



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

Highlights third quarter 2020

- **Net collections** increased by 282% to EUR 63.1M (16.5)*
- **Cash EBITDA** increased by 353% to EUR 59.3M (13.1)*
- **Net profit for the period** of EUR 5.2M (loss of 1.5)*
- **Cash on hand** at the end of September 2020 was EUR 52M (12 at December 2019)
- **Greek restructuring** resulted in accelerated collections of approximately EUR 55M
- **Written procedure** completed with certain amendments to the terms and conditions of the DDM Debt AB up to EUR 160M senior secured bonds, including a 12 month extension to the final redemption date and EUR 7.5M partial repayment in September

Highlights nine months 2020

- **Net collections** increased by 93% to EUR 96.0M (49.6)*
- **Cash EBITDA** increased by 113% to EUR 86.9M (40.9)*
- **Unrealized FX losses** of EUR 2.0M driven by unfavorable movements of Croatian Kuna and Hungarian Forint due to COVID-19
- **Net profit for the period** of EUR 4.3M (loss of 3.0)*
- **Gross ERC** at the end of September 2020 was EUR 239M (328 at December 2019)
- **Strategic investment** made, acquiring 9.9% stake in Addiko Bank AG
- **Buy-out** of majority share co-investor in Hungary
- **Written procedure** completed with certain amendments to the terms and conditions of the DDM Debt AB up to EUR 150M senior secured bonds
- **COVID-19 pandemic** has had an adverse impact on global business and economic activity, and uncertainty remains over future collections

Significant events after the end of the quarter

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

* Key financial highlights above include non-IFRS alternative performance measures that represent underlying business performance. Further details including a reconciliation to IFRS can be found on page 19.

IFRS Consolidated Amounts in EUR '000s (unless specified otherwise)	1 Jul–30 Sep 2020**	1 Jul–30 Sep 2019**	1 Jan–30 Sep 2020**	1 Jan–30 Sep 2019**	Full Year 2019
Net collections	62,587	15,316	92,687	45,088	57,063
Revenue from management fees	73	43	73	423	570
Operating expenses	(3,880)	(3,479)	(9,204)	(9,204)	(13,219)
Cash EBITDA	58,780	11,880	83,556	36,307	44,414
Amortization, revaluation and impairment of invested assets	(48,649)	(8,987)	(63,810)	(30,056)	(35,716)
Share of net (losses) / profits of joint ventures and associates	(272)	212	284	673	916
Operating profit	9,791	3,056	19,798	8,719	15,010
Net profit / (loss) for the period***	5,167	(1,494)	4,349	(5,592)	(4,120)
Selected key figures					
Total assets	220,624	210,919	220,624	210,919	204,456
Net debt	117,011	159,431	117,011	159,431	152,132
Equity ratio****	17.2%	14.4%	17.2%	14.4%	15.5%
Cash flow from operating activities before working capital changes	57,069	7,741	79,338	22,733	29,838
Gross ERC 120 months (EUR M)	239	330	239	330	328
Earnings per share before and after dilution (EUR)	0.38	(0.11)	0.32	(0.41)	(0.30)
Total 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 results for 9M 2019 and the full year 2019 were negatively impacted by EUR 2.6M of non-recurring items relating to the bond refinancing in DDM Debt AB during Q2 2019

**** Equity ratio for the DDM Debt Bond Group calculated according to the terms and conditions of the DDM Debt AB bonds is 22.4% at 30 September 2020

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 6 November 2020 at 08:00 CET.

Comment by the CEO

I am delighted to announce that following the successful restructuring of our investment in Greece, we have achieved significant net collections of EUR 63.1M and a substantial profit of EUR 5.2M in the third quarter of 2020. This is a particularly impressive achievement given the current challenging market conditions as a result of the COVID-19 pandemic. In the first nine months of 2020 adjusted net collections were EUR 96.0M, 93% higher than corresponding period in 2019 mainly due to the accelerated collections from Greece.

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

Successful restructuring of Greek transaction

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

Accelerated collections and return to profit confirms our credit quality

In the first nine months of 2020 adjusted net collections were EUR 96.0M, 93% higher than corresponding period in 2019 mainly due to the accelerated collections received following the restructuring in Greece. This has resulted in adjusted cash EBITDA of EUR 86.9M in the first nine months of 2020, an increase of 113% compared to the first nine months of 2019. The net result for the third quarter is a profit of EUR 5.2M and for the first nine months of 2020 a profit of EUR 4.3M, despite being negatively impacted by EUR 2.0M of unrealized exchange losses principally due to unfavorable exchange rate movements of the Croatian Kuna and the Hungarian Forint to the Euro.

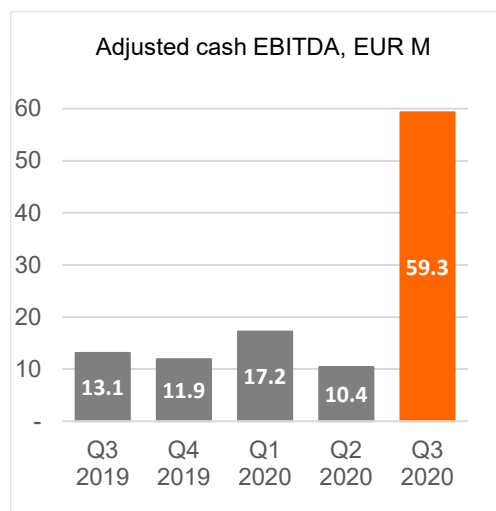
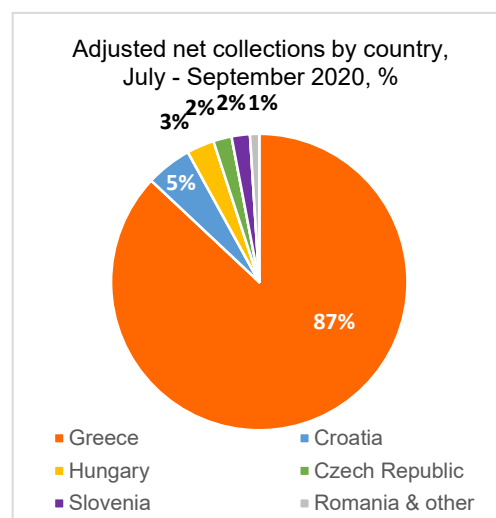
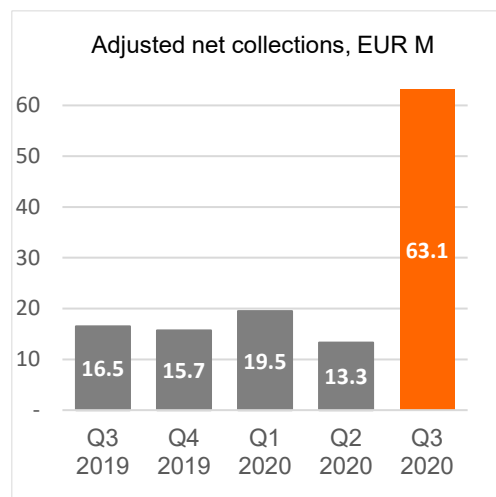
These results confirm the credit quality of our portfolios which have continued to show resilience with downward revaluations and impairments in the first nine months of 2020 being less than 1% of the carrying value of the opening book at the start of the year despite the adverse global impact from the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

Continued progress on debt structure

We successfully completed a written procedure in August to amend certain terms and conditions of the DDM Debt AB up to EUR 160M senior secured bonds, including extending the final redemption date by 12 months to 11 December 2021 following the recent volatility and uncertainty in the capital markets. The request included a mandatory partial redemption structure, call structure and consent fee. We will continue to focus on our debt structure to support our future growth and improve flexibility.

Strategic investment in Addiko Bank AG

We made a strategic investment by acquiring a 9.9% stake in Addiko Bank AG ("Addiko Bank") and intend to increase our shareholding further. The bank is well capitalized, with one of the highest tier one capital ratios in the region, which in our view provides a strong platform for further growth and allows Addiko Bank to selectively grow the business at a time where other competitors are limited due to capital constraints. We strongly believe that the region in which Addiko Bank operates, and which is well known to DDM, continues to offer attractive opportunities for SME and retail banking. DDM plans to support Addiko Bank in its transformation from being a full-scale bank to focusing on the consumer and SME segments with a strong focus on digitalization, including the disposal of non-core assets.



Market outlook

DDM is exploring new opportunities and diversifying its business model to be better positioned to work through the challenges faced due to the COVID-19 pandemic. During the first nine months of 2020 DDM has made a strategic investment in Addiko Bank. DDM is a highly experienced investor in Addiko Bank's core markets and is looking to support Addiko Bank in its transformation process.

The supply of new NPLs is also expected to increase more than investor demand in the foreseeable future as a result of adverse economic conditions due to the COVID-19 pandemic and European banks continuing to deleverage their balance sheets, thereby resulting in improved market returns. We are closely monitoring developments across our core markets. The recent resurgence in cases of infections across the SCEE region may result in further restrictions and therefore we expect the coming quarters to continue to be challenging with increased volatility and limited visibility over future collections.

Zug, 6 November 2020
DDM Holding AG
Henrik Wennerholm, CEO

Annual General Meeting 2020

DDM Holding AG held its Annual General Meeting ("AGM") on 17 September 2020. All resolutions were approved. The AGM resolved to re-elect Jörgen Durban, Erik Fällström, Joachim Cato and Florian Nowotny as members of the Board of Directors. The AGM also resolved to re-elect Jörgen Durban as Chairman of the Board of Directors. Please see our website www.ddm-group.ch, for further information about the resolutions passed at the AGM.

Financial calendar

DDM intends to publish financial information on the following dates:

Q4 and full year report 2020:	18 February 2021
Annual report 2020:	26 March 2021

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

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

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 6 November 2020, at 08:00 CET.

CEO Henrik Wennerholm and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 6 November 2020, starting at 10:00 CET. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers: SE: +46 8 505 583 68, CH: +41 225 675 632, UK: +44 333 300 9274.

Financial results

Adjusted net collections increased significantly in the third quarter to EUR 63.1M compared to 16.5M for the corresponding period last year. Approximately EUR 55M of net collections were received from Greece following the restructuring of the Greek investment.

Operating expenses were EUR 3.9M in the third quarter, EUR 0.4M higher than the corresponding period last year due to the consolidation of the collections platform in Hungary following the buy-out of the co-investor, partially offset by transactions costs incurred in the prior year period related to discontinued operations and cost saving measures introduced in 2020 in response to the pandemic. As a result, adjusted cash EBITDA totaled EUR 59.3M in the third quarter of 2020, an increase of 353% compared to the corresponding period last year.

The operating profit margin of 71% in the third quarter is higher than the corresponding period last year due to the higher proportion of collections received from Greece, which has a lower amortization relative to the secured portfolios in the Balkans. The net profit for the third quarter of 2020 is EUR 5.2M, benefiting from the strong collections as a result of the Greek restructuring.

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

For the third quarter of 2020, cash flow from operating activities before working capital changes was EUR 57.1 compared to EUR 7.7M for the corresponding period in 2019. This is primarily as a result of the accelerated net collections received on the Greek restructuring, lower tax paid compared to the prior year and distributions received from the joint venture together with B2Holding that closed during the prior year.

Estimated Remaining Collections

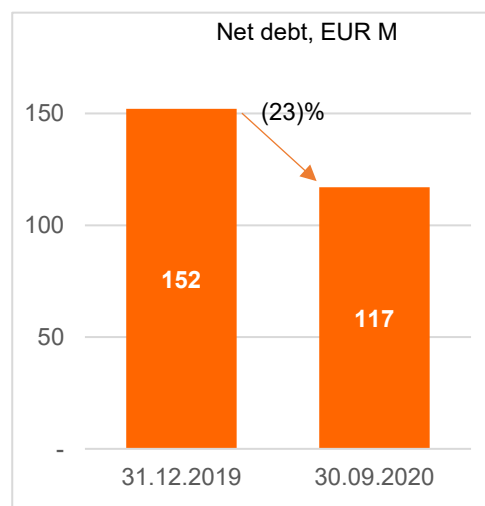
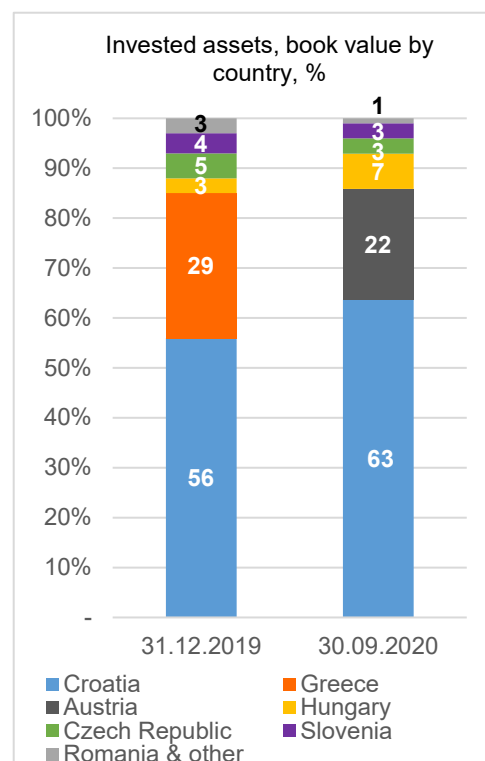
ERC in relation to invested assets at 30 September 2020 stands at EUR 239M, corresponding to a decrease of 27% compared to 31 December 2019, as a result of the collections that have been received during the first nine months of 2020 partially offset by investments made. As of 30 September 2020, 65% of the collections are expected to be received in the next three years.

Share of net profits of joint ventures and associates

Following the acquisition that closed during 2019 of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding, the results for the third quarter and first nine months of 2020 include EUR 0.1M and EUR 0.7M respectively from the share of net profits of joint ventures accounted for under the equity method in accordance with IFRS. Following the acquisition of a 9.9% stake in Addiko Bank AG that closed during March 2020, the results for the third quarter and first nine months of 2020 include EUR 1.9M share of net income in other comprehensive income, partially offset by EUR 0.4M share of net losses in the income statement of the associate accounted for under the equity method in accordance with IFRS.

Significant events after the end of the quarter

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



Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Jul–30 Sep 2020*	1 Jul–30 Sep 2019*	1 Jan–30 Sep 2020*	1 Jan–30 Sep 2019*	Full Year 2019
Reconciliation of revenue on invested assets:						
<i>Net collections</i>		62,587	15,316	92,687	45,088	57,063
<i>Amortization of invested assets</i>		(48,494)	(8,832)	(62,484)	(29,302)	(34,498)
Interest income on invested assets	10	14,093	6,484	30,203	15,786	22,565
<i>Net collections on sale of invested assets</i>		–	–	–	1,936	4,476
<i>Revaluation and impairment of invested assets</i>		(155)	(155)	(1,326)	(754)	(1,218)
Revenue on invested assets	10	13,938	6,329	28,877	16,968	25,823
Share of net profits of joint ventures and associates	5,6,10	(272)	212	284	673	916
Other operating income	10	–	–	–	–	1,142
Revenue from management fees	10	73	43	73	423	570
Personnel expenses		(1,190)	(1,427)	(3,966)	(4,124)	(5,398)
Consulting expenses		(2,169)	(1,477)	(3,858)	(3,304)	(5,497)
Other operating expenses		(521)	(575)	(1,380)	(1,776)	(2,324)
Amortization and depreciation of tangible and intangible assets		(68)	(49)	(232)	(141)	(222)
Operating profit		9,791	3,056	19,798	8,719	15,010
Financial income		994	–	1,493	63	178
Financial expenses**		(4,917)	(4,098)	(14,068)	(14,605)	(19,147)
Unrealized exchange loss		(160)	(418)	(2,016)	(250)	(336)
Realized exchange loss		(34)	(118)	(84)	(213)	(217)
Net financial expenses		(4,117)	(4,634)	(14,675)	(15,005)	(19,522)
Profit / (loss) before income tax		5,674	(1,578)	5,123	(6,286)	(4,512)
Tax (expense) / income		(507)	84	(774)	694	392
Net profit / (loss) for the period		5,167	(1,494)	4,349	(5,592)	(4,120)
Net profit / (loss) for the period attributable to:						
Owners of the Parent Company		5,167	(1,463)	4,349	(5,561)	(4,003)
Non-controlling interest		–	(31)	–	(31)	(117)
Earnings per share before and after dilution (EUR)		0.38	(0.11)	0.32	(0.41)	(0.30)
Average number of shares		13,560,447	13,560,447	13,560,447	13,560,447	13,560,447
Number of shares at the end of period		13,560,447	13,560,447	13,560,447	13,560,447	13,560,447

* Unaudited

** The results for 9M 2019 and the full year 2019 were negatively impacted by non-recurring items of approximately EUR 2.6M due to the call premium of EUR 2.0M that was paid in relation to the EUR 85M bond and the non-cash write off of about EUR 0.6M for the remaining capitalized transaction costs in relation to the bond refinancing in DDM Debt AB during Q2 2019.

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Jul–30 Sep 2020*	1 Jul–30 Sep 2019*	1 Jan–30 Sep 2020*	1 Jan–30 Sep 2019*	Full Year 2019
Net profit / (loss) for the period	5,167	(1,494)	4,349	(5,592)	(4,120)
Other comprehensive income / (loss) for the period					
<i>Items that will not be reclassified to profit or loss:</i>					
Actuarial loss on post-employment benefit commitments	–	–	–	–	(77)
Deferred tax on post-employment benefit commitments	–	–	–	–	44
<i>Items that may subsequently be reclassified to profit or loss:</i>					
Currency translation differences	(14)	4	(79)	6	(7)
Share of net income in associate	1,946	–	1,946	–	–
Other comprehensive income / (loss) for the period, net of tax	1,932	4	1,867	6	(40)
Total comprehensive income / (loss) for the period	7,099	(1,490)	6,216	(5,586)	(4,160)
Total comprehensive income / (loss) for the period attributable to:					
Owners of the Parent Company	7,099	(1,459)	6,216	(5,555)	(4,043)
Non-controlling interest	–	(31)	–	(31)	(117)

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	30 September 2020*	31 December 2019
ASSETS			
<i>Non-current assets</i>			
Goodwill	8	4,160	4,160
Intangible assets	8	1,145	1,303
Tangible assets	7	61	54
Right-of-use assets		317	104
Interests in associates	1,6	31,666	–
Distressed asset portfolios	4	85,500	143,027
Other long-term receivables from investments	4	–	3,023
Investment in joint venture	5	27,310	29,952
Deferred tax assets	3	1,253	1,600
Other non-current assets	12	1,240	995
Total non-current assets		152,652	184,218
<i>Current assets</i>			
Accounts receivable		11,733	3,330
Tax assets		92	1,401
Other receivables		1,881	1,820
Prepaid expenses and accrued income		2,196	1,402
Cash and cash equivalents		52,070	12,285
Total current assets		67,972	20,238
TOTAL ASSETS		220,624	204,456
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		11,780	11,780
Share premium		21,030	21,030
Other reserves		(530)	(451)
Retained earnings including net profit / (loss) for the period		5,626	(669)
Total shareholders' equity		37,906	31,690
<i>Long-term liabilities</i>			
Loans and borrowings	9	134,566	114,913
Lease liabilities		292	61
Provisions	11	1,497	–
Post-employment benefit commitments		1,358	1,156
Deferred tax liabilities	3	343	220
Total long-term liabilities		138,056	116,350
<i>Current liabilities</i>			
Loans and borrowings	9	34,515	49,504
Accounts payable		696	1,308
Tax liabilities		335	240
Accrued interest		4,626	2,667
Accrued expenses and deferred income		4,441	2,648
Lease liabilities		49	49
Total current liabilities		44,662	56,416
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		220,624	204,456

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Jul–30 Sep 2020*	1 Jul–30 Sep 2019*	1 Jan–30 Sep 2020*	1 Jan–30 Sep 2019*	Full Year 2019
Cash flow from operating activities					
Operating profit	9,791	3,056	19,798	8,719	15,010
Cash distribution from joint venture	1,025	–	3,971	–	2,654
<i>Adjustments for non-cash items:</i>					
<i>Amortization of invested assets</i>	48,494	8,832	62,484	29,302	34,498
<i>Revaluation and impairment of invested assets</i>	155	155	1,326	754	1,218
<i>Share of net profits of joint ventures and associates</i>	272	(212)	(284)	(673)	(916)
<i>Other operating income</i>	–	–	–	–	(1,142)
<i>Depreciation, amortization and impairment of tangible and intangible assets</i>	68	49	232	141	222
<i>Other items not affecting cash</i>	(331)	(102)	(158)	471	(5)
Interest paid	(3,350)	(2,307)	(10,562)	(12,417)	(18,179)
Interest received	984	–	1,466	63	179
Tax paid	(39)	(1,730)	(184)	(3,627)	(3,701)
Tax received	–	–	1,249	–	–
Cash flow from operating activities before working capital changes	57,069	7,741	79,338	22,733	29,838
Working capital adjustments					
(Increase) / decrease in accounts receivable	(10,635)	2,301	(11,703)	5,989	5,133
(Increase) / decrease in other receivables	(360)	1,702	(855)	(526)	(18)
Increase / (decrease) in accounts payable	(148)	(456)	(612)	(300)	(292)
Increase / (decrease) in other current liabilities	375	254	1,448	817	21
Net cash flow from operating activities	46,301	11,542	67,616	28,713	34,682
Cash flow from investing activities					
Purchases of associates	–	–	(30,094)	–	–
Acquisition of subsidiary, net of cash acquired	–	–	(1,178)	–	–
Purchases of non-current assets	–	–	(180)	–	(975)
Purchases of distressed asset portfolios and other long-term receivables from investments	–	(66,342)	–	(66,342)	(66,342)
Purchases of investment of joint venture	–	–	–	(66,662)	(66,662)
Proceeds from divestment of distressed asset portfolios and joint venture	–	33,789	–	33,789	37,094
Purchases of tangible and intangible assets	(32)	(1)	(32)	(36)	(36)
Net cash flow received / (used) in investing activities	(32)	(32,554)	(31,484)	(99,251)	(96,921)
Cash flow from financing activities					
Proceeds from issuance of loans	–	15,305	27,818	105,367	110,537
Repayment of loans	(20,260)	–	(23,860)	(83,700)	(95,700)
Net cash flow received / (used) in financing activities	(20,260)	15,305	3,958	21,667	14,837
Cash flow for the period	26,009	(5,707)	40,090	(48,871)	(47,402)
Cash and cash equivalents less bank overdrafts at beginning of the period	26,115	16,787	12,285	59,862	59,862
Foreign exchange losses on cash and cash equivalents	(54)	(260)	(305)	(171)	(175)
Cash and cash equivalents less bank overdrafts at end of period	52,070	10,820	52,070	10,820	12,285

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Attributable to Parent Company's shareholders				Total Equity	Non-controlling interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings including net profit / (loss) for the period			
Balance at 1 January 2019	11,780	21,030	(488)	3,528	35,850	–	35,850
Net loss for the period	–	–	–	(5,561)	(5,561)	(31)	(5,592)
Other comprehensive income / (loss)							
Actuarial gain / (loss) on defined benefit commitment	–	–	–	–	–	–	–
Currency translation differences	–	–	6	–	6	–	6
Deferred tax on post-employment benefit commitments	–	–	–	–	–	–	–
Total comprehensive income / (loss)	–	–	6	(5,561)	(5,555)	(31)	(5,586)
<i>Transactions with owners</i>							
Total transactions with owners	–	–	–	–	–	–	–
Balance at 30 September 2019*	11,780	21,030	(482)	(2,033)	30,295	(31)	30,264
Balance at 1 January 2020	11,780	21,030	(451)	(669)	31,690	–	31,690
Net profit for the period	–	–	–	4,349	4,349	–	4,349
Other comprehensive income / (loss)							
Actuarial profit / (loss) on defined benefit commitment	–	–	–	–	–	–	–
Currency translation differences	–	–	(79)	–	(79)	–	(79)
Deferred tax on post-employment benefit commitments	–	–	–	–	–	–	–
Share of net income in associate	–	–	–	1,946	1,946	–	1,946
Total comprehensive income / (loss)	–	–	(79)	6,295	6,216	–	6,216
<i>Transactions with owners</i>							
Total transactions with owners	–	–	–	–	–	–	–
Balance at 30 September 2020*	11,780	21,030	(530)	5,626	37,906	–	37,906

* 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 2019. DDM's principal accounting policies are set out in Note 3 to the consolidated financial statements in the Annual Report 2019 and conform with International Financial Reporting Standards (IFRS) as adopted by the EU.

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

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

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 September	31 December
			2020	2019
Clipper Holding III S.à r.l.	Fully consolidated	Luxembourg	100%	–
DDM Group AG	Fully consolidated	Switzerland	100%	100%
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Debt AB	Fully consolidated	Sweden	100%	100%
DDM Finance AB	Fully consolidated	Sweden	100%	100%
DDM Treasury Sweden AB	Fully consolidated	Sweden	–	100%
DDM Invest V d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Debt Management d.o.o Beograd	Fully consolidated	Serbia	100%	100%
DDM Debt Romania S.R.L	Fully consolidated	Romania	100%	100%
DDM REO Adria d.o.o.	Fully consolidated	Croatia	100%	–
Finalp Zrt.	Fully consolidated	Hungary	100%	100%
Lombard Pénzügyi és Lízing Zrt.	Fully consolidated	Hungary	100%	–
Lombard Ingatlan Lízing Zrt.	Fully consolidated	Hungary	100%	–
Lombard Bérlet Kft.	Fully consolidated	Hungary	100%	–

On 11 February 2020 DDM Treasury Sweden AB was merged into DDM Debt AB to simplify the existing DDM Group structure.

On 27 February 2020 DDM acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft ("Lombard"). Prior to the acquisition DDM owned the rights to 30 percent of the portfolio and 100 percent of the equity in Lombard which has been reclassified from other long-term receivables from investments to distressed asset portfolios.

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

Joint ventures

The Company applies IFRS 11 Joint Arrangements, where 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 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 September 2020	31 December 2019
CE Partner S.à r.l.	Equity method	Luxembourg	50%	50%
CE Holding Invest S.C.S	Equity method	Luxembourg	50%	50%

Associates

Associates are all entities over which DDM 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. On 9 March 2020 the DDM Group acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30M.

The DDM Group has determined that it has significant influence over Addiko Bank AG through already acquiring a 9.9% shareholding and the call option exercised on 30 March to acquire an additional 10.1% stake in Addiko Bank AG that lapsed after the end of the quarter. DDM continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding. The DDM Group as a major shareholder is able and requested an Extraordinary General Meeting of Addiko Bank AG to make changes to the composition of the supervisory board which took place on 10 July 2020.

Associates	Consolidation method	Domicile	30 September 2020	31 December 2019
Addiko Bank AG	Equity method	Austria	9.9%	–

Post-employment benefit commitment

The post-employment benefit commitment is calculated on an annual basis. In 2019 and 2020 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 September 2020 all fully consolidated group entities have EUR as their functional currency, except for DDM Debt Management d.o.o Beograd, which has Serbian Dinar (RSD) as its functional currency, DDM Debt Romania S.R.L, which has Romanian Leu (RON) as its functional currency, DDM REO Adria d.o.o. which has Croatia Kuna (HRK) as its functional currency and Finalp Zrt., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft which have Hungarian Forint (HUF) as their functional currency.

Note 3. Deferred taxes

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

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

Note 4. Distressed asset portfolios and other long-term receivables from investments

DDM invests in distressed asset portfolios, where the receivables are directly against the debtor, and in other long-term receivables from investments, where the receivables were against the local legal entities holding the portfolios of loans.

Other long-term receivables from investments

DDM owned 100% of the shares in the local legal entities holding the leasing portfolios at 31 December 2019. However, for each investment there was a co-investor holding a majority stake in the leasing portfolio, and therefore DDM did not control the investment as the co-investor had significant rights which if exercised could block decisions related to relevant activities to collect the portfolios.

The economic substance of the investments was the underlying portfolios of loans. As a result, the underlying assets which represented other long-term receivables from investments were recognized in the financial statements. The receivables were initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, adjusted for revaluation and impairment. The fair value of 100% of the equity was immaterial, and therefore equity accounting was not carried out.

Note 4. Distressed asset portfolios... continued

The following investments were treated in this manner:

Entity	Domicile	30 September 2020	31 December 2019
Lombard Pénzügyi és Lízing Zrt.	Hungary	–	100%
Lombard Ingatlan Lízing Zrt.	Hungary	–	100%
Lombard Bérlet Kft.	Hungary	–	100%

On 27 February 2020, the DDM Group acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft (“Lombard”). Prior to the acquisition DDM owned the rights to 30 percent of the portfolio and 100 percent of the equity in Lombard which has been reclassified from other long-term receivables from investments to distressed asset portfolios.

Distressed asset portfolios and other long-term receivables from investments

The recognition of the acquisition of distressed asset portfolios and other long-term receivables from investments is based on the DDM Group’s own forecast of future cash flows from acquired portfolios / receivables. Distressed asset portfolios and other long-term receivables from investments consist mainly of portfolios of non-performing debts purchased at prices significantly below their principal value. Such assets are classified as non-current assets. Reporting follows the effective interest method, where the carrying value of each portfolio / receivable corresponds to the present value of all projected future cash flows discounted by an initial effective interest rate determined on the date the portfolio / receivable was acquired, based on the relation between purchase price and the projected future cash flows on the acquisition date. Changes in the carrying value of the portfolios / receivables are reported as amortization, revaluation and impairment for the period.

If the fair value of the investment at the acquisition date exceeds the purchase price, the difference results in a “gain on bargain purchase” in the income statement within the line “net collections”. The gain on bargain purchase relates to the fair value measurement of the investment (purchase price allocation).

The acquisition method of accounting is used to account for all business combinations, the excess of the consideration transferred for the acquisition over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase within the line “other operating income”.

Cash flow projections are made at the portfolio / receivable level since each portfolio / receivable 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”. 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 / receivable is impaired. A portfolio / receivable is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the portfolio / receivable that can be reliably estimated. This is recorded within the line “Impairment of invested assets

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated income statement (within the line “Impairment of invested assets”).

If DDM sells a portfolio / receivable for a higher or lower amount than its carrying value, the resulting gain or loss on disposal is recognized in the consolidated income statement (within the line “Net collections on sale of invested assets”).

Note 4. Distressed asset portfolios... continued

The carrying values of distressed asset portfolios and other long-term receivables from investments are distributed by currency as follows:

Distressed asset portfolios and other long-term receivables from investments by currency EUR '000s	30 September 2020	31 December 2019
HRK	58,931	63,557
EUR	10,469	65,797
HUF	10,445	5,774
CZK	4,305	8,618
RSD	732	1,385
RON	618	919
Total	85,500	146,050

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

Note 5. Investment in joint venture

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

On 15 July 2019, DDM secured third party financing together with B2Holding to partially fund the joint venture acquisition in Croatia at a lower cost of funding than the existing DDM Debt AB senior secured bonds in issue.

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

Investment in joint venture EUR '000s	30 September 2020	31 December 2019
Balance at beginning of the year	29,952	–
Additions	–	66,662
Share of net profits of joint venture	659	916
Proceeds from funding of joint venture	–	(33,789)
Incremental net distribution from the joint venture	(3,301)	(3,837)
Balance at end of the period	27,310	29,952

The incremental net distribution from the joint venture includes EUR 4.0M (9M 2019: nil) that has been received as a cash distribution during the first nine months of 2020 and EUR 0.5M (December 2019: EUR 1.2M) that has been reclassified to accounts receivable at the end of the period.

Note 6. Investment in associates

On 9 March 2020 the DDM Group acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30M.

The DDM Group has determined that it has significant influence over Addiko Bank AG through already acquiring a 9.9% shareholding and the call option exercised on 30 March to acquire an additional 10.1% stake in Addiko Bank AG that lapsed after the end of the quarter. DDM continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding. The DDM Group as a major shareholder is able and requested an Extraordinary General Meeting of Addiko Bank AG to make changes to the composition of the supervisory board which took place on 10 July 2020.

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

Investment in associates EUR '000s	30 September 2020	31 December 2019
Balance at beginning of the year	–	–
Additions	30,094	–
Share of net income in other comprehensive income	1,946	–
Share of net losses in the income statement	(374)	–
Balance at end of the period	31,666	–

Note 6. Investment in associates ... continued

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

Note 7. 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 8. Intangible assets

(i) Identifiable intangible assets

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

(ii) Goodwill

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

Note 9. Loans and borrowings

The Group had the following borrowings outstanding during the periods ending 30 September 2020 and/or 31 December 2019:

Bond loan EUR 100M

On 8 April 2019, DDM Debt AB (publ) ("DDM Debt") issued EUR 100M of senior secured bonds priced at Euribor plus a margin of 9.25% within a total framework amount of EUR 150M. The bonds with ISIN number SE0012454940 have a final maturity date of 8 April 2022 and are listed on the Corporate Bond list at Nasdaq Stockholm. The proceeds from the new bond issue were mainly employed towards refinancing the existing EUR 85M bond and for general corporate purposes.

On 16 March 2020 DDM Debt AB completed a written procedure regarding certain amendments to the terms and conditions of its up to EUR 150M senior secured bonds.

DDM Debt's financial instruments contain a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds are: an equity ratio of at least 15.00%, net interest bearing debt to cash EBITDA below 4:1, and net interest bearing debt to ERC below 75.00%. DDM's management carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded. Please also refer to the financial statements of DDM Debt. DDM Debt complied with all bond covenants for the periods ending 30 September 2020 and 31 December 2019.

DDM Debt has pledged the shares in its direct subsidiaries as security under the terms and conditions. Certain bank accounts are also assigned to the bond agent and the bondholders as part of the bond terms. DDM Finance 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 and revolving credit facility contain a number of restrictions, including relating to distributions, the nature of the business, financial indebtedness, disposals of assets, dealings with related parties, negative pledges, new market loans, mergers and demergers, local credits and intercompany loans. The terms and conditions of the senior secured bonds are available in their entirety on our website.

Note 9. Loans and borrowings... continued

Revolving credit facility EUR 27M

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

Senior secured notes EUR 18M

DDM Finance AB ("DDM Finance") has a total of EUR 18M of senior secured notes outstanding. DDM Finance used the majority of the net proceeds to provide a shareholder loan to DDM Finance's wholly owned 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 is 30 June 2022.

Bond loan EUR 50M

On 11 December 2017, DDM Debt issued EUR 50M of senior secured bonds at 8% within a total framework amount of EUR 160M. The bonds with ISIN number SE0010636746 have a final maturity date of 11 December 2021 and are listed on the Corporate Bond list at Nasdaq Stockholm. The bonds contain a number of financial covenants. Please refer to the "Bond loan EUR 100M" section above for further details. The net proceeds were for acquiring additional debt portfolios.

On 14 August 2020 DDM Debt AB completed a written procedure to request certain amendments to the terms and conditions of its up to EUR 160M senior secured bonds. DDM Debt AB requested, among other things, to extend the final redemption date by twelve months to 11 December 2021 in anticipation that the volatility in the credit markets caused by the COVID-19 pandemic will decrease and that the financial markets will normalize. The amendments incorporated a mandatory partial redemption structure, call structure, including a EUR 7.5M of nominal value bond buyback paid on 16 September and consent fee of 1% that was paid on 28 August.

Bond loan EUR 85M

EUR 50M of senior secured bonds at 9.5% were issued by DDM Debt on 30 January 2017, within a total framework amount of EUR 85M. The bonds with ISIN number SE0009548332 had a final maturity date of 30 January 2020 and were listed on the Corporate Bond list at Nasdaq Stockholm. In April 2017, DDM Debt successfully completed a EUR 35M tap issue under the EUR 85M senior secured bond framework. The bond tap issue was placed at a price of 101.5%, representing a yield to maturity of c. 9%.

On 2 May 2019, DDM Debt redeemed in advance its EUR 85M senior secured bonds with ISIN SE0009548332, in accordance with Clause 9.3 (Voluntary total redemption (call option)) of the terms and conditions of the bonds. The bonds were redeemed each at the applicable call option (being 102.38 per cent. of the outstanding nominal amount) totaling EUR 2.0M, plus accrued but unpaid interest. In addition, the remaining capitalized transaction costs of approximately EUR 0.6M were expensed to the income statement as a non-cash write off in relation to the existing EUR 85M bond. The redemption amount was paid to the bondholders holding bonds on the relevant record date, being 24 April 2019. The bonds were de-listed from the corporate bond list of Nasdaq Stockholm in connection with the redemption date and the last day of trading occurred on 18 April 2019.

Other loans

In March 2020, DDM received approximately EUR 0.8M as financing as part of the government loan scheme in Switzerland for the COVID-19 pandemic.

Maturity profile and carrying value of borrowings:

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 30 September 2020						
Revolving credit facility	24,927	–	–	–	–	24,927
Bond loan, 8%	9,588	27,564	–	–	–	37,152
Bond loan, 9.25%	–	88,742	–	–	–	88,742
Senior secured notes	–	17,457	–	–	–	17,457
Other loans	–	–	–	–	803	803
Total	34,515	133,763	–	–	803	169,081
at 31 December 2019						
Senior secured notes	–	–	17,287	–	–	17,287
Bond loan, 8%	49,504	–	–	–	–	49,504
Bond loan, 9.25%	–	–	97,626	–	–	97,626
Total	49,504	–	114,913	–	–	164,417

Note: Bond loans are initially reported at fair value net of transaction costs incurred and subsequently stated at amortized cost using the effective interest method.

Note 9. Loans and borrowings... continued

Fair value of borrowings:

EUR '000s	IFRS 9 category	Fair value category	Fair value	Carrying value
at 30 September 2020				
Revolving credit facility	Financial liabilities at amortized cost	Level 2	25,000	24,927
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	37,080	37,152
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	82,942	88,742
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,457
Other loans	Financial liabilities at amortized cost	Level 2	803	803
Total			163,825	169,081
at 31 December 2019				
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,287
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	51,012	49,504
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	101,623	97,626
Total			170,635	164,417

The levels in the hierarchy are:

- Level 1 – Quoted prices on active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (such as prices) or indirectly (such as derived from prices). The fair value of the bond loans is calculated based on the bid price for a trade occurring close to the balance sheet date.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

Note 10. 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.

Net collections is comprised of gross collections from the distressed asset portfolios and other long-term receivables held by DDM, minus commission and fees to third parties. The net amount of cash collected is recorded as "Net collections" within the line "Revenue on invested assets" in the consolidated income statement. DDM discloses the alternative performance measure "Net collections" in the consolidated income statement 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 consolidated income statement 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 and other long-term receivables from investments, 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 Jul–30 Sep 2020	1 Jul–30 Sep 2019	1 Jan–30 Sep 2020	1 Jan–30 Sep 2019	Full Year 2019
Net collections by country:					
Greece	54,748	6,610	69,430	7,710	12,111
Croatia	2,960	2,274	7,741	6,607	10,551
Hungary	1,925	1,195	6,371	4,028	5,404
Czech Republic	1,161	2,121	4,320	7,531	9,418
Slovenia	1,018	2,032	2,519	16,150	18,122
Romania	626	881	1,914	2,592	3,431
Serbia	140	202	372	417	481
Slovakia	9	7	20	39	45
Bosnia	–	(6)	–	(4)	23
Russia	–	–	–	1,954	1,953
Net collections*	62,587	15,316	92,687	47,024	61,539
Amortization of invested assets	(48,494)	(8,832)	(62,484)	(29,302)	(34,498)
Interest income on invested assets before revaluation and impairment	14,093	6,484	30,203	17,722	27,041
Revaluation of invested assets	(155)	944	(994)	1,366	4,562
Impairment of invested assets	–	(1,099)	(332)	(2,120)	(5,780)
Revenue on invested assets	13,938	6,329	28,877	16,968	25,823
Share of net (losses) / profits of joint ventures and associates	(272)	212	284	673	916
Other operating income	–	–	–	–	1,142
Revenue from management fees	73	43	73	423	570

* Included within net collections is the sale of invested assets

Note 10. Revenue recognition... continued

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

Share of net profits of joint venture and associate

Following the acquisition that closed on 31 May 2019 of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding, the third quarter of 2020, first nine months of 2020 and full year 2019 results include EUR 0.1M (Q3 2019: EUR 0.2M), EUR 0.7M (9M 2019: EUR 0.7M) and EUR 0.9M respectively from share of net profits of joint venture accounted for under the equity method in accordance with IFRS. Following the acquisition of a 9.9% stake in Addiko Bank AG ("Addiko Bank") that closed during March 2020, the results for the third quarter and first nine months of 2020 include EUR 1.9M share of net income in other comprehensive income, partially offset by EUR 0.4M share of net losses in the income statement of the associate accounted for under the equity method in accordance with IFRS.

Net collections on sale of invested assets

On 29 March 2019, DDM sold its legacy portfolios in Russia for a total consideration of EUR 2.1M. The transaction resulted in a realized gain on sale of EUR 1.9M recognized in the consolidated income statement for the first nine months and full year 2019 as net collections on sale of invested assets.

On 28 October 2019, DDM partially sold a consumer portfolio previously acquired in Croatia for a total consideration of EUR 5.8M. The transaction resulted in a realized gain on sale of EUR 2.5M recognized in the consolidated income statement for the full year 2019 as net collections on sale of invested assets.

Other operating income

On 23 December 2019, a further 12% of the shares of aXs GmbH (in addition to the 70% already held) were acquired for a total consideration of EUR 200k. Subsequently 82% of the shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. (DDM Holding AG's largest shareholder) for a total deferred consideration of EUR 1,367k on 23 December 2019. This transaction resulted in a gain on sale of shares of EUR 1,142k which was recognized in the consolidated income statement for the full year 2019 under "Other operating income".

Revenue from management fees

Revenue from management fees related to revenue received from co-investors where DDM managed the operations of the assets, but did not own 100% of the portfolio. For Hungary these fees were calculated based on the performance of the portfolio, and for Greece these fees were calculated based on the time spent on portfolio management prior to the buy-out of the co-investors.

Note 11. Business combinations

On 27 February 2020, DDM acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft ("Lombard"). The total investment amounted to approximately EUR 3M. Prior to the acquisition DDM owned the rights to 30 percent of the portfolio and 100 percent of the equity in Lombard which has been reclassified from other long-term receivables from investments to distressed asset portfolios.

Acquired net assets	EUR '000s
Distressed asset portfolios	8,283
Cash and cash equivalents	2,038
Other receivables	116
Acquired assets	10,436
Provisions	(2,752)
Accruals	(1,616)
Assumed liabilities	(4,368)
Acquired net assets	6,068
Cash consideration	(3,216)
Other long-term receivables from investments	(2,853)
Goodwill	-

Acquired assets

The fair value of the assets acquired include the present value of future cash flows of the performing and non-performing loans discounted at the initial rate of return under amortized cost and the cash and cash equivalents held at bank at acquisition.

Acquired liabilities

The fair value of the liabilities assumed at acquisition includes a provision for restricted cash payable to third parties as part of a previous settlement.

Note 11. Business combinations... continued

Purchase consideration

The total purchase price amounted to EUR 6.1M as at 27 February 2020. This sum includes a net cash consideration of EUR 3.2M and the NBV of the existing 30 percent of the portfolio held prior to acquisition of EUR 2.9M. The costs relating to the acquisition amounted to EUR 30k and were recognized directly in the income statement under consulting expenses.

Note 12. Related parties

In 2018 AEDC Capital Limited (AEDC), a company related to DDM Group Finance S.A. (being the largest shareholder in DDM Holding AG), whose shares are ultimately held by trusts attributable to Erik Fällström and Andreas Tuczka, entered into an agreement with DDM where AEDC provides business development services for identified projects. Business development services from AEDC to DDM in the third quarter and first nine months of 2020 amounted to EUR nil and EUR 160k respectively (FY 2019: 757k) which have been recognized in consultancy expenses during the respective period.

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 1,075k in the first quarter of 2020 (FY 2019: nil) was capitalized as transaction costs as part of the strategic investment in Addiko Bank AG. A further EUR 443k of brokerage fees were capitalized during Q2 2020 and EUR 1,425k of brokerage fees were recognized in consultancy expenses during Q3 2020. In relation to the full year 2019 an amount of EUR 1,610k was capitalized as transaction costs as part of the bond refinancing during Q2 2019, resulting in EUR 132k and EUR 384k (FY 2019: EUR 316k) of amortized transaction costs that were recognized within financial expenses during the third quarter and first nine months of 2020 respectively.

On 29 May 2019, aXs GmbH was registered following the partnership that was launched with the company 720 Restructuring & Advisory, where 70% of the ownership was controlled by DDM. On 23 December 2019, a further 12% of the shares of aXs GmbH were acquired for a total consideration of EUR 200k. Subsequently 82% of the shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. for a total deferred consideration of EUR 1,367k on 23 December 2019. This transaction resulted in a gain on sale of shares of EUR 1,142k which has been recognized in the consolidated income statement for the full year 2019 under "Other operating income".

On 20 December 2019, EUR 725k was paid from DDM to Omnione S.A. and recognized as a non-current asset receivable.

On 2 March 2020, EUR 180k (FY 2019: EUR 250k) was paid from DDM to AxFina Holding S.A. and recognized as a non-current asset receivable to fund the working capital of the servicing platform.

On 1 May 2020 NFE Unternehmensberatungs GmbH ("NFE"), a company related to Florian Nowotny, entered into an agreement with DDM where NFE provides services under an advisory agreement. Advisory services from NFE to DDM amounted to EUR 39k and EUR 79k which has been recognized in consultancy expenses during the third quarter and first nine months of 2020 respectively.

Note 14. Subsequent events

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

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Jul–30 Sep 2020	1 Jul–30 Sep 2019	1 Jan–30 Sep 2020	1 Jan–30 Sep 2019	Full Year 2019
Net collections	62,587	15,316	92,687	45,088	57,063
Sale of invested assets	–	–	–	1,936	4,476
Incremental net distribution from joint venture	514	1,206	3,301	2,619	3,837
Adjusted net collections	63,101	16,522	95,988	49,643	65,376
Cash EBITDA	58,780	11,880	83,556	36,307	44,414
Sale of invested assets	–	–	–	1,936	4,476
Incremental net distribution from joint venture	514	1,206	3,301	2,619	3,837
Adjusted cash EBITDA	59,294	13,086	86,857	40,862	52,727
Net profit / (loss) for the period	5,167	(1,494)	4,349	(5,592)	(4,120)
Non-recurring items bond refinancing	–	–	–	2,631	2,631
Adjusted net profit / (loss) for the period	5,167	(1,494)	4,349	(2,961)	(1,489)

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 net collections, cash EBITDA and net profit / (loss) for the period provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include one-time costs not affecting the Company’s run rate cost level, significant earnings effects from acquisition and disposals of invested assets and incremental net distributions from joint ventures.

These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies. The APMs are regularly reviewed by Management and their aim is to enhance stakeholders’ understanding of the 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 all undiscounted future projected cash collections before collection costs from acquired portfolios. This includes the Group's share of proceeds on portfolios purchased, held in joint ventures and associates. ERC is not a balance sheet item, however it is provided for informational purposes as a common measure in the debt purchasing industry. ERC may be calculated differently by other companies and may not be comparable.

Equity

Shareholders' equity at the end of the period.

Equity ratio

The ratio of shareholders' equity to total assets at the end of the period.

Impairment of invested assets

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

Invested assets

DDM's invested assets consist of purchases of distressed asset portfolios, other long-term receivables from investments, investment in joint venture and associate.

Net collections

Gross collections from Portfolios held by the Group less commission and collection fees to third parties (but if such Portfolios are partly owned, only taking into consideration such Group Company's pro rata share of the gross collections and commission and fees).

Net debt

Long-term and short-term loans, liabilities to credit institutions (bank overdrafts) less cash and cash equivalents.

Non-recurring items

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

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 and manager of non-performing loans and special situations, offering the prospect of attractive returns from the expanding Southern, Central and Eastern European market. Since 2007, the DDM Group has built a successful platform in Southern, Central and Eastern Europe, and has acquired 2.3 million receivables with a nominal value of over EUR 4 billion.

For sellers (banks and financial institutions), management of portfolios of distressed assets is a sensitive issue as it concerns the relationship with their customers. For these sellers it is therefore critical that the acquirer handles the underlying individual debtors professionally, ethically and with respect. DDM has longstanding relations with sellers of distressed assets, based on trust and the Company's status as a credible acquirer.

The banking sector in Southern, Central and Eastern Europe is subject to increasingly stricter capital ratio requirements resulting in distressed assets being more expensive for banks to keep on their balance sheets. As a result, banks are increasingly looking to divest portfolios of distressed and other non-core assets.

DDM Holding AG, the Parent Company, is a company incorporated and domiciled in Zug, Switzerland and listed on Nasdaq First North Growth Market in Stockholm, Sweden, since August 2014.



ddm

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