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DDM FINANCE AB

Corporate Identity Number 559053-6214

# ANNUAL REPORT 2019

MULTINATIONAL INVESTOR  
AND MANAGER OF DISTRESSED ASSETS



**The DDM Finance AB  
2019 Annual Report**

DDM Finance AB ("DDM Finance" or the "Company") is a Swedish Company headquartered in Stockholm. Corporate registration number 559053-6214.

Values are expressed in euro (EUR), thousands of euros as EUR k and millions of euros as EUR M. Unless otherwise stated, figures in parentheses relate to the preceding financial year, 2018.

Data on markets and competitors are DDM's own estimates, unless another source is specified. This report may contain forward-looking statements that are based on the current expectations of DDM's management. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of factors including changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors.

Any questions regarding financial data published by DDM Finance may be submitted to DDM's Investor Relations, tel. +41 41 766 1420 or email: investor@ddm-group.ch

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## 2019 Highlights

## Financial calendar

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Annual General Meeting  
2020:  
23 June 2020

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## This is DDM Finance

DDM Finance AB (“DDM Finance” or the “Company”) was founded in 2016 to act as a holding company and provide credit support for financing in its subsidiaries and thereto related business activities. The DDM Group is based in Baar, Switzerland.

The DDM Group is a specialized multinational investor and manager of non-performing loans (“NPL”) and special situations. Primarily the DDM Group invests in corporate and consumer secured portfolios, but also in unsecured portfolios in Southern, Central and Eastern Europe. The DDM Group works in close and longstanding relations with banks and financial institutions and provide solutions to recover outstanding distressed assets.

The DDM Group acquires distressed assets mainly consisting of non-performing loans with an investment value of EUR 5–100M. Sellers are primarily financial institutions, typically international banks with presence in several countries in Southern, Central and Eastern Europe.

The DDM Group has developed state-of-the-art processes for analysis, pricing and management of the acquired portfolios through its deep industry experience. In 2019 the DDM Group launched a servicing platform for secured corporate portfolios to increase the focus on portfolio management and business development services. Access to this servicing platform for secured portfolios will complement the existing partnerships with leading local collection agencies to optimise collections from each portfolio, ensuring increased control and enabling the DDM Group to be closer to the market. Consequently, the DDM Group has developed a successful business model allowing for flexibility, automated processes and speed in decision-making.

The banking sector in Southern, Central and Eastern Europe is subject to increasing regulatory and supervisory pressure to reduce their NPL ratios to below the EU average of 3%. The SCEE region has benefited from continued economic growth in recent years, supported by the positive price development of real estate markets and a low interest rate environment. As a result, banks are increasingly looking to divest portfolios of distressed and other non-core assets. In addition, during the last few years, several larger financial institutions have exited a number of countries in Southern, Central and Eastern Europe.

For sellers, management of portfolios of distressed assets is a sensitive issue as it concerns the relationship with their customers. For sellers of portfolios it is therefore critical that the acquirer handles the underlying individual debtors professionally, ethically and with respect. The DDM Group has longstanding relations with sellers of distressed assets, based on trust and the Group’s status as a credible acquirer. The Debt Group’s expertise is key to assess the portfolios, as well as to decide how to open up a dialogue with the debtors. The goal is to establish an instalment plan and in the end achieve an amicable settlement where the debtor has repaid the outstanding amount. The DDM Group evaluates a significant number of investment opportunities every year, resulting in a deep understanding of the market and the ability to identify the best investment opportunities.

The strong trend of increased transaction volumes is expected to continue. The DDM Group’s understanding of the complete collection process, access to portfolio management services for secured portfolios in the Balkans in combination with the existing network of specialized local collection agencies gives the DDM Group a unique advantage on the market. Combined with a proprietary IT-system, relations with co-investors and a flexible business model this supports the DDM Group’s continued growth and its ambitions to maximize value for all of the DDM Group stakeholders.

# Administration Report

The Board of Directors of DDM Finance AB hereby submit the annual report for the 2019 financial year.

## Information regarding the operations

DDM Finance AB ("DDM Finance" or "the Company"), corporate identity number 559053-6214, is domiciled in Stockholm, Sweden and is a limited liability company that conducts operations in accordance with the Swedish Companies Act. The Company was registered on 3 March 2016.

DDM Finance AB is a wholly-owned subsidiary of DDM Group AG, Baar, Switzerland. DDM Group AG is a wholly-owned subsidiary of DDM Holding AG. DDM Holding AG has been listed on the Nasdaq First North Growth Market exchange in Stockholm, Sweden, since August 2014. DDM Debt AB (publ), Sweden is a wholly owned subsidiary of DDM Finance.

DDM Finance acts as a holding company and to provide credit support for financing in its subsidiaries and thereto related business activities, whereas DDM Group AG acts as the investment manager and makes all decisions regarding investments and allocation of resources.

## Facts and figures – DDM Finance AB 2019

The operations of DDM Finance encompass ownership of the subsidiary, DDM Debt AB and providing credit support for financing in its subsidiaries and thereto related business activities.

DDM Finance reported a profit before tax of EUR 5,692k for 2019 (2018: a loss of EUR 551k) including the dividend in kind received from DDM Treasury Sweden AB in the amount of EUR 5,936k. See "Significant events during the financial year" section below for further details. Shareholders' equity amounted to EUR 5,745k at 31 December 2019 (31 December 2018: EUR 8k).

DDM Finance had one employee until 31 March 2019 and no employees at 31 December 2019 (31 December 2018: one employee).

## Significant events during the financial year

In July 2019 DDM Finance refinanced its EUR 12M senior secured notes. Certain amendments were made to the Terms and Conditions, including extending the maturity date to 30 June 2022. At the same time, DDM Finance also issued EUR 6M of additional bonds under the same framework.

On 30 September 2019 DDM Finance AB's sister company, DDM Treasury Sweden AB, was contributed to DDM Finance AB by DDM Group AG at book value. DDM Finance AB then received a dividend in kind from DDM Treasury Sweden AB in the amount of EUR 5,936k. The dividend in kind consisted of a loan receivable towards DDM Group AG. DDM Treasury Sweden AB was then contributed to DDM Debt AB by DDM Finance AB at book value.

## Basis of preparation

The financial statements have been prepared on a going concern basis.

## Geographical regions

The operational and investment activities of the DDM Group are not divided into geographical regions for reporting purposes. Potential investments and existing investments are always measured on their own merits and according to assumptions and forecasts made at the time of investing.

## Expenses

Operating expenses consisted primarily of costs relating to personnel expenses, audit, legal, consulting and accounting services.

## Income from participation in group companies

In 2019 DDM Finance AB received a dividend in kind from DDM Treasury Sweden AB in the amount of EUR 5,936k. The dividend in kind consisted of a loan receivable towards DDM Group AG.

## Net financial income

In 2019 net financial income was EUR 107k (2018: EUR 83k).

## Research and Development

DDM Finance is not engaged in any research and development activities.

## Non-financial earnings indicators

### *DDM Finance's role in society*

The DDM Group offers a platform for economic growth by allowing companies and banks the opportunity to manage their credit exposure. DDM's systems and understanding of creditor's requirements are optimized and are paired with respect for debtors and their integrity.

**Business ethics**

The DDM Group's values act as a guide on how business with the Group's clients and customers is managed. The ethical rules deal primarily with a respectful attitude towards clients and customers.

**Working conditions**

The DDM Group's employees have the right to secure and healthy workplaces, as well as fair terms of employment in line with market levels. Men and women are given equal opportunities. A sustainable and commercially successful business relies on skilled and motivated employees.

**Environment**

As a service company, the DDM Group generally has limited possibilities to affect the environment, although it seeks to act in an environmentally responsible manner where possible.

**Market outlook**

The DDM Group aims to deliver sizeable and profitable growth by actively networking with vendors and work out specialists to further identify profitable business opportunities to invest across the NPL market in its core markets across Southern, Central and Eastern Europe.

Whilst the European NPL market is in the process of consolidation, the DDM Group is adapting to new opportunities in the market by both teaming up with co-investors through joint venture acquisitions and seeking out opportunities in new geographies. During 2019 the DDM Group closed a significant acquisition through a 50/50 joint venture with B2Holding of a distressed asset portfolio containing secured corporate receivables in Croatia with a Gross Collection Value (face value) of the total portfolio amounting to approximately EUR 800M. We expect the amount of co-investment opportunities to grow in the future.

**Board work**

According to the Articles of Association of DDM Finance, the Board of Directors shall consist of at least one and no more than ten members with no more than ten deputies. All members are elected at the annual general meeting.

**Events after the balance sheet date**

The COVID-19 pandemic, and the actions being taken to contain it on an increasingly global basis, have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. The DDM Group is closely monitoring developments and the impact of the spread of infection and global responses on, for example, economic support from governments, lending activities from banks to corporates and customers, as well as on its own operations, foremost its workforce and liquidity management.

**Financial summary**

Key figures, EUR '000s	2019	2018
Operating loss	(351)	(634)
Net profit / (loss) for the year	5,692	(551)

**Risk management and financial risks**

DDM Finance is a holding company with limited activities, and therefore its financial risks are limited to credit risk and liquidity risk / financing risk.

Risk management is carried out by the DDM Group in accordance with policies established by the Board of Directors. The DDM Group identifies and evaluates financial risks in close co-operation with DDM Finance's Board of Directors.

**Credit risk**

Credit risk is the risk that the counterparty in a financial transaction will not fulfil its obligations on the maturity date. Credit risk is managed by the DDM Group and arises from cash and cash equivalents, and deposits with banks and financial institutions.

**Liquidity risk / Financing risk**

The aim of the capital structure is to secure DDM Finance's ability to continue its operations.

**Interest risk**

Interest rate risk relates primarily to DDM Finance's interest-bearing debt, which consists of the EUR 18M (2018: EUR 12M) senior secured notes refinanced in July 2019. Borrowings issued at fixed rates expose DDM Finance to fair value interest rate risk.

For further information regarding the financial risk management of DDM Finance, see note 3.

**Proposed appropriation of earnings**

The Company's distributable funds are at the disposal of the Board of Directors as follows:

<b>EUR</b>	<b>2019</b>	<b>2018</b>
Retained earnings	2,521	47,418
Received capital contribution	–	506,000
Contribution agreement	44,615	–
Net profit / (loss) for the year	5,691,971	(550,897)
<b>Total</b>	<b>5,739,107</b>	<b>2,521</b>

The Board of Directors propose that the earnings be distributed as follows:

<b>EUR</b>	<b>2019</b>	<b>2018</b>
Balance carried forward	5,739,107	2,521
<b>Total</b>	<b>5,739,107</b>	<b>2,521</b>

For other information we refer to the following financial statements and notes.

## INCOME STATEMENT

For the year ended 31 December			
Amounts in EUR '000s	Notes	2019	2018
Revenue		–	–
Personnel expenses	4	(293)	(559)
Consulting expenses	5	(25)	(17)
Other operating expenses	6	(33)	(58)
<b>Operating loss</b>		<b>(351)</b>	<b>(634)</b>
Income from participation in Group companies	13	5,936	–
Financial income	7	1,499	1,137
Financial expenses	7	(1,392)	(1,054)
<b>Net financial income</b>		<b>107</b>	<b>83</b>
<b>Profit / (loss) before income tax</b>		<b>5,692</b>	<b>(551)</b>
Tax income / (expense)	8	–	–
<b>Net profit / (loss) for the year</b>		<b>5,692</b>	<b>(551)</b>

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December			
Amounts in EUR '000s		2019	2018
<b>Net profit / (loss) for the year</b>		<b>5,692</b>	<b>(551)</b>
<b>Other comprehensive income for the year</b>			
<i>Items that will not be reclassified to profit or loss:</i>		–	–
<i>Items that may subsequently be reclassified to profit or loss</i>		–	–
<b>Total other comprehensive income for the year, net of tax</b>		<b>–</b>	<b>–</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>5,692</b>	<b>(551)</b>

## BALANCE SHEET

As at 31 December Amounts in EUR '000s	Notes	2019	2018
<b>ASSETS</b>			
<i>Non-current assets</i>			
Participations in other group companies	12	99	54
Loan to subsidiary	13	14,950	–
Receivables from other group companies	13	8,730	–
Other non-current assets		–	11
<b>Total non-current assets</b>		<b>23,779</b>	<b>65</b>
<i>Current assets</i>			
Loan to subsidiary	13	–	10,000
Receivables from other group companies	13	–	1,301
Other receivables		4	5
Prepaid expenses		–	58
Cash and cash equivalents	9	61	1,052
<b>Total current assets</b>		<b>65</b>	<b>12,416</b>
<b>TOTAL ASSETS</b>		<b>23,844</b>	<b>12,481</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<i>Shareholders' equity</i>			
Share capital	10	6	6
Other contributed capital	10	560	560
Retained earnings including net profit / (loss) for the year	10, 15	5,179	(558)
<b>Total shareholders' equity</b>		<b>5,745</b>	<b>8</b>
<i>Non-current liabilities</i>			
Borrowings	14	17,287	–
<b>Total non-current liabilities</b>		<b>17,287</b>	<b>–</b>
<i>Current liabilities</i>			
Accounts payable	11	34	47
Payables to other group companies	11, 13	455	39
Accrued interest	11	283	124
Accrued expenses	11	40	263
Borrowings	11, 14	–	12,000
<b>Total current liabilities</b>		<b>812</b>	<b>12,473</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>23,844</b>	<b>12,481</b>



## CASH FLOW STATEMENT

For the year ended 31 December			
Amounts in EUR '000s	Notes	2019	2018
<b>Cash flow from operating activities</b>			
Operating loss		(351)	(634)
Other items not affecting cash		16	–
Interest paid		(1,155)	(1,078)
<b>Cash flow from operating activities before working capital changes</b>		<b>(1,490)</b>	<b>(1,712)</b>
<b>Working capital adjustments</b>			
(Increase) / decrease in other receivables		58	(5)
Increase / (decrease) in accounts payable		(13)	15
Increase / (decrease) in other current liabilities		194	250
<b>Net cash flow from operating activities</b>		<b>(1,251)</b>	<b>(1,452)</b>
<b>Cash flow from investing activities</b>			
Loans to subsidiary		(4,950)	–
<b>Net cash flow received / (used) in investing activities</b>		<b>(4,950)</b>	<b>–</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuance of loans	11, 14	5,209	12,000
Repayment of loans	11, 14	–	(10,000)
Shareholder's contribution	10, 15	–	506
<b>Net cash flow received / (used) in financing activities</b>		<b>5,209</b>	<b>2,506</b>
<b>Cash flow for the year</b>		<b>(992)</b>	<b>1,054</b>
<b>Cash and cash equivalents less bank overdrafts at beginning of the year</b>		<b>1,052</b>	<b>1</b>
Foreign exchange gains / (losses) on cash and cash equivalents		1	(3)
<b>Cash and cash equivalents less bank overdrafts at end of the year</b>		<b>61</b>	<b>1,052</b>

## STATEMENT OF CHANGES IN EQUITY

Amounts in EUR '000s	Share capital	Other contributed capital	Retained earnings incl. net profit / (loss) for the year	Total equity
<b>Balance at 1 January 2018</b>	<b>6</b>	<b>54</b>	<b>(7)</b>	<b>53</b>
<b>Comprehensive income / (loss)</b>				
Net loss for the year	–	–	(551)	(551)
Other comprehensive income	–	–	–	–
<b>Total comprehensive income / (loss)</b>	<b>–</b>	<b>–</b>	<b>(551)</b>	<b>(551)</b>
<i>Transactions with owners</i>				
Received conditional capital contribution	–	506	–	506
<b>Total transactions with owners</b>	<b>–</b>	<b>506</b>	<b>–</b>	<b>506</b>
<b>Balance at 31 December 2018</b>	<b>6</b>	<b>560</b>	<b>(558)</b>	<b>8</b>
<b>Balance at 1 January 2019</b>	<b>6</b>	<b>560</b>	<b>(558)</b>	<b>8</b>
<b>Comprehensive income</b>				
Net profit for the year	–	–	5,692	5,692
Other comprehensive income	–	–	–	–
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>5,692</b>	<b>5,692</b>
<i>Transactions with owners</i>				
Contribution agreement	–	–	45	45
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>45</b>	<b>45</b>
<b>Balance at 31 December 2019</b>	<b>6</b>	<b>560</b>	<b>5,179</b>	<b>5,745</b>

At 31 December 2019 and 31 December 2018, the number of outstanding shares in DDM Finance AB amounts to 500 shares, with a quota of 11.258 per share.

**NOTE 1. GENERAL INFORMATION**

DDM Finance AB ("DDM Finance" or "the Company") acts as a holding company and to provide credit support for financing in its subsidiaries and thereto related business activities.

The Company was registered on 3 March 2016. DDM Finance is a wholly owned subsidiary of DDM Group AG, Baar, Switzerland. DDM Debt AB (publ), Sweden, is a wholly owned subsidiary of DDM Finance.

DDM Finance acts as a holding company and to provide credit support for financing in its subsidiaries and thereto related business activities, whereas DDM Group AG acts as the investment manager and makes all decisions regarding investments and allocation of resources.

DDM Finance AB is a limited liability company with registered offices in Stockholm, Sweden and its Swedish Corporate ID number is 559053-6214. The address of the main office and postal address is Humlegårdsgatan 4, 1 tr, 114 46 Stockholm, Sweden.

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

The Board of Directors approved the financial statements on 26 March 2020.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 – Basis of preparation**

The most important accounting policies applied in these financial statements are presented below.

DDM Finance AB is a wholly owned subsidiary of DDM Group AG, an entity registered in Switzerland. The ultimate parent company, DDM Holding AG, discloses consolidated financial statements prepared in accordance with IFRS. Therefore, in accordance with the exemption in Chapter 7 2§ of the Swedish Accounts Act, consolidated financial statements are not disclosed for DDM Finance AB.

The accounts of DDM Finance AB have been prepared in accordance with the Annual Accounts Act (ÅRL 1995:1554) and RFR 2 Accounting for Legal Entities and applicable statements. This means that International Financial Reporting Standards, IFRS, as adopted by the European Union, have been applied along with the exceptions and supplements in RFR 2 to the standards issued by IASB and interpretations thereof issued by IFRIC.

The financial statements have been prepared on a historical cost basis, except where stated separately.

Shares in subsidiaries are reported at accrued acquisition value less any impairment. If there is an indication that shares and participations in subsidiaries have decreased in value, the recoverable amount is calculated. If this

amount is lower than the book value, impairment is carried out. Impairment is reported in the item profit / loss from participation in Group companies in the income statement.

The financial statements have been prepared on a going concern basis

**2.2 – Foreign currency translation***Functional and presentation currency*

The financial statements are presented in thousands of Euros (EUR k), which is DDM Finance's functional and presentation currency.

*Transactions and balances*

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates on each balance sheet date, are reported in the income statement.

**2.3 – Financial assets and liabilities***Classification*

DDM Finance classifies its financial assets and liabilities in the following categories: financial assets held at amortized cost and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired.

*(a) Financial assets held at amortized cost*

Financial assets held at amortized cost are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. DDM Finance's financial assets held at amortized cost comprise cash and cash equivalents and are included in current assets due to their short-term nature. Financial assets held at amortized cost are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

*(b) Borrowings*

Borrowings from credit institutions and other long-term payables are initially reported at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is reported in the income statement over the period of the borrowings, using the effective interest method for long-term borrowings and the straight-line method for borrowings with a total contract length of less than 12 months.

Borrowings are classified as current liabilities unless DDM Finance has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Costs to secure financing are amortized across the term of the loan as financial expenses in the income statement. The amount is recognized in the balance sheet as a deduction to the loan liability. All other borrowing costs (interest expenses and transaction costs) are reported in the income statement in the period to which they refer.

**NOTE 2. SUMMARY OF SIGNIFICANT... continued****(c) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, cash deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are reported as borrowings among current liabilities.

**(d) Accounts payable**

Accounts payable are reported at fair value. The book value of an accounts payable is expected to correspond with the fair value of the account payable, as this item is of a short-term nature.

**2.4 – Share capital**

Ordinary shares are classified as equity. Transaction costs directly attributable to the issuance of new shares are reported in equity as a deduction, net of tax, from the proceeds.

**2.5 – Current tax and deferred income tax**

The current income tax charge is calculated on the basis of the tax laws enacted, or substantively enacted, at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to circumstances in which the applicable tax regulation is subject to interpretation. Management establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the tax authorities.

Deferred income tax is reported, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, deferred income tax is not accounted for if it arises from the initial reporting of an asset or liability in a transaction other than a business combination that, at the time of the transaction, impacts neither reported or fiscal results. The deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, at the balance sheet date and which are expected to apply when the related deferred income tax asset is realized, or when the deferred income tax liability is settled.

Deferred income tax assets on temporary differences and tax losses carried forward are reported to the extent that it is probable that future taxable 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.

**2.6 – Dividend distribution**

Dividend distribution to the Company's shareholders is reported as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

No dividends will be proposed to the 2020 annual general meeting regarding the operations for 2019.

**NOTE 3. FINANCIAL RISK MANAGEMENT**

DDM Finance is a holding company with limited activities, and therefore its financial risks are limited to credit risk and liquidity risk / financing risk.

Risk management is carried out by the DDM Group in accordance with policies established by the Board of Directors. The DDM Group identifies and evaluates financial risks in close co-operation with DDM Finance's Board of Directors.

The DDM Group defines risk as all factors which could have a negative impact on the ability of DDM Finance to achieve its business objectives. All business activity is associated with risk. In order to manage risk in a balanced way it must first be identified and assessed. The following summary offers examples of risk factors which are considered to be especially important for DDM Finance's future development, but is by no means comprehensive.

**Interest rate risk**

Interest rate risk relates primarily to DDM Finance's interest-bearing debt, which consists of the EUR 18M (2018: EUR 12M) senior secured notes refinanced in July 2019. Borrowings issued at fixed rates expose DDM Finance to fair value interest rate risk.

**Credit risk**

Credit risk is the risk that the counterparty in a financial transaction will not fulfil its obligations on the maturity date. Credit risk is managed by the DDM Group and arises from cash and cash equivalents, and deposits with banks and financial institutions.

**Liquidity risk / Financing risk**

The aim of the capital structure is to secure DDM Finance's ability to continue its operations.

The table below specifies the undiscounted cash flows arising from DDM Finance's liabilities in the form of financial instruments, based on the remaining period to the earliest contractual maturity date as at the balance sheet date. Amounts in foreign currencies and amounts that are to be paid based on floating interest rates are estimated using the exchange and interest rates applicable at the balance sheet date.

EUR '000s	Less than	Between	Between	Between
	1 year	1 and 2 years	2 and 3 years	3 and 5 years
<b>At 31 December 2019</b>				
Accounts payable	34	–	–	–
Payables to other group companies	455	–	–	–
Accrued expenses	40	–	–	–
Borrowings	–	–	23,478	–
<b>Total</b>	<b>529</b>	<b>–</b>	<b>23,478</b>	<b>–</b>

**NOTE 3. FINANCIAL RISK... continued**

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
<b>At 31 December 2018</b>				
Accounts payable	47	–	–	–
Payables to other group companies	39	–	–	–
Accrued expenses	263	–	–	–
Borrowings	12,124	–	–	–
<b>Total</b>	<b>12,473</b>	<b>–</b>	<b>–</b>	<b>–</b>

**Financial instruments by category**

Fair value is equal to the carrying value of financial instruments.

EUR '000s	Financial assets
<b>At 31 December 2019</b>	
<b>Assets as per balance sheet</b>	
Cash and cash equivalents	61
Receivables from other group companies	8,730
Other receivables	4
Prepaid expenses	–
Loan to subsidiary	14,950
<b>Total</b>	<b>23,745</b>

EUR '000s	Other financial liabilities
<b>At 31 December 2019</b>	
<b>Liabilities as per balance sheet</b>	
Accounts payable	34
Payables to other group companies	455
Accrued interest	283
Accrued expenses	40
Borrowings	17,287
<b>Total</b>	<b>18,099</b>

EUR '000s	Financial assets
<b>At 31 December 2018</b>	
<b>Assets as per balance sheet</b>	
Cash and cash equivalents	1,052
Receivables from other group companies	1,301
Other receivables	5
Prepaid expenses	58
Loan to subsidiary	10,000
<b>Total</b>	<b>12,416</b>

EUR '000s	Other financial liabilities
<b>At 31 December 2018</b>	
<b>Liabilities as per balance sheet</b>	
Accounts payable	47
Payables to other group companies	39
Accrued interest	124
Accrued expenses	263
Borrowings	12,000
<b>Total</b>	<b>12,473</b>

**NOTE 4. PERSONNEL EXPENSES**

EUR '000s	2019	2018
Personnel expenses	(293)	(559)
<b>Total</b>	<b>(293)</b>	<b>(559)</b>

DDM Finance had one employee until 31 March 2019 and no employees at 31 December 2019 (31 December 2018: one employee (male)).

**Gender distribution of board members and other senior executives**

The Board of Directors consists of three members (male) (2018: three members (male)).

**NOTE 5. CONSULTING EXPENSES**

EUR '000s	2019	2018
Consulting expenses	(7)	(13)
Öhrlings PwC		
Audit assignments	(5)	(4)
Other audit related assignments	(13)	–
Tax assignments	–	–
Other consultancy assignments	–	–
<b>Total</b>	<b>(25)</b>	<b>(17)</b>

Audit assignment refers to the examination of the annual financial statements and accounting records, as well as the administration report of the Board of Directors. Other audit related assignments include tasks whose execution is the responsibility of the Company's auditors, as well as the provision of advisory services or other assistance resulting from observations made during such assignments. All else comprises tax assignments or other consultancy assignments.

**NOTE 6. OTHER OPERATING EXPENSES**

EUR '000s	2019	2018
Non-deductible VAT	(6)	(4)
Other operating expenses	(27)	(54)
<b>Total</b>	<b>(33)</b>	<b>(58)</b>

**NOTE 7. NET FINANCIAL INCOME**

EUR '000s	2019	2018
<b>Financial income</b>		
Interest income	1,493	1,136
Realized / unrealized exchange gains	6	1
<b>Total financial income</b>	<b>1,499</b>	<b>1,137</b>
<b>Financial expenses</b>		
Interest expense	(1,314)	(1,050)
Amortization of transaction costs	(78)	–
Realized / unrealized exchange losses	–	(4)
<b>Total financial expenses</b>	<b>(1,392)</b>	<b>(1,054)</b>
<b>Net financial income</b>	<b>107</b>	<b>83</b>

**NOTE 8. INCOME TAX**

<b>EUR '000s</b>	<b>2019</b>	<b>2018</b>
Current tax on profit / (loss) for the year	–	–
<b>Total tax income / (expense)</b>	<b>–</b>	<b>–</b>

The differences between tax income / (expense) and an estimated tax income / (expense) based on current tax rates are as follows:

<b>EUR '000s</b>	<b>2019</b>	<b>2018</b>
Profit / (loss) before tax	5,692	(551)
Income tax calculated at current tax rate	1,252	121
Non-taxable income	–	–
Tax losses for which no deferred income tax asset was recognized	(1,252)	(121)
<b>Total tax income / (expense)</b>	<b>–</b>	<b>–</b>

**NOTE 9. CASH AND CASH EQUIVALENTS**

<b>At 31 December</b>		
<b>EUR '000s</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	61	1,052
<b>Total</b>	<b>61</b>	<b>1,052</b>

At 31 December 2019 and 31 December 2018 DDM Finance's bank accounts were held with a bank with a credit rating of AA- as rated by Standard & Poor's.

**NOTE 10. EQUITY**

The 500 shares have a quota of 11.258 per share. Each share entitles the holder to one vote. All registered shares as per the reporting date are fully paid.

On 30 September 2019 DDM Finance's sister company, DDM Treasury Sweden AB was contributed to DDM Finance by DDM Group AG at book value. DDM Finance then received a dividend in kind from DDM Treasury Sweden AB in the amount of EUR 5,936k. The dividend in kind consisted of a loan receivable towards DDM Group AG. DDM Treasury Sweden AB was then contributed to DDM Debt AB by DDM Finance at book value.

The contributed conditional capital of EUR 506k in 2018 related to a shareholder contribution from DDM Group AG to DDM Finance supporting the loss incurred in the 2018 year by the Company of EUR 551k.

**NOTE 11. CURRENT LIABILITIES**

EUR '000s	Less than 3 months	3 – 12 months	Total
<b>At 31 December 2019</b>			
Accounts payable	34	–	<b>34</b>
Payables to other group companies	95	360	<b>455</b>
Accrued interest	–	283	<b>283</b>
Accrued expenses	40	–	<b>40</b>
<b>Total current liabilities</b>	<b>169</b>	<b>643</b>	<b>812</b>
<b>At 31 December 2018</b>			
Accounts payable	47	–	<b>47</b>
Payables to other group companies	–	39	<b>39</b>
Accrued interest	–	124	<b>124</b>
Accrued expenses	263	–	<b>263</b>
Borrowings	–	12,000	<b>12,000</b>
<b>Total current liabilities</b>	<b>310</b>	<b>12,163</b>	<b>12,473</b>

**NOTE 12. PARTICIPATIONS IN GROUP COMPANIES**

EUR '000s	31 December 2019	31 December 2018
Investment	99	54
<b>Total</b>	<b>99</b>	<b>54</b>

EUR '000s	Investment
<b>At 1 January 2018</b>	<b>54</b>
Acquisitions	–
<b>At 31 December 2018</b>	<b>54</b>
<b>At 1 January 2019</b>	<b>54</b>
Acquisitions	45
<b>At 31 December 2019</b>	<b>99</b>

DDM Finance holds shares in the following subsidiary:

EUR '000s	Corporate identity number	Domicile	Proportion of equity 31 Dec 2019	Proportion of equity 31 Dec 2018	Net book value 31 Dec 2019	Net book value 31 Dec 2018
Company						
DDM Debt AB	559053-6230	Sweden	100%	100%	99	54
<b>Total</b>					<b>99</b>	<b>54</b>

On 30 September 2019 DDM Finance AB's sister company, DDM Treasury Sweden AB, was contributed to DDM Finance AB by DDM Group AG at book value. DDM Treasury Sweden AB was then contributed to DDM Debt AB by DDM Finance AB at book value, resulting in an increase in the investment in DDM Debt AB.

**NOTE 13. TRANSACTIONS WITH RELATED PARTIES****Compensation from / (to) related parties**

EUR '000s	Management fee	Other fee	Income from participation in Group companies	Total
<b>2019</b>				
Dividend income from DDM Treasury Sweden AB	–	–	5,936	<b>5,936</b>
Interest income from DDM Debt AB	–	1,493	–	<b>1,493</b>
<b>Total</b>	<b>–</b>	<b>1,493</b>	<b>5,936</b>	<b>7,429</b>

**NOTE 13. TRANSACTIONS WITH RELATED PARTIES... continued****Receivables, payables and debts – related parties**

EUR '000s	Current	Non-current	Total
<b>at 31 December 2019</b>			
Receivables from DDM Group AG	–	5,936	<b>5,936</b>
Receivables from DDM Debt AB	–	2,794	<b>2,794</b>
Loan to DDM Debt AB	–	14,950	<b>14,950</b>
Payables to DDM Group AG	(360)	–	<b>(360)</b>
Payables to DDM Debt AB	(95)	–	<b>(95)</b>
<b>Total</b>	<b>(455)</b>	<b>23,680</b>	<b>23,225</b>

On 30 September 2019 DDM Finance AB's sister company, DDM Treasury Sweden AB, was contributed to DDM Finance AB by DDM Group AG at book value. DDM Finance AB then received a dividend in kind from DDM Treasury Sweden AB in the amount of EUR 5,936k. The dividend in kind consisted of a loan receivable towards DDM Group AG. DDM Treasury Sweden AB was then contributed to DDM Debt AB by DDM Finance AB at book value.

**Compensation from / (to) related parties**

EUR '000s	Management fee	Other fee	Total
<b>2018</b>			
Interest income from DDM Debt AB	–	1,136	<b>1,136</b>
<b>Total</b>	<b>–</b>	<b>1,136</b>	<b>1,136</b>

**Receivables, payables and debts – related parties**

EUR '000s	Current	Non-current	Total
<b>at 31 December 2018</b>			
Receivables from DDM Debt AB	1,301	–	<b>1,301</b>
Loan from DDM Debt AB	10,000	–	<b>10,000</b>
Payables to DDM Group AG	(39)	–	<b>(39)</b>
<b>Total</b>	<b>11,262</b>	<b>–</b>	<b>11,262</b>

The Company has defined the Board of Directors of DDM Finance, the owners of the Company and all entities in the DDM Group as related parties.

No interest is calculated on the current intercompany receivables / payables.

**NOTE 14. BORROWINGS**

In July 2019 DDM Finance refinanced its EUR 12M senior secured notes. Certain amendments were made to the Terms and Conditions, including extending the maturity date to 30 June 2022. At the same time, DDM Finance also issued EUR 6 million of additional bonds under the same framework. Part of the net proceeds were used 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.

In November 2018 DDM Finance refinanced its EUR 10M senior secured bonds maturing on November 7, 2018 by way of issuing EUR 12M of senior secured bonds. The bonds carried an interest rate of 7% per annum for the first six months and were prolonged at 8% per annum for the remaining term.

In November 2017 DDM Finance raised EUR 10M of senior secured notes in a bridge financing transaction and provided a shareholder loan to DDM Debt AB, which qualifies as equity under DDM Debt's senior secured bond terms. The senior secured notes had a fixed interest rate and matured on 7 November 2018.



**NOTE 14. BORROWINGS... continued**

Maturity profile 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
<b>at 31 December 2019</b>						
Senior secured notes	–	–	17,287	–	–	17,287
<b>Total</b>	<b>–</b>	<b>–</b>	<b>17,287</b>	<b>–</b>	<b>–</b>	<b>17,287</b>
<b>at 31 December 2018</b>						
Senior secured notes	12,000	–	–	–	–	12,000
<b>Total</b>	<b>12,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,000</b>

**NOTE 15. PROPOSED APPROPRIATION OF EARNINGS**

The Company's distributable funds are at the disposal of the Board of Directors as follows:

EUR	2019	2018
Retained earnings	2,521	47,418
Received capital contribution	–	506,000
Contribution agreement	44,615	–
Net profit / (loss) for the year	5,691,971	(550,897)
<b>Total</b>	<b>5,739,107</b>	<b>2,521</b>

The Board of Directors propose that the earnings be distributed as follows:

EUR	2019	2018
Balance carried forward	5,739,107	2,521
<b>Total</b>	<b>5,739,107</b>	<b>2,521</b>

**NOTE 16. PLEDGED ASSETS AND CONTINGENT LIABILITIES**

The Company has pledged the shares in its subsidiary DDM Debt AB as security under the terms and conditions of the senior secured bonds issued by DDM Debt AB. The Company's pledged collateral in the form of shares held in the subsidiaries amounts to EUR 54,000.

Under the terms and conditions of the EUR 18M (2018: EUR 12M) senior secured notes issued by DDM Finance, 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.

DDM Finance AB does not have any other pledged assets, contingent liabilities or other items to report.

**NOTE 17. EVENTS AFTER THE BALANCE SHEET DATE**

The COVID-19 pandemic, and the actions being taken to contain it on an increasingly global basis, have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. The DDM Group is closely monitoring developments and the impact of the spread of infection and global responses on, for example, economic support from governments, lending activities from banks to corporates and customers, as well as on its own operations, foremost its workforce and liquidity management.

## SIGNATURES

The Company's income statement and balance sheet will be presented for adoption at the Annual General Meeting on 23 June 2020.

The Board of Directors certify that the Annual Report gives a true and fair view of the Company's operations, financial position and results of operations and describes the material risks and uncertainty factors facing the Company.

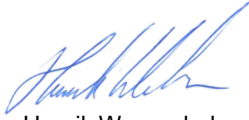
Stockholm, 26 March 2020



Jörgen Durban  
Chairman of the board



Joachim Cato  
Board member



Henrik Wennerholm  
Board member

Our Audit Report was presented on 26 March 2020

Öhrlings PricewaterhouseCoopers AB

Susanne Sundvall  
Authorized Public Accountant

## **Auditor's report (translation)**

To the general meeting of the shareholders of DDM Finance AB, corporate identity number 559053-6214

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### **Report on the annual accounts**

#### *Opinions*

We have audited the annual accounts of DDM Finance AB for the year 2019. The annual accounts of the company are included on pages 4-17 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of DDM Finance AB as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

#### *Basis for Opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of DDM Finance AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### *Responsibilities of the Board of Directors*

The Board of Directors are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

#### *Auditor's responsibility*

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibility for the audit of the annual accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### **Report on other legal and regulatory requirements**

#### *Opinions*

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors of DDM Finance AB for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss be appropriated (dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors be discharged from liability for the financial year.

### *Basis for Opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of DDM Finance AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### *Responsibilities of the Board of Directors*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

### *Auditor's responsibility*

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

Stockholm 26 March 2020  
Öhrlings PricewaterhouseCoopers AB

Susanne Sundvall  
Authorized Public Accountant

DDM FINANCE AB

A MULTINATIONAL INVESTOR  
AND MANAGER OF  
DISTRESSED ASSETS



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