DDM HOLDING AG

Corporate Registration Number: CHE-115906312

Q2 interim report | 1 January – 30 June 2023

Strengthening of management & acquisition in Romania

Highlights second quarter 2023

- Cash at the end of June 2023 was EUR 32.6m (52.6 at December 2022)
- Gross ERC at the end of June 2023 was EUR 256m (284 at December 2022)
- Sale of 5% stake in Borgosesia S.p.A (pending regulatory approval) and associated NPL portfolio due to continuous active asset management
- Gross collections amounted to EUR 20.5m (15.8)*
- Net collections amounted to EUR 18.6m (13.8)*
- Cash EBITDA amounted to EUR 11.7m (10.9)*
- Net loss for the period of EUR 1.7m (loss of 4.2)

Highlights six months 2023

- Gross collections amounted to EUR 30.7m (31.9)*
- Net collections amounted to EUR 26.8m (26.9)*
- Cash EBITDA amounted to EUR 15.5m (22.5)*
- Net loss for the period of EUR 3.2m (loss of 5.9)
- Acquisition of a further 25% of AxFina Holding S.A, a pan European debt servicing provider and business outsourcing company, taking DDM's total holding to about 75%
- Nordiska terminated the planned acquisition of Swiss Bankers and the combination with Omnio

Significant events after the end of the quarter

- Agreement signed for acquisition of NPL portfolio in Romania with a gross collection value of over EUR 1 billion
- Razvan Munteanu appointed as Chief Executive Officer effective 1 August
- Delisting application submitted to delist the shares of DDM Holding AG from Nasdaq First North Growth Market, with 15 September confirmed as the last day of trading

** 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 2023**	1 Apr–30 Jun 2022**	1 Jan–30 Jun 2023**	1 Jan–30 Jun 2022**	Full Year 2022
Gross collections	13,897	12,497	22,262	24,606	45,715
Collection and commission expenses	(1,252)	(1,342)	(2,525)	(3,120)	(5,376)
Net collections	12,645	11,155	19,737	21,486	40,339
Revenue from mgt fees & other services	129	–	276	–	605
Operating expenses	(7,080)	(2,901)	(11,548)	(4,397)	(12,308)
Cash EBITDA	5,694	8,254	8,465	17,089	28,636
Interest income	2,678	781	3,349	1,392	3,393
Amortization, revaluation and impairment of invested assets	(6,301)	(6,502)	(9,253)	(10,902)	(22,363)
Share of net profits / (losses) of associate and joint venture	307	275	(487)	2,820	8,321
Operating profit	2,139	2,704	1,616	10,221	17,325
Net loss for the period	(1,660)	(4,198)	(3,246)	(5,918)	(5,023)
Selected key figures					
Total assets	234,629	242,827	234,629	242,827	253,666
Invested assets	163,681	162,886	163,681	162,886	162,670
Net debt	164,946	147,164	164,946	147,164	155,520
Equity ratio***	9.8%	11.5%	9.8%	11.5%	12.9%
Cash flow from operating activities before working capital changes	34	1,152	3,243	11,893	26,954
Gross ERC 120 months (EUR M)	256	285	256	285	284
Earnings per share before and after dilution (EUR)	(0.12)	(0.31)	(0.24)	(0.44)	(0.38)
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 equity ratio for the DDM Debt Bond Group calculated according to the terms and conditions of the DDM Debt AB bonds is 21.4% at 30 June 2023

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 29 August 2023 at 08:00 CEST.

DDM Holding AG is a specialized multinational investor in situations arising out of the general strategic challenges in the European banking markets

Comment by the CEO

I am thrilled to have been appointed as CEO of DDM from 1 August, and look forward to contributing my experience from banking, consumer lending and payments to DDM and its portfolio companies. Having worked in various senior management roles within leading European and global financial institutions, including Raiffeisen, Citi and Mastercard, as well as being CEO for the listed Addiko Bank AG, I am confident I will contribute to DDM's success going forward, and to maximising the value in our portfolio companies in addition to growing our NPL portfolios.

DDM ended the quarter with a strong cash position of EUR 32.6m which provides flexibility in a market where turbulence is creating interesting investment opportunities in assets, loans and financial services businesses. The team selectively capitalized on this by signing an agreement to acquire a sizeable NPL portfolio containing unsecured consumer receivables located in Romania which was announced at the beginning of July. The servicing of the portfolio will be performed by AxFina, part of the DDM group. The gross collection value (face value) of the portfolio amounts to over EUR 1 billion with the acquisition financed by cash on hand. The closing of the transaction is expected in late Q3 2023 following clearance by the competition authority.

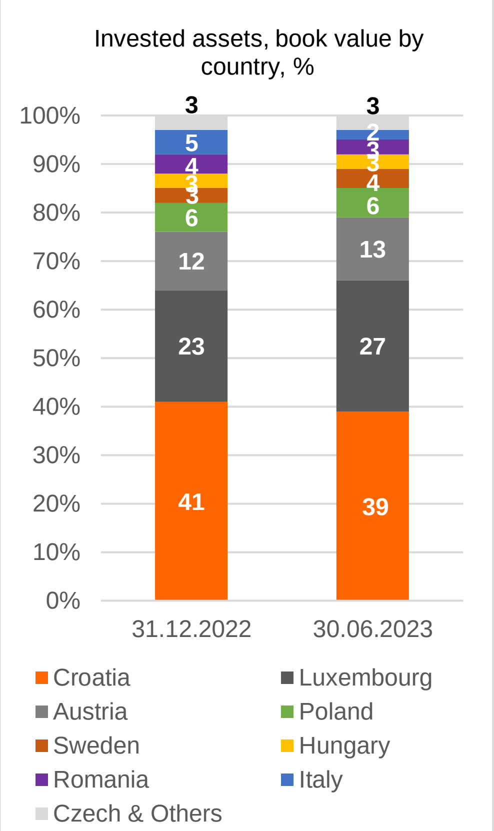
As part of our continuous active asset management approach, we sold our 5% stake in Borgosesia S.p.A and the associated NPL portfolio at the end of the second quarter. The transaction is pending regulatory approval expected in Q3.

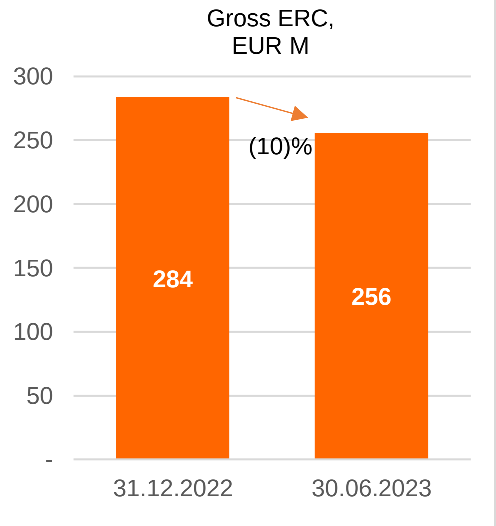
The strong cash balance and active asset management provides optionality, particularly as adjusted gross collections remained ahead of expectations in the first half of 2023. This was achieved despite the challenging macroeconomic environment and geopolitical uncertainties, illustrating the resilience of our underlying NPL portfolio.

At the end of July we announced that the Board of DDM Holding AG had resolved to apply for the delisting of DDM Holding's shares from Nasdaq First North Growth Market ("First North"). The decision simplifies the operational set-up and was triggered by DDM Holding not meeting the listing requirements. The majority shareholder, DDM Group Finance S.A, has an ownership level of over 95 per cent of the shares, while the liquidity in the shares remained limited despite DDM engaging a liquidity provider since 2019. The delisting application was made to Nasdaq Stockholm AB, who confirmed the application, and the last day of trading in DDM Holding's shares on First North will be 15 September 2023.

During the first half of the year we continued the work to strengthen the key servicing capabilities of the group. At the beginning of April we acquired an additional 25% of the debt servicing and business outsourcing company AxFina, bringing our total holding to about 75%.

In April Nordiska Kreditmarknadsaktiebolaget (publ) ("Nordiska") informed us that they were aborting the process regarding a combination of Nordiska with Swiss Bankers and Omnio. We worked on these transactions jointly with Nordiska for eight months and, after having obtained legal advice, the board of DDM considers Nordiska's unilateral decision to abandon the transactions and related actions by Nordiska as a violation of Nordiska's obligations under the agreements between the parties. DDM therefore reserves all contractual, legal, and other rights, including its right to claim damages that may result from Nordiska's actions.





Outlook
Rising bankruptcies and the cost-of-living crisis squeezing households is expected to result in increased volumes of NPLs. Coupled with borrowers across Europe being faced with the challenges from continued rising interest rates and an uncertain macroeconomic environment, banks and other holders of credit exposures are expected to take a more pro-active approach to managing their NPL portfolios. We therefore anticipate that the NPL investment market will become more attractive again in late 2023 and the first half of 2024. We will remain disciplined in the sourcing of new business, continue to actively manage our portfolio and monitor investment cases across our region on both a strategic and opportunistic basis.

Zug, 29 August 2023

DDM Holding AG
Razvan Munteanu, CEO

Annual General Meeting 2023
DDM Holding AG held its Annual General Meeting ("AGM") on 29 June 2023. All resolutions were approved. The AGM resolved to re-elect Erik Fällström, Joachim Cato and Dr. Andreas Tuczka as members of the Board of Directors. The AGM also resolved to elect Jörgen Durban as new member of the Board of Directors and as Chairman of the Board of Directors. Please see our website https://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:

Q3 report for January – September 2023:	30 November 2023
Q4 report for January – December 2023:	29 February 2024
Annual report 2023:	30 April 2024

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 29 August 2023, at 08:00 CEST.

CEO Razvan Munteanu and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 29 August 2023, starting at 10:00 CEST.
The presentation can be followed live via the webcast at www.ddm-group.ch, or via teleconference with prior registration at https://conference.financialhearings.com/teleconference/?id=2001426.

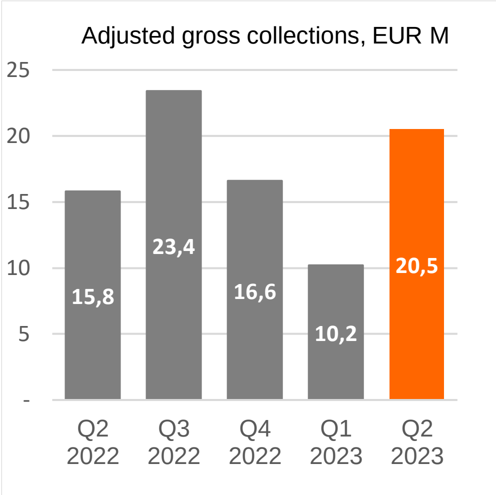
Financial results

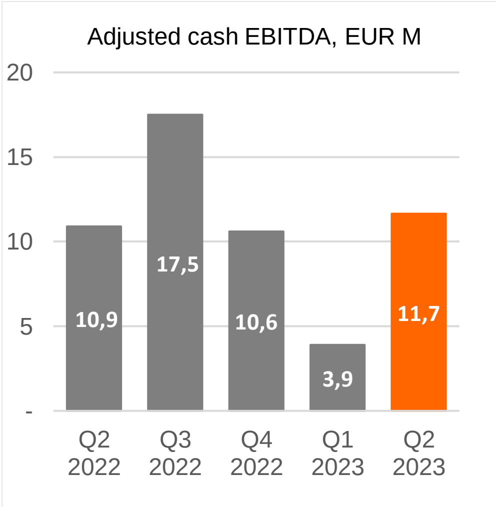
Adjusted gross collections (which include the incremental gross distribution from associates and joint ventures) amounted to EUR 20.5m in the second quarter of 2023, EUR 4.7m higher than the corresponding period last year. After deducting commission and collection fees to third parties this resulted in EUR 18.6m of adjusted net collections being received for the second quarter of 2023.

Operating expenses were EUR 7.1m in Q2 2023, increasing from EUR 2.9m in Q2 2022 following the acquisition of 50% of AxFina at the beginning of Q3 2022 and a further 25% of AxFina at the beginning of Q2 2023. Management fees of EUR 0.1m were received in the quarter, and as a result, adjusted cash EBITDA totaled EUR 11.7m in the second quarter of 2023, compared to EUR 10.9m for the same quarter in the prior year.

The operating result for the quarter includes EUR 0.3m share of net profits of associate and joint venture under the equity method of accounting.

The net result for the quarter was impacted by a EUR 4.1m fair value loss recognized within financial expenses in the income statement relating to the investment in Addiko Bank, due to a decrease in the share price during the second quarter of 2023. This offset a EUR 3.6m fair value gain recognised in financial income in the first quarter of 2023 due to an increase in the Addiko Bank share price during the first quarter. The second quarter benefitted from a EUR 5.4m gain within financial income due to the repurchase of EUR 16.4m of the DDM Debt AB senior secured bonds at a discount. The net result for the quarter was a loss before tax of EUR 1.5m, compared to a loss before tax of EUR 4.5m for Q2 2022.





Cash flow and financing

For the second quarter of 2023, cash flow from operating activities before working capital changes was EUR 34k compared to EUR 1.2m in Q2 2022. We continue to have a strong cash position of EUR 32.6m 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 256m, EUR 28m below 31 December 2022, mainly as a result of collections that have been received during the first six months of 2023, partially offset by additions and revaluation. About 71% of the collections are expected to be received within the next three years.

Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Apr–30 Jun 2023*	1 Apr–30 Jun 2022*	1 Jan–30 Jun 2023*	1 Jan–30 Jun 2022*	Full Year 2022
Interest income on invested assets		7,081	4,313	12,052	9,147	19,128
Revaluation and impairment of invested assets		1,941	1,121	1,781	2,829	2,241
Revenue on invested assets	12	**9,022**	**5,434**	**13,833**	**11,976**	**21,369**
Share of net profits / (losses) of associate and joint venture	6,12	307	275	(487)	2,820	8,321
Revenue from management fees and other services	12	129	–	276	–	605
Personnel expenses		(2,208)	(864)	(4,131)	(1,531)	(5,344)
Consulting expenses		(4,154)	(1,738)	(5,893)	(2,305)	(4,882)
Other operating expenses		(718)	(299)	(1,524)	(561)	(2,082)
Amortization and depreciation of tangible and intangible assets		(239)	(104)	(458)	(178)	(662)
Operating profit		**2,139**	**2,704**	**1,616**	**10,221**	**17,325**
Financial income		5,791	8	9,784	475	280
Financial expenses		(9,666)	(8,024)	(15,047)	(16,774)	(22,979)
Unrealized exchange profit		218	859	241	862	671
Realized exchange (loss) / profit		(10)	(30)	426	(875)	(558)
Net financial expenses		**(3,667)**	**(7,187)**	**(4,596)**	**(16,312)**	**(22,586)**
Loss before income tax		**(1,528)**	**(4,483)**	**(2,980)**	**(6,091)**	**(5,261)**
Tax (expense) / income		(132)	285	(266)	173	238
Net loss for the period		**(1,660)**	**(4,198)**	**(3,246)**	**(5,918)**	**(5,023)**
Net loss for the period attributable to:						
Owners of the Parent Company		(1,646)	(4,198)	(3,232)	(5,918)	(5,102)
Non-controlling interest		(14)	–	(14)	–	79
Earnings per share before dilution (EUR)		(0.12)	(0.31)	(0.24)	(0.44)	(0.38)
Earnings per share after dilution (EUR)		(0.12)	(0.31)	(0.24)	(0.44)	(0.38)
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

Consolidated Statement of Comprehensive Income

Amounts in EUR ‘000s	1 Apr–30 Jun 2023*	1 Apr–30 Jun 2022*	1 Jan–30 Jun 2023*	1 Jan–30 Jun 2022*	Full Year 2022
Net loss for the period	**(1,660)**	**(4,198)**	**(3,246)**	**(5,918)**	**(5,023)**
Other comprehensive income / (loss) for the period					
Items that will not be reclassified to profit or loss:					
Actuarial gain on post-employment benefit commitments	–	–	–	–	663
Deferred tax on post-employment benefit commitments	–	–	–	–	(60)
Items that may subsequently be reclassified to profit or loss:					
Currency translation differences	431	70	576	(2)	281
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	–	–
Other comprehensive income / (loss) for the period, net of tax	**431**	**70**	**576**	**(2)**	**884**
Total comprehensive loss for the period	**(1,229)**	**(4,128)**	**(2,670)**	**(5,920)**	**(4,139)**
Total comprehensive loss for the period attributable to:					
Owners of the Parent Company	(1,312)	(4,128)	(2,823)	(5,920)	(4,301)
Non-controlling interest	83	–	153	–	162

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	30 June 2023*	31 December 2022
ASSETS			
Current assets			
Cash and cash equivalents		32,582	52,605
Accounts receivable		6,432	513
Prepaid expenses and accrued income		4,814	6,149
Other receivables		5,381	4,504
Tax assets		71	197
Total current assets		**49,280**	**63,968**
Non-current assets			
Financial assets at fair value	8	42,892	68,743
Distressed asset portfolios	5	69,609	71,103
Other long-term receivables from investments		501	6,338
Investment in joint venture	6	19,242	21,546
Interest in associate	7	31,437	–
Deferred tax assets	4	3,404	3,383
Other non-current assets	13	996	1,117
Tangible assets	9	128	242
Right-of-use assets		487	603
Intangible assets	10	1,470	1,440
Goodwill	10	15,183	15,183
Total non-current assets		**185,349**	**189,698**
TOTAL ASSETS		**234,629**	**253,666**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		11,780	11,780
Share premium		21,030	21,030
Other reserves		(5,413)	(432)
Retained earnings including net loss for the period		(6,002)	(2,770)
Total shareholders' equity attributable to Parent Company's shareholders		**21,395**	**29,608**
Shareholders' equity attributable to non-controlling interest		1,690	3,160
Total shareholders' equity		**23,085**	**32,768**
Current liabilities			
Accounts payable		2,623	2,677
Accrued expenses and deferred income		4,350	2,461
Tax liabilities		122	249
Lease liabilities		267	287
Accrued interest		4,677	4,621
Loans and borrowings	11	3,885	9,175
Total current liabilities		**15,924**	**19,470**
Long-term liabilities			
Deferred tax liabilities	4	723	1,232
Lease liabilities		272	364
Loans and borrowings	11	193,643	198,950
Post-employment benefit commitments		982	882
Total long-term liabilities		**195,620**	**201,428**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**234,629**	**253,666**

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Apr–30 Jun 2023*	1 Apr–30 Jun 2022*	1 Jan–30 Jun 2023*	1 Jan–30 Jun 2022*	Full Year 2022
Cash flow from operating activities					
Net loss for the period	(1,660)	(4,198)	(3,246)	(5,918)	(5,023)
Cash distribution from associate and joint venture	2,159	1,299	2,209	3,238	19,666
Adjustments for non-cash items:					
Amortization of invested assets	*8,242*	*7,623*	*11,034*	*13,731*	*24,604*
Revaluation and impairment of invested assets	*(1,941)*	*(1,121)*	*(1,781)*	*(2,829)*	*(2,241)*
Interest income	*(2,678)*	*(781)*	*(3,349)*	*(1,392)*	*(3,393)*
Share of net (profits) / losses of associate and joint venture	*(307)*	*(275)*	*487*	*(2,820)*	*(8,321)*
Depreciation, amortization, and impairment of tangible and intangible assets	*239*	*104*	*458*	*178*	*662*
Financial income	*(5,791)*	*(8)*	*(9,784)*	*(475)*	*(280)*
Financial expenses	*9,666*	*8,024*	*15,047*	*16,774*	*22,979*
Unrealized exchange (profit) / loss	*(218)*	*(859)*	*(241)*	*(862)*	*(671)*
Tax expense / (income)	*132*	*(285)*	*266*	*(173)*	*(238)*
Other items not affecting cash	*(20)*	*682*	*(30)*	*1,494*	*(178)*
Interest paid	(9,598)	(8,478)	(9,598)	(8,478)	(20,265)
Interest received	81	–	81	–	346
Dividends received	1,804	–	1,804	–	–
Tax paid	(104)	(575)	(142)	(575)	(693)
Tax received	28	–	28	–	–
Cash flow from operating activities before working capital changes	**34**	**1,152**	**3,243**	**11,893**	**26,954**
Working capital adjustments					
(Increase) / decrease in accounts receivable	(3,658)	(3,970)	(4,428)	(5,709)	602
(Increase) / decrease in other receivables	(1,801)	(913)	(1,407)	(1,670)	(4,691)
Increase / (decrease) in accounts payable	(500)	139	(54)	(386)	176
Increase / (decrease) in other current liabilities	2,001	(153)	1,889	(1,033)	(3,128)
Net cash flow from operating activities	**(3,924)**	**(3,745)**	**(757)**	**3,095**	**19,913**
Cash flow from investing activities					
Purchases of distressed asset portfolios and other long-term receivables from investments	–	–	(860)	(4,570)	(11,364)
Purchases of financial assets at fair value	(6,030)	(5,400)	(7,800)	(9,907)	(17,757)
Proceeds from divestment of financial assets at fair value	1,944	–	1,944	–	–
Acquisition of subsidiary, net of cash acquired	(7,013)	–	(7,013)	–	(5,979)
Purchases of tangible and intangible assets	(13)	–	(13)	–	(267)
Net cash flow received / (used) in investing activities	**(11,112)**	**(5,400)**	**(13,742)**	**(14,477)**	**(35,367)**
Cash flow from financing activities					
Principal element of lease payments	(47)	(11)	(112)	(25)	(85)
Proceeds from issuance of loans	6,550	–	11,002	–	11,070
Repayment of loans	(16,772)	–	(16,772)	–	(9,365)
Net cash flow received / (used) in financing activities	**(10,269)**	**(11)**	**(5,882)**	**(25)**	**1,620**
Cash flow for the period	**(25,305)**	**(9,156)**	**(20,381)**	**(11,407)**	**(13,834)**
Cash and cash equivalents less bank overdrafts at beginning of the period	**57,795**	**62,737**	**52,605**	**65,485**	**65,485**
Foreign exchange gains / (losses) on cash and cash equivalents	92	1,194	358	697	954
Cash and cash equivalents less bank overdrafts at end of period	**32,582**	**54,775**	**32,582**	**54,775**	**52,605**

* 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 2022	**11,780**	**21,030**	**(570)**	**1,669**	**33,909**	**–**	**33,909**
Net loss for the period	–	–	–	(5,918)	**(5,918)**	–	**(5,918)**
Other comprehensive loss							
Currency translation differences	–	–	(2)	–	**(2)**	–	**(2)**
Total comprehensive loss	**–**	**–**	**(2)**	**(5,918)**	**(5,920)**	–	**(5,920)**
Transactions with owners							
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	–	**–**
Balance at 30 June 2022*	**11,780**	**21,030**	**(572)**	**(4,249)**	**27,989**	**–**	**27,989**
Balance at 1 January 2023	**11,780**	**21,030**	**(432)**	**(2,770)**	**29,608**	**3,160**	**32,768**
Net loss for the period	–	–	–	(3,232)	**(3,232)**	(14)	**(3,246)**
Other comprehensive income							
Currency translation differences	–	–	409	–	**409**	167	**576**
Total comprehensive loss	**–**	**–**	**409**	**(3,232)**	**(2,823)**	**153**	**(2,670)**
Transactions with owners							
Acquisition of non-controlling interest	–	–	(5,390)	–	**(5,390)**	(1,623)	**(7,013)**
Total transactions with owners	**–**	**–**	**(5,390)**	**–**	**(5,390)**	**(1,623)**	**(7,013)**
Balance at 30 June 2023*	**11,780**	**21,030**	**(5,413)**	**(6,002)**	**21,395**	**1,690**	**23,085**

* 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 2022. DDM's principal accounting policies are set out in Note 3 to the consolidated financial statements in the Annual Report 2022 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 2023.

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 and adjusted cash EBITDA 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 2023	31 December 2022
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	75.2%	50.2%
AxFina Hungary Zrt.	Fully consolidated	Hungary	75.5%	50.7%
AxFina Servicing Kft.	Fully consolidated	Hungary	75.5%	50.7%
Lombard Ingatlan Zrt.	Fully consolidated	Hungary	75.5%	50.7%
AxFina Romania S.R.L	Fully consolidated	Romania	75.2%	50.2%
AxFina Austria GmbH	Fully consolidated	Austria	75.2%	50.2%
AxFina Croatia d.o.o.	Fully consolidated	Croatia	75.2%	50.2%
AxFina d.o.o.	Fully consolidated	Slovenia	75.2%	50.2%
Raport S.A.	Fully consolidated	Poland	75.2%	50.2%

DDM 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. DDM acquired a further 25% stake in AxFina from DDM Group Finance S.A. in April 2023 for EUR 7m.

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.

*Note 1. **Basis of preparation…** continued*

Joint Ventures	Consolidation method	Domicile	30 June 2023	31 December 2022
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 2022 and 2023 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 2023 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 have Romanian Leu (RON) as their 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 have Hungarian Forint (HUF) as their functional currency. In 2022 DDM REO Adria d.o.o. and AxFina Croatia d.o.o. had Croatia Kuna (HRK) as their functional currency. On 1 January 2023 Croatia adopted the EUR as its 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 Debt"), 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 for EUR 14,040k. AxFina is a key partner for DDM Debt'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 Debt 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 Debt. AxFina will also facilitate new market entries for DDM Debt (e.g. in Poland, where AxFina has recently established a presence). By taking a direct stake in its key debt servicing partner, DDM Debt is following a well-established industry practice and expects its core NPL business to benefit from a closer collaboration between DDM Debt and AxFina. On 6 April 2023 DDM Debt acquired an additional 25.05% of the share capital of AxFina for EUR 7,013k, taking its total holding in AxFina to 75.21%.

The acquisition of 50.16% of AxFina in 2022 generated EUR 11,022k of goodwill, whilst the acquisition of 25.05% of AxFina in 2023 was accounted for in equity (see below for further details).

Details of the goodwill are as follows:

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

The goodwill of EUR 11,022k is therefore attributable to the access to new markets, the 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 2022 acquisition are as follows:

Acquired net assets	EUR '000s
Fixed assets	1,036
Distressed asset portfolios	5,606
Cash and cash equivalents	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. Considering that the date of the transaction was 6 July 2022, the reference date used for the PPA was the financial position as at 30 June 2022.

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 the 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.

The cash consideration at the date of the acquisition in 2022 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.

Purchase consideration – cash outflow

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

On 6 April 2023, the group acquired an additional 25.05% of the share capital of AxFina for EUR 7,013k, taking its total holding in AxFina to 75.21%. Immediately prior to the purchase, the carrying amount of the existing 49.84% non-controlling interest in AxFina was EUR 3,230k. The group recognised a decrease in non-controlling interests of EUR 1,623k and a decrease in equity attributable to owners of the parent of EUR 5,390k. The effect on the equity attributable to the owners of DDM during the year is summarised as follows:

	EUR '000s
Carrying amount of non-controlling interests acquired	1,623
Consideration paid to non-controlling interests	(7,013)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(5,390)**

Net collections and revenue contribution

The acquired business contributed net collections of EUR 1.7m and service fees of EUR 0.2m to the DDM group for the period from 1 April to 30 June 2023 (H1 2023 net collections EUR 2.9m and service fees of EUR 0.3m).

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").

Note 5. *Distressed asset portfolios… continued*

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

Distressed asset portfolios by currency, EUR '000s	30 June 2023	31 December 2022
EUR	48,536	3,737
PLN	10,070	10,070
HUF	5,377	6,097
RON	3,943	4,347
RSD	1,513	1,508
CZK	170	184
HRK	–	45,160
Total	**69,609**	**71,103**

Note: On 1 January 2023 Croatia adopted the EUR as its national currency at a determined conversion rate of 7.53450 HRK for 1 EUR.

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	30 June 2023	31 December 2022
Balance at beginning of the period	21,546	31,819
Additions	–	–
Share of net profits of joint venture	1,395	8,321
Incremental net distribution from the joint venture	(3,699)	(18,595)
Balance at end of the period	**19,242**	**21,546**

Cash distributions of EUR 2.1m (FY 2022: EUR 19.7m) have been received from the joint venture during Q2 2023 (H1 2023: EUR 2.2m).

Note 7. Investment in associates

On 13 February 2023, DDM received the conversion notice from OmniOne S.A. in respect of the conversion of DDM's outstanding bond in OmniOne, equal to EUR 17,334,464, in exchange for 685,426 shares in OmniOne. New shares were issued and registered on 26 January 2023. On 24 February 2023 OmniOne successfully concluded a capital increase of EUR 9m at a pre-money valuation of EUR 60m. DDM contributed EUR 4m in exchange for 151,573 new shares. On the same date, as a further contribution to the stabilization and success of OmniOne S.A., DDM subscribed for 473,949 new shares, converting the majority of its existing investment in Omnione S.A. into equity. In total EUR 33.3m of convertible bonds and existing investments were converted into shares of Omnione S.A in Q1 2023, resulting in a reclassification of EUR 33.3m from financial assets at fair value to investment in associates.

The investment is 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 2023	31 December 2022
Balance at beginning of the period	–	–
Additions	–	–
Reclassification from financial assets at fair value	33,320	–
Share of net profits / (losses) in the income statement	(1,883)	–
Share of other comprehensive income of associates accounted for using the equity method	–	–
Dividends received & other	–	–
Balance at end of the period	**31,437**	**–**

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 are included within financial income and interest earned on the financial assets is included within interest income on invested assets.

In Q1 2023 in total EUR 33.3m of convertible bonds and existing investments were converted into shares of Omnione S.A, resulting in a EUR 33.3m reclassification from financial assets at fair value to investment in associates. EUR 1.8m was further invested in Omnio in Q1 2023, resulting in a remaining balance of EUR 8.6m in financial assets at fair value at 31 March 2023. In Q2 2023 a further EUR 3.7m was invested in Omnio, resulting in an outstanding balance of EUR 12.3m at 30 June 2023 relating to the investment in Omnio.

During 2022, DDM also invested EUR 4.5m into a special purpose acquisition company that is located in Sweden, with a further EUR 2.3m investment made in Q2 2023.

During Q2 2023 DDM sold 146,087 shares in Addiko Bank AG for an average price of EUR 13.32/share, resulting in realized gain of EUR 98k in Q2 within interest income. DDM also received dividend income totaling EUR 2,245k (EUR 1.21/share) on 4 May 2023, which is recorded in “interest income” within the line “interest income on invested assets” in the income statement.

Financial assets at fair value **EUR ‘000s**	**30 June 2023**	**31 December 2022**
Balance at beginning of the period	68,743	51,547
Additions	7,800	17,757
Disposals	(1,848)	–
Fair value gains / (losses)	(536)	(1,725)
Capitalized interest	2,059	1,119
Reclassification to investment in associates	(33,320)	–
Foreign exchange differences	(6)	45
Balance at end of the period	**42,892**	**68,743**

At the end of Q2 2023 DDM sold its 5% stake in Borgosesia S.p.A, which is pending regulatory approval, as well as its associated NPL portfolio as part of its continuous active asset management.

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 finite useful lives and customer relationships. The assets are capitalized and amortized on a straight-line basis in the income statement over their expected useful lives 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.

(iii) Customer-related servicing contracts

Intangible assets also include customer-related servicing contracts which the Company may directly acquire or with the acquisition of servicing entities. These are accounted for in line with IFRS 3 and IAS 38. Contracts that satisfy the contractual-legal criterion are valued by applying the Comparative Income Differential Method (CIDM). The fair value of these intangible assets is assessed based on i) profit margin, ii) remaining duration of the contracts and iii) the possibility of renewal, amendment or cancellation of contracts. The intangible asset is amortized based on the assumed cash flow profile of the servicing contract.

Note 11. Loans and borrowings

The Group had the following borrowings outstanding during the periods ending 30 June 2023 and/or 31 December 2022:

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. EUR 28.0m of own bonds are held in total, following the repurchase of EUR 16.4m of senior secured bonds at a discount in Q2 2023.

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. In April 2023 a further partial repayment of EUR 6.5m including accrued interest was made, and the remaining outstanding balance was extended to 31 March 2024.

Borrowing, DDM Group Finance S.A. EUR 17.6m

During 2022 DDM Finance AB entered into a loan agreement with DDM Group Finance S.A. for an amount of EUR 11,070k, at an annual interest rate of 12%. In Q2 2023 an additional loan of EUR 6,550k was entered into between DDM Finance AB and DDM Group Finance S.A. The total loan from DDM Group Finance S.A. was transferred in Q2 2023 to DDM Group AG.

Bond loan EUR 6m

The bond loan of EUR 3,565k 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 the restructuring agreement does not have an interest component a reference interest rate was applied.

Note 11.* Loans and borrowings… *continued

RCF EUR 4.5m

On 8 February 2023, DDM Debt agreed a super senior revolving credit facility of EUR 4.5M with a Swedish bank. The revolving credit facility is available to finance investments and for general corporate purposes. The facility is available until 30 June 2025 and priced at Euribor plus a margin of 375 basis points.

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	Beyond 5 years	Total
at 30 June 2023							
Bond loan, 9%	–	–	168,581	–	–	–	**168,581**
Senior secured notes	3,357	–	–	–	–	–	**3,357**
Borrowing, DDM Group Finance S.A.	–	17,620	–	–	–	–	**17,620**
Bonds	528	589	533	512	490	913	**3,565**
RCF	–	4,405	–	–	–	–	**4,405**
Total	**3,885**	**22,614**	**169,114**	**512**	**490**	**913**	**197,528**
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**

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 30 June 2023				
Bond loan, 9%	Financial liabilities at amortized cost	Level 2	113,623	168,581
Senior secured notes	Financial liabilities at amortized cost	Level 2	3,357	3,357
Borrowing, DDM Group Finance S.A	Financial liabilities at amortized cost	Level 3	17,620	17,620
Bonds	Financial liabilities at amortized cost	Level 3	6,218	3,565
RCF	Financial liabilities at amortized cost	Level 2	4,500	4,405
Total			**145,318**	**197,528**
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**

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 are 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.

EUR ‘000s	1 Apr – 30 Jun 2023	1 Apr – 30 Jun 2022	1 Jan – 30 Jun 2023	1 Jan – 30 Jun 2022	Full Year 2022
Gross collections	**13,897**	**12,497**	**22,262**	**24,606**	**45,715**
Collection and commission expenses	(1,252)	(1,342)	(2,525)	(3,120)	(5,376)
Net collections	**12,645**	**11,155**	**19,737**	**21,486**	**40,339**
Interest income	2,678	781	3,349	1,392	3,393
Amortization of invested assets	(8,242)	(7,623)	(11,034)	(13,731)	(24,604)
Interest income on invested assets before revaluation and impairment	**7,081**	**4,313**	**12,052**	**9,147**	**19,128**
Revaluation of invested assets	1,941	1,121	1,781	2,829	2,241
Impairment of invested assets	–	–	–	–	–
Revenue on invested assets	**9,022**	**5,434**	**13,833**	**11,976**	**21,369**
Share of net profits / (losses) of associate and joint venture	307	275	(487)	2,820	8,321
Revenue from management fees and other services	129	–	276	–	605

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, 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. 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 existing investments into shares of Omnione S.A. EUR 1.8m was further invested in Omnio in Q1 2023, resulting in a remaining balance of EUR 8.6m in financial assets at fair value at 31 March 2023. In Q2 2023 a further EUR 3.7m was invested in Omnio, resulting in an outstanding balance of EUR 12.3m at 30 June 2023 in financial assets at fair value relating to the investment in Omnio.

Interest income from Omnio to DDM for the second quarter and first six months of 2023 amounted to EUR 0.4m and EUR 1.0m respectively (Q2 2022: EUR 0.8m, H1 2022: EUR 1.4m), which has been recognized in interest income.

DDM received dividend income from Addiko Bank AG totaling EUR 2,245k (EUR 1.21/share) on 4 May 2023. DDM also received dividend income of EUR 57k from Borgosesia in Q2 2023.

Share of net profits / (losses) of associate and joint venture
The results for Q2 and H1 2023 include EUR 1.2m and EUR 1.4m (Q2 and H1 2022: EUR 0.3m and EUR 2.8m) from share of net profits of joint venture accounted for using the equity method in accordance with IFRS.

The results for Q2 and H1 2023 include EUR 0.9m and EUR 1.9m (Q2 and H1 2022: EUR nil) from share of net losses of associates 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 3.0m (H1 2022: EUR 1.0m) of brokerage fees were charged during H1 2023.

During 2022 DDM Finance AB entered into a loan agreement with DDM Group Finance S.A. for an amount of EUR 11.1m, which was increased by EUR 6.5m in Q2 2023, for which EUR 0.8m of financial expenses were recognized during H1 2023 (H1 2022: nil). The total loan from DDM Group Finance S.A. was transferred in Q2 2023 to DDM Group AG.

Non-current assets at 30 June 2023 includes EUR 0.7m (31 December 2022: 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 SA ("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 was DDM Group Finance S.A. The transaction was done at an implied valuation for 100% of AxFina of EUR 28m. DDM acquired a further 25.05% stake in AxFina from DDM Group Finance S.A. in April 2023 for EUR 7m.

During 2022 the DDM Group invested a total of EUR 13.3m into Omnione S.A., which lead to a total exposure to Omnio as of 31 December 2022 of EUR 41.0m. In early 2023, Omnione SA finalized a funding round in the form of a capital increase of EUR 9m, of which the largest part involved third party investors. In parallel with this funding round the capital setup of Omnione was restructured by converting the outstanding Convertible Bonds as well as most of the existing investment into shares of Omnione S.A. The EUR 9m fundraising was priced at EUR 26.39 per share, which is equivalent to a pre-capital increase (but post debt conversion) equity value of Omnione of EUR 60m. The valuation was also supported by the appraisal of an independent expert. In total EUR 33.3m of convertible bonds and existing investments were converted into shares of Omnione S.A in Q1 2023, resulting in a EUR 33.3m reclassification from financial assets at fair value to investment in associates. EUR 1.8m was further invested in Omnio in Q1, resulting in a remaining balance of EUR 8.6m in financial assets at fair value at 31 March 2023. In Q2 2023 a further EUR 3.7m was invested in Omnio, resulting in an outstanding balance of EUR 12.3m at 30 June 2023 relating to the investment in Omnio. Interest income from Omnio to DDM amounted to EUR 1.0m (H1 2022: EUR 1.4m) which has been recognized in interest income during H1 2023.

In December 2022 DDM entered into an agreement with Zalent Co. Limited in connection with a short-term secured shares loan agreement of 400,000 ordinary shares of Addiko Bank AG. The shares were lent at an interest rate of 15% on the EUR equivalent value of the shares at the closing price on 6 December 2022 of EUR 11.45. Interest income from Zalent to DDM amounted to EUR 0.3m (H1 2022: EUR nil) which has been recognized in financial income during H1 2023.

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 30 June 2023 (H1 2022: 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

DDM signed an agreement for the acquisition of a NPL portfolio containing unsecured consumer receivables located in Romania. The servicing of the portfolio will be performed by AxFina, part of the DDM group. The gross collection value (face value) of the portfolio amounts to over EUR 1 billion with the acquisition financed by cash on hand. The closing of the transaction is expected in late Q3 2023 following clearance by the competition authority.

DDM appointed Razvan Munteanu as new Chief Executive Officer effective 1 August.

At the end of July the Board of DDM Holding AG resolved to apply for the delisting of DDM Holding's shares from Nasdaq First North Growth Market ("First North"). The decision simplifies the operational set-up and was triggered by DDM Holding not meeting the listing requirements. The majority shareholder, DDM Group Finance S.A, has an ownership level of over 95 per cent of the shares, while the liquidity in the shares remained limited despite DDM engaging a liquidity provider since 2019. The delisting application was made to Nasdaq Stockholm AB, who confirmed the application, and the last day of trading in DDM Holding's shares on First North will be 15 September 2023.

DDM considers all the subsequent events above as non-adjusting events after the end of the reporting period.

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Apr–30 Jun 2023	1 Apr–30 Jun 2022	1 Jan–30 Jun 2023	1 Jan–30 Jun 2022	Full Year 2022
Gross collections	**13,897**	**12,497**	**22,262**	**24,606**	**45,715**
Incremental gross distribution from associate and joint venture	3,926	2,534	5,123	5,877	22,788
Distributions from financial assets at fair value	2,678	781	3,349	1,392	3,393
Adjusted gross collections	**20,501**	**15,812**	**30,734**	**31,875**	**71,896**
Net collections	**12,645**	**11,155**	**19,737**	**21,486**	**40,339**
Incremental net distribution from associate and joint venture	3,279	1,846	3,699	4,016	18,595
Distributions from financial assets at fair value	2,678	781	3,349	1,392	3,393
Adjusted net collections	**18,602**	**13,782**	**26,785**	**26,894**	**62,327**
Cash EBITDA	**5,694**	**8,254**	**8,465**	**17,089**	**28,636**
Incremental net distribution from associate and joint venture	3,279	1,846	3,699	4,016	18,595
Distributions from financial assets at fair value	2,678	781	3,349	1,392	3,393
Adjusted cash EBITDA	**11,651**	**10,881**	**15,513**	**22,497**	**50,624**

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 and cash EBITDA 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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