DDM HOLDING AG

Corporate Registration Number: CHE-115906312

Q4 and full year report | 1 January – 31 December 2020

Record collections and cash EBITDA of over EUR 100m in 2020 confirms credit quality of portfolios

Highlights fourth quarter 2020

- Net collections increased by 19% to EUR 18.7m (15.7)*
- Cash EBITDA increased by 29% to EUR 15.3m (11.9)*
- Net profit for the period of EUR 4.8m (1.5)*
- Cash on hand at the end of December 2020 was EUR 31.4m (12.3 at December 2019)

Highlights full year 2020

- Net collections increased by 75% to EUR 114.7m (65.4)*
- Cash EBITDA increased by 94% to EUR 102.2m (52.7)*
- Greek restructuring resulted in accelerated collections of approximately EUR 60m
- Unrealized FX losses of EUR 1.8m driven by unfavorable movements of Croatian Kuna and Hungarian Forint due to COVID-19
- Net profit for the year of EUR 9.1m (loss of 1.5)*
- Gross ERC at the end of December 2020 was EUR 258m (328 at December 2019)
- Strategic investment made, acquiring 9.9% stake in Addiko Bank AG with intention to increase its shareholding further
- Net debt decreased by 30% to EUR 107m deleveraging the balance sheet following EUR 36m of bond buybacks and repurchases

Significant events after the end of the year

- Revolving credit facility of EUR 27m renewed for a further two years until March 2023

** Key financial highlights above include non-IFRS alternative performance measures that represent underlying business performance. Further details including a reconciliation to IFRS can be found on page 20.*

IFRS Consolidated Amounts in EUR '000s (unless specified otherwise)	**1 Oct – 31 Dec 2020****	**1 Oct – 31 Dec 2019****	**Full Year 2020****	**Full Year 2019**
Net collections	16,682	11,975	109,369	57,063
Revenue from management fees	1	147	74	570
Operating expenses	(3,400)	(4,015)	(12,604)	(13,219)
Cash EBITDA	13,283	8,107	96,839	44,414
Amortization, revaluation and impairment of invested assets	(5,663)	(5,660)	(69,473)	(35,716)
Share of net profits of joint ventures and associates	973	243	1,257	916
Operating profit	8,417	6,291	28,215	15,010
Net profit / (loss) for the period***	4,791	1,472	9,140	(4,120)
Selected key figures				
Total assets	195,525	204,456	195,525	204,456
Net debt	106,786	152,132	106,786	152,132
Equity ratio****	22.2%	15.5%	22.2%	15.5%
Cash flow from operating activities before working capital changes	10,749	5,634	90,087	29,838
Gross ERC 120 months (EUR M)	258	328	258	328
Earnings per share before and after dilution (EUR)	0.35	0.11	0.67	(0.30)
Total average and number of shares at the end of the period	13,560,447	13,560,447	13,560,447	13,560,447

** Unaudited

*** The result for the full year 2019 was negatively impacted by EUR 2.6m of non-recurring items relating to the bond refinancing in DDM Debt AB during Q2 2019

**** Equity ratio for the DDM Debt Bond Group calculated according to the terms and conditions of the DDM Debt AB bonds is 30.2% at 31 December 2020

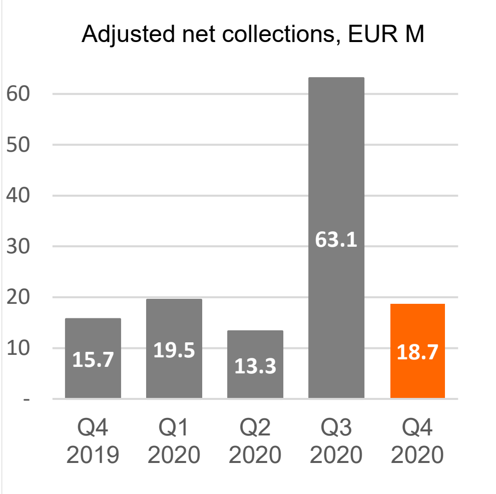
The information in this report requires DDM Holding AG to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 18 February 2021 at 08:00 CET.

DDM Holding AG is a specialized multinational investor and manager of non-performing loans and special situations

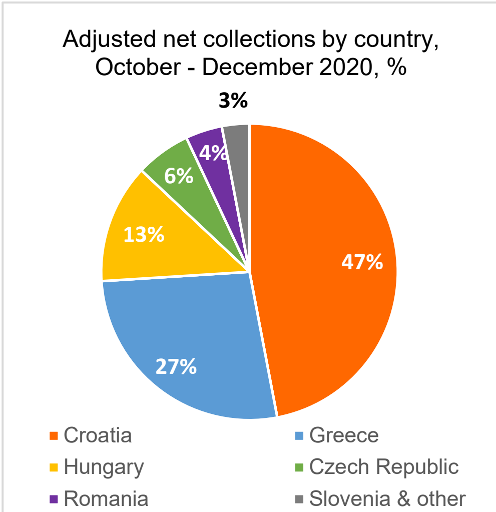
Comment by the CEO

I am delighted to announce that we have achieved record net collections of EUR 115m and cash EBITDA of EUR 102m for the full year 2020. This is a remarkable achievement especially given the challenging market conditions as a result of the COVID-19 pandemic, in which we managed to successfully restructure our investment in Greece resulting in accelerated collections of approximately EUR 60m.

We have also continued to focus on deleveraging our balance sheet following bond buybacks and repurchases exceeding EUR 36m in 2020. Following the end of the year we renewed our revolving credit facility (RCF) for a further two years and in combination with a strong liquidity and capital position will support us ahead of refinancing the existing senior secured bonds to extend the maturity and support future growth.



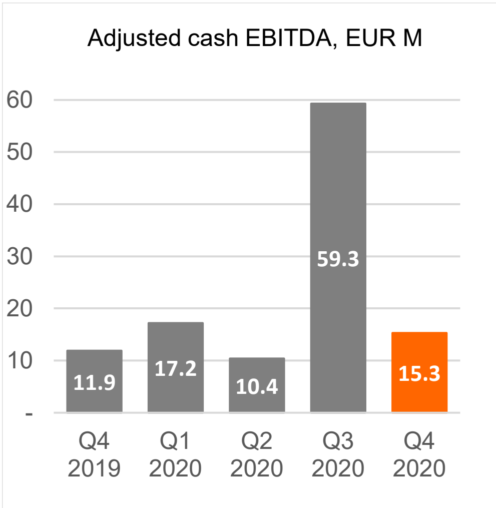
Successful restructuring of Greek transaction
We successfully restructured the Greek transaction we first entered into in August 2017. The restructuring resulted in accelerated collections of approximately EUR 60m during the year. The transaction was the first larger NPL transaction in Greece and was a landmark transaction for us. We have achieved a net multiple of over 1.8x and an IRR of above 30% on this investment. This not only proves the underlying credit quality of our portfolios, but also demonstrates our underwriting, portfolio management and transaction expertise in complex situations.



Record collections and cash EBITDA confirms our credit quality
During the full year 2020 we have achieved record adjusted net collections of EUR 114.7m, 75% higher than 2019 mainly due to the EUR 59.8m of accelerated collections received following the restructuring in Greece. This has resulted in record adjusted cash EBITDA of EUR 102.2m for the full year 2020, an increase of 94% compared to 2019. The net result for the full year 2020 is a profit of EUR 9.1m, despite being negatively impacted by EUR 1.8m of unrealized exchange losses principally due to unfavorable exchange rate movements of the Croatian Kuna and the Hungarian Forint to the Euro.

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

Continued progress on debt structure
During the year we extended the maturity of DDM Debt AB's EUR 50m senior secured bonds by 12 months to 11 December 2021. We have also deleveraged the balance sheet by repurchasing and repaying EUR 36m of bonds. After the end of year we renewed our RCF of EUR 27m with an international bank for a further two years until March 2023, with the terms of the new RCF materially in line with the previous RCF which was due to mature on 15 March 2021. This in combination with a strong liquidity and capital position will support us ahead of refinancing the existing senior secured bonds to extend the maturity and support future growth.



Strategic investment in Addiko Bank AG
We made a strategic investment by acquiring a 9.9% stake in Addiko Bank AG ("Addiko Bank") and intend to increase our shareholding further. We strongly believe that the region in which Addiko Bank operates, and which is well known to DDM, continues to offer attractive opportunities for SME and retail banking. DDM plans to support Addiko Bank in its accelerated transformation from being a full-scale bank to focusing on the consumer and SME segments with a strong focus on digitalization, including the disposal of non-core assets.

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

The supply of new NPLs is also expected to increase more than investor demand in the foreseeable future as a result of adverse economic conditions due to the COVID-19 pandemic and European banks continuing to deleverage their balance sheets, thereby resulting in improved market returns. DDM is well-positioned to capitalize on rising NPL volumes expected in the future at attractive prices following the slowdown in 2020 as a result of the COVID-19 pandemic.

Zug, 18 February 2021
DDM Holding AG
Henrik Wennerholm, CEO

Financial calendar
DDM intends to publish financial information on the following dates:

Annual report 2020:	26 March 2021
Interim report for January – March 2021:	6 May 2021

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

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

Presentation of the report
The report and presentation material are available at www.ddm-group.ch on 18 February 2021, at 08:00 CET.

CEO Henrik Wennerholm and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 18 February 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 8 566 427 03, CH: +41 225 805 976, UK: +44 333 300 9268.

Financial results

Adjusted net collections amounted to EUR 18.7m in the fourth quarter of 2020, compared to 15.7m for the corresponding period last year. Approximately EUR 8.7m of net collections were received from Croatia as a result of the secured portfolios that were acquired during the prior year, EUR 5.1m from Greece following the restructuring of the Greek investment and EUR 2.5m from Hungary following the buy-out of the co-investor during the year.

Operating expenses were EUR 3.4m in the fourth quarter, EUR 0.6m lower than the corresponding period last year. This is due to higher consultancy fees incurred in the prior year under a brokerage contract with DDM Group Finance S.A, start-up costs incurred in the prior year to build-up the servicing platform that was sold to AXFina Holding S.A. in December 2019 and cost saving measures introduced in 2020 in response to the pandemic, partially offset by consolidation of the collections platform in Hungary following the buy-out of the co-investor. As a result, adjusted cash EBITDA totaled EUR 15.3m in the fourth quarter of 2020.

The operating profit margin of 70% in the fourth quarter is slightly higher than the corresponding period last year. This is a result of EUR 0.6m share of net profits following the strategic investment to acquire 9.9% of Addiko Bank in March and EUR 0.3m upwards revaluation of portfolios located in Croatia, where a 6-month moratorium on debt enforcements ended during the fourth quarter. We have assessed that the strong earthquake that occurred on 29 December in Petrijna did not have any impact on DDM's secured assets in Croatia, which are principally located in the capital Zagreb and along the Adriatic coast. As a result the net profit for the fourth quarter of 2020 is EUR 4.8m.

For the fourth quarter of 2020, cash flow from operating activities before working capital changes was EUR 10.7m compared to EUR 5.6m for the corresponding period in 2019. This is primarily as a result of higher net collections received from portfolios located in Croatia that were acquired during the prior year and lower interest paid due to interest paid on the DDM Finance AB EUR 18m notes in the fourth quarter of 2019.

Estimated Remaining Collections

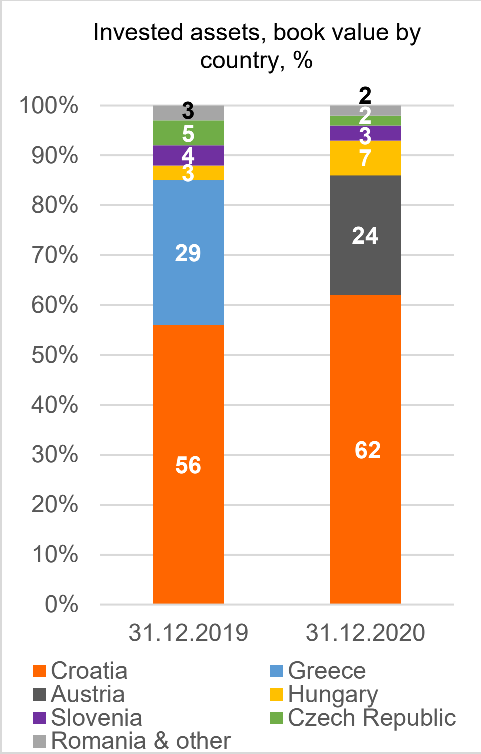
ERC in relation to invested assets at 31 December 2020 stands at EUR 258m, corresponding to a decrease of 21% compared to 31 December 2019, as a result of the record collections that have been received during the full year 2020 partially offset by investments made. The composition of the portfolios that are secured is approximately 77% of ERC at 31 December 2020 with 68% of the collections expected to be received in the next three years.

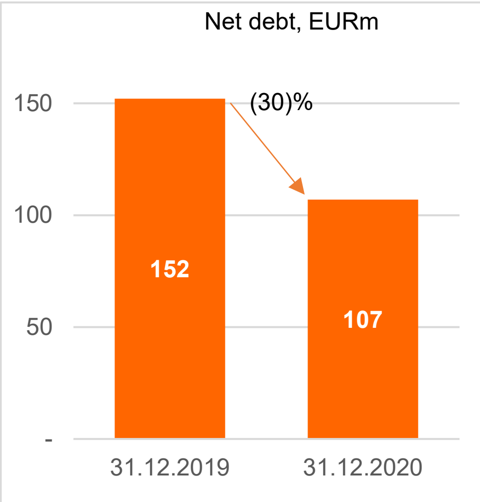
Share of net profits of joint ventures and associates

Following the acquisition that closed during 2019 of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding, the results for the fourth quarter and full year 2020 include EUR 0.4m and EUR 1.1m respectively from the share of net profits of joint ventures accounted for under the equity method in accordance with IFRS. Following the acquisition of a 9.9% stake in Addiko Bank AG that closed during March 2020, the results for the fourth quarter and full year 2020 include EUR 0.8m and EUR 2.7m respectively share of net income in other comprehensive income and EUR 0.6m and EUR 0.2m respectively share of net profits in the income statement of the associate accounted for under the equity method in accordance with IFRS.

Significant events after the end of the year

In February DDM Debt AB renewed its revolving credit facility of EUR 27m with an international bank for a further two years until March 2023, with the terms of the new RCF materially in line with the previous RCF which was due to mature on 15 March 2021.





Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Oct – 31 Dec 2020*	1 Oct – 31 Dec 2019*	Full Year 2020*	Full Year 2019
Reconciliation of revenue on invested assets:					
Net collections		*16,682*	*11,975*	*109,369*	*57,063*
Amortization of invested assets		*(5,949)*	*(5,196)*	*(68,433)*	*(34,498)*
Interest income on invested assets	**10**	**10,733**	**6,779**	**40,936**	**22,565**
Net collections on sale of invested assets		*–*	*2,540*	*–*	*4,476*
Revaluation and impairment of invested assets		*286*	*(464)*	*(1,040)*	*(1,218)*
Revenue on invested assets	**10**	**11,019**	**8,855**	**39,896**	**25,823**
Share of net profits of joint ventures and associates	5,6,10	973	243	1,257	916
Other operating income	10	–	1,142	–	1,142
Revenue from management fees	10	1	147	74	570
Personnel expenses		(1,268)	(1,274)	(5,234)	(5,398)
Consulting expenses		(1,295)	(2,193)	(5,153)	(5,497)
Other operating expenses		(837)	(548)	(2,217)	(2,324)
Amortization and depreciation of tangible and intangible assets		(176)	(81)	(408)	(222)
Operating profit		**8,417**	**6,291**	**28,215**	**15,010**
Financial income		679	115	2,172	178
Financial expenses**		(4,066)	(4,542)	(18,134)	(19,147)
Unrealized exchange profit / (loss)		192	(86)	(1,824)	(336)
Realized exchange profit / (loss)		24	(4)	(60)	(217)
Net financial expenses		**(3,171)**	**(4,517)**	**(17,846)**	**(19,522)**
Profit / (loss) before income tax		**5,246**	**1,774**	**10,369**	**(4,512)**
Tax (expense) / income		(455)	(302)	(1,229)	392
Net profit / (loss) for the period		**4,791**	**1,472**	**9,140**	**(4,120)**
Net profit / (loss) for the period attributable to:					
Owners of the Parent Company		4,791	1,557	9,140	(4,003)
Non-controlling interest		–	(85)	–	(117)
Earnings per share before and after dilution (EUR)		0.35	0.11	0.67	(0.30)
Average number of shares		13,560,447	13,560,447	13,560,447	13,560,447
Number of shares at the end of period		13,560,447	13,560,447	13,560,447	13,560,447

* Unaudited

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

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Oct – 31 Dec 2020*	1 Oct – 31 Dec 2019*	Full Year 2020*	Full Year 2019
Net profit / (loss) for the period	**4,791**	**1,472**	**9,140**	**(4,120)**
Other comprehensive income / (loss) for the period				
Items that will not be reclassified to profit or loss:				
Actuarial loss on post-employment benefit commitments	(129)	(77)	(129)	(77)
Deferred tax on post-employment benefit commitments	(12)	44	(12)	44
Items that may subsequently be reclassified to profit or loss:				
Currency translation differences	7	(13)	(72)	(7)
Share of net income in associate	752	–	2,698	–
Other comprehensive income / (loss) for the period, net of tax	**618**	**(46)**	**2,485**	**(40)**
Total comprehensive income / (loss) for the period	**5,409**	**1,426**	**11,625**	**(4,160)**
Total comprehensive income / (loss) for the period attributable to:				
Owners of the Parent Company	5,409	1,511	11,625	(4,043)
Non-controlling interest	–	(85)	–	(117)

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 December 2020*	31 December 2019
ASSETS			
Non-current assets			
Goodwill	8	4,160	4,160
Intangible assets	8	1,043	1,303
Tangible assets	7	88	54
Right-of-use assets		254	104
Interests in associates	1,6	32,986	–
Distressed asset portfolios	4	79,252	143,027
Other long-term receivables from investments	4	–	3,023
Investment in joint venture	5	25,691	29,952
Deferred tax assets	3	870	1,600
Other non-current assets	12	1,251	995
Total non-current assets		**145,595**	**184,218**
Current assets			
Accounts receivable		14,158	3,330
Tax assets		93	1,401
Other receivables		1,698	1,820
Prepaid expenses and accrued income		2,565	1,402
Cash and cash equivalents		31,416	12,285
Total current assets		**49,930**	**20,238**
TOTAL ASSETS		**195,525**	**204,456**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		11,780	11,780
Share premium		21,030	21,030
Other reserves		(535)	(451)
Retained earnings including net profit / (loss) for the year		11,040	(669)
Total shareholders' equity		**43,315**	**31,690**
Long-term liabilities			
Loans and borrowings	9	92,840	114,913
Lease liabilities		166	61
Accrued interest		2,203	–
Provisions	11	704	–
Post-employment benefit commitments		1,459	1,156
Deferred tax liabilities	3	308	220
Total long-term liabilities		**97,680**	**116,350**
Current liabilities			
Loans and borrowings	9	45,362	49,504
Accounts payable		1,379	1,308
Tax liabilities		428	240
Accrued interest		1,834	2,667
Accrued expenses and deferred income		5,404	2,648
Lease liabilities		123	49
Total current liabilities		**54,530**	**56,416**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**195,525**	**204,456**

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Oct – 31 Dec 2020*	1 Oct – 31 Dec 2019*	Full Year 2020*	Full Year 2019
Cash flow from operating activities				
Operating profit	8,417	6,291	28,215	15,010
Cash distribution from joint venture	540	1,218	4,511	2,654
Adjustments for non-cash items:				
Amortization of invested assets	*5,949*	*5,196*	*68,433*	*34,498*
Revaluation and impairment of invested assets	*(286)*	*464*	*1,040*	*1,218*
Share of net profits of joint ventures and associates	*(973)*	*(243)*	*(1,257)*	*(916)*
Other operating income	–	*(1,142)*	–	*(1,142)*
Depreciation, amortization and impairment of tangible and intangible assets	*176*	*81*	*408*	*222*
Other items not affecting cash	*467*	*(511)*	*309*	*(5)*
Interest paid	(4,212)	(5,762)	(14,774)	(18,179)
Interest received	671	116	2,137	179
Tax paid	–	(74)	(184)	(3,701)
Tax received	–	–	1,249	–
Cash flow from operating activities before working capital changes	**10,749**	**5,634**	**90,087**	**29,838**
Working capital adjustments				
(Increase) / decrease in accounts receivable	(2,778)	615	(14,481)	5,133
(Increase) / decrease in other receivables	(186)	508	(1,041)	(18)
Increase / (decrease) in accounts payable	683	8	71	(292)
Increase / (decrease) in other current liabilities	2,370	(796)	3,818	21
Net cash flow from operating activities	**10,838**	**5,969**	**78,454**	**34,682**
Cash flow from investing activities				
Purchases of associates	–	–	(30,094)	–
Acquisition of subsidiary, net of cash acquired	–	–	(1,178)	–
Purchases of non-current assets	–	(975)	(180)	(975)
Purchases of distressed asset portfolios and other long-term receivables from investments	–	–	–	(66,342)
Purchases of investment of joint venture	–	–	–	(66,662)
Proceeds from divestment of distressed asset portfolios and joint venture	–	3,305	–	37,094
Purchases of tangible and intangible assets	(34)	–	(66)	(36)
Net cash flow received / (used) in investing activities	**(34)**	**2,330**	**(31,518)**	**(96,921)**
Cash flow from financing activities				
Proceeds from issuance of loans	–	5,170	27,818	110,537
Repayment of loans	(31,358)	(12,000)	(55,218)	(95,700)
Principal element of lease payments	(58)	–	(58)	–
Net cash flow received / (used) in financing activities	**(31,416)**	**(6,830)**	**(27,458)**	**14,837**
Cash flow for the period	**(20,612)**	**1,469**	**19,478**	**(47,402)**
Cash and cash equivalents less bank overdrafts at beginning of the period	**52,070**	**10,820**	**12,285**	**59,862**
Foreign exchange gains / (losses) on cash and cash equivalents	(42)	(4)	(347)	(175)
Cash and cash equivalents less bank overdrafts at end of period	**31,416**	**12,285**	**31,416**	**12,285**

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Share premium	Other reserves	Retained earnings including net profit / (loss) for the year	Total Equity	Non-controlling interest	Total equity
	Attributable to Parent Company's shareholders						
Balance at 1 January 2019	**11,780**	**21,030**	**(488)**	**3,528**	**35,850**	–	**35,850**
Net loss for the year	–	–	–	(4,003)	**(4,003)**	(117)	**(4,120)**
Other comprehensive income / (loss)							
Actuarial loss on defined benefit commitment	–	–	–	(77)	**(77)**	–	**(77)**
Currency translation differences	–	–	7	–	**(7)**	–	**(7)**
Deferred tax on post-employment benefit commitments	–	–	44	–	**44**	–	**44**
Total comprehensive income / (loss)	**–**	**–**	**37**	**(4,080)**	**(4,043)**	**(117)**	**(4,160)**
Transactions with owners							
Disposal of subsidiary	–	–	–	(117)	**(117)**	117	**–**
Total transactions with owners	**–**	**–**	**–**	**(117)**	**(117)**	**117**	**–**
Balance at 31 December 2019	**11,780**	**21,030**	**(451)**	**(669)**	**31,690**	**–**	**31,690**
Balance at 1 January 2020	**11,780**	**21,030**	**(451)**	**(669)**	**31,690**	–	**31,690**
Net profit for the year	–	–	–	9,140	**9,140**	–	**9,140**
Other comprehensive income / (loss)							
Actuarial loss on defined benefit commitment	–	–	–	(129)	**(129)**	–	**(129)**
Currency translation differences	–	–	(72)	–	**(72)**	–	**(72)**
Deferred tax on post-employment benefit commitments	–	–	(12)	–	**(12)**	–	**(12)**
Share of net income in associate	–	–	–	2,698	**2,698**	–	**2,698**
Total comprehensive income / (loss)	**–**	**–**	**(84)**	**11,709**	**11,625**	**–**	**11,625**
Transactions with owners							
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2020*	**11,780**	**21,030**	**(535)**	**11,040**	**43,315**	**–**	**43,315**

* Unaudited

Notes

Note 1. Basis of preparation

These consolidated financial statements (the "financial statements") of DDM Holding AG and its subsidiaries (together "DDM" or "the Company") have been prepared in accordance with IAS 34 Interim Financial Reporting, are unaudited, and should be read in conjunction with DDM's last annual consolidated financial statements as of and for the year ended 31 December 2019. DDM's principal accounting policies are set out in Note 3 to the consolidated financial statements in the Annual Report 2019 and conform with International Financial Reporting Standards (IFRS) as adopted by the EU.

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not be considered as a substitute for measures defined under IFRS. Please refer to page 20 for reconciliation of alternative performance measures including adjusted net collections, adjusted cash EBITDA and adjusted net profit / (loss) for the period.

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

Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which DDM Holding AG has control. DDM Holding AG controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are de-consolidated from the date on which control ceases. Intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated.

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

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

On 27 February 2020 DDM acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft ("Lombard"). Prior to the acquisition DDM owned the rights to 30% of the portfolio and 100% of the equity in Lombard which has been reclassified from other long-term receivables from investments to distressed asset portfolios. On 17 December 2020 Clipper Holding III S.à r.l. was dissolved.

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

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

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

Note 1. Basis of preparation… continued

Joint Ventures	Consolidation method	Domicile	31 December 2020	31 December 2019
CE Partner S.à r.l.	Equity method	Luxembourg	50%	50%
CE Holding Invest S.C.S	Equity method	Luxembourg	50%	50%

Associates
Associates are all entities over which DDM Holding AG has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method. The carrying amount (including goodwill) of equity accounted investments is tested annually for impairment.

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

DDM has determined that it has significant influence over Addiko Bank AG through already acquiring a 9.9% shareholding in Addiko Bank AG and the call option exercised on 30 March 2020 to acquire an additional 10.1% stake in Addiko Bank AG that lapsed in October 2020. DDM continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding. DDM as major shareholder is able and requested an Extraordinary General Meeting of Addiko Bank AG to make changes to the composition of the supervisory board which took place on 10 July 2020. The financial statements of the associate are prepared based on the most recent available financial statements for the nine month period ending 30 September 2020, with adjustments made for the effects of any significant transactions until 31 December 2020.

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

Post-employment benefit commitment
The post-employment benefit commitment is calculated on an annual basis. In 2019 and 2020 the annual post-employment benefit commitment has been recorded in the consolidated interim financial statements of DDM Holding AG based on the final actuarial valuation.

Note 2. Currency translation

All entities prepare their financial statements in their functional currency. At 31 December 2020 all fully consolidated group entities have EUR as their functional currency, except for DDM Debt Management d.o.o Beograd, which has Serbian Dinar (RSD) as its functional currency, DDM Debt Romania S.R.L, which has Romanian Leu (RON) as its functional currency, DDM REO Adria d.o.o. which has Croatia Kuna (HRK) as its functional currency and Finalp Zrt., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft which have Hungarian Forint (HUF) as their functional currency.

Note 3. Deferred taxes

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

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

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

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

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

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

Note 4. Distressed asset portfolios… continued

The following investments were treated in this manner:

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

On 27 February 2020, the DDM Group acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft ("Lombard"). Prior to the acquisition DDM owned the rights to 30% of the Lombard portfolio and 100% of the equity in Lombard which has been reclassified from other long-term receivables from investments to distressed asset portfolios. On 17 December 2020 Clipper Holding III S.à r.l. was dissolved.

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

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

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

Cash flow projections are made at the portfolio / receivable level since each portfolio / receivable consists of a large number of receivables. Assumptions must be made at each reporting date as to the expected timing and amount of future cash flows. Cash flows include the nominal amount, reminder fees, collection fees and late interest that are expected to be received from debtors less forecasted collection costs. These projections are updated at each reporting date based on actual collection information, planned collection actions as well as macroeconomic scenarios and the specific features of the assets concerned. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, and upside and downside scenarios. The estimation and application of this forward-looking information requires significant judgment and is subject to appropriate internal governance and scrutiny. Changes in cash flow forecasts are treated symmetrically i.e. both increases and decreases in forecast cash flows affect the portfolios' book value and as a result "Revenue on invested assets". If there is objective evidence that one or more events have taken place that will have a positive impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows then this is recorded within the line "Revaluation of invested assets".

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

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

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

Note 4. Distressed asset portfolios… continued

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

Distressed asset portfolios and other long-term receivables from investments by currency EUR '000s	31 December 2020	31 December 2019
HRK	55,214	63,557
EUR	9,971	65,797
HUF	9,405	5,774
CZK	3,338	8,618
RSD	792	1,385
RON	532	919
Total	**79,252**	**146,050**

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

Note 5. Investment in joint venture

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

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

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

Investment in joint venture EUR '000s	31 December 2020	31 December 2019
Balance at beginning of the year	29,952	–
Additions	–	66,662
Share of net profits of joint venture	1,063	916
Proceeds from funding of joint venture	–	(33,789)
Incremental net distribution from the joint venture	(5,324)	(3,837)
Balance at end of the year	**25,691**	**29,952**

The incremental net distribution from the joint venture includes EUR 4.5m (FY 2019: EUR 2.6m) that has been received as a cash distribution during the full year 2020, of which EUR 3.3m relates to 2020 and EUR 1.2m relates to 2019 and a further EUR 2.0m (31 December 2019: EUR 1.2m) has been reclassified to accounts receivable at the end of the year.

Note 6. Investment in associates

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

DDM has determined that it has significant influence over Addiko Bank AG through already acquiring a 9.9% shareholding in Addiko Bank AG and the call option exercised on 30 March 2020 to acquire an additional 10.1% stake in Addiko Bank AG that lapsed in October 2020. DDM continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding. DDM as major shareholder is able and requested an Extraordinary General Meeting of Addiko Bank AG to make changes to the composition of the supervisory board which took place on 10 July 2020. The financial statements of the associate are prepared based on the most recent available financial statements for the nine month period ending 30 September 2020, with adjustments made for the effects of any significant transactions until 31 December 2020.

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

Investment in associates EUR '000s	31 December 2020	31 December 2019
Balance at beginning of the year	–	–
Additions	30,094	–
Share of net income in other comprehensive income	2,698	–
Share of net profits in the income statement	194	–
Balance at end of the year	**32,986**	**–**

Note 6. Investment in associates … continued

Following the acquisition of a 9.9% stake in Addiko Bank AG ("Addiko Bank") that closed during March 2020, the results for the fourth quarter and full year 2020 include EUR 0.8m and EUR 2.7m respectively of share of net income in other comprehensive income and EUR 0.6m and EUR 0.2m respectively of share of net profits in the income statement of the associate accounted for under the equity method in accordance with IFRS.

Note 7. Tangible assets

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

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

Furniture	5 years
Computer hardware	5 years

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

Note 8. Intangible assets

(i) Identifiable intangible assets

The Company's identifiable intangible assets are stated at cost less accumulated amortization and include the "FUSION" computer software that was developed in-house in cooperation with external IT consultancy firms that has a finite useful life. FUSION is the proprietary IT system which integrates investment data, case data, payment data and activity data into one effective and comprehensive IT system. This asset is capitalized and amortized on a straight-line basis in the income statement over its expected useful life of 20 years, which was reassessed at the start of 2020 to have a remaining expected useful life of 5 years.

(ii) Goodwill

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

Note 9. Loans and borrowings

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

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

On 16 March 2020 DDM Debt completed a written procedure regarding certain amendments to the terms and conditions of its up to EUR 150m senior secured bonds. At 31 December 2020 DDM Debt held EUR 23m of the EUR 100m senior secured bonds following bond buybacks.

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

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

Revolving credit facility EUR 27m
On 15 March 2019, DDM Debt agreed a super senior revolving credit facility of EUR 27m with an international bank. The revolving credit facility is available to finance investments and for general corporate purposes. The facility was available until 15 March 2021 and priced at Euribor plus a margin of 350 basis points. In February 2021 DDM Debt renewed the RCF for a further two years until 15 March 2023, with the terms of the new RCF materially in line with the previous RCF which was due to mature on 15 March 2021.

Senior secured notes EUR 18m
DDM Finance AB ("DDM Finance") has a total of EUR 18m of senior secured notes outstanding. DDM Finance used the majority of the net proceeds to provide a shareholder loan to DDM Finance's wholly owned subsidiary DDM Debt, which thereby qualifies as equity under the current DDM Debt senior secured bond terms. Under the terms and conditions investors receive a share pledge over the shares of DDM Finance, and any downstream loans to DDM Finance's direct subsidiary are pledged to investors as intercompany loans. The maturity date of the senior secured notes is 30 June 2022.

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

On 14 August 2020 DDM Debt AB completed a written procedure to request certain amendments to the terms and conditions of its up to EUR 160m senior secured bonds. DDM Debt AB requested, among other things, to extend the final redemption date by twelve months to 11 December 2021 in anticipation that the volatility in the credit markets caused by the COVID-19 pandemic will decrease and that the financial markets will normalize. The amendments incorporated a mandatory partial redemption structure, including a EUR 7.5m of nominal value bond buyback paid on 16 September, EUR 5m bond cancellation on 18 December, call structure and consent fee of 1% that was paid on 28 August.

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

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

Other loans
In March 2020, DDM received approximately EUR 0.8m as financing as part of the government loan scheme in Switzerland for the COVID-19 pandemic. This was repaid in full in November 2020.

Maturity profile and carrying value of borrowings:

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 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**
Senior secured notes	–	17,537	–	–	–	**17,537**
Total	**45,362**	**92,840**	–	–	–	**138,202**
at 31 December 2019						
Senior secured notes	–	–	17,287	–	–	**17,287**
Bond loan, 8%	49,504	–	–	–	–	**49,504**
Bond loan, 9.25%	–	–	97,626	–	–	**97,626**
Total	**49,504**	**–**	**114,913**	**–**	**–**	**164,417**

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

Note 9. *Loans and borrowings… continued*

Fair value of borrowings:

EUR '000s	IFRS 9 category	Fair value category	Fair value	Carrying value
at 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
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,537
Total			**136,109**	**138,202**
at 31 December 2019				
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,287
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	51,012	49,504
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	101,623	97,626
Total			**170,635**	**164,417**

The levels in the hierarchy are:

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

Note 10. Revenue recognition

Revenue on invested assets is the net amount of the cash collections (net of direct collection costs), amortization, revaluation and impairment of invested assets.

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

Collection costs are comprised of all expenses directly attributable to the collection of distressed asset portfolios and other long-term receivables from investments, such as collection fees, commission, transaction costs, non-recoverable VAT on amounts collected and Swiss VAT where applicable. The collection costs differ from portfolio to portfolio depending on the country/jurisdiction and the specific features of the assets concerned.

EUR '000s	1 Oct – 31 Dec 2020	1 Oct – 31 Dec 2019	Full Year 2020	Full Year 2019
Net collections by country:				
Croatia	6,720	3,945	14,461	10,551
Greece	5,092	4,401	74,522	12,111
Hungary	2,454	1,376	8,825	5,404
Czech Republic	1,091	1,887	5,411	9,418
Romania	744	838	2,658	3,431
Slovenia	465	1,972	2,984	18,122
Serbia	55	63	427	481
Bosnia	41	27	41	23
Slovakia	20	6	40	45
Russia	–	–	–	1,953
Net collections*	**16,682**	**14,515**	**109,369**	**61,539**
Amortization of invested assets	(5,949)	(5,196)	(68,433)	(34,498)
Interest income on invested assets before revaluation and impairment	**10,733**	**9,319**	**40,936**	**27,041**
Revaluation of invested assets	286	3,196	(708)	4,562
Impairment of invested assets	–	(3,660)	(332)	(5,780)
Revenue on invested assets	**11,019**	**8,855**	**39,896**	**25,823**
Share of net profits of joint ventures and associates	973	243	1,257	916
Other operating income	–	1,142	–	1,142
Revenue from management fees	1	147	74	570

* Included within net collections is the sale of invested assets

Note 10. **Revenue recognition…** *continued*

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. DDM assessed the transaction and concluded that it retains the same contractual rights to future cashflows in the distressed asset portfolio as prior to the restructuring and therefore has not derecognized the asset under IFRS 9 amortized cost as of 31 December 2020.

Share of net profits of joint venture and associate
Following the acquisition that closed on 31 May 2019 of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding, the results for the fourth quarter of 2020 and full year 2020 includes EUR 0.4m (Q4 2019: EUR 0.2m) and EUR 1.1m (2019: EUR 0.9m) respectively from share of net profits of joint venture accounted for under the equity method in accordance with IFRS. Following the acquisition of a 9.9% stake in Addiko Bank AG ("Addiko Bank") that closed during March 2020, the results for the fourth quarter and full year 2020 include EUR 0.8m and EUR 2.7m respectively from share of net income in other comprehensive income and EUR 0.6m and EUR 0.2m respectively from share of net profits in the income statement of the associate accounted for under the equity method in accordance with IFRS.

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

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

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

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

Note 11. **Business combinations**

On 27 February 2020, DDM acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft ("Lombard"). The total investment amounted to approximately EUR 3M. Prior to the acquisition DDM owned the rights to 30% of the portfolio and 100% of the equity in Lombard which has been reclassified from other long-term receivables from investments to distressed asset portfolios. On 17 December 2020 Clipper Holding III S.à r.l. was dissolved.

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

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

Note 11. Business combinations… continued

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

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

Note 12. Related parties

In 2018 AEDC Capital Limited (AEDC), a company related to DDM Group Finance S.A. (being the largest shareholder in DDM Holding AG), whose shares are ultimately held by trusts attributable to Erik Fällström and Andreas Tuczka, entered into an agreement with DDM where AEDC provided business development services for identified projects. Business development services from AEDC to DDM in the fourth quarter and full year 2020 amounted to a reversal of EUR 160k and EUR nil respectively (FY 2019: 757k) as this agreement was superseded during the year.

In 2019 DDM Group Finance S.A. entered into an agreement with the DDM Group where DDM Group Finance S.A. provides services under a brokerage contract. In relation to this agreement an amount of EUR 1,075k in the first quarter of 2020 (FY 2019: nil) was capitalized as transaction costs as part of the strategic investment in Addiko Bank AG. A further EUR 443k of brokerage fees were capitalized during Q2 2020, EUR 1,425k of brokerage fees during Q3 2020 and EUR 845k during Q4 2020 was recognized in consultancy expenses. In relation to the full year 2019 an amount of EUR 1,610k was capitalized as transaction costs as part of the bond refinancing during Q2 2019, resulting in EUR 139k and EUR 523k (FY 2019: EUR 316k) of amortized transaction costs that were recognized within financial expenses during the fourth quarter and full year 2020 respectively.

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

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

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

On 1 May 2020, NFE Unternehmensberatungs GmbH (“NFE”), a company related to Florian Nowotny, entered into an agreement with DDM where NFE provides services under an advisory agreement. Advisory services from NFE to DDM amounted to EUR 47k and EUR 126k which has been recognized in consultancy expenses during the fourth quarter and full year 2020 respectively.

On 1 September 2020, Therese Wennerholm, a person related to Henrik Wennerholm, entered into an employment agreement with DDM Debt AB to provide administration services for a period of up to twelve months. Administration services in relation to this agreement amounted to EUR 13k and EUR 18k which has been recognized in consultancy expenses during the fourth quarter and full year 2020 respectively.

On 18 December 2020, an agreement was signed to sell 100% of the equity in Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft (“Lombard”) to AXFina Holding S.A. (previously Ax Financial Holding S.A.) (“AxFina”) for a nominal consideration. The closing of the transaction is subject to certain conditions precedent, and therefore at 31 December 2020 DDM retained 100% control and ownership of the economic rights to the distressed asset portfolio located in Hungary.

In 2017 DDM 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 DDM further bought out the co-investor, with a total investment amounting to approximately EUR 20.1m. In 2020 DDM restructured its investment in the Greek NPL transaction which resulted in accelerated collections of EUR 59.8m being received and the entire carrying value remaining of EUR 43.8m prior to the restructuring has been recognized as amortization. DDM assessed the transaction and concluded that it retains the same contractual rights to future cashflows in the distressed asset portfolio as prior to the restructuring and therefore has not derecognized the asset under IFRS 9 amortized cost as of 31 December 2020. Transactions between DDM Group companies (fully consolidated) and Artemis Finance Holding (and its subsidiaries) were as follows:

Note 12. Related parties… continued

EUR '000s		31 December 2020	31 December 2019
Income Statement	Net collections	74,522	12,111
	Revenue from management fees	70	105
	Amortization net of revaluation	(49,890)	(4,319)
Income Statement, Total		**24,702**	**7,897**

EUR '000s		31 December 2020	31 December 2019
Balance sheet	Distressed asset portfolios	–	51,390
	Accounts receivable	11,876	1,326
	Accrued expenses and deferred income	(2,064)	–
Balance sheet, Total		**9,812**	**52,716**

Note 13. Subsequent events

In February DDM Debt AB renewed its revolving credit facility of EUR 27m with an international bank for a further two years until March 2023, with the terms of the new RCF materially in line with the previous RCF which was due to mature on 15 March 2021.

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Oct – 31 Dec 2020	1 Oct – 31 Dec 2019	Full Year 2020	Full Year 2019
Net collections	**16,682**	**11,975**	**109,369**	**57,063**
Sale of invested assets	–	2,540	–	4,476
Incremental net distribution from joint venture	2,023	1,218	5,324	3,837
Adjusted net collections	**18,705**	**15,733**	**114,693**	**65,376**
Cash EBITDA	**13,283**	**8,107**	**96,839**	**44,414**
Sale of invested assets	–	2,540	–	4,476
Incremental net distribution from joint venture	2,023	1,218	5,324	3,837
Adjusted cash EBITDA	**15,306**	**11,865**	**102,163**	**52,727**
Net profit / (loss) for the period	**4,791**	**1,472**	**9,140**	**(4,120)**
Non-recurring items bond refinancing	–	–	–	2,631
Adjusted net profit / (loss) for the period	**4,791**	**1,472**	**9,140**	**(1,489)**

The financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting. In addition, the Company presents alternative performance measures ("APMs"). Adjusted key figures for net collections, cash EBITDA and net profit / (loss) for the period provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include one-time costs not affecting the Company's run rate cost level, significant earnings effects from acquisition and disposals of invested assets and incremental net distributions from joint ventures.

These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies. The APMs are regularly reviewed by Management and their aim is to enhance stakeholders' understanding of the Company's performance and to enhance comparability between financial periods. The APMs are reported in addition to but are not substitutes for the financial statements prepared in accordance with IFRS. The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of Management, distort the evaluation of the performance of our operations.

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

Definitions

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

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

Cash EBITDA
Net collections and revenue from management fees, less operating expenses.

Earnings per share/EPS
Net earnings for the period, attributable to owners of the Parent Company, divided by the weighted average number of shares during the period.

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

Estimated Remaining Collections / ERC
Estimated Remaining Collections refers to the sum of all undiscounted future projected cash collections before collection costs from acquired portfolios. This includes the Group's share of proceeds on portfolios purchased, held in joint ventures and associates. ERC is not a balance sheet item, however it is provided for informational purposes as a common measure in the debt purchasing industry. ERC may be calculated differently by other companies and may not be comparable.

Equity
Shareholders' equity at the end of the period.

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

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

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

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

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

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

Operating expenses
Personnel, consulting and other operating expenses.

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

About DDM

DDM Holding AG (First North Growth Market: DDM) is a specialized multinational investor and manager of non-performing loans and special situations, offering the prospect of attractive returns from the expanding Southern, Central and Eastern European market. Since 2007, the DDM Group has built a successful platform in Southern, Central and Eastern Europe, and has acquired 2.3 million receivables with a nominal value of over EUR 4 billion.

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

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

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

ddm

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