM Finance AB ("DDM Finance") had a total of EUR 18m of senior secured notes outstanding. DDM Finance used the majority of the net proceeds to provide a shareholder loan to DDM Finance's wholly owned direct subsidiary DDM Debt, which thereby qualifies as equity under the current DDM Debt senior secured bond terms. Under the terms and conditions investors receive a share pledge over the shares of DDM Finance, and any downstream loans to DDM Finance's direct subsidiary are pledged to investors as intercompany loans. The maturity date of the senior secured notes was originally 30 June 2022, but was extended to 31 March 2023, with a partial repayment of EUR 12.5m made on 7 July 2022.

Bond loan EUR 100m and Bond loan EUR 50m (EUR 33.5m at redemption date)

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 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 3.0m paid, of which EUR 2.4m was expensed to the income statement and EUR 0.6m capitalized as part of the new bond issuance, 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. At the redemption date DDM Debt held EUR 23m of the EUR 100m senior secured bonds following bond buybacks.

Maturity profile and carrying value of borrowings:

| EUR '000s | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | Total |
|----------------------------|---------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------|
| at 30 June 2022 | | | | | | |
| Bond loan, 9% | – | – | – | 183,939 | – | 183,939 |
| Senior secured notes | 18,000 | – | – | – | – | 18,000 |
| Total | 18,000 | – | – | 183,939 | – | 201,939 |
| at 31 December 2021 | | | | | | |
| Bond loan, 9% | – | – | – | – | 183,452 | 183,452 |
| Senior secured notes | 17,842 | – | – | – | – | 17,842 |
| Total | 17,842 | – | – | – | 183,452 | 201,294 |

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.

Note 10. Loans and borrowings... continued

Fair value of borrowings:

| EUR '000s | IFRS 9 category | Fair value category | Fair value | Carrying value |
|----------------------------|---|---------------------|----------------|----------------|
| at 30 June 2022 | | | | |
| Bond loan, 9% | Financial liabilities at amortized cost | Level 2 | 162,024 | 183,939 |
| Senior secured notes | Financial liabilities at amortized cost | Level 2 | 18,000 | 18,000 |
| Total | | | 180,024 | 201,939 |
| at 31 December 2021 | | | | |
| Bond loan, 9% | Financial liabilities at amortized cost | Level 2 | 189,304 | 183,452 |
| Senior secured notes | Financial liabilities at amortized cost | Level 2 | 18,000 | 17,842 |
| Total | | | 207,304 | 201,294 |

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. Revenue recognition

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

Gross collections are comprised of cash collections from the distressed asset portfolios held by DDM, 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. DDM 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 DDM, 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. DDM discloses the alternative performance measure "Net collections" in the notes separately, as it is an important measurement for DDM to monitor the performance of the portfolios and measure the cash available for operating expenses and to service its debt. DDM believes that disclosing net collections as a separate performance measure in the notes improves the transparency and understanding of DDM's financial statements and performance, meeting the expectations of its investors.

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

Note 11. Revenue recognition... continued

| EUR '000s | 1 Apr–30 Jun 2022 | 1 Apr–30 Jun 2021 | 1 Jan–30 Jun 2022 | 1 Jan–30 Jun 2021 | Full Year 2021 |
|---|----------------------|----------------------|----------------------|----------------------|-------------------|
| Gross collections | 12,497 | 10,715 | 24,606 | 24,661 | 45,185 |
| Collection and commission expenses | (1,342) | (1,584) | (3,120) | (2,555) | (6,291) |
| Net collections by country: | | | | | |
| Croatia | 6,969 | 4,045 | 12,181 | 11,006 | 18,104 |
| Slovenia | 1,232 | 823 | 2,335 | 2,110 | 3,837 |
| Hungary | 1,169 | 1,285 | 2,561 | 3,476 | 6,304 |
| Romania | 773 | 2,031 | 1,800 | 2,683 | 5,068 |
| Poland | 538 | – | 1,226 | – | 481 |
| Czech Republic | 243 | 941 | 646 | 1,952 | 3,430 |
| Serbia | 195 | (20) | 224 | 574 | 330 |
| Bosnia | 19 | (2) | 19 | 274 | 354 |
| Slovakia | 17 | 28 | 18 | 31 | 34 |
| Greece | – | – | 476 | – | 952 |
| Net collections | 11,155 | 9,131 | 21,486 | 22,106 | 38,894 |
| Interest income | 781 | – | 1,392 | – | 998 |
| Amortization of invested assets | (7,623) | (6,155) | (13,731) | (13,594) | (23,293) |
| Interest income on invested assets before revaluation and impairment | 4,313 | 2,976 | 9,147 | 8,512 | 16,599 |
| Revaluation of invested assets | 1,121 | 1,160 | 2,829 | 1,692 | 5,001 |
| Impairment of invested assets | – | – | – | – | – |
| Revenue on invested assets | 5,434 | 4,136 | 11,976 | 10,204 | 21,600 |
| Share of net profits of associate and joint venture | 275 | 874 | 2,820 | 1,829 | 3,631 |
| Revenue from management fees | – | – | – | – | 100 |

Interest income

During 2021, DDM 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 and EUR 5.4m during H1 2022 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 DDM amounted to EUR 0.8m (Q2 2021: EUR nil, H1 2021: EUR nil, FY 2021: 1.0m) which has been recognized in interest income during Q2 2022 (H1 2022: EUR 1.4m).

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 Q2 and H1 2022 include EUR 0.3m and EUR 2.8m (Q2 2021: EUR 0.4m, H1 2021: EUR 0.6m and FY 2021: EUR 2.3m) from share of net profits of joint venture accounted for using the equity method in accordance with IFRS.

Revenue from management fees

Revenue from management fees related to revenue received from co-investors where DDM managed the operations of the assets, but did not own 100% of the portfolio.

Note 12. Related parties

During 2019, DDM Group Finance S.A. entered into an agreement with the DDM Group where DDM Group Finance S.A. provides services under a brokerage contract. In relation to this agreement an amount of EUR 1.0m (H1 2021: EUR 2.4m, FY 2021: EUR 4.2m) of brokerage fees were charged during H1 2022, of which EUR 0.4m (FY 2021: EUR 3.8m) was paid during the period and a further EUR 0.6m (31 December 2021: EUR 0.4m) was accrued as at 30 June 2022. In relation to the full year 2021 EUR 2.4m of brokerage fees were capitalized as part of the bond refinancing during 2021, resulting in EUR 0.2m (H1 2021: EUR 0.1m, FY 2021: EUR 0.3m) of amortized transaction costs that were recognized within financial expenses during H1 2022. EUR 0.6m (H1 2021: EUR 0.7m, FY 2021: EUR 1.1m) of brokerage fees were recognized in consultancy expenses during the period, EUR 0.7m (31 December 2021: EUR 0.8m) were prepaid as at 30 June 2022. In relation to the full year 2019 an amount of EUR 1.6m of brokerage fees was capitalized as transaction costs as part of the bond refinancing during Q2 and Q3 2019, resulting in EUR 0.1m (H1 2021: EUR 0.7m, FY 2021: 0.7m) of amortized transaction costs that were recognized within financial expenses during H1 2022.

During 2020, NFE Unternehmensberatungs GmbH (“NFE”), a company related to Florian Nowotny, entered into an agreement with DDM where NFE provided services under an advisory agreement. Advisory services from NFE to DDM amounted to EUR 0.1m (H1 2021: EUR 0.1m, FY 2021: 0.1m) which have been recognized in consultancy expenses during H1 2022.

During 2020 DDM 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. DDM 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. In Q1 2022 DDM 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 (Q2 2021: nil, FY 2021: 1.0m) was recognized to net collections, EUR nil (Q2 2021: nil, FY 2021: 0.4m) netted against prepaid expenses and accrued income and EUR nil (Q2 2021: nil, FY 2021: EUR 0.2m) was paid during the period. Transactions between DDM Group companies (fully consolidated) and Artemis Finance Holding (and its subsidiaries) were as follows:

| EUR '000s | | 1 Apr–30 Jun 2022 | 1 Apr–30 Jun 2021 | 1 Jan–30 Jun 2022 | 1 Jan–30 Jun 2021 | Full Year 2021 |
|--------------------------------|-----------------|----------------------|----------------------|----------------------|----------------------|-------------------|
| Income Statement | Net collections | – | – | 476 | – | 952 |
| Income Statement, Total | | – | – | 476 | – | 952 |

| EUR '000s | | 30 June 2022 | 31 December 2021 |
|-----------------------------|--------------------------------------|-----------------|---------------------|
| Balance sheet | Accrued expenses and deferred income | – | (476) |
| Balance sheet, Total | | – | (476) |

On 5 May 2021, DDM transferred 99% of its ownership in Lombard Pénzügyi és Lizing Zrt, Lombard Ingatlan Lizing Zrt. and Lombard Bérlet Kft (“Lombard”), which resulted in the loss of control and deconsolidation of the collections platform in Hungary to AxFina Holding S.A. (“AxFina”) as servicer for a nominal consideration and as DDM retains the economic rights to the future cashflows in Lombard the receivable from AxFina has been recognised as a distressed asset portfolio.

During 2021, DDM 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 and EUR 5.4m during H1 2022 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 DDM amounted to EUR 0.8m and EUR 1.4m (Q2 2021: EUR nil, H1 2021: EUR nil, FY 2021: 1.0m) which has been recognized in interest income during Q2 and H1 2022 respectively.

Other non-current assets at 30 June 2022 includes EUR 2.0m receivable from AxFina Holding S.A. (“AxFina”) mainly relating to the sale of 82% of the shares held in AxFina Austria GmbH during the full year 2019, as well as other long-term receivable balances. During 2020, AxFina Holding S.A. entered into an agreement with the DDM Group where AxFina provides debt collection services under a servicing contract. In relation to this agreement EUR 1.7m (H1 2021: EUR 0.8m, FY 2021: EUR 2.1m) was expensed and recognized principally within collection and commission expenses in H1 2022.

Non-current assets at 30 June 2022 includes EUR 0.7m (31 December 2021: EUR 0.7m) receivable from DDM Group Finance S.A.

Note 13. Share based compensation

DDM Holding AG's parent company, DDM Group Finance S.A, established an Employee Stock Option Plan ("ESOP"). The ESOP is a share-based compensation plan where employees and members of the Executive Management Committee ("EMC") receive additional compensation in the form of share-based payments, whereby they render services as consideration for DDM Group Finance S.A's equity instruments (equity-settled transactions). The ESOP is designed to provide long-term incentives for employees and members of the EMC to deliver long-term shareholder returns.

EUR nil employee benefit expenses have been recognised arising from share-based payment transactions during the period ended 30 June 2022 (H1 2021: EUR nil), given that the fair market value of DDM Group Finance S.A is expected to remain significantly below the performance hurdle of the ESOP throughout the vesting period.

Note 14. Subsequent events

DDM Finance, an indirect subsidiary of DDM Holding AG, extended the maturity of its EUR 18m senior secured notes from 30 June 2022 to 31 March 2023, with a partial repayment of EUR 12.5m made on 7 July 2022.

DDM Debt, an indirect subsidiary of DDM Holding AG, announced on 6 July 2022 that it is acquiring 50.2% of the share capital of AxFina Holding SA, a pan European debt servicing provider and a key partner for DDM's loan portfolios. DDM expects to profit from the intended growth of the service revenues of AxFina, both in (third party) debt servicing as well as in digital solutions, which complement the asset intensive business of DDM. AxFina will also facilitate new market entries for DDM. The seller of the stake in AxFina is DDM Group Finance S.A, with the transaction carried out at an implied valuation for 100% of AxFina of EUR 28m. In addition to the now acquired stake in AxFina, DDM Debt entered into a call option agreement giving it the right to acquire the remaining shares in AxFina held by DDM Group Finance S.A. at the same terms until 31 December 2022.

Alternative performance measures – reconciliation to IFRS:

| EUR '000s | 1 Apr–30 Jun 2022 | 1 Apr–30 Jun 2021 | 1 Jan–30 Jun 2022 | 1 Jan–30 Jun 2021 | Full Year 2021 |
|---|----------------------|----------------------|----------------------|----------------------|-------------------|
| Gross collections | 12,497 | 10,715 | 24,606 | 24,661 | 45,185 |
| Incremental gross distribution from associate and joint venture | 2,534 | 3,964 | 5,877 | 5,702 | 15,563 |
| Distributions from financial assets at fair value | 781 | – | 1,392 | – | 998 |
| Adjusted gross collections | 15,812 | 14,679 | 31,875 | 30,363 | 61,746 |
| Net collections | 11,155 | 9,131 | 21,486 | 22,106 | 38,894 |
| Incremental net distribution from associate and joint venture | 1,846 | 2,749 | 4,016 | 3,642 | 10,209 |
| Distributions from financial assets at fair value | 781 | – | 1,392 | – | 998 |
| Adjusted net collections | 13,782 | 11,880 | 26,894 | 25,748 | 50,101 |
| Cash EBITDA | 8,254 | 6,643 | 17,089 | 16,909 | 27,719 |
| Incremental net distribution from associate and joint venture | 1,846 | 2,749 | 4,016 | 3,642 | 10,209 |
| Distributions from financial assets at fair value | 781 | – | 1,392 | – | 998 |
| Adjusted cash EBITDA | 10,881 | 9,392 | 22,497 | 20,551 | 38,926 |
| Net loss for the period | (4,198) | (4,010) | (5,918) | (3,742) | (6,828) |
| Non-recurring items bond refinancing | – | 3,911 | – | 3,911 | 3,911 |
| Adjusted net (loss) / profit for the period | (4,198) | (99) | (5,918) | 169 | (2,917) |

The financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting. In addition, the Company presents alternative performance measures (“APMs”). Adjusted key figures for gross collections, net collections, cash EBITDA and net (loss) / profit for the period provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include one-time costs not affecting the Company’s run rate cost level, significant earnings effects from acquisition and disposals 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 Company’s performance and to enhance comparability between financial periods. The APMs are reported in addition to but are not substitutes for the financial statements prepared in accordance with IFRS. The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of Management, distort the evaluation of the performance of our operations.

The APMs also provide measures commonly reported and widely used by investors as an indicator of the Company’s operating performance and as a valuation metric of debt purchasing companies. Furthermore, APMs are also relevant when assessing our ability to incur and service debt. APMs are defined consistently over time and are based on the financial data presented in accordance with IFRS.

Definitions

DDM

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

Amortization of invested assets

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

Cash EBITDA

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

Earnings per share/EPS

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

EBITDA

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

Estimated Remaining Collections / ERC

Estimated Remaining Collections refers to the sum of 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.

Equity ratio

The ratio of shareholders' equity to total assets 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 held 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 loans, liabilities to credit institutions (bank overdrafts) less cash and cash equivalents.

Non-recurring items

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

NPL

Non-performing loans acquired as part of a distressed asset portfolio.

Operating expenses

Personnel, consulting and other operating expenses.

Revaluation of invested assets

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

About DDM

DDM Holding AG (First North Growth Market: DDM) is a 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, the Parent Company, is a company incorporated and domiciled in Zug, Switzerland, was founded in 2007 and has been listed on Nasdaq First North Growth Market in Stockholm, Sweden, since August 2014.



ddm

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