



Significant increase of operating profit in 2022

Highlights fourth quarter 2022

- **Gross collections** amounted to EUR 16.6m (18.7)*
- **Net collections** amounted to EUR 14.4m (15.3)*
- **Cash EBITDA** amounted to EUR 10.6m (11.8)*
- **Net profit for the period** of EUR 0.1m (0.1)*
- **Gross ERC** at the end of 2022 was EUR 284m (299 at December 2021)
- **Cash** at the end of 2022 was EUR 52.6m (65.5 at December 2021)

Highlights full year 2022

- **Gross collections** amounted to EUR 71.9m (61.7)*
- **Net collections** amounted to EUR 62.3m (50.1)*
- **Cash EBITDA** amounted to EUR 50.6m (38.9)*
- **Net loss for the period** of EUR 5.0m (loss of 2.9)* including EUR 1.9m non-cash negative mark-to-market impact from the investment in Addiko Bank
- **Investment** in a bolt-on portfolio in Croatia with a gross collection value (face value) of over EUR 20m
- **Strategic partnership in Italy** with co-investment in a portfolio with a gross collection (face value) of over EUR 10m
- **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 21.

IFRS Consolidated Amounts in EUR '000s (unless specified otherwise)	1 Oct-31 Dec 2022**	1 Oct-31 Dec 2021**	Full Year 2022**	Full Year 2021
Gross collections	10,533	10,775	45,715	45,185
Collection and commission expenses	(1,299)	(1,908)	(5,376)	(6,291)
Net collections	9,234	8,867	40,339	38,894
Revenue from mgmt. fees & other services	482	–	605	100
Operating expenses	(4,286)	(3,560)	(12,308)	(11,275)
Cash EBITDA	5,430	5,307	28,636	27,719
Interest income	1,065	998	3,393	998
Amortization, revaluation and impairment of invested assets	(6,347)	(1,853)	(22,363)	(18,292)
Share of net profits of associate and joint venture	1,552	1,472	8,321	3,631
Operating profit	1,424	5,857	17,325	13,664
Net profit / (loss) for the period***	98	68	(5,023)	(6,828)
Selected key figures				
Total assets	253,666	248,194	253,666	248,194
Invested assets	162,670	164,960	162,670	164,960
Net debt	155,520	135,809	155,520	135,809
Equity ratio****	12.9%	13.7%	12.9%	13.7%
Cash flow from operating activities before working capital changes	3,573	3,127	30,049	22,179
Gross ERC 120 months (EUR M)	284	299	284	299
Earnings per share before and after dilution (EUR)	0.01	0.01	(0.38)	(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

** 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 22.0% at 31 December 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 February 2023 at 08:00 CET.

Comment by the CEO

Despite the precarious circumstances in the European economy and the geopolitical uncertainties, 2022 was a good year for DDM.

Net collections (including net distributions from joint ventures) increased by 24% and operating profit increased by 27% compared to 2021. This significant improvement emphasizes the resilience of our underlying NPL portfolios despite the challenging macroeconomic environment. We were especially happy to see a continuation of the strength of the Croatian real estate market which positively impacted the values of the collaterals in our secured portfolio and enabled us in many instances to exceed our case level collection targets.

Throughout 2022 we continued to work on further improvements of the DDM platform and set-up. The highlight in this context clearly was the acquisition of a majority stake in the debt servicing and business outsourcing company AxFinna at the beginning of Q3. DDM expects to profit from the intended growth of the service revenues of AxFinna, both in (third party) debt servicing as well as in digital solutions, which complement the asset intensive business of DDM.

Outlook

The key event for 2023 will be the closing of the Nordiska/Swiss Bankers/Omnio transaction, which we expect to occur within the next few weeks. As the future largest shareholder in Nordiska, DDM will hold a strong position in the European embedded finance market and we expect the investment in Nordiska to be a significant source for further value creation. DDM will support Nordiska in its plans to become a stock listed company in the near term which will be a major milestone to crystallize the value inherent in this platform.

In February 2023 we entered into a super senior lending facility of EUR 4.5m with a Swedish bank, which further strengthened our liquidity profile. Further optimizing our financing structure will be a key focus area for DDM in 2023.

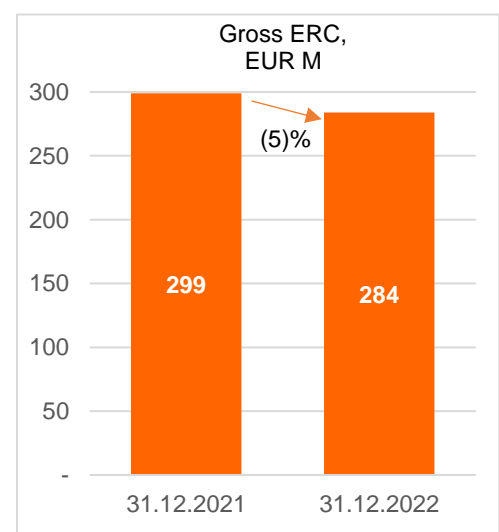
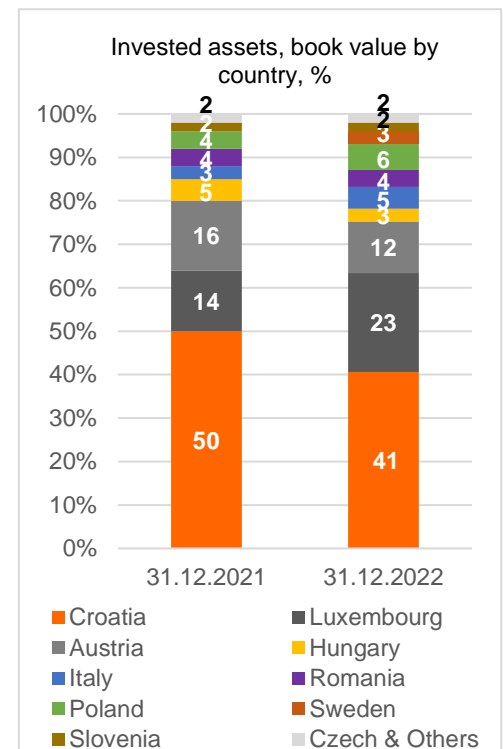
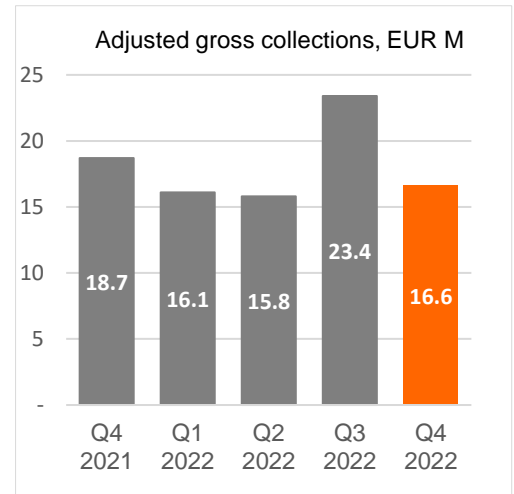
As borrowers across Europe are faced with the challenges from rising interest rates and an increasingly uncertain macroeconomic environment, banks and other holders of credit exposures will again take a more proactive approach to managing their NPL portfolios. We therefore expect the NPL investment market to become more attractive again in the course of 2023. We will continue to be disciplined in the sourcing of new business and monitor investment opportunities across our region on an opportunistic basis.

Another goal we set ourselves for 2023 is to further improve our efforts with regards to sustainability and ESG topics. Social aspects, the “S” in ESG, have always played a central role in the setup of our business. We now aim to formalize our efforts and translate them into tangible actions and improve our ESG disclosure.

Finally, I would like to thank all our employees for their dedication and fantastic work in 2022.

Zug, 28 February 2023

DDM Holding AG
Florian Nowotny, CEO



Financial calendar

DDM intends to publish financial information on the following dates:

Q1 report for January – March 2023:	30 May 2023
Annual report 2022:	28 April 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 February 2023, at 08:00 CET.

CEO Florian Nowotny and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 28 February 2023, starting at 10:00 CEST.

The presentation can be followed live at <https://ir.financialhearings.com/ddm-holding-q4-2022>, or via teleconference with prior registration at <https://conference.financialhearings.com/teleconference/?id=5002908>.

Financial results

Adjusted gross collections (which include the incremental gross distribution from joint ventures) amounted to EUR 16.6m in the fourth quarter of 2022, EUR 2.1m below the corresponding period last year. After deducting commission and collection fees to third parties this resulted in EUR 14.4m of adjusted net collections being received for the fourth quarter of 2022.

Operating expenses were EUR 4.3m in the fourth quarter of 2022, increasing from EUR 0.7m in Q4 2021 following the acquisition of AxFina at the beginning of Q3 2022. As a result, adjusted cash EBITDA totaled EUR 10.6m in the fourth quarter of 2022, equating to a high cash conversion ratio of 74% for the quarter as a percentage of adjusted net collections.

The operating profit includes EUR 1.5m share of net profits of joint venture under the equity method of accounting. EUR 0.4m of positive revaluation has been recognized during the fourth quarter mainly on portfolios in the Hungary and Poland.

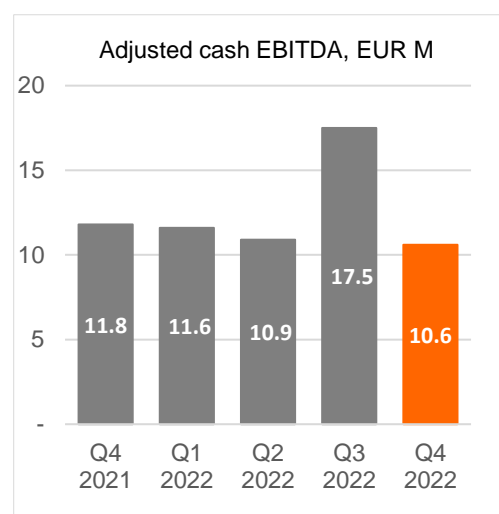
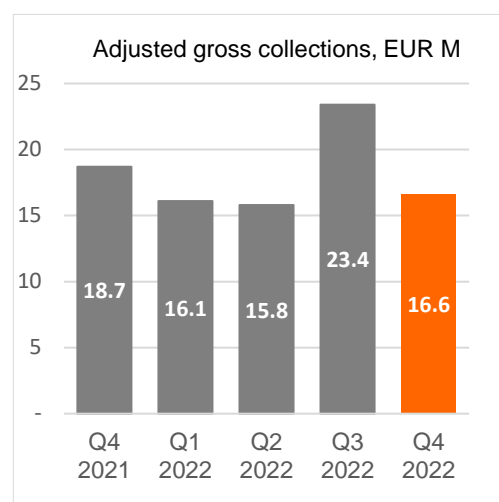
The net profit for the fourth quarter of 2022 turned to a positive EUR 0.1m in line with the net profit of EUR 0.1m for the corresponding period in the prior year. The net result for the quarter was impacted from EUR 0.7m of exchange losses principally due to unfavorable exchange rate movements of the Swiss Franc to the Euro, mostly offsetting the exchanges gains in the previous quarter.

Cash flow and financing

For the fourth quarter of 2022, cash flow from operating activities before working capital changes was EUR 3.6m, slightly increasing compared with Q4 2021 (EUR 3.1). We continue to have a strong cash position of EUR 52.6m at 31 December that is available to fund investments and acquisitions (including the planned investment into Nordiska to fund the Swiss Bankers acquisition).

Estimated Remaining Collections

ERC in relation to invested assets at 31 December stands at EUR 284m, in line with 31 December 2021, as a result of collections that have been received during the 2022 partially offset by investments acquired. 69% of the collections are expected to be received within the next three years.



Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Oct–31 Dec 2022*	1 Oct–31 Dec 2021*	Full Year 2022*	Full Year 2021
Interest income on invested assets		3,528	5,384	19,128	16,599
Revaluation and impairment of invested assets		424	2,628	2,241	5,001
Revenue on invested assets	12	3,952	8,012	21,369	21,600
Share of net profits of associate and joint venture	6,7,12	1,552	1,472	8,321	3,631
Revenue from management fees and other services	12	482	–	605	100
Personnel expenses		(2,032)	(638)	(5,344)	(4,119)
Consulting expenses		(1,544)	(2,095)	(4,882)	(4,944)
Other operating expenses		(710)	(827)	(2,082)	(2,212)
Amortization and depreciation of tangible and intangible assets		(276)	(67)	(662)	(392)
Operating profit		1,424	5,857	17,325	13,664
Financial income		4,323	-	280	81
Financial expenses**		(5,302)	(5,973)	(22,979)	(21,511)
Unrealized exchange profit / (loss)		(673)	(459)	671	271
Realized exchange profit / (loss)		(42)	(49)	(558)	(76)
Net financial expenses		(1,694)	(6,481)	(22,586)	(21,235)
Profit / (loss) before income tax		(270)	(624)	(5,261)	(7,571)
Tax (expense) / income		368	692	238	743
Net profit / (loss) for the period		98	68	(5,023)	(6,828)
Net profit / (loss) for the period attributable to:					
Owners of the Parent Company		19	68	(5,102)	(6,828)
Non-controlling interest		79	–	79	–
Earnings per share before and after dilution (EUR)		0.01	0.01	(0.37)	(0.50)
Average number of shares		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

* 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 Oct–31 Dec 2022*	1 Oct–31 Dec 2021*	Full Year 2022*	Full Year 2021
Net profit / (loss) for the period	98	68	(5,023)	(6,828)
Other comprehensive (loss) / income for the period				
<i>Items that will not be reclassified to profit or loss:</i>				
Actuarial gain on post-employment benefit commitments	663	155	663	155
Deferred tax on post-employment benefit commitments		(9)		(9)
<i>Items that may subsequently be reclassified to profit or loss:</i>				
Currency translation differences	568	(28)	221	(26)
Share of other comprehensive income of associates accounted for using the equity method		–		313
Recycling of share of other comprehensive income of associates to the income statement		(3,011)		(3,011)
Other comprehensive (loss) / income for the period, net of tax	1,231	(2,893)	884	(2,578)
Total comprehensive income / (loss) for the period	1,329	(2,825)	(4,139)	(9,406)
Total comprehensive income / (loss) for the period attributable to:				
Owners of the Parent Company	1,167	(2,825)	(4,301)	(9,406)
Non-controlling interest	162	–	162	–

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 December 2022*	31 December 2021
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents		52,605	65,485
Accounts receivable		513	1,711
Prepaid expenses and accrued income		6,149	2,957
Other receivables		9,564	4,218
Tax assets		197	82
Total current assets		69,028	74,453
<i>Non-current assets</i>			
Financial assets at fair value	8	63,683	51,547
Distressed asset portfolios	5	71,103	81,594
Other long-term receivables from investments		6,338	–
Investment in joint venture	6	21,546	31,819
Deferred tax assets	4	3,383	2,269
Other non-current assets	13	1,117	1,356
Tangible assets	9	242	68
Right-of-use assets		603	146
Intangible assets	10	1,440	782
Goodwill	10	15,183	4,160
Total non-current assets		184,638	173,741
TOTAL ASSETS		253,666	248,194
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		11,780	11,780
Share premium		21,030	21,030
Other reserves		(432)	(570)
Retained earnings including net loss for the period		(2,770)	1,669
Total shareholders' equity attributable to Parent Company's shareholders		29,608	33,909
Shareholders' equity attributable to non-controlling interest		3,160	–
Total shareholders' equity		32,768	33,909
<i>Current liabilities</i>			
Accounts payable		2,677	1,990
Accrued expenses and deferred income		2,461	2,697
Tax liabilities		249	569
Lease liabilities		287	86
Accrued interest		4,621	5,548
Loans and borrowings	11	9,175	17,842
Total current liabilities		19,470	28,732
<i>Long-term liabilities</i>			
Deferred tax liabilities	4	1,232	629
Lease liabilities		364	83
Loans and borrowings	11	198,950	183,452
Post-employment benefit commitments		882	1,389
Total long-term liabilities		201,428	185,553
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		253,666	248,194

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Oct–31 Dec 2022*	1 Oct–31 Dec 2021*	Full Year 2022*	Full Year 2021*
Cash flow from operating activities				
Net profit / (loss) for the period	98	4,859	(5,023)	(6,828)
Cash distribution from associate and joint venture	5,500	5,732	19,666	10,214
<i>Adjustments for non-cash items:</i>				
<i>Amortization of invested assets</i>	6,771	4,481	24,604	23,293
<i>Revaluation and impairment of invested assets</i>	(424)	(2,628)	(2,241)	(5,001)
<i>Share of net profits of associate and joint venture</i>	(1,552)	(1,472)	(8,321)	(3,631)
<i>Depreciation, amortization, and impairment of tangible and intangible assets</i>	276	67	662	392
<i>Financial income</i>	(4,323)	–	(280)	(81)
<i>Financial expenses</i>	5,302	–	22,979	21,511
<i>Unrealized exchange loss / (profit)</i>	673	–	(671)	(271)
<i>Tax expense / (income)</i>	(368)	–	(238)	(743)
<i>Other items not affecting cash</i>	235	754	(31)	(363)
Interest paid	(8,577)	(8,666)	(20,364)	(13,738)
Call premium paid	–	–	–	(2,408)
Tax paid	(38)	–	(693)	(167)
Cash flow from operating activities before working capital changes	3,573	3,127	30,049	22,179
Working capital adjustments				
(Increase) / decrease in accounts receivable	3,520	(2,137)	2,115	(5,029)
(Increase) / decrease in other receivables	(7,416)	(222)	(10,504)	(2,912)
Increase / (decrease) in accounts payable	358	899	(1,511)	611
Increase / (decrease) in other current liabilities	937	(2,041)	(236)	(1,270)
Net cash flow from operating activities	972	(374)	19,913	13,579
Cash flow from investing activities				
Purchases of distressed asset portfolios and other long-term receivables from investments	(1,500)	(13,247)	(11,364)	(17,527)
Purchases of financial assets at fair value	(3,950)	(10,416)	(17,757)	(13,416)
Purchases of associates and joint ventures	–	(8,521)	–	(8,521)
Acquisition of subsidiary, net of cash acquired	–	–	(5,979)	–
Purchases of tangible and intangible assets	(163)	(9)	(267)	(9)
Net cash flow received / (used) in investing activities	(5,613)	(32,193)	(35,367)	(39,473)
Cash flow from financing activities				
Principal element of lease payments	–	(4)	(85)	(75)
Proceeds from issuance of loans	–	–	11,070	182,756
Repayment of loans	(174)	–	(9,365)	(122,590)
Net cash flow received / (used) in financing activities	(174)	(4)	1,620	60,091
Cash flow for the period	(4,815)	(32,571)	(13,834)	34,197
Cash and cash equivalents less bank overdrafts at beginning of the period	57,833	98,118	65,485	31,416
Foreign exchange gains / (losses) on cash and cash equivalents	(413)	(62)	954	(128)
Cash and cash equivalents less bank overdrafts at end of period	52,605	65,485	52,605	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	Non-controlling interest	Total equity
Balance at 1 January 2021	11,780	21,030	2,163	8,342	43,315	–	43,315
Net loss for the period	–	–	–	(6,828)	(6,828)	–	(6,828)
Other comprehensive income / (loss)						–	
Actuarial gain on defined benefit commitment	–	–	–	155	155	–	155
Currency translation differences	–	–	(26)	–	(26)	–	(26)
Deferred tax on post-employment benefit commitments	–	–	(9)	–	(9)	–	(9)
Share of other comprehensive income of associates accounted for using the equity method	–	–	313	–	313	–	313
Recycling of share of other comprehensive income of associates to the income statement	–	–	(3,011)	–	(3,011)	–	(3,011)
Total comprehensive income / (loss)	–	–	(2,733)	(6,673)	(9,406)	–	(9,406)
<i>Transactions with owners</i>	–	–	–	–	–	–	–
Total transactions with owners	–	–	–	–	–	–	–
Balance at 31 December 2021*	11,780	21,030	(570)	1,669	33,909	–	33,909
Balance at 1 January 2022	11,780	21,030	(570)	1,669	33,909	–	33,909
Net loss for the period	–	–	–	(5,102)	(5,102)	79	(5,023)
Other comprehensive loss							
Actuarial gain on defined benefit commitment	–	–	–	663	663	–	663
Currency translation differences	–	–	138	–	138	83	221
Total comprehensive loss	–	–	138	(4,439)	(4,301)	162	(4,139)
<i>Transactions with owners</i>							
Non-controlling interest on acquisition of subsidiary	–	–	–	–	–	2,998	2,998
Total transactions with owners	–	–	–	–	–	2,998	2,998
Balance at 31 December 2022*	11,780	21,030	(432)	(2,770)	29,608	3,160	32,768

* 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 31 December 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 21 for a reconciliation of alternative performance measures including adjusted gross collections, adjusted net collections, adjusted cash EBITDA and adjusted net profit / (loss) for the period.

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

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	31 December 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%
AxFina Holding S.A	Fully consolidated	Luxembourg	50.2%	–
AxFina Hungary Zrt.	Fully consolidated	Hungary	50.7%	–
AxFina Servicing Kft.	Fully consolidated	Hungary	50.7%	–
Lombard Ingtatlan Zrt.	Fully consolidated	Hungary	50.7%	–
AxFina Romania S.R.L	Fully consolidated	Romania	50.2%	–
AxFina Austria GmbH	Fully consolidated	Austria	50.2%	–
AxFina Croatia d.o.o.	Fully consolidated	Croatia	50.2%	–
AxFina d.o.o.	Fully consolidated	Slovenia	50.2%	–
Report S.A.	Fully consolidated	Poland	50.2%	–

DDM Holding AG’s indirect subsidiary, DDM Debt AB, acquired 50.2% of AxFina Holding S.A and its subsidiaries (together “AxFina”) in July 2022. The seller of the stake in AxFina was DDM Group Finance S.A. The transaction was done at an implied valuation for 100% of AxFina of EUR 28M. In addition to the acquired stake in AxFina.

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.

Note 1. Basis of preparation... continued

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	31 December 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 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.

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 31 December 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, and AxFina Romania S.R.L which has Romanian Leu (RON) as its functional currency, DDM REO Adria d.o.o. and AxFina Croatia d.o.o. which has Croatia Kuna (HRK) as its functional currency, Raport S.A. which has Polish Zloty (PLN) as its functional currency and Finalp Zrt., AxFina Hungary Zrt., AxFina Servicing kft. and Lombard Ingatlan Zrt. which has Hungarian Forint (HUF) as its functional currency. As at 1 January 2023 Croatia adopted the EUR as national currency at a determined conversion rate of 7.53450 HRK for 1 EUR.

Note 3. Business combination

Summary of acquisition of AxFina Holding S.A.

On 6 July 2022, DDM Debt AB (publ) ("DDM"), a 100% subsidiary of DDM Holding AG, acquired 50.16% of the issued share capital of AxFina Holding S.A. ("AxFina"), a pan European debt servicing provider. AxFina is 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 to multiple industries. The acquisition of AxFina allows DDM 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 (e.g. in Poland, where AxFina has recently established a presence). By taking a direct stake in its key debt servicing partner, DDM is following a well-established industry practice and expects its core NPL business to benefit from a closer collaboration between DDM and AxFina.

Details of the goodwill are as follows:

Goodwill	EUR'000
Purchase consideration	14,040
Fair value of net assets	3,018
Goodwill	11,022

The goodwill of EUR 11,022 thousand is therefore attributable to the access to new markets, workforce and the expected future profitability of the acquired business.

Note 3. Business combination ... continued

The fair value of acquired assets and assumed liabilities recognized as a result of the acquisition are as follows:

Acquired net assets	EUR'000
Fixed assets	1,036
Distressed asset portfolios	5,606
Cash and cash equivalent	7,537
Other assets	2,556
Fair value of total assets	16,735
Financial liabilities	(6,415)
Trade payables	(511)
Other liabilities	(3,792)
Fair value of total liabilities	(10,718)
Fair value of total net assets	6,017
Fair value of acquired net assets (50,16%)	3,018
Goodwill on acquisition	11,022
Total purchase consideration	14,040

The goodwill on acquisition was consolidated using provisional values allocated by management to their respective identifiable assets and liabilities based on currently available data as at the date of acquisition. The final accounting for business combination is pending the final valuations to be completed under the Purchase Price Allocation ("PPA") at fair value for those assets and liabilities after the end of the reporting period. Considering that the date of the transaction is 6 July 2022, the reference date used for the PPA is the financial position as at 30 June 2022.

Acquired net assets

The fair value of the assets acquired mainly includes: i) the cash and cash equivalents held at bank at acquisition; ii) distressed asset portfolios relating to unsecured portfolios acquired in Hungary, Poland and Romania; and iii) fixed assets which mainly relate to customer list acquired by AxFina in Poland.

The fair value of the liabilities assumed at acquisition includes amounts payable to banks leasing companies and loans for an amount of EUR 6,415k. The fair value of the other liabilities assumed at acquisition principally relates to accrued expenses & deferred income of EUR 3,792k and trade payables of EUR 511k.

Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired	EUR'000
Cash paid	13,515
Less cash & cash equivalents acquired	(7,536)
Net outflow of cash – investing activities	(5,979)

The cash consideration at the date of acquisition amounted to EUR 13,515k. An amount of EUR 525k was settled on a non-cash basis. Acquisition-related costs were not material and were recognized directly in the income statement under consulting expenses and in operating cash flows in the statement of cash flows.

Net collections and revenue contribution

The acquired business contributed net collections of EUR 1,4m and service fees of EUR 0.5m to the DDM group for the period from 1 October to 31 December 2022.

Note 4. 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 5. 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	31 December 2022	31 December 2021
HRK	45,160	51,179
EUR	3,737	9,155
PLN	10,070	5,781
HUF	6,097	8,325
RON	4,347	5,279
RSD	1,508	1,591
CZK	184	284
Total	71,103	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 6. 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	31 December 2022	31 December 2021
Balance at beginning of the period	31,819	25,691
Additions	–	8,521
Share of net profits of joint venture	8,321	2,258
Incremental net distribution from the joint venture	(18,595)	(4,651)
Balance at end of the period	21,546	31,819

Cash distributions of EUR 19.7m (FY 2021: EUR 5.6m) have been received from the joint venture during 2022, of which EUR 1.1m relates to 2021 and EUR 18.6m relates to 2022.

Note 7. 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	31 December 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 8. 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 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, 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 13.3m during 2022.

During 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	31 December 2022	31 December 2021
Balance at beginning of the period	51,547	–
Additions	17,757	13,416
Lending's	(5,060)	–
Accrued PIK interest	1,119	–
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	(1,725)	–
Exchange movements	45	–
Balance at end of the period	63,683	51,547

Note 9. 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 10. Intangible assets

(i) Identifiable intangible assets

The Company's identifiable intangible assets are stated at cost less accumulated amortization and include computer software that have a finite useful lives and customer relationships. The assets are 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 11. Loans and borrowings

The Group had the following borrowings outstanding during the periods ending 31 December 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 (an equity ratio of at least 20.00% and net interest-bearing debt to ERC below 75.00%) 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

In 2017-2019 DDM Finance AB ("DDM Finance") issued EUR 18m in total of senior secured notes. 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 including accrued interest made on 7 July 2022.

Bond loan EUR 6m

The bond loan of EUR 3,797k is a non-interest bearing loan which was taken on as part of the acquisition of AxFina, which in its turn took over the financial liability when acquiring its Polish subsidiary, Raport S.A. The bond loan is measured at amortized cost using the effective interest method. Since the bond as per restructuring agreement does not have an interest component a reference interest rate was applied.

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.

Note 11. Loans and borrowings... continued

Maturity profile and carrying value of borrowings:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Beyond 5 years	Total
EUR '000s							
at 31 December 2022							
Bond loan, 9%	–	–	–	184,449	–	–	184,449
Senior secured notes	8,809	–	–	–	–	–	8,809
Borrowing, DDM Group Finance S.A.	–	11,070	–	–	–	–	11,070
Bonds	348	559	505	457	465	1,463	3,797
Total	9,157	11,629	505	184,906	465	1,463	208,125
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.

Fair value of borrowings:

EUR '000s	IFRS 9 category	Fair value category	Fair value	Carrying value
at 31 December 2022				
Bond loan, 9%	Financial liabilities at amortized cost	Level 2	114,990	184,449
Senior secured notes	Financial liabilities at amortized cost	Level 2	8,809	8,809
Borrowing, DDM Group Finance S.A	Financial liabilities at amortized cost	Level 3	11,070	11,070
Bonds	Financial liabilities at amortized cost	Level 3	5,896	3,797
Total			140,765	208,125
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 12. 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 12. Revenue recognition... continued

EUR '000s	1 Oct–31 Dec 2022	1 Oct–31 Dec 2021	Full Year 2022	Full Year 2021
Gross collections	10,533	10,775	45,715	45,185
Collection and commission expenses	(1,299)	(1,908)	(5,376)	(6,291)
Net collections by country:				
Croatia	5,594	3,674	23,318	18,104
Slovenia	406	970	3,233	3,837
Hungary	1,524	1,225	5,478	6,304
Romania	903	844	3,602	5,068
Poland	652	481	2,749	481
Czech Republic	109	639	906	3,430
Serbia	46	80	316	330
Bosnia	–	–	242	354
Slovakia	–	2	19	34
Greece	–	952	476	952
Net collections	9,234	8,867	40,339	38,894
Interest income	1,112	998	3,440	998
Amortization of invested assets	(6,771)	(4,481)	(24,604)	(23,293)
Interest income on invested assets before revaluation and impairment	3,575	5,384	19,175	16,599
Revaluation of invested assets	424	2,628	2,241	5,001
Impairment of invested assets	–	–	–	–
Revenue on invested assets	3,999	8,012	21,416	21,600
Share of net profits of associate and joint venture	1,552	1,472	8,321	3,631
Revenue from management fees and other services	482	–	605	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 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 13.3m.

Interest income from Omnio to DDM amounted for the fourth quarter to EUR 1.1m (Q4 2021: EUR 1.0m) and EUR 3.4m for the full 2022 (2021: EUR 1.0m), which has been recognized in interest income.

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 Q4 and FY 2022 include EUR 1.6m and EUR 8.3m (Q4 2021: EUR 1.5m, FY 2021: EUR 3.6m) from share of net profits of joint venture accounted for using the equity method in accordance with IFRS.

Revenue from management fees and other services

Revenue from management fees and other services relate to revenue received from co-investors where DDM managed the operations of the assets but did not own 100% of the portfolio and service revenues from third parties.

Note 13. Related parties

In 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 1.8m (FY 2021: EUR 4.2m) of brokerage fees were charged during the year of 2022, of which EUR 0.9m in the fourth quarter (Q4 2021: EUR 1.0 m).

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 (FY 2021: 0.2m) which have been recognized in consultancy expenses.

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 (FY 2021: 1.0m) was recognized to net collections, EUR nil (FY 2021: 0.4m) netted against prepaid expenses and accrued income and EUR 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		Full Year 2022	Full Year 2021
Income Statement	Net collections	476	952
Income Statement, Total		476	952

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

During the year DDM Finance AB entered into a loan agreement with DDM Group Finance S.A. for an amount of EUR 11.1m.

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

On 6 July 2022, DDM Debt AB (publ), a 100% subsidiary of DDM Holding AG, acquired 50.16% of the issued share capital of AxFina Holding Sarl (“AxFina”), a pan European debt servicing provider. AxFina is 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 to multiple industries. The acquisition of AxFina allows DDM 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 (e.g. in Poland, where AxFina has recently established a presence). By taking a direct stake in its key debt servicing partner, DDM is following a well-established industry practice and expects its core NPL business to benefit from a closer collaboration between DDM and AxFina. The seller of the stake in AxFina is DDM Group Finance S.A. The transaction was done at an implied valuation for 100% of AxFina of EUR 28mn.

Note 14. 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 31 December 2022 (FY 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 15. Subsequent events

In February 2023 DDM Debt AB (publ) entered into a super senior loan facility for EUR 4.5m with a Swedish bank.

In January and February 2023, as part of a wider fund raising of Omnione S.A., DDM converted a total amount of EUR 33m of convertible bonds and outstanding loans into shares of Omnione S.A.

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Oct–31 Dec 2022	1 Oct–31 Dec 2021	Full Year 2022	Full Year 2021
Gross collections	10,533	10,775	45,715	45,185
Incremental gross distribution from associate and joint venture	5,001	6,959	22,788	15,563
Distributions from financial assets at fair value	1,065	998	3,393	998
Adjusted gross collections	16,599	18,732	71,896	61,746
Net collections	9,234	8,867	40,339	38,894
Incremental net distribution from associate and joint venture	4,113	5,474	18,595	10,209
Distributions from financial assets at fair value	1,065	998	3,393	998
Adjusted net collections	14,412	15,339	62,327	50,101
Cash EBITDA	5,430	5,307	28,636	27,719
Incremental net distribution from associate and joint venture	4,113	5,474	18,595	10,209
Distributions from financial assets at fair value	1,065	998	3,393	998
Adjusted cash EBITDA	10,608	11,779	50,624	38,926
Net profit / (loss) for the period	98	68	(5,023)	(6,828)
Non-recurring items bond refinancing	–	–	–	3,911
Adjusted net profit / (loss) for the period	98	68	(5,023)	(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 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 interest-bearing loans and borrowings, 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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