

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

Highlights fourth quarter 2020

- Net collections increased by 11% to EUR 16.7m (15.1)*
- Cash EBITDA increased by 33% to EUR 14.5m (10.9)*
- Net profit for the period of EUR 4.5m (loss of 0.8)*
- Cash on hand at the end of December 2020 was EUR 30.7m (11.5 at December 2019)

Highlights 2020

- Net collections increased by 76% to EUR 110.2m (62.6)*
- Cash EBITDA increased by 94% to EUR 99.7m (51.5)*
- Greek restructuring resulted in accelerated collections of approximately EUR 60m
- Unrealized FX losses of EUR 1.6m driven by unfavorable movements of Croatian Kuna and Hungarian Forint due to COVID-19
- Net profit for the year of EUR 8.9m (loss of 4.7)*
- Strategic investment made, acquiring 9.9% stake in Addiko Bank AG with intention to increase its shareholding further
- Net debt decreased by 34% to EUR 90m 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 25.

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	14,680	11,340	104,876	54,272
Operating expenses	(2,223)	(4,210)	(10,518)	(11,097)
Cash EBITDA	12,457	7,130	94,358	43,175
Amortization, revaluation and impairment of invested assets	(5,401)	(7,073)	(68,628)	(36,302)
Share of net profits of joint ventures and associates	973	243	1,257	916
Operating profit	8,004	3,934	26,920	13,326
Net profit / (loss) for the period***	4,481	(750)	8,869	(7,287)
Selected key figures				
Total assets	196,963	198,706	196,963	198,706
Net debt	89,993	135,666	89,993	135,666
Equity ratio****	30.2%	21.1%	30.2%	21.1%
Cash flow from operating activities before working capital changes	10,019	7,138	87,775	30,687
Investments book value	135,871	173,251	135,871	173,251

** Unaudited

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

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

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

Comment by the CEO

I am delighted to announce that we have achieved record net collections of EUR 110m and cash EBITDA of almost EUR 100m 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 in the second half of 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 110.2m, 76% 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 99.7m 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 8.9m, despite being negatively impacted by EUR 1.6m of unrealized exchange losses principally due to unfavorable exchange rate movements of the Croatian Kuna and the Hungarian Forint to the Euro.

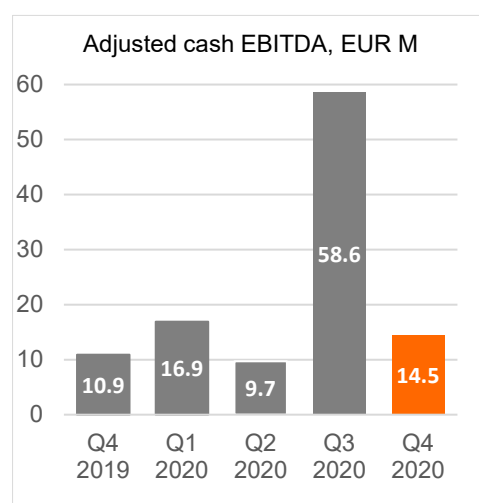
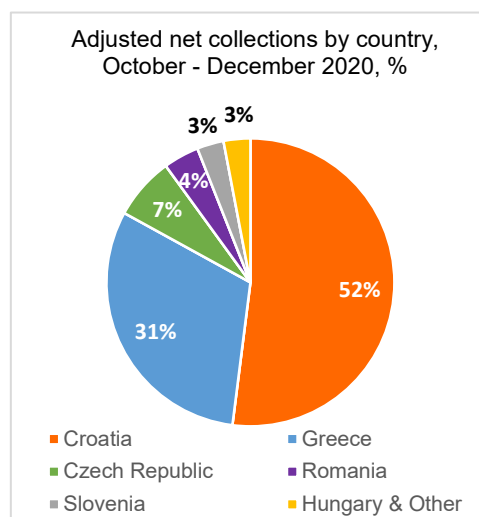
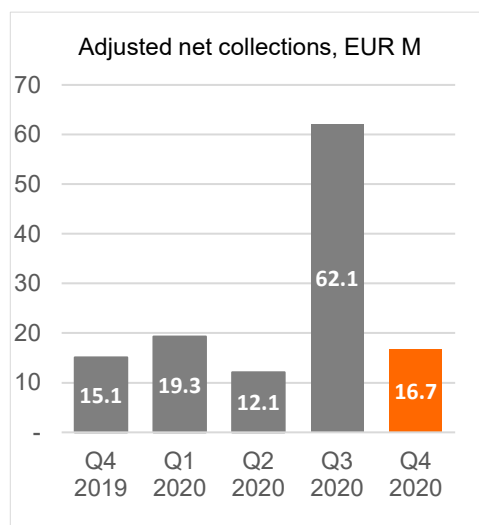
These results confirm the credit quality of our portfolios which have continued to show resilience with downward revaluations and impairments for the full year 2020 being less than 1% of the carrying value of the opening book at the start of the year despite the adverse global impact from the COVID-19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

Continued progress on debt structure

During the year we extended the maturity of DDM Debt'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 the DDM Debt Group, continues to offer attractive opportunities for SME and retail banking. The DDM Debt Group 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

The DDM Debt Group 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. In 2020 the DDM Debt Group has made a strategic investment in Addiko Bank AG. The DDM Debt Group is a highly experienced investor in Addiko's core markets and is looking to support Addiko 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. The DDM Debt Group 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.

Stockholm, 18 February 2021

DDM Debt AB (publ)

Henrik Wennerholm, CEO

Financial calendar

DDM Debt AB (publ) 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.

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 16.7m in the fourth quarter of 2020 compared to 15.1m 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 and EUR 5.1m from Greece following the restructuring of the Greek investment.

Operating expenses were EUR 2.2m in the fourth quarter, EUR 2.0m lower than the corresponding period last year. This is due to the higher management fee charged from DDM Group AG in the fourth quarter of the prior year that is allowable under the current DDM Debt senior secured bond and RCF terms and following 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. As a result, adjusted cash EBITDA totaled EUR 14.5m in the fourth quarter of 2020.

The operating profit margin of 78% in the fourth quarter is 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, EUR 0.3m upwards revaluation of portfolios located in Croatia, where a 6-month moratorium on debt enforcements ended during the fourth quarter. This is compared with EUR 2.1m impairment net of revaluation recognized in the fourth quarter of the prior year that related to one-off write downs on portfolios in the Balkans. 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 4.5m.

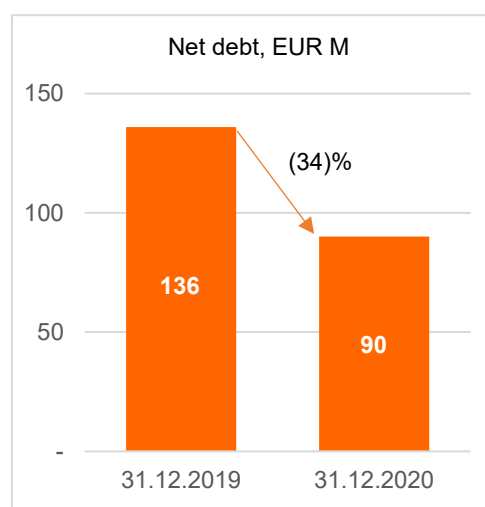
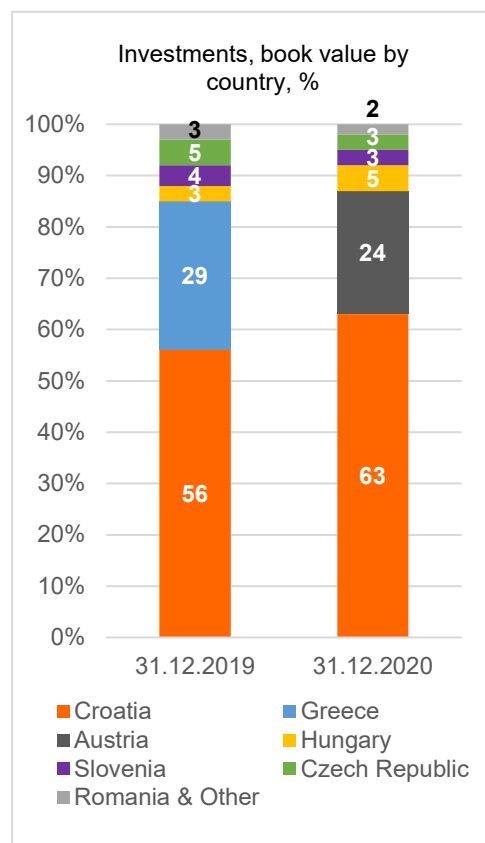
For the fourth quarter of 2020, cash flow from operating activities before working capital changes was EUR 10.0m compared to EUR 7.1m for the corresponding period in 2019. This is primarily as a result of higher net collections received from portfolios located in Croatia that were acquired during the prior year.

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 2.7m respectively of share of net income in other comprehensive income and EUR 0.6m and 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 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
Revenue on invested assets	4	9,279	6,807	36,248	22,446
Share of net profits of joint ventures and associates	4,7,8	973	243	1,257	916
Other operating income	4	–	1,142	–	1,142
Personnel expenses		(53)	(390)	(695)	(1,187)
Consulting expenses		(2,115)	(3,680)	(9,607)	(9,563)
Other operating expenses		(55)	(140)	(216)	(347)
Depreciation of tangible assets		(25)	(48)	(67)	(81)
Operating profit		8,004	3,934	26,920	13,326
Financial income		784	226	2,597	536
Financial expenses**		(3,992)	(5,014)	(17,938)	(21,620)
Unrealized exchange profit / (loss)		195	(86)	(1,643)	(264)
Realized exchange profit / (loss)		35	13	27	(130)
Net financial expenses		(2,978)	(4,861)	(16,957)	(21,478)
Profit / (loss) before income tax		5,026	(927)	9,963	(8,152)
Tax (expense) / income		(545)	177	(1,094)	865
Net profit / (loss) for the period		4,481	(750)	8,869	(7,287)
Net profit / (loss) for the period attributable to:					
Owners of the Parent Company		4,481	(665)	8,869	(7,170)
Non-controlling interest		–	(85)	–	(117)

* 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	4,481	(750)	8,869	(7,287)
Other comprehensive income / (loss) for the period				
Currency translation differences	(1)	(14)	(6)	9
Share of net income in associate	752	–	2,698	–
Other comprehensive income / (loss) for the period, net of tax	751	(14)	2,692	9
Total comprehensive income / (loss) for the period	5,232	(764)	11,561	(7,278)
Total comprehensive income / (loss) for the period attributable to:				
Owners of the Parent Company	5,232	(679)	11,561	(7,161)
Non-controlling interest	–	(85)	–	(117)

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 December 2020*	31 December 2019
ASSETS			
<i>Non-current assets</i>			
Tangible assets	5	17	29
Right-of-use assets		41	98
Interests in associates	2,8	32,986	–
Distressed asset portfolios	6	77,194	140,276
Other long-term receivables from investments	6	–	3,023
Investment in joint venture	7	25,691	29,952
Loans to other group companies		4,000	4,000
Receivables from other group companies		5,936	–
Accrued interest from other group companies		1,209	768
Deferred tax assets		637	1,375
Other non-current assets		290	270
Total non-current assets		148,001	179,792
<i>Current assets</i>			
Accounts receivable		14,152	3,330
Receivables from other group companies		138	103
Tax assets		86	1,397
Other receivables		1,636	1,449
Prepaid expenses and accrued income		2,278	1,171
Cash and cash equivalents		30,672	11,464
Total current assets		48,962	18,914
TOTAL ASSETS		196,963	198,706
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		54	54
Other reserves		(1)	5
Retained earnings including net profit / (loss) for the year		21,786	4,283
Total shareholders' equity to Parent Company's shareholders		21,839	4,342
LIABILITIES			
<i>Non-current liabilities</i>			
Loans and borrowings	9	75,303	97,626
Lease liabilities		22	57
Payables to other group companies		3,077	1,389
Payables to other group companies, subordinated		1,775	1,775
Loans from other group companies, subordinated		35,811	35,811
Accrued interest		4,800	–
Deferred tax liabilities		308	220
Total non-current liabilities		121,096	136,878
<i>Current liabilities</i>			
Loans and borrowings	9	45,362	49,504
Accounts payable		358	578
Tax liabilities		231	102
Accrued interest		1,834	5,178
Accrued expenses and deferred income		6,196	2,077
Lease liabilities		47	47
Total current liabilities		54,028	57,486
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		196,963	198,706

* 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	8,004	3,934	26,920	13,326
Cash distribution from joint venture	540	1,218	4,511	2,654
<i>Adjustments for non-cash items:</i>				
<i>Amortization of invested assets</i>	5,688	4,983	67,304	33,458
<i>Revaluation and impairment of invested assets</i>	(287)	2,090	1,324	2,844
<i>Share of net profits of joint ventures and associates</i>	(973)	(243)	(1,257)	(916)
<i>Other operating income</i>	–	(1,142)	–	(1,142)
<i>Depreciation of tangible assets</i>	25	48	67	81
<i>Other items not affecting cash</i>	563	492	381	295
Interest paid	(4,212)	(4,284)	(14,774)	(16,544)
Interest received	671	116	2,137	179
Tax paid	–	(74)	(87)	(3,548)
Tax received	–	–	1,249	–
Cash flow from operating activities before working capital changes	10,019	7,138	87,775	30,687
Working capital adjustments				
(Increase) / decrease in accounts receivable	(7,238)	615	(14,475)	5,132
(Increase) / decrease in other receivables	5,945	(1,065)	781	(2,437)
Increase / (decrease) in accounts payable	26	11	(220)	(70)
Increase / (decrease) in other current liabilities	2,344	(433)	6,282	2,584
Net cash flow from operating activities	11,096	6,266	80,143	35,896
Cash flow from investing activities				
Purchases of associates	–	–	(30,094)	–
Purchases of distressed asset portfolios and other long-term receivables from investments	–	–	(3,216)	(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 non-current assets	–	(250)	–	(250)
Purchases of tangible assets	(1)	–	(1)	(22)
Net cash flow received / (used) in investing activities	(1)	3,055	(33,311)	(96,182)
Cash flow from financing activities				
Proceeds from issuance of loans	–	5,603	27,471	105,329
Proceeds from loans from group companies	–	500	–	4,950
Repayment of loans	(31,016)	(12,000)	(54,876)	(93,700)
Loan to other group companies	–	–	–	(2,000)
Principal element of lease payments	(7)	–	(7)	–
Net cash flow received / (used) in financing activities	(31,023)	(5,897)	(27,412)	14,579
Cash flow for the period	(19,928)	3,424	19,420	(45,707)
Cash and cash equivalents less bank overdrafts at beginning of the period	50,578	8,027	11,464	57,266
Foreign exchange gains / (losses) on cash and cash equivalents	22	13	(212)	(95)
Cash and cash equivalents less bank overdrafts at end of the period	30,672	11,464	30,672	11,464

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Attributable to Parent Company's shareholders			Total equity	Non-controlling interest	Total equity
	Share capital	Other reserves	Retained earnings incl. net profit / (loss) for the year			
Balance at 1 January 2019	54	(4)	8,811	8,861	–	8,861
Net loss for the year	–	–	(7,170)	(7,170)	(117)	(7,278)
Other comprehensive income						
Currency translation differences	–	9	–	9	–	9
Total comprehensive income / (loss)	–	9	(7,170)	(7,161)	(117)	(7,278)
<i>Transactions with owners</i>						
Received capital contribution	–	–	2,714	2,714	–	2,714
Contribution agreement	–	–	45	45	–	45
Disposal of subsidiary	–	–	(117)	(117)	117	–
Total transactions with owners	–	–	2,642	2,642	117	2,759
Balance at 31 December 2019*	54	5	4,283	4,342	–	4,342
Balance at 1 January 2020	54	5	4,283	4,342	–	4,342
Net profit for the year	–	–	8,869	8,869	–	8,869
Other comprehensive income / (loss)						
Currency translation differences	–	(6)	–	(6)	–	(6)
Share of net income in associate	–	–	2,698	2,698	–	2,698
Total comprehensive income / (loss)	–	(6)	11,567	11,561	–	11,561
<i>Transactions with owners</i>						
Conditional Shareholder's Contribution	–	–	5,936	5,936	–	5,936
Total transactions with owners	–	–	5,936	5,936	–	5,936
Balance at 31 December 2020*	54	(1)	21,786	21,839	–	21,839

* Unaudited

Parent Company – Income Statement

Amounts in EUR '000s	1 Oct – 31 Dec 2020*	1 Oct – 31 Dec 2019*	Full Year 2020*	Full Year 2019
Revenue	–	–	–	–
Other operating income	–	1,142	–	1,142
Personnel expenses	(23)	(140)	(531)	(554)
Consulting expenses	(33)	(69)	(252)	(182)
Other operating expenses	(22)	(55)	(116)	(137)
Depreciation of tangible assets	–	11	(1)	(1)
Operating (loss) / profit	(78)	889	(900)	268
Financial income	4,712	3,776	19,921	15,491
Financial expenses	(3,566)	(3,817)	(16,275)	(15,546)
Unrealized exchange profit / (loss)	3	(5)	(13)	7
Realized exchange profit	1	2	16	8
Net financial income / (expense)	1,150	(44)	3,649	(40)
Profit before income tax	1,072	845	2,749	228
Tax expense	(153)	(39)	(107)	(39)
Profit for the period	919	806	2,642	189

* Unaudited

Parent Company – 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 for the period	919	806	2,642	189
Other comprehensive income for the period, net of tax				
<i>Items that will not be reclassified to profit or loss</i>	–	–	–	–
<i>Items that may subsequently be reclassified to profit or loss</i>	–	–	–	–
Total other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	919	806	2,642	189

* Unaudited

Parent Company – Balance Sheet

Amounts in EUR '000s	Notes	31 December 2020*	31 December 2019
ASSETS			
<i>Non-current assets</i>			
Tangible assets	5	3	4
Participations in other group companies	10	9,478	9,523
Loans to other group companies		129,808	150,503
Receivables from other group companies		5,936	–
Accrued interest from other group companies		851	631
Other non-current assets		425	279
Total non-current assets		146,501	160,940
<i>Current assets</i>			
Other receivables		1,377	1,374
Accrued interest from other group companies		9,879	9,236
Prepaid expenses		25	211
Cash and cash equivalents		521	3,234
Total current assets		11,802	14,055
TOTAL ASSETS		158,303	174,995
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		54	54
Retained earnings including net profit for the year		14,064	5,486
Total shareholders' equity		14,118	5,540
<i>Non-current liabilities</i>			
Loans and borrowings	9	74,693	97,626
Payables to other group companies		1,324	1,431
Loans from other group companies, subordinated		14,950	14,950
Accrued interest		4,800	2,795
Total non-current liabilities		95,767	116,802
<i>Current liabilities</i>			
Loans and borrowings	9	45,972	49,504
Accounts payable		189	392
Tax liabilities		151	46
Accrued interest		1,834	2,383
Accrued expenses and deferred income		272	328
Total current liabilities		48,418	52,653
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		158,303	174,995

* Unaudited

Parent Company – 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 (loss) / profit	(78)	889	(900)	268
<i>Adjustments for non-cash items:</i>				
<i>Other operating income</i>	–	(1,142)	–	(1,142)
<i>Depreciation of tangible assets</i>	–	(11)	1	1
<i>Other items not affecting cash</i>	(66)	(192)	27	35
Interest paid	(4,212)	(4,284)	(14,774)	(16,544)
Interest received	4,821	1,363	18,837	10,624
Tax paid	–	(6)	–	(6)
Cash flow from operating activities before working capital changes	465	(3,383)	3,191	(6,764)
Working capital adjustments				
Increase / (decrease) in other receivables	3	2,793	(15)	(189)
Increase / (decrease) in accounts payable	(152)	81	(203)	90
Increase / (decrease) in other current liabilities	(635)	1,237	(531)	1,522
Net cash flow from operating activities	(319)	728	2,442	(5,341)
Cash flow from investing activities				
Loans to group companies	–	–	(27,000)	(60,750)
Repayment of loans to group companies	30,350	7,560	49,250	52,300
Purchases of non-current assets	–	(250)	–	(250)
Purchases of shares in subsidiaries	–	–	–	(24)
Net cash flow received / (used) in investing activities	30,350	7,310	22,250	(8,724)
Cash flow from financing activities				
Proceeds from issuance of loans	–	5,603	27,000	105,329
Proceeds from loans from group companies	–	500	–	4,950
Repayment of loans	(30,550)	(12,000)	(54,410)	(93,700)
Net cash flow received / (used) in financing activities	(30,550)	(5,897)	(27,410)	16,579
Cash flow for the period	(519)	2,141	(2,718)	2,514
Cash and cash equivalents less bank overdrafts at beginning of the period	1,041	1,094	3,234	707
Foreign exchange (losses) / gains on cash and cash equivalents	(1)	(1)	5	13
Cash and cash equivalents less bank overdrafts at end of the period	521	3,234	521	3,234

* Unaudited

Parent Company – Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Retained earnings incl. net profit / (loss) for the year	Total equity
Balance at 1 January 2019	54	5,252	5,306
Net loss for the period	–	189	189
<i>Other comprehensive loss</i>	–	–	–
Total comprehensive loss	–	189	189
<i>Transactions with owners</i>			
Contribution agreement	–	45	45
Total transactions with owners	–	45	45
Balance at 31 December 2019*	54	5,486	5,540
Balance at 1 January 2020	54	5,486	5,540
Net profit for the period	–	2,642	2,642
<i>Other comprehensive income</i>	–	–	–
Total comprehensive income	–	2,642	2,642
<i>Transactions with owners</i>			
Conditional Shareholder's Contribution	–	5,936	5,936
Total transactions with owners	–	5,936	5,936
Balance at 31 December 2020*	54	14,064	14,118

* Unaudited

Notes

Note 1. General information

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

The Company was registered on 3 March 2016, and changed from a private limited liability company to a public limited liability company on 26 May 2016. The Company has registered offices in Stockholm, Sweden and its Swedish Corporate ID No. is 559053-6230. The address of the main office and postal address is Humlegårdsgatan 4, 1 tr, 114 46 Stockholm, Sweden. DDM Debt is a wholly owned subsidiary of DDM Finance AB ("DDM Finance"), Stockholm, Sweden, being a wholly owned subsidiary of DDM Group AG, Zug, Switzerland.

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

Note 2. Basis of preparation

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

The accounting policies that are most critical to the Group and Parent Company are stated in DDM Debt AB's Annual Report for 2019, which also contains a description of the material risks and uncertainties facing the Parent Company and the Group.

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not be considered as a substitute for measures defined under IFRS. Please refer to page 25 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. Figures in tables and comments may be rounded.

Pursuant to the Annual Accounts Act (ÅRL 1995:1554) the Parent Company applies the accounting for a financial leasing agreement as an operational lease agreement.

Subsidiaries

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

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

Subsidiaries	Consolidation method	Domicile	31 December 2020	31 December 2019
DDM Invest III AG	Fully consolidated	Switzerland	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%	–

Note 2. Basis of preparation... continued

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

On 27 February 2020 the DDM Debt 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. Prior to the acquisition DDM owned the rights to 30 percent of the portfolio and 100 percent of the equity in Lombard which has been reclassified from other long-term receivables from investments to distressed asset portfolios. On 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 the DDM Debt Group, together with one or several parties have joint control over an arrangement in accordance with a shareholder agreement. The DDM Debt Group's joint arrangement with B2Holding where each party holds 50% of the share capital and voting rights of CE Partner S.à r.l. and CE Holding Invest S.C.S (the "Joint Venture") is classified as a joint venture, as the DDM Debt Group is entitled to 50% of the net assets of the Joint Venture rather than having a direct entitlement to assets and responsibility for liabilities. The equity method is applied when accounting for the joint venture. Under the equity method of accounting the investment is recognized at cost and subsequently adjusted to the DDM Debt Group's 50% share of the change in the net assets of the Joint Venture since the acquisition date.

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

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

The DDM Debt Group has determined that it has significant influence over Addiko Bank AG through already acquiring a 9.9% shareholding and the call option exercised on 30 March 2020 to acquire an additional 10.1% stake in Addiko Bank AG that lapsed in October 2020. The DDM Debt Group continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding. The DDM Debt Group as a major shareholder is able and requested an Extraordinary General Meeting of Addiko Bank AG to make changes to the composition of the supervisory board which took place on 10 July 2020. The financial statements of the Associate are prepared for 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 to the 31 December 2020.

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

Note 3. 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 and DDM REO Adria d.o.o. which has Croatia Kuna (HRK) as its functional currency.

Note 4. Revenue on invested assets by region

Revenue on invested assets is the net amount of the cash collections (net of direct collection costs), amortization, revaluation and impairment of invested assets. Net collections includes management fees received from co-investors, as the DDM Debt Group manages the operations of these assets. These fees are immaterial and have therefore not been disclosed separately.

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

Amounts in EUR '000s	1 Oct – 31 Dec	1 Oct – 31 Dec	Full Year	Full Year
	2020	2019	2020	2019
Net collections by country:				
Croatia	6,720	3,959	14,461	10,566
Greece	5,092	4,401	74,522	12,111
Czech Republic	1,091	1,887	5,411	9,418
Romania	742	839	2,658	3,434
Slovenia	466	1,972	2,985	18,122
Hungary	453	726	4,331	2,595
Serbia	55	63	427	481
Bosnia	41	27	41	23
Slovakia	20	6	40	45
Russia	–	–	–	1,953
Net collections*	14,680	13,880	104,876	58,748
Amortization of invested assets	(5,688)	(4,983)	(67,304)	(33,458)
Interest income on invested assets before revaluation and impairment	8,992	8,897	37,572	25,290
Revaluation of invested assets	287	1,570	(992)	2,936
Impairment of invested assets	–	(3,660)	(332)	(5,780)
Revenue on invested assets	9,279	6,807	36,248	22,446
Share of net profits of joint ventures and associates	973	243	1,257	916
Other operating income	–	1,142	–	1,142

* Included within net collections is the sale of invested assets

Net collections includes EUR 59.8m received from Greece, due to the accelerated collections received following the restructuring of the Greek investment. The entire carrying value remaining of EUR 43.8m prior to the restructuring has been recognized as amortization. The DDM Debt Group has assessed the transaction and concluded it retains the same contractual rights to future cashflows in the distressed asset portfolio as prior to the restructuring and therefore has not derecognized the asset under IFRS 9 amortized cost as of 31 December 2020.

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

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

Share of net profits 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, the DDM Debt Group 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.

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

On 28 October 2019, the DDM Debt Group 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".

Note 5. Tangible assets

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

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

Furniture	5 years
Computer hardware	5 years

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

Note 6. Distressed asset portfolios and other long-term receivables from investments

The DDM Debt Group 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 Group AG owned 100% of the shares in the local legal entities holding the leasing portfolios at 31 December 2019. However, the economic substance of the investments was the underlying portfolios of loans, which the DDM Debt Group owned together with a co-investor. As a result, the underlying assets which represented other long-term receivables from investments were recognized in the DDM Debt Group 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 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 Debt 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. Prior to the acquisition the DDM Debt Group owned the rights to 30% of the Lombard portfolio, 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.

The recognition of the acquisition of distressed asset portfolios and other long-term receivables from investments is based on the DDM Debt 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.

Note 6. Distressed asset portfolios... continued

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

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

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

The DDM Debt Group assesses at each reporting date whether there is objective evidence that a portfolio / 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 the DDM Debt Group 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”.

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

EUR '000s	31 December 2020	31 December 2019
HRK	55,214	63,557
EUR	9,971	65,797
HUF	7,347	3,023
CZK	3,338	8,618
RSD	792	1,385
RON	532	919
Total	77,194	143,299

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

Note 7. Investment in joint venture

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

On 15 July 2019, the DDM Debt Group 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 year:

Note 7. Investment in joint venture... continued

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 profit 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. A further EUR 2.0m (31 December 2019: EUR 1.2m) that has been reclassified to accounts receivable at the end of the year.

Note 8. Investment in associates

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

The DDM Debt Group has determined that it has significant influence over Addiko Bank AG through already acquiring a 9.9% shareholding and the call option exercised on 30 March 2020 to acquire an additional 10.1% stake in Addiko Bank AG that lapsed in October 2020. The DDM Debt Group continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding. The DDM Debt Group as a major shareholder is able and requested an Extraordinary General Meeting of Addiko Bank AG to make changes to the composition of the supervisory board which took place on 10 July 2020. The 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 losses in the income statement	194	–
Balance at end of the year	32,986	–

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 9. Loans and borrowings

The Group had the following outstanding borrowings at the balance sheet dates of 31 December 2020 and/or 31 December 2019:

Bond loan EUR 100m

On 8 April 2019, DDM Debt issued EUR 100m of senior secured bonds priced at Euribor plus a margin of 9.25% within a total framework amount of EUR 150m. The bonds with ISIN number SE0012454940 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 and the revolving credit facility 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. 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 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

Note 9. Loans and borrowings... continued

loans, mergers and demergers and local credits. 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.

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 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 from 11 December 2020 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, 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, the DDM Debt Group received approximately EUR 0.5m as financing as part of the government loan scheme in Switzerland for the COVID-19 pandemic. This was repaid in full in November 2020.

Maturity profile and carrying value of borrowings:

Group EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 31 December 2020						
Revolving credit facility	8,971	–	–	–	–	8,971
Bond loan, 8%	36,391	–	–	–	–	36,391
Bond loan, 9.25%	–	75,303	–	–	–	75,303
Total	45,362	75,303	–	–	–	120,665
at 31 December 2019						
Bond loan, 8%	49,504	–	–	–	–	49,504
Bond loan, 9.25%	–	–	97,626	–	–	97,626
Total	49,504	–	97,626	–	–	147,130

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

Fair value of borrowings:

Group 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
Total			118,109	120,665
at 31 December 2019				
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			152,635	147,130

Note 9. Loans and borrowings... continued

The levels in the hierarchy are:

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

Note 10. Participations in Group companies

Parent Company EUR '000s	31 December 2020	31 December 2019
Investment	9,478	9,523
Total	9,478	9,523

Parent Company EUR '000s	Investment
At 31 December 2019	9,523
Acquisitions	–
Merger	(45)
At 31 December 2020	9,478

The Parent Company holds shares in the following subsidiaries:

EUR '000s Company	Corporate identity number	Domicile	Proportion of equity 31 December 2020	Proportion of equity 31 December 2019	Net book value 31 December 2020	Net book value 31 December 2019
DDM Invest III AG	CHE 115.238.947	Switzerland	100%	100%	9,364	9,364
DDM Invest V d.o.o*	8297355000	Slovenia	100%	100%	–	–
DDM Invest VII d.o.o.	7109806000	Slovenia	100%	100%	8	8
DDM Debt Management d.o.o Beograd**	21313963	Serbia	100%	100%	–	–
DDM Treasury Sweden AB	556910-3053	Sweden	–	100%	–	45
DDM Debt Romania S.R.L	39689815	Romania	99%	99%	106	106
DDM REO Adria d.o.o.***	05288215	Croatia	100%	–	–	–
Total					9,478	9,523

* DDM Invest V d.o.o. (formerly Ahive d.o.o.) is a 100% indirectly held subsidiary through DDM Invest III AG.

** The net book value of the investment in DDM Debt Management d.o.o Beograd amounts to EUR 1 as of 31 December 2020 and 31 December 2019.

*** The net book value of the investment in DDM REO Adria d.o.o. amounts to EUR 1 as of 31 December 2020.

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

On 27 February 2020 the DDM Debt 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. 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.

Note 11. Related parties

In 2019 DDM Group Finance S.A. entered into an agreement with the DDM Debt Group where DDM Group Finance S.A. provides services under a brokerage contract. In relation to this agreement an amount of EUR 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.

Note 11. Related parties... *continued*

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 1 September 2020, Therese Wennerholm, a person related to Henrik Wennerholm, entered into an employment agreement with DDM Debt 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.

In 2017 the DDM Debt Group undertook an investment in a Greek NPL transaction which was executed by making a structured investment of a net amount of EUR 36.4m into a Luxembourg SPV ("Artemis Finance Holding S.A.R.L."), whose shares are ultimately held by trusts attributable to Erik Fällström and Andreas Tuczka. In 2019 the DDM Debt Group further bought out the co-investor, with a total investment amounting to approximately EUR 20.1m. In 2020 the DDM Debt Group restructured its investment in the Greek NPL transaction which resulted in accelerated collections of EUR 59.8m being received and the entire carrying value remaining of EUR 43.8m prior to the restructuring has been recognized as amortization. The DDM Debt Group has assessed the transaction and concluded that it retains the same contractual rights to future cashflows in the distressed asset portfolio as prior to the restructuring and therefore has not derecognized the asset under IFRS 9 amortized cost as of 31 December 2020. Transactions between the DDM Debt Group companies (fully consolidated) and Artemis Finance Holding (and its subsidiaries) were as follows:

EUR '000s		31 December 2020	31 December 2019
Income Statement	Net collections	74,522	12,111
	Amortization net of revaluation	(49,890)	(4,319)
Income Statement, Total		24,632	7,792

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 12. Subsequent events

In February DDM Debt 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.

Signatures

The Board of Directors and Chief Executive Officer declare that the interim report 1 January – 31 December 2020 provides a fair overview of the Parent Company's and the Group's operations, their financial positions and result. The material risks and uncertainties facing the Parent Company and the Group are described in the 2019 Annual report.

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

Stockholm, 18 February 2021

Jörgen Durban
Chairman of the board

Joachim Cato
Board member

Erik Fällström
Board member

Florian Nowotny
Board member

Henrik Wennerholm
CEO

Definitions

DDM

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

Amortization of invested assets

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

Cash EBITDA

Net collections less operating expenses.

EBITDA

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

Estimated Remaining Collections / ERC

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.

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

Non-recurring items

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

Operating expenses

Personnel, consulting and other operating expenses.

Revaluation of invested assets

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

Reconciliation tables, non-IFRS measures

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

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

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

Net collections:

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

Amortization, revaluation and impairment of invested assets:

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

Operating expenses and Cash EBITDA:

Amounts in EUR '000s (unless specified otherwise)	1 Oct – 31 Dec	1 Oct – 31 Dec	Full Year	Full Year
	2020	2019	2020	2019
Net collections *	16,703	15,098	110,200	62,585
Personnel expenses	(53)	(390)	(695)	(1,187)
Consulting expenses	(2,115)	(3,680)	(9,607)	(9,563)
Other operating expenses	(55)	(140)	(216)	(347)
Operating expenses	(2,223)	(4,210)	(10,518)	(11,097)
Cash EBITDA	14,480	10,888	99,682	51,488

* Net collections includes the sale of invested assets and the incremental net distribution from joint venture. Please refer to page 25 for a reconciliation of alternative performance measures ("APMs") to IFRS

Net debt:

Revolving credit facility	8,971	–	8,971	–
Bond loan, 8%	36,391	49,504	36,391	49,504
Bond loan, 9.25%	75,303	97,626	75,303	97,626
Less: Cash and cash equivalents	(30,672)	(11,464)	(30,672)	(11,464)
Net debt	89,993	135,666	89,993	135,666

Equity ratio:

Shareholder's equity	21,839	4,342	21,839	4,342
Shareholder debt (subordinated)	37,586	37,586	37,586	37,586
Total equity according to the senior secured bond and revolving credit facility terms	59,425	41,928	59,425	41,928
Total assets	196,963	198,756	196,963	198,756
Equity ratio	30.2%	21.1%	30.2%	21.1%

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Oct – 31 Dec	1 Oct – 31 Dec	Full Year	Full Year
	2020	2019	2020	2019
Net collections	14,680	11,340	104,876	54,272
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	16,703	15,098	110,200	62,585
Cash EBITDA	12,457	7,130	94,538	43,175
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	14,480	10,888	99,682	51,488
Net profit / (loss) for the period	4,481	(750)	8,869	(7,287)
Non-recurring items bond refinancing	–	–	–	2,631
Adjusted net profit / (loss) for the period	4,481	(750)	8,869	(4,656)

The financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting. In addition, the Group presents alternative performance measures (“APMs”). Adjusted key figures for 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 Group’s run rate cost level, significant earnings effects from acquisitions 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 Group’s performance and to enhance comparability between financial periods. The APMs are reported in addition to but are not substitutes for the financial statements prepared in accordance with IFRS. The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of Management distort the evaluation of the performance of our operations.

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

About DDM

DDM Debt AB (Nasdaq Stockholm: DDM2) is a subsidiary of **DDM Holding AG** (First North Growth Market: DDM), a multinational investor in and manager of non-performing loans and special situations, offering the prospect of attractive returns from the expanding Southern, Central and Eastern European market. Since 2007, the DDM Group has built a successful platform in Southern, Central and Eastern Europe, and has acquired 2.3 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 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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