



Well-positioned to invest following successful EUR 50m tap issue

Highlights third quarter 2021

- Gross collections amounted to EUR 11.5m (64.2)*
- Net collections amounted to EUR 8.7m (62.1)*
- Cash EBITDA amounted to EUR 6.9m (58.6)*
- Net loss for the period of EUR 2.3m (profit of 5.1)*
- Cash at the end of September 2021 was EUR 96.7m (30.7 at December 2020)
- EUR 50m of senior secured bonds were issued in September in a tap issue under the EUR 300m bond framework at a price of 102% of the nominal amount, to fund future acquisitions of portfolios

Highlights nine months 2021

- Gross collections amounted to EUR 39.4m (99.9)*
- Net collections amounted to EUR 32.6m (93.5)*
- Cash EBITDA amounted to EUR 26.2m (85.2)*
- Net loss for the period of EUR 2.8m (profit of 4.4)*
- Investment in a distressed asset portfolio located in Romania with a GCV (face value) of approximately EUR 90m
- Assigned a 'B' Rating with stable outlook by both S&P Global Ratings and Fitch Ratings
- EUR 150m of senior secured bonds were issued with a five-year tenor under a framework of up to EUR 300m, enabling DDM Debt to refinance its existing bonds and to fund future acquisitions of portfolios
- Florian Nowotny appointed Chief Executive Officer with effect as of 1 August 2021 replacing Henrik Wennerholm

* 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 24.

IFRS Consolidated Amounts in EUR '000s (unless specified otherwise)	1 Jul–30 Sep 2021**	1 Jul–30 Sep 2020**	1 Jan–30 Sep 2021**	1 Jan–30 Sep 2020**	Full Year 2020
Gross collections**	8,630	62,377	30,747	92,701	108,739
Collection and commission expenses**	(991)	(785)	(2,923)	(2,505)	(3,863)
Net collections	7,639	61,592	27,824	90,196	104,876
Revenue from management fees	100	–	100	–	–
Operating expenses	(1,912)	(3,488)	(6,422)	(8,295)	(10,518)
Cash EBITDA	5,827	58,104	21,502	81,901	94,358
Amortization, revaluation and impairment of invested assets	(4,303)	(48,356)	(16,100)	(63,227)	(68,628)
Share of net profits / (losses) of associate and joint venture	330	(272)	2,159	284	1,257
Operating profit	1,841	9,467	7,515	18,916	26,920
Net (loss) / profit for the period***	(2,342)	5,074	(6,667)	4,388	8,869
Selected key figures					
Total assets	259,274	214,976	259,274	214,976	196,963
Net debt	86,534	100,706	86,534	100,706	89,993
Equity ratio****	20.5%	22.4%	20.5%	22.4%	30.2%
Cash flow from operating activities before working capital changes	7,374	56,368	18,302	77,756	87,775
Investments book value	124,918	141,461	124,918	141,461	135,871

** Unaudited

*** The bond refinancing in Q2 2021 resulted in total negative non-recurring items of approximately EUR 3.9m in 9M 2021 due to the call premium of EUR 2.4m that was paid in relation to the EUR 100m and EUR 33.5m bonds, and the non-cash write off of about EUR 1.5m for the remaining capitalized transaction costs

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

The information in this interim report requires DDM Debt AB (publ) to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 4 November 2021 at 08:00 CET.

Comment by the CEO

I am delighted to have been appointed as CEO of the DDM Debt Group in August after having contributed to the continued success of the company in various capacities since 2017 and as a Board member since 2019. I have extensive capital markets experience as well as in investment banking which will enable me to drive forward the DDM Debt Group's growth strategy in NPL and special situation investment opportunities.

Having successfully issued a further EUR 50m of bonds during September in an oversubscribed tap issue that was priced at a 2% premium to par value, we are now very well-positioned to capitalize on our investment pipeline and expand our investment portfolio, with approximately EUR 100m of available funds to invest at 30 September.

Successful EUR 50m tap issue

DDM Debt AB ("DDM Debt") successfully issued EUR 50m of additional bonds under the existing EUR 300m senior secured bond framework rated B/B by S&P/Fitch in September. We were very pleased that the bond issue was so well received amongst existing and new institutional investors, demonstrated by a tap issue that was oversubscribed and priced at 102.00 per cent of the nominal amount. The tap issue bonds were admitted to trading on the Corporate Bond list at Nasdaq Stockholm on 13 October. Following the tap issue the total outstanding amount of the company's bond loan is EUR 200m, including approximately EUR 12m of owned bonds held.

Well-positioned to invest

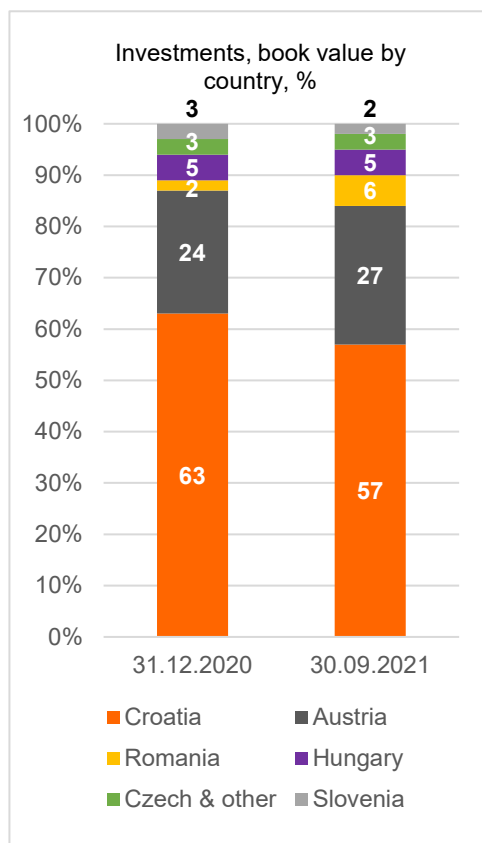
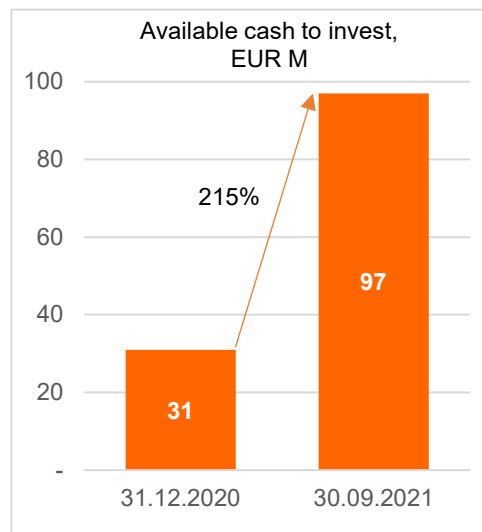
At 30 September 2021 we are in a very strong liquidity position with access to approximately EUR 100m of available funds to invest following the tap issue, enabling us to be both selective and responsive to opportunistic investments that will drive growth and profitability.

DDM Debt reaffirmed final 'B' Rating with stable outlook

S&P Global Ratings and Fitch Ratings reaffirmed DDM Debt's 'B' rating with stable outlook in June and July respectively. The final 'B' rating reflects our strong liquidity and capital position, with a significantly extended debt maturity profile to 2026. The ratings are also supported by a capital deployment framework that is both robust and well-structured with a strong track record.

Bond refinancing extends debt maturity to 2026

DDM Debt successfully issued senior secured fixed rate bonds in an initial amount of EUR 150m on 19 April, within a total framework amount of EUR 300m. EUR 50m of subsequent bonds were issued in a tap issue in September. The bonds mature in April 2026, significantly extending the debt maturity profile and carry a fixed rate coupon of 9%, providing stability and the opportunity for the DDM Debt Group to focus fully on its investments and growth strategy. The EUR 200m bonds are listed on the Corporate Bond list at Nasdaq Stockholm. Following the bond refinancing in April, the net loss for the first nine months of 2021 of EUR 6.7m includes non-recurring items of approximately EUR 3.9m of financial expenses. This is due to the call premium of EUR 2.4m that was paid to redeem the previously existing EUR 100m and EUR 33.5m bonds and the non-cash write off of about EUR 1.5m for the remaining capitalized transaction costs.



Market outlook

Investment activity across our core markets is intensifying in line with the significant recovery of economic activity across the SCEE region during 2021. This has been driven largely through the use of government-guaranteed securitisation schemes and mass deployment of vaccination programs enabling travel restrictions imposed in response to the COVID-19 pandemic to be eased, which has resulted in a strong recovery in tourism to the region during the summer season compared to the prior year.

The long-term extent of the COVID-19 pandemic on asset quality remains uncertain with emerging new variants of the virus that may undermine the effectiveness of the vaccine rollout. However, volumes of NPL sales are expected to increase significantly during the remainder of 2021 and into 2022 following the ending of loan moratorium periods across most countries, as European banks actively divest their non-core NPL assets to improve capital and leverage ratios.

We are actively working both in existing jurisdictions across the SCEE region including Croatia and Romania where we have previously transacted, as well as neighbouring countries where we see significant investment opportunities at attractive prices. We have a very well-structured and opportunistic investment strategy that is flexible and enables us to seek out opportunities in new geographies and by teaming up with co-investors for larger, more complex acquisitions.

Stockholm, 4 November 2021

DDM Debt AB (publ)

Florian Nowotny, CEO

Financial calendar

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

Q4 and full year report for January – December 2021: 17 February 2022

Annual report 2021: 25 March 2022

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

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 4 November 2021, at 08:00 CET.

CEO Florian Nowotny and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 4 November 2021, 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 57, CH: +41 225 805 976, UK: +44 333 300 9271.

Financial results

Adjusted gross collections amounted to EUR 11.5m in the third quarter of 2021, lower than the corresponding period last year mainly due to EUR 55m of accelerated collections that were received from the restructured Greek transaction in the prior year. After deducting commission and collection fees to third parties this resulted in EUR 8.7m of adjusted net collections being received for the third quarter of 2021, 19% higher than the corresponding period in the prior year when excluding Greece in Q3 2020.

Operating expenses were EUR 1.9m in the quarter, EUR 1.6m lower than the corresponding period last year. This is due to the higher management fee from DDM Group AG in the prior year that is permitted under the current DDM Debt senior secured bonds. As a result, adjusted cash EBITDA totaled EUR 6.9m in the third quarter of 2021, equating to a high cash conversion ratio of 79% as a percentage of adjusted net collections.

The operating profit margin of 49% in the third quarter is below the corresponding period last year due to EUR 55m of accelerated collections that were received from the Greek transaction in the prior year.

Share of net profits of associate and joint venture

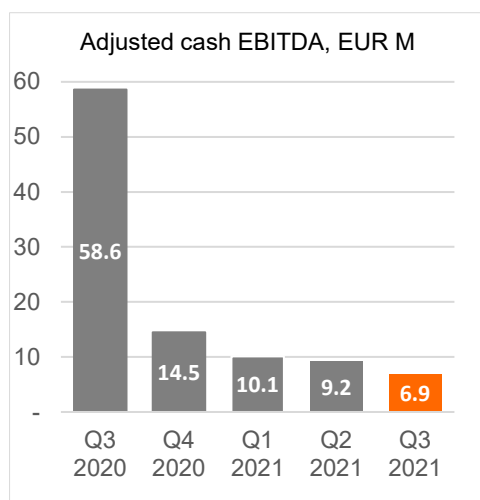
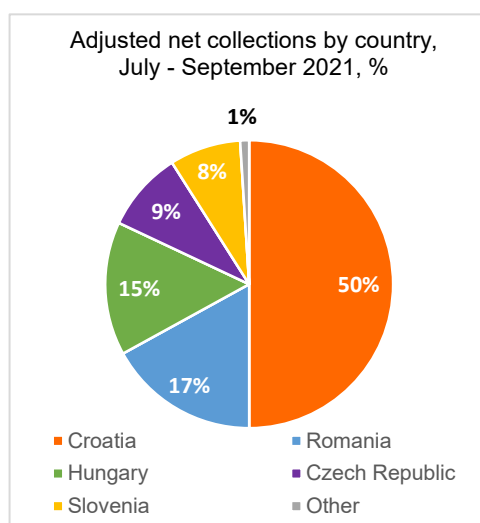
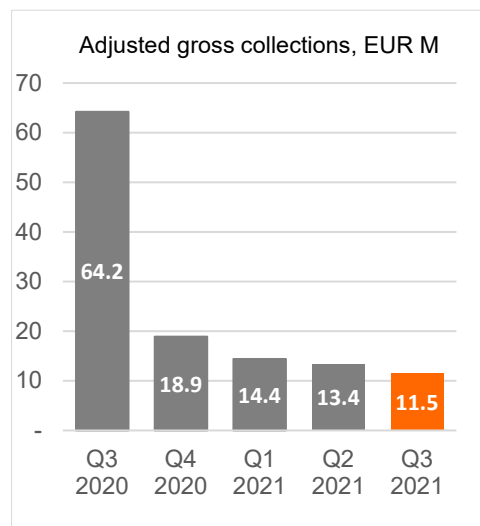
The results for the third quarter include EUR 0.3m share of net profits of associate and joint venture in the income statement and EUR 0.4m share of other comprehensive income of associate under the equity method of accounting. We are expecting to receive a further EUR 3.9m capital dividend from our investment in Addiko Bank AG on 11 November, following the European Central Bank guidance in July to lift restrictions on dividend distributions.

Cash flow and financing

For the third quarter of 2021, cash flow from operating activities before working capital changes was EUR 7.4m compared to EUR 56.4m for the corresponding period in 2020. This is primarily as a result of the EUR 55m of accelerated collections that were received in the prior year from Greece. We have a very strong cash position of EUR 96.7m following the tap issue that is available to fund investments and acquisitions.

Assets and utilization rate

Assets at 30 September 2021 totaled approximately EUR 259m, with approximately 50% of the balance sheet invested, compared to almost 70% utilization rate at the end of 2020, mainly due to the tap issue in September and as a result of portfolio amortization during 2021. With access to approximately EUR 100m of cash available to invest at 30 September 2021, we expect to increase investments before the end of the year, thereby increasing the utilization rate.



Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Jul–30 Sep 2021*	1 Jul–30 Sep 2020*	1 Jan–30 Sep 2021*	1 Jan–30 Sep 2020*	Full Year 2020
Revenue on invested assets	4	3,336	13,236	11,724	26,969	36,248
Share of net profits / (losses) of associate and joint venture	4,7,8	330	(272)	2,159	284	1,257
Revenue from management fees		100	–	100	–	–
Personnel expenses		(262)	(209)	(665)	(642)	(695)
Consulting expenses		(1,614)	(3,214)	(5,568)	(7,492)	(9,607)
Other operating expenses		(36)	(65)	(189)	(161)	(216)
Depreciation of tangible assets		(13)	(9)	(46)	(42)	(67)
Operating profit		1,841	9,467	7,515	18,916	26,920
Financial income		176	1,100	439	1,813	2,597
Financial expenses**		(4,104)	(4,890)	(15,424)	(13,946)	(17,938)
Unrealized exchange (loss) / profit		(196)	(163)	702	(1,838)	(1,643)
Realized exchange (loss) / profit		(20)	2	(14)	(8)	27
Net financial expenses		(4,144)	(3,951)	(14,297)	(13,979)	(16,957)
(Loss) / profit before income tax		(2,303)	5,516	(6,782)	4,937	9,963
Tax (expense) / income		(39)	(442)	115	(549)	(1,094)
Net (loss) / profit for the period		(2,342)	5,074	(6,667)	4,388	8,869
Net (loss) / profit for the period attributable to:						
Owners of the Parent Company		(2,342)	5,074	(6,667)	4,388	8,869

* Unaudited

** The bond refinancing in Q2 2021 resulted in total negative non-recurring items of approximately EUR 3.9m in 9M 2021 due to the call premium of EUR 2.4m that was paid in relation to the EUR 100m and EUR 33.5m bonds, and the non-cash write off of about EUR 1.5m for the remaining capitalized transaction costs

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Jul–30 Sep 2021*	1 Jul–30 Sep 2020*	1 Jan–30 Sep 2021*	1 Jan–30 Sep 2020*	Full Year 2020
Net (loss) / profit for the period	(2,342)	5,074	(6,667)	4,338	8,869
Other comprehensive income for the period					
Currency translation differences	(1)	–	(1)	(5)	(6)
Share of other comprehensive income of associates accounted for using the equity method	440	1,946	313	1,946	2,698
Other comprehensive income for the period, net of tax	439	1,946	312	1,941	2,692
Total comprehensive (loss) / income for the period	(1,903)	7,020	(6,355)	6,329	11,561
Total comprehensive (loss) / income for the period attributable to:					
Owners of the Parent Company	(1,903)	7,020	(6,355)	6,329	11,561

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	30 September 2021*	31 December 2020
ASSETS			
<i>Non-current assets</i>			
Tangible assets	5	13	17
Right-of-use assets		–	41
Interests in associates	2,8	33,967	32,986
Distressed asset portfolios	6	68,512	77,194
Investment in joint venture	7	22,439	25,691
Loans to other group companies		4,000	4,000
Receivables from other group companies		5,936	5,936
Accrued interest from other group companies		1,539	1,209
Deferred tax assets		921	637
Other non-current assets		3,307	290
Total non-current assets		140,634	148,001
<i>Current assets</i>			
Accounts receivable		15,051	14,152
Receivables from other group companies		157	138
Tax assets		112	86
Other receivables		4,657	1,636
Prepaid expenses and accrued income		1,960	2,278
Cash and cash equivalents		96,703	30,672
Total current assets		118,640	48,962
TOTAL ASSETS		259,274	196,963
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		54	54
Other contributed capital		5,936	5,936
Other reserves		3,009	2,697
Retained earnings including net (loss) / profit for the period		6,485	13,152
Total shareholders' equity to Parent Company's shareholders		15,484	21,839
LIABILITIES			
<i>Non-current liabilities</i>			
Loans and borrowings	9	183,237	75,303
Payables to other group companies		3,209	3,077
Payables to other group companies, subordinated	2	–	1,775
Loans from other group companies, subordinated	2	37,586	35,811
Accrued interest		–	4,800
Deferred tax liabilities		272	308
Total non-current liabilities		224,304	121,074
<i>Current liabilities</i>			
Loans and borrowings	9	–	45,362
Accounts payable		335	358
Tax liabilities		289	231
Accrued interest		14,033	1,834
Accrued expenses and deferred income		4,785	6,196
Lease liabilities		44	69
Total current liabilities		19,486	54,050
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		259,274	196,963

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Jul–30 Sep 2021*	1 Jul–30 Sep 2020*	1 Jan–30 Sep 2021*	1 Jan–30 Sep 2020*	Full Year 2020
Cash flow from operating activities					
Operating profit	1,841	9,467	7,515	18,916	26,920
Cash distribution from associate and joint venture	1,750	1,025	4,482	3,971	4,511
<i>Adjustments for non-cash items:</i>					
<i>Amortization of invested assets</i>	4,984	48,201	18,120	61,616	67,304
<i>Revaluation and impairment of invested assets</i>	(681)	155	(2,020)	1,611	1,324
<i>Share of net profits / (losses) of associate and joint venture</i>	(330)	272	(2,159)	(284)	(1,257)
<i>Depreciation of tangible assets</i>	13	9	46	42	67
<i>Other items not affecting cash</i>	(191)	(359)	(127)	(182)	381
Call premium paid	–	–	(2,408)	–	–
Interest paid	–	(3,350)	(5,072)	(10,562)	(14,774)
Interest received	–	984	–	1,466	2,137
Tax paid	(12)	(36)	(75)	(87)	(87)
Tax received	–	–	–	1,249	1,249
Cash flow from operating activities before working capital changes	7,374	56,368	18,302	77,756	87,775
Working capital adjustments					
(Increase) / decrease in accounts receivable	904	(10,121)	(2,898)	(7,237)	(14,475)
(Increase) / decrease in other receivables	(1,410)	(958)	(2,703)	(5,164)	781
Increase / (decrease) in accounts payable	(362)	(187)	(23)	(246)	(220)
Increase / (decrease) in other current liabilities	1,021	1,619	489	3,938	6,282
Net cash flow from operating activities	7,527	46,721	13,167	69,047	80,143
Cash flow from investing activities					
Purchases of distressed asset portfolios	–	–	(4,280)	(3,216)	(3,216)
Purchases of associates	–	–	–	(30,094)	(30,094)
Purchases of non-current assets	–	–	(3,000)	–	–
Purchases of tangible assets	–	–	–	–	(1)
Net cash flow received / (used) in investing activities	–	–	(7,280)	(33,310)	(33,311)
Cash flow from financing activities					
Proceeds from issuance of loans	49,506	–	182,781	27,471	27,471
Repayment of loans	–	(20,260)	(122,590)	(23,860)	(54,876)
Principal element of lease payments	(6)	–	(24)	–	(7)
Net cash flow received / (used) in financing activities	49,500	(20,260)	60,167	3,611	(27,412)
Cash flow for the period	57,027	26,461	66,054	39,348	19,420
Cash and cash equivalents less bank overdrafts at beginning of the period	39,719	24,141	30,672	11,464	11,464
Foreign exchange gains / (losses) on cash and cash equivalents	(43)	(24)	(23)	(234)	(212)
Cash and cash equivalents less bank overdrafts at end of the period	96,703	50,578	96,703	50,578	30,672

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Other contributed capital	Other reserves	Retained earnings incl. net (loss) / profit for the period	Total equity
Balance at 1 January 2020	54	–	5	4,283	4,342
Net profit for the period	–	–	–	4,388	4,388
Other comprehensive loss					
Currency translation differences	–	–	(5)	–	(5)
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	1,946	1,946
Total comprehensive (loss) / income	–	–	(5)	6,334	6,329
<i>Transactions with owners</i>					
Total transactions with owners	–	–	–	–	–
Balance at 30 September 2020*	54	–	–	10,617	10,671
Balance at 1 January 2021	54	5,936	2,697	13,152	21,839
Net loss for the period	–	–	–	(6,667)	(6,667)
Other comprehensive loss					
Currency translation differences	–	–	(1)	–	(1)
Share of other comprehensive income of associates accounted for using the equity method	–	–	313	–	313
Total comprehensive loss	–	–	312	(6,667)	(6,355)
<i>Transactions with owners</i>					
Total transactions with owners	–	–	–	–	–
Balance at 30 September 2021*	54	5,936	3,009	6,485	15,484

* Unaudited

Parent Company – Income Statement

Amounts in EUR '000s	1 Jul – 30 Sep 2021*	1 Jul – 30 Sep 2020*	1 Jan – 30 Sep 2021*	1 Jan – 30 Sep 2020*	Full Year 2020
Revenue	–	–	–	–	–
Personnel expenses	(239)	(179)	(577)	(508)	(531)
Consulting expenses	(8)	(125)	(206)	(219)	(252)
Other operating expenses	(13)	(46)	(143)	(94)	(116)
Depreciation of tangible assets	–	–	(1)	(1)	(1)
Operating loss	(260)	(350)	(927)	(822)	(900)
Financial income	4,191	5,623	10,855	15,209	19,921
Financial expenses	(4,041)	(4,440)	(13,437)	(12,709)	(16,275)
Unrealized exchange profit / (loss)	1	(1)	(6)	(16)	(13)
Realized exchange (loss) / profit	(5)	6	(5)	15	16
Net financial income / (loss)	146	1,188	(2,593)	2,499	3,649
(Loss) / profit before income tax	(114)	838	(3,520)	1,677	2,749
Tax income / (expense)	–	46	–	46	(107)
(Loss) / profit for the period	(114)	884	(3,520)	1,723	2,642

* Unaudited

Parent Company – Statement of Comprehensive Income

Amounts in EUR '000s	1 Jul – 30 Sep 2021*	1 Jul – 30 Sep 2020*	1 Jan – 30 Sep 2021*	1 Jan – 30 Sep 2020*	Full Year 2020
Net (loss) / profit for the period	(114)	884	(3,520)	1,723	2,642
Other comprehensive income for the period, net of tax					
<i>Items that will not be reclassified to profit or loss</i>	–	–	–	–	–
<i>Items that may subsequently be reclassified to profit or loss</i>	–	–	–	–	–
Total other comprehensive income for the period, net of tax	–	–	–	–	–
Total comprehensive (loss) / income for the period	(114)	884	(3,520)	1,723	2,642

* Unaudited

Parent Company – Balance Sheet

Amounts in EUR '000s	Notes	30 September 2021*	31 December 2020
ASSETS			
<i>Non-current assets</i>			
Tangible assets	5	2	3
Participations in other group companies	10	9,478	9,478
Loans to other group companies	2	212,825	129,808
Receivables from other group companies		5,936	5,936
Accrued interest from other group companies		1,016	851
Other non-current assets		321	425
Total non-current assets		229,578	146,501
<i>Current assets</i>			
Other receivables		1,402	1,377
Accrued interest from other group companies		13,098	9,879
Prepaid expenses		7	25
Cash and cash equivalents		3,199	521
Total current assets		17,706	11,802
TOTAL ASSETS		247,284	158,303
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		54	54
Other contributed capital		5,936	5,936
Retained earnings including net (loss) / profit for the period		4,608	8,128
Total shareholders' equity		10,598	14,118
<i>Non-current liabilities</i>			
Loans and borrowings	9	183,237	74,693
Payables to other group companies		1,324	1,324
Loans from other group companies, subordinated	2	37,586	14,950
Accrued interest		–	4,800
Total non-current liabilities		222,147	95,767
<i>Current liabilities</i>			
Loans and borrowings	9	–	45,972
Accounts payable		18	189
Tax liabilities		107	151
Accrued interest		14,033	1,834
Accrued expenses and deferred income		381	272
Total current liabilities		14,539	48,418
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		247,284	158,303

* Unaudited

Parent Company – Cash Flow Statement

Amounts in EUR '000s	1 Jul–30 Sep 2021*	1 Jul–30 Sep 2020*	1 Jan–30 Sep 2021*	1 Jan–30 Sep 2020*	Full Year 2020
Cash flow from operating activities					
Operating loss	(260)	(350)	(927)	(822)	(900)
<i>Adjustments for non-cash items:</i>					
<i>Depreciation of tangible assets</i>	–	–	1	1	1
<i>Other items not affecting cash</i>	(3)	166	88	93	27
Call premium paid	–	(3,350)	(2,408)	(10,562)	–
Interest paid	–	5,284	(5,072)	14,016	(14,774)
Interest received	–	–	7,400	–	18,837
Cash flow from operating activities before working capital changes	(263)	1,750	(918)	2,726	3,191
Working capital adjustments					
Increase / (decrease) in other receivables	–	(16)	(7)	(18)	(15)
Increase / (decrease) in accounts payable	(417)	109	(171)	(51)	(203)
Increase / (decrease) in other current liabilities	1,837	52	2,009	104	(531)
Net cash flow from operating activities	1,157	1,895	913	2,761	2,442
Cash flow from investing activities					
Loans to group companies	(50,000)	–	(205,000)	(27,000)	(27,000)
Repayment of loans to group companies	–	18,900	146,586	18,900	49,250
Net cash flow received / (used) in investing activities	(50,000)	18,900	(58,414)	(8,100)	22,250
Cash flow from financing activities					
Proceeds from issuance of loans	49,506	–	182,781	27,000	27,000
Repayment of loans	–	(20,260)	(122,590)	(23,860)	(54,410)
Net cash flow received / (used) in financing activities	49,506	(20,260)	60,191	3,140	(27,410)
Cash flow for the period	663	535	2,690	(2,199)	(2,718)
Cash and cash equivalents less bank overdrafts at beginning of the period	2,540	501	521	3,234	3,234
Foreign exchange (losses) / gains on cash and cash equivalents	(4)	5	(12)	6	5
Cash and cash equivalents less bank overdrafts at end of the period	3,199	1,041	3,199	1,041	521

* Unaudited

Parent Company – Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Other contributed capital	Retained earnings incl. net (loss) / profit for the period	Total equity
Balance at 1 January 2020	54	–	5,486	5,540
Net profit for the period	–	–	1,723	1,723
<i>Other comprehensive loss</i>	–	–	–	–
Total comprehensive loss	–	–	1,723	1,723
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 30 September 2020*	54	–	7,209	7,263
Balance at 1 January 2021	54	5,936	8,128	14,118
Net loss for the period	–	–	(3,520)	(3,520)
<i>Other comprehensive loss</i>	–	–	–	–
Total comprehensive loss	–	–	(3,520)	(3,520)
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 30 September 2021*	54	5,936	4,608	10,598

* Unaudited

Notes

Note 1. General information

DDM Debt AB (publ) ("DDM Debt" or "the Company") and its subsidiaries (together "the DDM Debt Group" or "the Group") provide liquidity to lenders in certain markets by acquiring non-performing loans and special situations from financial institutions and international banks with lending operations in Southern, Central and Eastern Europe. This enables the lenders to continue providing loans to companies and individuals. The DDM Debt Group then assists the debtors to restructure their overdue debt.

The Company was registered on 3 March 2016, and changed from a private limited liability company to a public limited liability company on 26 May 2016. The Company has registered offices in Stockholm, Sweden and its Swedish Corporate ID No. is 559053-6230. The address of the main office and postal address is Birger Jarlsgatan 18, 3tr, 114 34 Stockholm, Sweden. DDM Debt is a wholly owned subsidiary of DDM Finance AB ("DDM Finance"), Stockholm, Sweden, being a wholly owned subsidiary of DDM Group AG, Zug, Switzerland.

DDM Debt acts to directly or indirectly manage, acquire or invest in credits and/or loan portfolios, to on-lend or invest funds in group companies who directly or indirectly manage, acquire or invest in credits and/or loan portfolios and conduct related activities, to incur financing for its business and to conduct related activities. DDM Group AG acts as the investment manager and makes all decisions regarding investments and allocation of resources.

Note 2. Basis of preparation

This interim report has been prepared in compliance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as endorsed by the EU, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups issued by RFR, the Swedish Financial Reporting Board. The Parent Company's financial statements have been prepared in compliance with the Annual Accounts Act (ÅRL 1995:1554) and RFR 2 Accounting for Legal Entities and applicable statements. The instances in which the Parent Company applies accounting principles differing from those of the Group are provided separately at the end of this section on accounting principles.

The accounting policies that are most critical to the Group and Parent Company are stated in DDM Debt AB's Annual Report for 2020, which also contains a description of the material risks and uncertainties facing the Parent Company and the Group.

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not be considered as a substitute for measures defined under IFRS. Please refer to page 24 for reconciliation of alternative performance measures including adjusted gross collections, adjusted net collections, adjusted cash EBITDA and adjusted net profit / (loss) for the period.

All amounts are reported in thousands of Euros (EUR k), unless stated otherwise. Rounding differences may occur. Figures in tables and comments may be rounded.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which DDM Debt has control. DDM Debt controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and are de-consolidated from the date on which control ceases. Intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated.

Subsidiaries	Consolidation method	Domicile	30 September 2021	31 December 2020
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Invest V d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Debt Management d.o.o Beograd	Fully consolidated	Serbia	100%	100%
DDM Debt Romania S.R.L	Fully consolidated	Romania	100%	100%
DDM REO Adria d.o.o.	Fully consolidated	Croatia	100%	100%

Note 2. Basis of preparation... continued

On 30 September 2019 DDM Treasury Sweden AB was contributed to DDM Debt by DDM Finance at book value, resulting in a EUR 45k capital contribution from DDM Finance. On 11 February 2020 DDM Treasury Sweden AB was merged into DDM Debt AB to simplify the existing DDM Group structure. On 31 December 2020 DDM Finance AB contributed EUR 5,936k to DDM Debt recognized as part of shareholder's equity, by transferring a loan receivable towards DDM Group AG in the amount of EUR 5,936k to DDM Debt.

On 31 March 2021 DDM Debt and its directly held subsidiary DDM Invest III AG entered into an agreement with the following group companies; DDM Finance AB, DDM Group AG and DDM Holding AG where the subordinated loans from other group companies of EUR 20,861k and the subordinated payables to other group companies of EUR 1,775k were transferred to the parent company DDM Finance AB and recognized within subordinated loans from other group companies in the DDM Debt AB balance sheet.

Joint ventures

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

The consolidated income statement includes the DDM Debt Group's share of earnings, and this is reported under Share of net profits / (losses) of joint venture. Dividends received from the joint venture are not recognized in the income statement and instead reduce the carrying value of the investment. The equity method is applied from the date joint control arises until the time it ceases, or if the joint venture becomes a subsidiary. Upon loss of joint control over the joint venture, and as such the equity method ceases, the Company measures and recognizes any difference between the carrying amount of the investment in the joint venture with the fair value of the remaining investment and/or proceeds from disposal which is recognized as gain or loss directly in the income statement. The financial statements of the Joint Venture are prepared for the same reporting period as the Company.

Joint Ventures	Consolidation method	Domicile	30 September 2021	31 December 2020
CE Partner S.à r.l.	Equity method	Luxembourg	50%	50%
CE Holding Invest S.C.S	Equity method	Luxembourg	50%	50%

Associates

Associates are all entities over which DDM Debt has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method. The carrying amount (including goodwill) of equity accounted investments is tested annually for impairment. On 9 March 2020 the DDM Debt Group acquired a 9.9% shareholding in Addiko Bank AG ("Addiko Bank") for a cash consideration totaling approximately EUR 30m.

The DDM Debt Group has determined that it has significant influence over Addiko Bank through already acquiring a 9.9% shareholding, and further regulatory approvals would be required to increase its shareholding further. The financial statements of the Associate are prepared for based on the most recent available financial statements for the period ending 30 June 2021, with adjustments made for the effects of any significant transactions until 30 September 2021.

Associates	Consolidation method	Domicile	30 September 2021	31 December 2020
Addiko Bank AG	Equity method	Austria	9.9%	9.9%

Note 3. Currency translation

All entities prepare their financial statements in their functional currency. At 30 September 2021 all fully consolidated group entities have EUR as their functional currency, except for DDM Debt Management d.o.o Beograd, which has Serbian Dinar (RSD) as its functional currency, DDM Debt Romania S.R.L, which has Romanian leu (RON) as its functional currency and DDM REO Adria d.o.o. which has Croatia Kuna (HRK) as its functional currency.

Note 4. Revenue on invested assets by region

Revenue on invested assets is the net amount of the cash collections (net of direct collection costs), amortization, revaluation and impairment of invested assets. Revenue from management fees related to revenue received from third parties where the DDM Debt Group managed the operations of these assets, but did not own 100% of the portfolio.

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

Net collections is comprised of gross collections from the distressed asset portfolios held by the DDM Debt Group, minus commission and fees to third parties. The net amount of cash collected is recorded as "Net collections" within the line "Revenue

Note 4. Revenue on invested assets by region... continued

on invested assets" in the consolidated income statement. The DDM Debt Group discloses the alternative performance measure "Net collections" in the notes separately, as it is an important measurement for the DDM Debt Group to monitor the performance of the portfolios and measure the cash available for operating expenses and to service its debt. The DDM Debt Group believes that disclosing net collections as a separate performance measure in the notes improves the transparency and understanding of the DDM Debt Group's financial statements and performance, meeting the expectations of its investors.

Amounts in EUR '000s	1 Jul–30 Sep	1 Jul–30 Sep	1 Jan–30 Sep	1 Jan–30 Sep	Full Year
	2021	2020	2021	2020	2020
Gross collections	8,630	62,377	30,747	92,701	108,739
Collection and commission expenses	(991)	(785)	(2,923)	(2,505)	(3,863)
Net collections by country:					
Croatia	3,425	2,960	14,430	7,741	14,461
Romania	1,541	628	4,224	1,916	2,658
Hungary	1,320	928	2,876	3,878	4,331
Czech Republic	839	1,161	2,791	4,320	5,411
Slovenia	756	1,018	2,867	2,519	2,985
Bosnia	80	–	354	–	41
Slovakia	2	9	32	20	40
Greece	–	54,748	–	69,430	74,522
Serbia	(324)	140	250	372	427
Net collections	7,639	61,592	27,824	90,196	104,876
Amortization of invested assets	(4,984)	(48,201)	(18,120)	(61,616)	(67,304)
Interest income on invested assets before revaluation and impairment	2,655	13,391	9,704	28,580	37,572
Revaluation of invested assets	681	(155)	2,020	(1,279)	(992)
Impairment of invested assets	–	–	–	(332)	(332)
Revenue on invested assets	3,336	13,236	11,724	26,969	36,248
Share of net profits / (losses) of associate and joint venture	330	(272)	2,159	284	1,257
Revenue from Management fees	100	–	100	–	–

Net collections for the full year 2020 includes EUR 59.8m received from Greece in H2 2020, 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 was recognized as amortization. The DDM Debt Group 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.

The chief operating decision maker of DDM reviews the financial outcome as a whole. Analysis is performed on a portfolio-by-portfolio basis, but the chief operating decision maker reviews the outcome of the group as a whole. Each portfolio is not considered to be an identifiable segment and the Group reports segment on an entity basis, i.e. one operating segment.

The Group discloses information regarding net collections based on its key geographic areas.

Share of net profits / (losses) of associate and joint venture

The results for Q3 and the first nine months of 2021 include EUR 0.1m and EUR 1.4m respectively (FY 2020: EUR 0.2m) of share of net profits of the associate in the income statement and EUR 0.4m and EUR 0.3m respectively (FY 2020: EUR 2.7m) of share of other comprehensive income of associates accounted for using the equity method in other comprehensive income.

The results for Q3 and the first nine months of 2021 also include EUR 0.2m and EUR 0.8m respectively (Q3 2020: EUR 0.1m, 9M 2020 EUR 0.7m and FY 2020: EUR 1.1m) from share of net profits of joint venture accounted for using the equity method in accordance with IFRS.

Note 5. Tangible assets

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

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

Furniture	5 years
Computer hardware	5 years

Note 5. Tangible assets... continued

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

Note 6. Distressed asset portfolios

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

If the fair value of the investment at the acquisition date exceeds the purchase price, the difference results in a "gain on bargain purchase" in the income statement within the line "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".

Distressed asset portfolios are reported at amortized cost using the effective interest method. The initial effective interest rate is calculated for each portfolio based on its purchase price including transaction costs and estimated cash flows that, based on a probability assessment, are expected to be received from the debtors of the corresponding portfolio net of collection costs. Current cash flow projections are monitored over the course of the year and updated based on, among other things, achieved collection results and macroeconomic information. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, and upside and downside scenarios. The estimation and application of this forward-looking information requires significant judgement and is subject to appropriate internal governance and scrutiny. If the cash flow projections are revised, the carrying amount is adjusted to reflect actual and revised estimated cash flows. The DDM Debt Group recalculates the carrying amount by computing the present value of estimated future cash flows using the original effective interest rate. Changes in cash flow forecasts are treated symmetrically i.e. both increases and decreases in forecast cash flows affect the portfolios' book value and as a result "Revenue on invested assets". If there is objective evidence that one or more events have taken place that will have a positive impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows then this is recorded within the line "Revaluation of invested assets".

The DDM Debt Group assesses at each reporting date whether there is objective evidence that a portfolio is impaired. A portfolio is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the portfolio that can be reliably estimated. This is recorded within the line "Impairment of invested assets".

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

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

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

EUR '000s	30 September 2021	31 December 2020
HRK	47,127	55,214
EUR	6,897	9,971
HUF	6,337	7,347
RON	5,590	532
RSD	1,819	792
CZK	742	3,338
Total	68,512	77,194

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

Note 7. Investment in joint venture

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

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

Investment in joint venture EUR '000s	30 September 2021	31 December 2020
Balance at beginning of the year	25,691	29,952
Share of net profits of joint venture	788	1,063
Incremental net distribution from the joint venture	(4,040)	(5,324)
Balance at end of the period	22,439	25,691

Cash distributions of EUR 3.8m (FY2020: EUR 4.5m) have been received from the joint venture during the first nine months of 2021, of which EUR 2.0m relates to 2020 and EUR 1.8m relates to 2021. A further EUR 2.2m (31 December 2020: EUR 2.0m) has been reclassified to accounts receivable at the end of the period.

Note 8. Investment in associates

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

The DDM Debt Group has determined that it has significant influence over Addiko Bank through already acquiring a 9.9% shareholding and further regulatory approvals would be required to increase its shareholding further. The financial statements of the associate are prepared based on the most recent available financial statements for the period ending 30 June 2021, with adjustments made for the effects of any significant transactions until 30 September 2021.

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 September 2021	31 December 2020
Balance at beginning of the year	32,986	–
Additions	–	30,094
Share of net profits in the income statement	1,371	194
Share of other comprehensive income of associates accounted for using the equity method	313	2,698
Dividends received & other	(703)	–
Balance at end of the period	33,967	32,986

Following the acquisition of a 9.9% stake in Addiko Bank that closed during March 2020, the results for Q3 and the first nine month of 2021 include EUR 0.1m and EUR 1.4m respectively (FY 2020: EUR 0.2m) of share of net profits of the associate in the income statement and EUR 0.4m and EUR 0.3m respectively (FY 2020: EUR 2.7m) of share of other comprehensive income of associates accounted for using the equity method in other comprehensive income. The DDM Debt Group received a capital dividend amounting to EUR 0.7m on 4 May and is expecting to receive a further EUR 3.9m capital dividend later on 11 November.

Note 9. Loans and borrowings

The Group had the following borrowings outstanding during the periods ending 30 September 2021 and/or 31 December 2020:

Bond loan EUR 200m

On 19 April 2021, DDM Debt issued EUR 150m of senior secured fixed rate bonds at 9% within a total framework amount of EUR 300m. The bonds with ISIN number SE0015797683 have a final maturity date of 19 April 2026 and are listed on the Corporate Bond list at Nasdaq Stockholm. The proceeds from the new bond issue were mainly employed towards refinancing the existing EUR 100m and EUR 33.5m bonds (of which EUR 23m of the EUR 100m bonds were already held by DDM Debt) and for investments and acquisitions.

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

Note 9. Loans and borrowings... continued

DDM Debt's financial instruments contain a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds are: an equity ratio of at least 20.00% and net interest bearing debt to ERC below 75.00%. The financial covenants must be complied with on an incurrence test basis. DDM's management carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded.

DDM Debt has pledged the shares in its material wholly-owned subsidiaries as security under the terms and conditions. DDM Finance AB is a guarantor of the bonds. In addition, the investors receive a first ranking share pledge over the shares of DDM Debt. The terms and conditions of DDM Debt's senior secured bonds contain a number of restrictions, including relating to distributions, the nature of the business, financial indebtedness, disposals of assets, dealings with related parties, negative pledges, new market loans, mergers and demergers and local credits. The terms and conditions of the senior secured bonds are available in their entirety on our website.

Bond loan EUR 100m

On 8 April 2019, DDM Debt issued EUR 100m of senior secured bonds priced at Euribor plus a margin of 9.25% within a total framework amount of EUR 150m. The bonds with ISIN number SE0012454940 had a final maturity date of 8 April 2022 and were listed on the Corporate Bond list at Nasdaq Stockholm. At 31 December 2020 and at the redemption date DDM Debt held EUR 23m of the EUR 100m senior secured bonds following bond buybacks.

On 6 May 2021, DDM Debt redeemed in advance its EUR 100m senior secured bonds with ISIN SE0012454940 and its EUR 33.5m senior secured bonds with ISIN number SE0010636746, in accordance with Clause 9.3 (Voluntary total redemption (call option)) of the terms and conditions of the bonds. The bonds were redeemed each at the applicable call option (being 101.85 per cent. and 103.0 per cent. of the outstanding nominal amount for the EUR 100m bonds and EUR 33.5m bonds respectively) totaling EUR 2.4m, plus accrued but unpaid interest. In addition, the remaining capitalized transaction costs of approximately EUR 1.5m were expensed to the income statement as a non-cash write off in relation to the existing bonds. The redemption amount was paid to the bondholders holding bonds on the relevant record date, being 29 April 2021. The bonds were de-listed from the corporate bond list of Nasdaq Stockholm in connection with the redemption date and the last day of trading occurred on 23 April 2021.

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

On 11 December 2017, DDM Debt issued EUR 50m of senior secured bonds at 8% within a total framework amount of EUR 160m. The bonds with ISIN number SE0010636746 had a final maturity date of 11 December 2021 and were listed on the Corporate Bond list at Nasdaq Stockholm.

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

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

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 was available to finance investments and for general corporate purposes. The facility was available until 15 March 2021 and priced at Euribor plus a margin of 350 basis points.

Other loans

In March 2020, the DDM Debt Group received approximately EUR 0.5m as financing as part of the government loan scheme in Switzerland for the COVID-19 pandemic. This was repaid in full in November 2020.

Maturity profile and carrying value of borrowings:

Group EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 30 September 2021						
Bond loan, 9%	–	–	–	–	183,237	183,237
Total	–	–	–	–	183,237	183,237
at 31 December 2020						
Revolving credit facility	8,971	–	–	–	–	8,971
Bond loan, 8%	36,391	–	–	–	–	36,391
Bond loan, 9.25%	–	75,303	–	–	–	75,303
Total	45,362	75,303	–	–	–	120,665

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:

Group EUR '000s	IFRS 9 category	Fair value category	Fair value	Carrying value
at 30 September 2021				
Bond loan, 9%	Financial liabilities at amortized cost	Level 2	193,864	183,237
Total			193,864	183,237
at 31 December 2020				
Revolving credit facility	Financial liabilities at amortized cost	Level 2	9,000	8,971
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	36,244	36,391
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	72,865	75,303
Total			118,109	120,665

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. Participations in Group companies

Parent Company EUR '000s	30 September 2021	31 December 2020
Investment	9,478	9,478
Total	9,478	9,478

Parent Company EUR '000s	Investment
At 31 December 2020	9,478
Acquisitions	–
At 30 September 2021	9,478

The Parent Company holds shares in the following subsidiaries:

EUR '000s Company	Corporate identity number	Domicile	Proportion of equity 30 September 2021	Proportion of equity 31 December 2020	Net book value 30 September 2021	Net book value 31 December 2020
DDM Invest III AG	CHE 115.238.947	Switzerland	100%	100%	9,364	9,364
DDM Invest V d.o.o.*	8297355000	Slovenia	100%	100%	–	–
DDM Invest VII d.o.o.	7109806000	Slovenia	100%	100%	8	8
DDM Debt Management d.o.o Beograd**	21313963	Serbia	100%	100%	–	–
DDM Debt Romania S.R.L	39689815	Romania	99%	99%	106	106
DDM REO Adria d.o.o.* **	05288215	Croatia	100%	100%	–	–
Total					9,478	9,478

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

** The net book value of the investments in DDM Debt Management d.o.o Beograd and DDM REO Adria d.o.o. amount to EUR 1 each as of 30 September 2021 and 31 December 2020.

Note 11. Related parties

In 2019 DDM Group Finance S.A. entered into an agreement with the DDM Debt Group where DDM Group Finance S.A. provides services under a brokerage contract. In relation to this agreement an amount of EUR 2,355k of brokerage fees were capitalized as part of the bond refinancing during 2021 (FY 2020: 443k), resulting in EUR 94k and EUR 189k of amortized transaction costs that were recognized within financial expenses in Q3 and the first nine months of 2021 respectively. In relation to the full year 2020 EUR 1,075k of brokerage fees were capitalized as transaction costs as part of the strategic investment in Addiko Bank and EUR 2,270k of brokerage fees were recognized in consultancy expenses. In relation to the full year 2019 an amount of EUR 1,250k of brokerage fees was capitalized as transaction costs as part of the bond refinancing during Q2 2019, resulting in EUR 0k and EUR 586k (Q3 2020: EUR 106k, 9M 2020: EUR 307k and FY 2020: EUR 415k) of amortized transaction costs that were recognized within financial expenses in Q3 and the first nine months of 2021 respectively.

Current assets at 30 September 2021 includes EUR 1,367k receivable from AxFina Holding S.A. ("AxFina") for the sale of 82% of the shares held in AxFina Austria GmbH during the full year 2019.

On 1 March 2020, AxFina entered into an agreement with the DDM Debt Group where AxFina provides debt collection services under a servicing contract. In relation to this agreement EUR 435k and EUR 1,202k (Q3 2020: EUR 311k, 9M 2020: EUR 764k and FY2020: EUR 1,296k) was expensed and principally recognized within collection and commission expenses in Q3 and the first nine months of 2021 respectively.

Non-current assets at 30 September 2021 includes EUR 3,725k (31 December 2020: EUR 725k) receivable from Omnione S.A. ("Omnio") following EUR 3,000k invested on 12 May in a pre-IPO convertible bond totaling EUR 30m, in addition to EUR 725k paid during 2019. As a result, EUR 60k and 93k of interest income has been recognized in the income statement in Q3 and the first nine months of 2021 respectively in relation to the 2% cash interest and 6% PIK accruing on the convertible bonds. A further EUR 430k from AxFina has been recognized in non-current assets for amounts paid during 2019 and 2020.

In 2017 the DDM Debt Group undertook an investment in a Greek NPL transaction which was executed by making a structured investment of a net amount of EUR 36.4m into a Luxembourg SPV ("Artemis Finance Holding S.A.R.L."), whose shares are ultimately held by trusts attributable to Erik Fällström and Andreas Tuczka. In 2019 the DDM Debt Group further bought out the co-investor, with a total investment amounting to approximately EUR 20.1m. In 2020 the DDM Debt Group restructured its investment in the Greek NPL transaction which resulted in accelerated collections of EUR 59.8m being received in H2 2020 and the entire carrying value remaining of EUR 43.8m prior to the restructuring was recognized as amortization. The DDM Debt Group has assessed the transaction and concluded that it retains the same contractual rights to future cashflows in the distressed asset portfolio as prior to the restructuring and therefore has not derecognized the asset under IFRS 9 amortized cost. Transactions between the DDM Debt Group companies (fully consolidated) and Artemis Finance Holding (and its subsidiaries) were as follows:

EUR '000s		1 Jul–30 Sep 2021	1 Jul–30 Sep 2020	1 Jan–30 Sep 2021	1 Jan–30 Sep 2020	Full Year 2020
Income	Net collections	–	54,748	–	69,430	74,522
Statement	Amortization net of revaluation	–	(43,830)	–	(49,890)	(49,890)
Income Statement, Total		–	10,918	–	19,540	24,632

EUR '000s		30 September 2021	31 December 2020
Balance sheet	Accounts receivable	11,876	11,876
	Accrued expenses and deferred income	(1,964)	(2,064)
Balance sheet, Total		9,912	9,812

Note 12. Subsequent events

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

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 30 September 2021 provides a fair overview of the Parent Company's and the Group's operations, their financial positions and result. The material risks and uncertainties facing the Parent Company and the Group are described in the 2020 Annual report.

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

Stockholm, 4 November 2021

Jörgen Durban
Chairman of the board

Joachim Cato
Board member

Erik Fällström
Board member

Dr. Andreas Tuczka
Board member

Florian Nowotny
CEO

Definitions

DDM

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

Amortization of invested assets

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

Cash EBITDA

Net collections less operating expenses.

EBITDA

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

Estimated Remaining Collections / ERC

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

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

ERC is not a balance sheet item, however it is provided for informational purposes as a common measure in the debt purchasing industry. ERC may be calculated differently by other companies and may not be comparable.

Equity

Shareholders' equity at the end of the period.

GCV

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

Impairment of invested assets

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

Invested assets

DDM's invested assets consist of purchases of distressed asset portfolios, investments in joint ventures and associates.

Net collections

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

Net debt

Long-term and short-term third party loans, interest-bearing intercompany loans (excluding subordinated debt) and liabilities to credit institutions (bank overdrafts) less cash and cash equivalents.

Non-recurring items

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

Operating expenses

Personnel, consulting and other operating expenses.

Revaluation of invested assets

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

Reconciliation tables, non-IFRS measures

This section includes a reconciliation of certain non-IFRS financial measures to the most directly reconcilable line items in the financial statements. The presentation of non-IFRS financial measures has limitations as analytical tools and should not be considered in isolation or as a substitute for our related financial measures prepared in accordance with IFRS.

Non-IFRS financial measures are presented to enhance an investor's evaluation of ongoing operating results, to aid in forecasting future periods and to facilitate meaningful comparison of results between periods. Management uses these non-IFRS financial measures to, among other things, evaluate ongoing operations in relation to historical results and for internal planning and forecasting purposes.

The non-IFRS financial measures presented in this report may differ from similarly-titled measures used by other companies.

Net collections:

Net collections is comprised of gross collections from the invested assets held and/or sold by the DDM Debt Group, minus commission and fees to third parties. The net amount of cash collected is recorded as "Net collections" within the line "Revenue on invested assets" in the consolidated income statement. The DDM Debt Group discloses the alternative performance measure "Net collections" in the notes separately, as it is an important measurement for the DDM Debt Group to monitor the performance of the portfolios and measure the cash available for operating expenses and to service its debt. The DDM Debt Group believes that disclosing net collections as a separate performance measure in the notes improves the transparency and understanding of the DDM Debt Group's financial statements and performance, meeting the expectations of its investors.

Amortization, revaluation and impairment of invested assets:

The recognition of the acquisition of invested assets is based on the DDM Group's own forecast of future cash flows from acquired portfolios. Reporting follows the effective interest method, where the carrying value of each portfolio corresponds to the present value of all projected future cash flows discounted by an initial effective interest rate determined at the time the portfolio was purchased, based on the relation between cost and the projected future cash flows on the acquisition date. Changes in the carrying value of the portfolios are reported as amortization, revaluation and impairment for the period.

Operating expenses and Cash EBITDA:

Amounts in EUR '000s (unless specified otherwise)	1 Jul – 30 Sep 2021	1 Jul – 30 Sep 2020	1 Jan – 30 Sep 2021	1 Jan – 30 Sep 2020	Full Year 2020
Net collections *	8,732	62,106	32,559	93,497	110,200
Revenue from management fees	100	–	100	–	–
Personnel expenses	(262)	(209)	(665)	(642)	(695)
Consulting expenses	(1,614)	(3,214)	(5,568)	(7,492)	(9,607)
Other operating expenses	(36)	(65)	(189)	(161)	(216)
Operating expenses	(1,912)	(3,488)	(6,422)	(8,295)	(10,518)
Cash EBITDA	6,920	58,618	26,237	85,202	99,682

* Net collections include the incremental net distribution from associate and joint venture. Please refer to page 24 for a reconciliation of alternative performance measures ("APMs") to IFRS

Net debt:

Bond loan, 9%	183,237	–	183,237	–	–
Revolving credit facility	–	24,927	–	24,927	8,971
Bond loan, 8%	–	37,152	–	37,152	36,391
Bond loan, 9.25%	–	88,742	–	88,742	75,303
Other loans	–	463	–	463	–
Less: Cash and cash equivalents	(96,703)	(50,578)	(96,703)	(50,578)	(30,672)
Net debt	86,534	100,706	86,534	100,706	89,993

Equity ratio:

Shareholder's equity	15,484	10,671	15,484	10,671	21,839
Shareholder debt (subordinated)	37,586	37,586	37,586	37,586	37,586
Total equity according to the senior secured bond terms	53,070	48,257	53,070	48,257	59,425
Total assets	259,274	214,976	259,274	214,976	196,963
Equity ratio	20.5%	22.4%	20.5%	22.4%	30.2%

Alternative performance measures – reconciliation to IFRS:

	1 Jul – 30 Sep 2021	1 Jul – 30 Sep 2020	1 Jan – 30 Sep 2021	1 Jan – 30 Sep 2020	Full Year 2020
EUR '000s					
Gross collections	8,630	62,377	30,747	92,701	108,739
Incremental gross distribution from associate and joint venture	2,902	1,846	8,604	7,166	10,055
Adjusted gross collections	11,532	64,223	39,351	99,867	118,794
Net collections	7,639	61,592	27,824	90,196	104,876
Incremental net distribution from associate and joint venture	1,093	514	4,735	3,301	5,324
Adjusted net collections	8,732	62,106	32,559	93,497	110,200
Cash EBITDA	5,827	58,104	21,502	81,901	94,538
Incremental net distribution from associate and joint venture	1,093	514	4,735	3,301	5,324
Adjusted cash EBITDA	6,920	58,618	26,237	85,202	99,682
Net (loss) / profit for the period	(2,342)	5,074	(6,667)	4,388	8,869
Non-recurring items bond refinancing	–	–	3,911	–	–
Adjusted net (loss) / profit for the period	(2,342)	5,074	(2,756)	4,388	8,869

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

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

About DDM

DDM Debt AB (Nasdaq Stockholm: DDM2) is a subsidiary of **DDM Holding AG** (First North Growth Market: DDM), a multinational investor in 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 2.4 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 is a company incorporated and domiciled in Zug, Switzerland and listed on Nasdaq First North Growth Market in Stockholm, Sweden, since August 2014.



ddm

DDM Debt AB (publ)

Birger Jarlsgatan 18, 3tr
114 34 Stockholm, Sweden
<http://www.ddm-group.ch>
investor@ddm-group.ch

