DDM HOLDING AG

2020 ANNUAL REPORT

ddm

SPECIALIZED MULTINATIONAL INVESTOR AND MANAGER OF NON-PERFORMING LOANS AND SPECIAL SITUATIONS

The DDM Holding AG 2020 Annual Report

DDM Holding AG ("DDM" or the "Company") is a Swiss company headquartered in Zug. Corporate registration number CHE-115906312. DDM together with its subsidiaries are referred to as the "Group".

Values are expressed in euro (EUR), thousands of euros as EUR 000s and millions of euros as EUR M. Unless otherwise stated, figures in parentheses relate to the preceding financial year, 2019.

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

Arctic Securities AS, Sweden branch is DDM Holding AG's Certified Adviser.

DDM's annual and interim reports are available in English from the Company's website >>.

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

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Strategic investment made, acquiring 9.9% stake in Addiko Bank AG and exercised a call option to acquire a further 10.1% that lapsed in October. DDM continues to be committed to its investment in Addiko Bank AG and confirms it intention to increase its shareholding

Buy-out of majority share co-investor in Hungary

Written procedure completed with certain amendments to the terms and conditions of the DDM Debt AB up to EUR 150M senior secured bonds

H2

Written procedure completed with certain amendments to the terms and conditions of the DDM Debt AB up to EUR 160m senior secured bonds, including extending the final redemption date by 12 months, with EUR 12.5m of bonds repaid

Successful restructuring of Greek transaction resulted in accelerated collections of approximately EUR 60m

For more information, see Accounting policies, page 45. Glossary and Financial definitions can be found on page 87.

2020 Highlights

This is DDM

Experienced specialist in an expanding sector

DDM is a specialized multinational investor and manager of non-performing loans ("NPL") and special situations. DDM primarily invests in corporate and consumer, secured and unsecured portfolios in Southern, Central and Eastern Europe, and DDM has also made a strategic investment in Addiko Bank AG. We work in close and longstanding relations with banks and financial institutions and provide solutions to recover outstanding distressed assets.

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

For sellers, management of distressed assets is a sensitive issue as it concerns the relationship with their customers and therefore their brand reputation. It is therefore critical for sellers 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. DDM's expertise is key to assess the portfolios, as well as to decide how to open up a dialogue with the debtors. The goal is to establish an instalment plan and, in the end, achieve an amicable settlement where the debtor has repaid the outstanding amount. DDM evaluates a significant number of investment opportunities every year, resulting in a deep understanding of the market and the ability to identify the best investment opportunities.

Loan moratorium measures implemented across Europe in response to the Covid-19 pandemic have limited the ability of banks to dispose of non-core NPLs. Therefore, increasing transaction volumes are expected following an end to loan moratoriums, low transaction volumes in 2020 and increasing NPLs on the back of Covid-19. DDM's understanding of the complete collection process, access to portfolio management services for secured portfolios in the Balkans in combination with the existing network of specialized local collection agencies gives DDM a unique advantage in the market. Combined with a proprietary IT-system, relations with co-investors and a flexible business model, this supports DDM's continued growth and its ambitions to maximize shareholder value. DDM is well-positioned to capitalize on rising NPL volumes.

Key financial highlights below include non-IFRS alternative performance measures that represent underlying business performance. Further details including a reconciliation to IFRS can be found on page 86.

Financial overview

EUR M	2020	2019
Income statement:		
Adjusted net collections	114.7	65.4
Revenue from management fees	0.1	0.6
Adjusted cash EBITDA	102.2	52.7
Share of net profits of joint ventures and associates	1.3	0.9
Operating profit	28.2	15.0
Adjusted net proft / (loss) for the year	9.1	(1.5)
Earnings per share, EUR	0.67	(0.30)
Cash flow statement:		
Cash flow from operating activities before working capital changes	90.1	29.8
Cash purchases net of financing of invested assets	33.3	99.2
Balance sheet:		
Total assets	195.5	204.5
Net debt	106.8	152.1
Equity ratio	22.2%	15.5%
Other:		
Total number of shares outstanding at the end of the year	13,560,447	13,560,447
Proposed dividend per share, EUR	0.00	0.00
Number of employees at the end of the year	65	22

DDM's progress

2007 - 2016

- Listing of DDM Holding AG on Nasdaq First North Growth Market, Stockholm in 2014
- Broadened geographic scope: entered Czech Republic, Macedonia, Poland, Romania, Slovenia and Slovakia
- In cooperation with large investment partners, DDM made significant investments in Hungary
- New issue of 1,940,298 shares, raising approximately EUR 7M (SEK 65M) in equity capital before transaction costs

2017

- EUR 85M of senior secured bonds issued at 9.5% to refinance existing debt and acquire portfolios, with listing on Nasdaq Stockholm
- New issue of 4,520,149 shares, raising approximately EUR 11M (SEK 104M) in equity capital before transaction costs
- Entered Greece, Croatia and Serbia
- EUR 10M bridge financing raised
- EUR 50M of senior secured bonds issued at 8%, with listing on Nasdaq Stockholm

2018

- Strategic shift to invest in secured corporate portfolios with further investments in the Balkans, Hungary and the Czech Republic
- Refinancing raised EUR 12M of senior secured bonds

2019

- Significant investment in Croatia in a corporate secured portfolio made through a 50/50 joint venture with B2Holding
- Further significant investment in Croatia and buy-out of co-investor in Greece
- EUR 27M Revolving Credit Facility secured
- EUR 100M of senior secured bonds issued at 9.25% to refinance existing EUR 85M bonds and acquire portfolios, with listing on Nasdaq Stockholm
- Refinancing raised EUR 18M of senior secured bonds
- Launch of servicing platform for secured portfolios

2020

- **Strategic investment acquired 9.9% stake in Addiko Bank AG for approximately EUR 30M**
- **Buy-out of majority share co-investor in Hungary**
- **Restructured Greek transaction resulting in accelerated collections of approximately EUR 60M**

2020 Highlights

Record collections and cash EBITDA

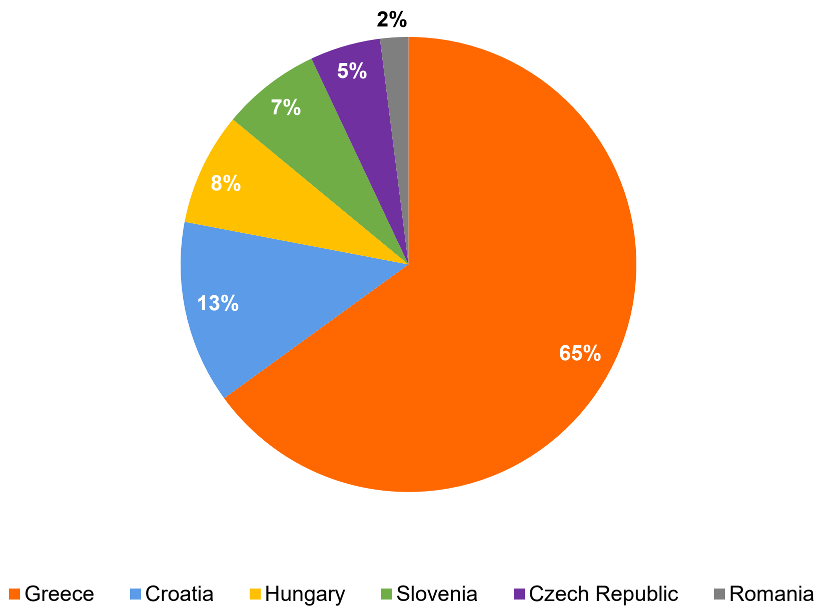
We have achieved record net collections and cash EBITDA for the full year 2020. This is a remarkable achievement especially given the challenging market conditions as a result of the COVID-19 pandemic, in which we managed to successfully restructure our investment in Greece resulting in accelerated collections 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.

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.

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.

Adjusted net collections* by country 2020

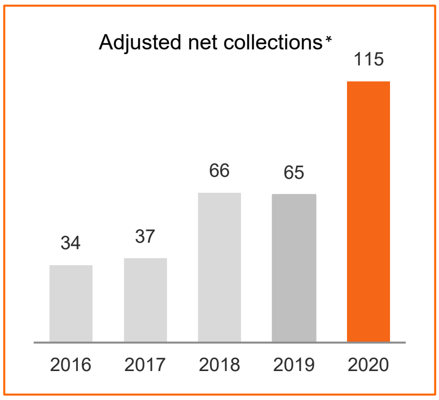


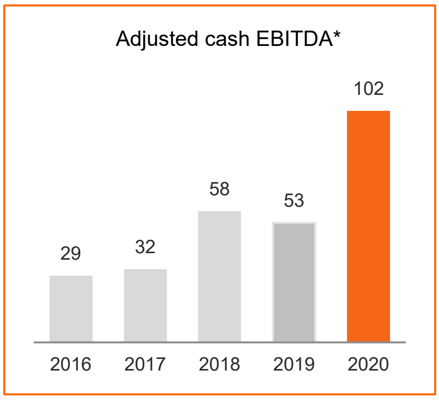
**Adjusted net collections includes the incremental net distribution from joint venture, see page 86 alternative performance measures*

2020 Highlights

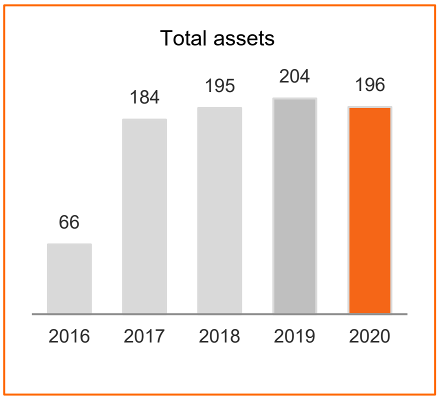
Financial KPI's

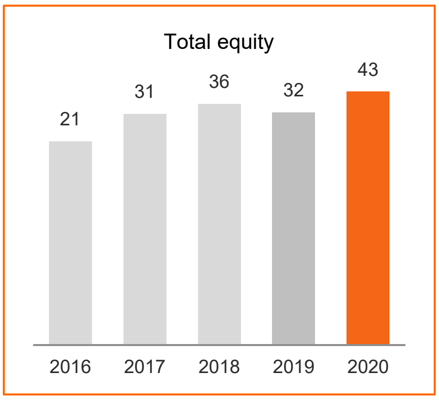
Income statement



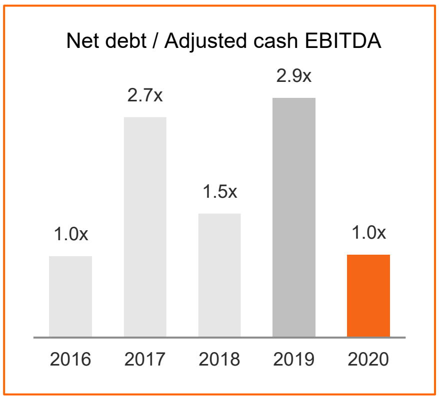


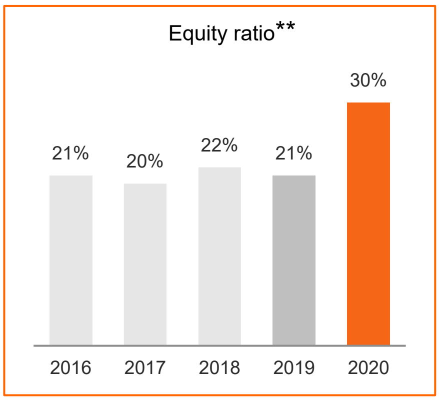
Balance sheet



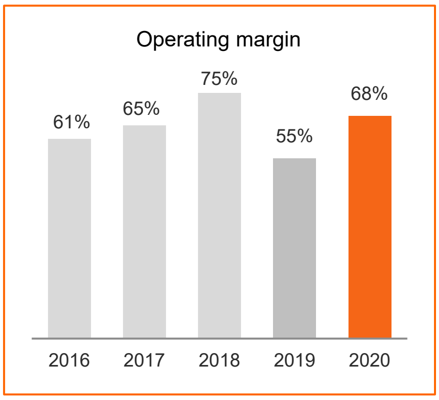


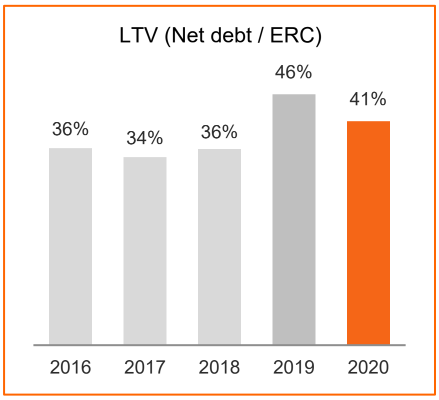
Leverage





Efficiency





"We have achieved record net collections and cash EBITDA for the full year 2020, ending the year with a strong covenant and liquidity position"

Henrik Wennerholm,
CEO of DDM

All figures are in EUR million, unless stated otherwise.

* Adjusted net collections and adjusted cash EBITDA include EUR 5.3M (2019: 3.8M) incremental net distribution from joint venture and EUR nil (2019: 4.5M) sale of invested assets. See Alternative Performance Measures on page 86 for further details.

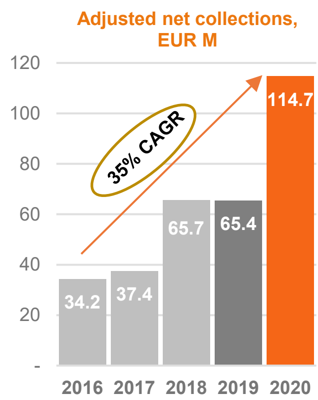
** The equity ratio of the DDM Debt Group according to the senior secured bond terms.

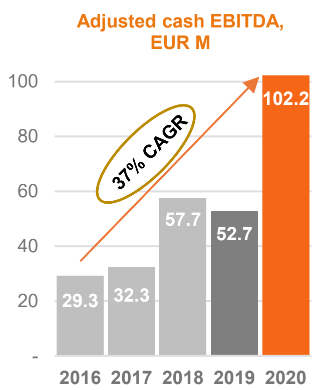
CEO'S REPORT

Record results confirms credit quality of portfolios

Henrik Wennerholm,
CEO of DDM

"DDM is well-positioned to capitalize on rising NPL volumes with a strong investment"





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.

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.

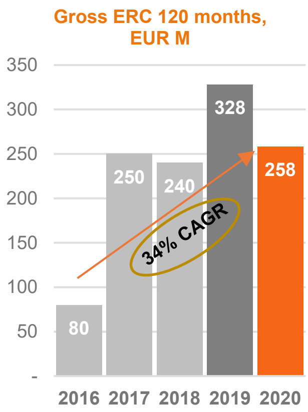
Strategic investment in Addiko Bank AG

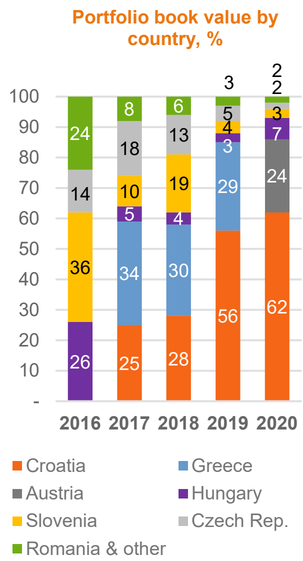
We made a strategic investment by acquiring a 9.9% stake in Addiko Bank AG ("Addiko Bank") and intend to increase our shareholding further. We strongly believe that the region in which Addiko Bank operates, and which is well known to DDM, continues to offer attractive opportunities for SME and retail 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.

Earnings 2020

Adjusted net collections totaled EUR 114.7m for the full year 2020, 75% higher than 2019 mainly due to the EUR 59.8m of accelerated collections received following the restructuring in Greece. Revenue from management fees was EUR 0.1m for the full year 2019, EUR 0.5m lower than 2019 due to the collections platform in Hungary that was fully acquired in February 2020 and due to the buy-out of the co-investor in Greece in July 2019.

Negative revaluation and impairment totaled EUR 1.0m, less than 1% of the carrying value of the opening book at the start of the year which shows the resilience of our portfolio which is supported by high quality secured assets, despite the adverse global impact from the COVID-19 pandemic. Operating expenses were EUR 12.6m for the full year 2020, EUR 0.6m lower than in 2019 as 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 were partially offset by consolidation of the collections platform in Hungary following the buy-out of the co-investor.





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.

For the full year 2020, cash flow from operating activities before working capital changes was EUR 90.1m compared to EUR 29.8m for the full year 2019. This is primarily as a result of the higher net collections in 2020, lower interest paid due to the call premium that was paid in 2019 in relation to the EUR 85m bond and corporation tax that was prepaid in the prior year. Cash on hand was EUR 31m at the end of December with EUR 18m of headroom under our EUR 27m RCF.

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 full year 2020 include EUR 1.1m (2019: EUR 0.9m) 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 full year 2020 include EUR 2.7m share of net income in other comprehensive income and EUR 0.2m share of net profits in the income statement of the associate accounted for under the equity method in accordance with IFRS.

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.

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.

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.

Incentives for sellers to use DDM

Banks in Southern, Central and Eastern Europe are generally subject to the same driving forces as Western European banks when it comes to selling their distressed assets. These include their need to focus on their core operations and to improve their capital adequacy ratios and cash positions.

Incentive 1

In many cases, removing distressed assets from their balance sheets helps banks meet regulatory requirements.

We acquire distressed assets outright, removing them from our clients' balance sheets, and providing immediate liquidity and freeing up reserves. Generally, selling to us enables clients to recover capital much faster than through a traditional debt collection company.

Incentive 2

Selling distressed assets allows banks to focus on their core activities as distressed asset management can be difficult and divert management focus and other scarce resources.

Incentive 3

By selling distressed assets to a respected debt purchaser such as DDM, banks reduce their reputational risk. Banks and financial institutions seeking to sell distressed assets often work directly with us.

This is attributable to our track-record, experience in closing transactions and our method of both managing the performance of our portfolios, and of carefully selecting our collection partners.

BUSINESS MODEL

Capabilities to manage assets

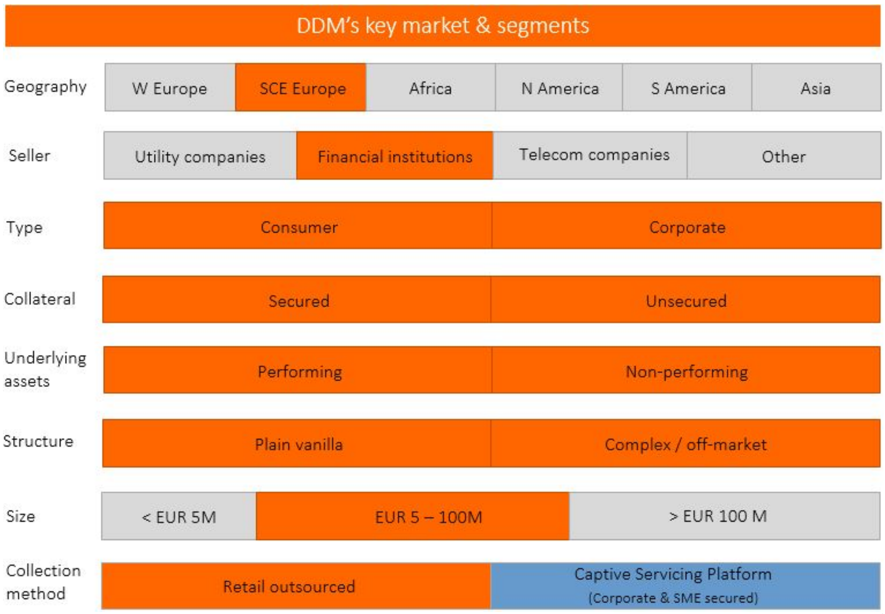
DDM is a specialized multinational investor and manager in non-performing loans and special situations with a focus on Southern, Central and Eastern Europe. We work in close and longstanding relations with banks and financial institutions and provide solutions to recover outstanding distressed assets.

Revenues in the industry stem from the margin created by acquiring loan portfolios at a discount and then collecting the outstanding debt. There are two main categories of distressed assets. Corporate is made up of distressed obligations held by one company against another. Some of the major international investment banks are active as acquirers of this type of portfolios.

The second category is distressed consumer debt, i.e. debt held against consumers that for some reason is not fully and/or promptly served. The traditional way for a company that holds such debt has been to give an assignment to a collection company. The collection company would then, acting as an agent, attempt to collect as much as possible and for this service charge a commission based on the collected amount.

DDM is a specialized multinational investor and manager of non-performing loans and special situations, mainly investing in non-performing loans with an investment value of EUR 5–100M. Sellers are primarily financial institutions, typically international banks with presence in several countries in Southern, Central and Eastern Europe. We have established relationships with sellers throughout the industry and as DDM is able to take on a leading position, we get repeat business as well as access to financial co-investors. Since 2015 significant portfolio acquisitions have been made containing secured assets in addition to corporate receivables. In 2018 and 2019, DDM acquired significant distressed asset portfolios in the Balkans and Greece containing secured corporate and consumer receivables. In 2020 DDM made a strategic investment by acquiring a 9.9% stake in Addiko Bank AG ("Addiko Bank") and we intend to increase our shareholding further. These acquisitions have accelerated the collection profile with the majority of collections expected to be received in the first three years of investment. Co-investment structures with third parties are opportunities for DDM to grow and gain access to invest in larger NPL portfolios across the SCEE market, whilst sharing the risks and returns with the co-investment partner.

DDM key market segments, performing and non-performing assets



DDM's (in orange) and AxFina's (blue) activites are focusing on specific segments of the overall market.

Our business model is supporting sellers and debtors

DDM's business model is based on our extensive experience and expertise from the NPL industry and proprietary data in combination with independent debt collection agencies providing the services according to DDM's specifications.

In general, the market players can be divided into two strategic groups by the business models prevalent, namely: debt collection through in-house or external collection agencies. DDM is different from most of its peers due to our business model, which is based on partially outsourcing debt collection to external collection agencies and access to a portfolio management, business development, servicing and technology platform that it launched during 2019.

BUSINESS MODEL

The acquiring and managing of debt and the subsequent collection on debts, together the distressed assets industry, is an integral part of the finance and credit systems. As an experienced investor and manager DDM understands the sellers' demands and expectations. In combination with a strict ethical approach throughout the process, DDM has gained a strong reputation within this growing industry and enjoys strong business relationships with sellers, mainly major banks and other financial institutions in the countries in which we are operating.

DDM has created a proprietary software system that drives efficiency and productivity, as well as providing significant intellectual property to further provide time and cost-efficient processes. This enables DDM to deliver effective and reliable solutions to assure the sellers' their reputation and successfully manage and support the debt recovery process.

An open dialogue with the debtor is key to reaching an amicable settlement. DDM's goal is to reach mutual understanding of the situation in order to offer an affordable instalment plan for the debtor. There are different reasons for each debtor to become delinquent, however the majority want to overcome their difficulties. With a professional approach, we are able to resolve their financial condition and the former debtor is again a potential consumer.

Business drivers

Key drivers and trends

2020 was a challenging year across the world as a result of the ongoing adverse impact on global business and economic activity caused by the COVID-19 pandemic. Weaker macroeconomic perspectives, asset quality deterioration and rate cuts by central banks in response to the pandemic are key factors that are impacting the profitability of European banks with net interest margins under pressure and bank loan loss provisioning expected to rise, which will trigger non-core NPL sell-offs. The European Central Bank ("ECB") is focused on strengthening the banking system by committing to continue to reduce the NPL ratios across European banks.

Competition overview

Southern, Central and Eastern European NPL markets offer substantial opportunities for growth, particularly following the end to loan moratorium measures implemented across Europe during 2020 as a result of the COVID-19 pandemic that have significantly limited the ability of banks to dispose of non-core NPLs. These core regions are expected to recover significantly following the slowdown in 2020 and DDM is well-positioned to capitalize on the rising NPL volumes expected in the future at attractive prices.

Since 2007, DDM has built a successful platform in the SCEE region and has acquired 2.3 million receivables with a nominal value of over EUR 4 billion. Initially DDM invested in consumer, unsecured debt and has gradually shifted towards being an investor and manager of secured, corporate debt. DDM has identified two further strategic areas that are complementary to its core NPL business, being consumer finance following the strategic investment in Addiko Bank and debt servicing following the launch of a servicing platform. DDM previously worked with a large network of trusted debt collection agencies that collected the assets on behalf of DDM and in 2019 launched a platform for the work-out and servicing of secured debt that subsequently became a related third-party debt servicer, outsourcing and digital partner. These factors together with a highly skilled experienced organization and strong relationships with selling banks that view DDM as a trusted and reputable partner makes us unique.

Other competitors on the markets include local investors, such as Kruk Group in Poland and Romania, international investors in NPLs, including Intrum, B2Holding and EOS Group; as well as larger international financial institutions, such as Deutsche Bank and AnaCap Financial Partners, who have been known to invest in portfolios in some of the markets where we operate on a more opportunistic basis.

BUSINESS MODEL

The value chain

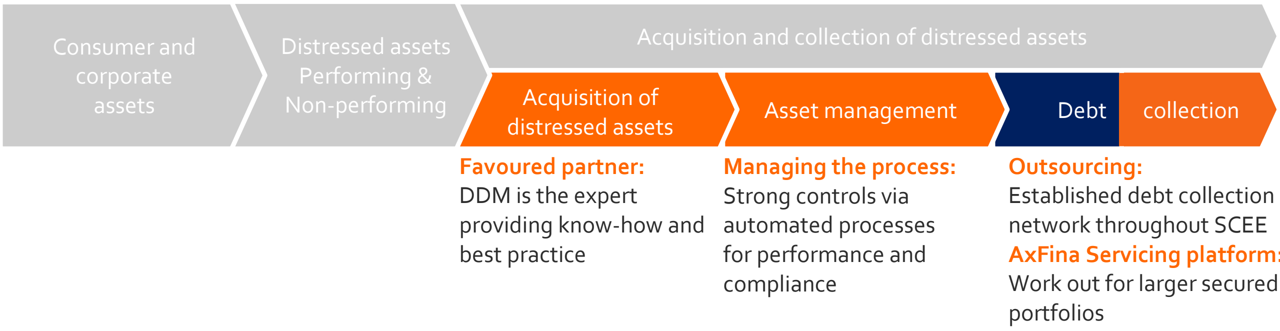
DDM focuses on the most profitable part of the distressed asset value chain – the acquisition and recovery management of assets mainly sold by financial institutions in Southern, Central and Eastern Europe.

DDM's view that Southern, Central and Eastern Europe is a more immature market, where flexibility, speed in decision-making, and reputation while maintaining standardized processes are key success factors. As a result, Southern, Central and Eastern Europe presents an interesting potential, as the adoption of selling loan portfolios is a relatively new and increasing feature in comparison to mature Western European markets.

Below is an illustration of the value chain with DDM key activities marked in orange. To be successful in the acquisition process, DDM has developed state-of-the-art processes for analysis, pricing and management of the acquired portfolios based on the team's deep industry experience.

To manage the acquired portfolios, DDM's strategy is to access a platform of portfolio management servicing for secured corporate receivables that it launched during 2019 and to partner up with a multitude of outsourced collection agencies in each local market, in order to optimize collections from each portfolio. These processes are built into DDM's proprietary IT system FUSION, either as business rules or as an automated process. As a result of DDM partially outsourcing the collection process, the Company can select the best-suited collection agency for a specific group of receivables, and access a platform for the collection for certain larger corporate secured receivables to ensure increased control and to enable DDM to be closer to the market.

Overview of the value chain – DDM's activities are marked in orange.



Acquisition of distressed assets

Historically, banks have sold loan portfolios in larger chunks, which require significant resources available for investment and capacity to hold the portfolio for the duration between investment and collection. Although banks have started to split these in smaller portions, the business experiences idiosyncratic risks, which promotes the need for enterprises to invest heavily in different prospects for diversification purposes.

As a reference on the cost and size of portfolios, DDM typically targets portfolios with an investment value of EUR 5-100M. In addition to having access to capital, enterprises engaged in loan portfolio transactions need to have the knowledge and resources to evaluate potential prospects to be successful. This holds especially true during the turmoil associated with recessions, where increases in NPLs drive portfolio prices down, while at the same time increasing the risks of not being able to collect the outstanding debt. To address this issue, advanced integrated systems are used to evaluate loan portfolio attractiveness.

Asset management

DDM manages this through its proprietary IT system called FUSION. One of the most critical factors when acquiring portfolios is that enterprises must have access to an efficient collection process, which includes the correct and ethical treatment of debtors, since selling banks and financial institutions are concerned about maintaining their reputation and relationship with clients, as well as debtors. Consequently, this implies that even though an enterprise has the required cash and enough knowledge to enter the industry, it may prove impossible to actually acquire and initiate a relationship with selling financial institutions if unable to ensure that it can handle debtors appropriately.

Our processes

When DDM is presented with an opportunity to acquire a portfolio, an analysis of the available data is performed and an indicative price is calculated. Typical data requested includes:

- Outstanding principal, interest and fees amount per debtor and case, age of debt and monthly payment history per case, date of birth and other related debtor information, co-debtors and/or guarantor information
- Vendors underwriting standards; historical collection approach and current collection stage (pre-legal, legal, etc.), number of ongoing instalment programs
- Detailed information about collaterals or other securities (if applicable), types, age, location and related values

With the above input data, an analysis is performed with emphasis on:

- Checking all of the data, searching for and reconciling inconsistencies
- Considering the key factors affecting success rates in collection, including age and scale of the assets, collateral, bailiff procedures as well as availability and completeness of underlying documentation
- Analyzing the reported recovery rates, looking for trends, inconsistencies and potential to improve
- Assessing underlying collaterals and projecting estimated recoveries
- Considering what collection strategy has been applied, and for how long
- Taking existing payment plans into account and how they have been serviced

Based on this analysis, we evaluate the portfolio and produce a forecast for future collections on case level. Key factors include:

- Conducting scenario analysis (i.e. best case, worst case) based on underlying asset valuation, collection history as well as internal and external benchmarks
- Enhancing the current collection strategy by applying the best tool and selecting the best agent for every case
- Looking for seasonality, i.e. a predictable change in a time series that recurs or repeats over a one-year period, and applying these in the forecast
- Capturing recurring patterns that could affect the performance of the portfolio (holidays, additional monthly salary/bonuses, tax refunds)

BUSINESS MODEL

Asset acquisition process

In essence, the sales process for a distressed asset portfolio can be conducted as an open tender, direct sales or forward-flow transaction.

Open tender

In an open tender, the Group bids on a particular portfolio which is openly offered to several potential acquirers.

Direct sales

In a direct sales process, DDM engages with the relevant seller bilaterally and negotiates tailored terms. Direct sales transactions are generally beneficial for DDM as price transparency and price pressure are generally low, and as they give DDM a greater influence over the final composition of the portfolio and thereby the possibility to tailor it to fit the prevailing investment appetite.

For some sellers of portfolios, the sales process is highly sensitive from a marketing perspective and therefore the seller sometimes prefers to perform sales on a bilateral basis rather than through an open tender. DDM has made a significant part of its past historical investments from such bilateral transactions, something that highlights its deep and extensive contact-network and deal-making capability in its core markets.

Forward-flow transactions

In forward-flow transactions, an agreement is made for purchases of distressed asset portfolios that fulfil certain criteria on an on-going, regular basis. Forward-flow transactions might be a part of building long-term business relationships, as well as reducing transaction costs. Historically DDM acquired some portfolios through forward-flow transactions, however there are no such transactions currently in place.

Portfolio management process

Operating in the distressed asset industry, DDM is aware of the importance of managing its collection-partner relations for various reasons, including but not limited to, protecting the seller's reputation and ensuring correct and ethical debtor treatment as well as data confidentiality.

Referral

As DDM partially outsources the collections process it can select a collection agency suitable for collection of a particular asset. Stemming from its geographic focus on Southern, Central and Eastern Europe and early presence in some of these markets, DDM has strong relationships with top collectors in its markets and knows their relative strengths. Examples of selection criteria of a debt collector include size, age, type and geography of the acquired asset portfolio.

Monitoring

After a portfolio has been placed with a collection agency, DDM monitors the collection performance, in order to optimize the conversion level within the required cost budget and time frame. A daily data file with actions taken is delivered to DDM, which could trigger an immediate action from DDM's side if there is a deviation from the plan.

An additional level of control includes scheduled on-site visits and impromptu visits to ensure the highest level of quality of DDM's partner agencies. These visits normally include various evaluation aspects, carefully selected and refined over the course of the past thirteen years.

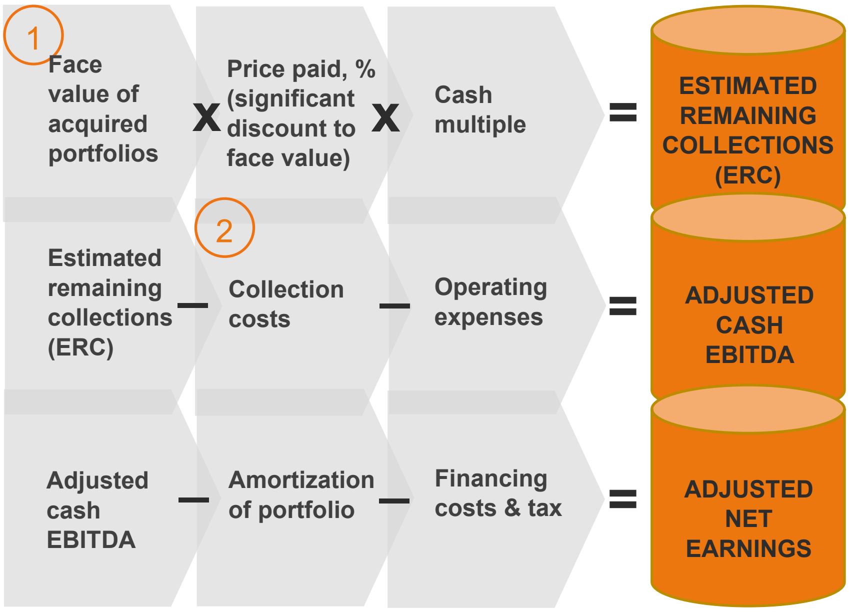
As an ordinary practice, DDM collects various data and information from the agencies. It is a complex and multifaceted process, including daily debtor payments, agency commission and fees, actions taken and much more.

BUSINESS MODEL

Illustrative economics

The timing of cash flows and the rate of collections varies due to a number of factors including, but not limited to, year of origination, average age, average amount per case, type of underlying receivable and previous treatment.

DDM's business model can be explained in a simplified way according to the below:



1. The starting point is the face (nominal) value of the acquired asset portfolios times the price paid as a percentage of the nominal value, which typically is at a significant discount to the face value. Multiplying the purchase price with the assumed gross cash multiple results in the anticipated future cash flows which equals the gross Estimated Remaining Collections ("ERC"). The gross ERC is the sum of future, undiscounted projected cash collections before commission & fees from acquired portfolios, either directly or as a result of any rights to collect or any rights to participate in amounts generated from portfolios. This includes the Group's share of proceeds on all portfolios, however adjusted for any profit-sharing arrangements entered into by any member of the Group and where available the market value of any Portfolio acquired. 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.

2. If deducting the collection costs (commission & fees) and operating expenses from the gross ERC it results in the adjusted cash EBITDA (net collections including the sale of invested assets, incremental net distributions from joint ventures and associates and revenue from management fees, less operating expenses). Adjusted cash EBITDA could also be described as the remaining amount the company has available to service its debt.

If in addition, deducting amortization on the portfolios, financing costs and tax from adjusted cash EBITDA it results in the Adjusted net earnings.

Market overview

The supply of new NPLs is 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.

"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."

MARKET

DDM is well-positioned to capitalize on rising NPL volumes

The volume of NPL disposals over recent years has been steadily declining the stock of NPLs held by banks across Europe. The European Central Bank ("ECB") estimates that the average NPL ratio currently stands at approximately 3%, down from 5% in 2015, however this still equated to approximately EUR 511 trillion of non-performing loans and advances at the end of September 2020.

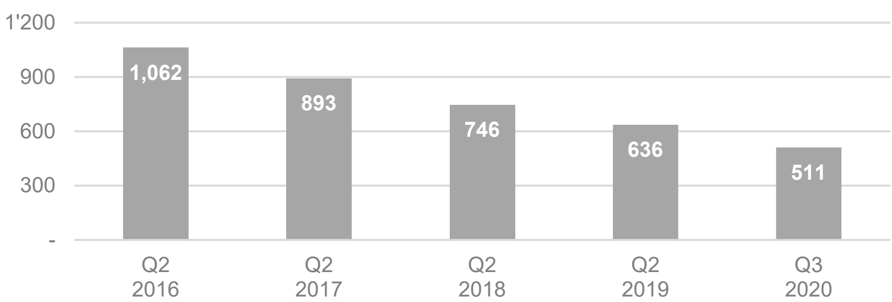
Loan moratorium measures implemented across Europe during 2020 as a result of the COVID-19 pandemic have significantly limited the ability of banks to dispose of non-core NPLs. This has resulted in a slowdown of the volume of European loan sales that have occurred during 2020. Further, rate cuts by central banks across Europe in response to the COVID-19 pandemic are key factors impacting bank profitability with net interest margins under pressure and bank loan loss provisioning expected to rise. Over time, this environment leads to an additional and much-needed market consolidation, which will trigger non-core sell-offs.

DDM is well-positioned to capitalize on the rising NPL volumes expected in the future at attractive prices, following the slowdown in 2020 as a result of 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.

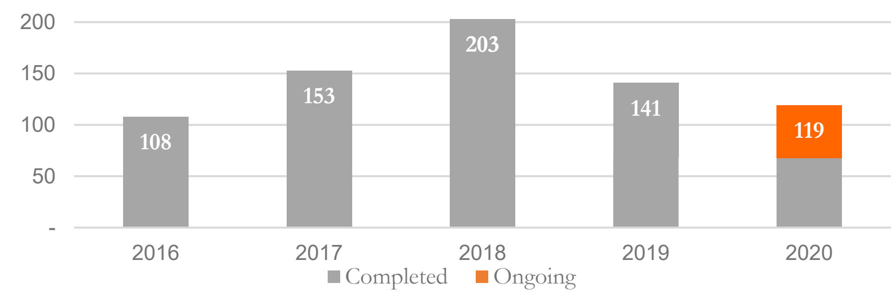
Croatia

Croatia's Gross Domestic Product ("GDP") is expected to recover significantly in 2021 with forecasted growth of 5.7% largely due to private consumption and investment. The House Price Index ("HPI") has continued to rise with a growth of 7.3% for the year ended 30 September 2020, supporting the value of DDM's portfolios in Croatia that are almost all secured by real estate. The Croatian government imposed a 6-month moratorium on debt enforcements that ceased on 19 October 2020, during which enforcements could not be initiated, nor could the courts perform any actions on ongoing enforcements causing some delays to individual case settlements that were expected to be received during 2020. DDM does not expect any further statutory loan moratorium in Croatia for the foreseeable future. In July 2020 Croatia joined ERM II with the Croatian National Bank ("HNB") committed to achieving a high degree of sustainable economic convergence and has committed to implement additional measures in reform areas and expressed its firm intention to adopt the euro once the convergence criteria are met.

Total volume of NPLs in Europe (EUR billion)



European loan sales by year (EUR billion)



Sources:
Debtwire, "An overview of the non-core and non-performing loan market, Debtwire European NPLs – FY20 Report"
Debtwire, "European NPLs – 3Q19"
Deloitte Financial Advisory Services, "Deleveraging Europe, October 2019"

Sustainable economy

Our objective is to provide a pivotal service in a sound and sustainable economy. Our role and position in the value chain enables us to add value for credit providers on the one hand, while alleviating debtors from imminent financial hardship and helping them settle their debts under terms they can afford.

CORPORATE AND SOCIAL RESPONSIBILITY

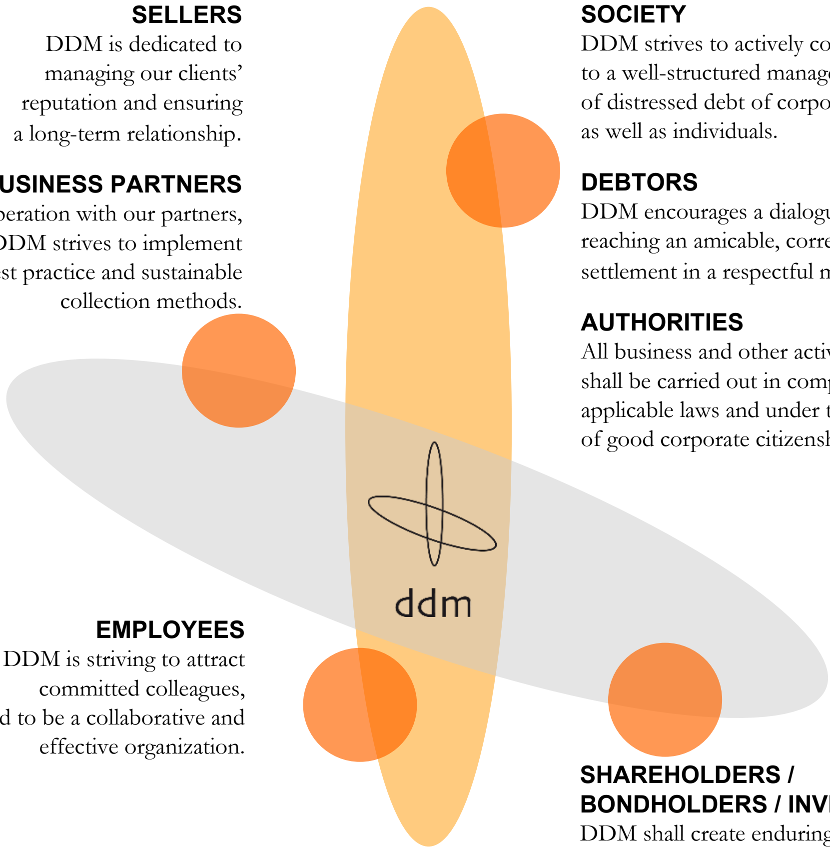
DDM's stakeholders

DDM's overarching goal for corporate responsibility is to build sustainable long-term values together with our key stakeholders.

DDM's primary stakeholders are sellers of distressed assets, employees, debtors, shareholders, investors, business partners, authorities and the local community. These groups are important for our long-term success.

SELLERS
DDM is dedicated to managing our clients' reputation and ensuring a long-term relationship.

BUSINESS PARTNERS
In co-operation with our partners, DDM strives to implement best practice and sustainable collection methods.



EMPLOYEES
DDM is striving to attract committed colleagues, and to be a collaborative and effective organization.

SOCIETY
DDM strives to actively contribute to a well-structured management of distressed debt of corporations as well as individuals.

DEBTORS
DDM encourages a dialogue aimed at reaching an amicable, correct and quick settlement in a respectful manner.

AUTHORITIES
All business and other activities of DDM shall be carried out in compliance with applicable laws and under the principles of good corporate citizenship.

SHAREHOLDERS / BONDHOLDERS / INVESTORS
DDM shall create enduring value for its investors by opportunistic deal sourcing and optimal management of distressed assets.

Our approach to Corporate Responsibility

We seek to be part of a solution in the credit market whereby we initiate opportunities for banks and financial institutions to divest their portfolios of distressed assets to better meet new and future regulations regarding capital adequacy. This, in turn, bolsters the stability of the banking sector by helping avoid artificially inflated balance sheets. By doing this, we not only help banks "cut their losses" vis-à-vis distressed assets, we also alleviate them of the burden of managing and collecting on those assets.

Our ethical corporate culture embraced by the Executive Management Committee down to all levels in the Group, is essential and ensures that all employees perform good judgement and have the integrity necessary to handle difficult situations that may arise. Along with policies and procedures, our Code of Conduct sets the overall standard on what is and what is not an acceptable behavior.

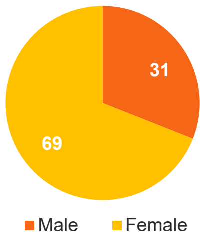
We select partner collection agencies carefully, making sure they apply professional, respectful and ethical methods. We work closely with them to determine which agencies are appropriate for collection on certain assets and what measures are appropriate.

Respectful and ethical treatment of debtors is central to our efforts and the banks who sell their portfolios to us pay considerable attention to correct treatment of their customers. Over the years, we have demonstrated an ability to actively control the measures and processes implemented by the collection agencies.

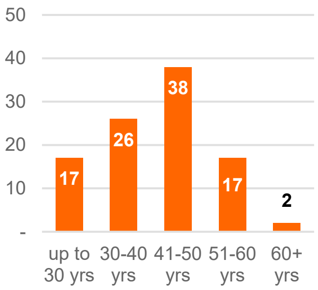
CORPORATE AND SOCIAL RESPONSIBILITY

Investing in Corporate and Social Responsibility

Employees by gender, %



Employees by age;%



Human resources

DDM Group's head office is located in Zug, Switzerland. The composition of the DDM team reflects the Group's European outreach.

At the end of 2020, DDM employed 65 people (2019: 22). All of our staff are permanently employed. The majority of our employees have a university-level degree or higher. The average age of DDM employees is 41 years (2019: 37).

DDM's policy is to hire the best possible talent and at the same time embrace diversity in all levels in the Group, including the Executive Management Committee and the Board of Directors.

Code of Conduct

DDM Holding AG, its business units and subsidiaries are committed to carrying out business in a sustainable way. According to DDM's Code of Conduct, the DDM Group shall conduct its business in compliance with applicable laws, and under the principles of good corporate citizenship in each country where such activities take place.

DDM offers a platform for economic growth by allowing banks and other financial institutions the opportunity to manage their credit exposure. DDM accepts its responsibility in society by helping businesses and consumers to restructure and optimize their lending and borrowing. The Company strives to maintain the highest legal and ethical standards in all its business practices.

The Environment

Due to the nature of business activities, DDM's most significant impact on the environment is through business travel and the production of material. The Code of Conduct is in place to increase employee awareness of environmental issues and complies with relevant regulatory requirements.

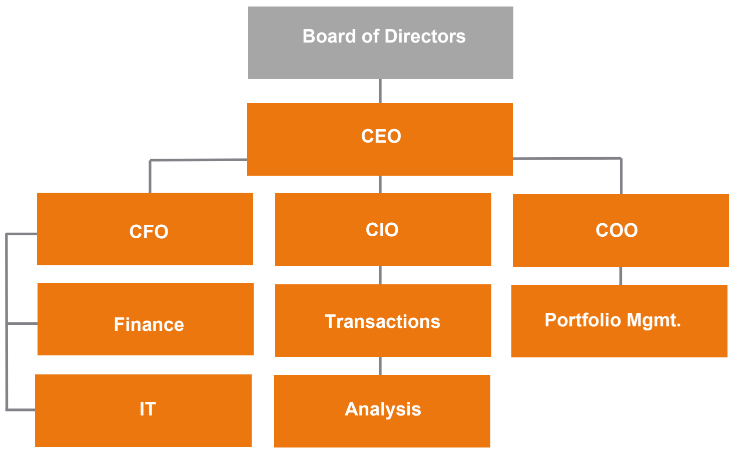
Anti-corruption

No DDM company or any of its employees may, directly or indirectly, promise, offer, pay, solicit, or accept bribes or kickbacks of any kind, including money, benefits, services or anything of value. Such payments and favors may be considered bribery, which violates local legislation and internationally recognized principles for combating corruption and bribery.

Each employee is expected to act responsibly and with integrity and honesty, and to comply with the Company's Code of Conduct and its underlying policies and instructions.

GROUP FUNCTIONS

DDM Group functions, which support both the Executive Management Committee and operations, strategically and in day-to-day operations, are divided into the following teams; Transactions, Analysis, Portfolio Management, Finance and IT. The teams work independently with defined goals and coordinate their work in dialogue with each other.



BOARD OF DIRECTORS

JÖRGEN DURBAN • Board member since 2019 • Chairman of the Board of Directors since 2019 • Member of the remuneration committee • Member of the nomination committee • Member of the investment committee
Born: 1956 • **Nationality:** Swedish
Education: LL.M., Stockholm University. Member of the Swedish Bar Association.
Other assignments: Chairman of the board of directors of Haldex AB (Nasdaq Stockholm: HLDX), chairman of the board of directors of Anoto Group AB (Nasdaq Stockholm: ANOT), chairman of the board of directors of Nordiska Kreditmarknadsaktiebolaget (publ) and partner at Bdp Partners AB
Previous assignments (last five years): None
Dependence: Independent in relation to the Company and its principal owners
Shareholding*: 0 shares

ERIK FÄLLSTRÖM • Board member since 2017 • Chairman of the investment committee • Chairman of the remuneration committee
Born: 1961 • **Nationality:** Swedish
Education: Stockholm School of Economics
Other assignments: Chairman of AEDC Capital Limited and EDC Advisors Ltd. Member of the boards of directors of Omnio London Limited, Sivers IMA AB, TMS Bond TopCo Limited, TMS Bond UKholdco Ltd and TLNT Holdings S.A.
Previous assignments (last five years): Member of the boards of directors of European Digital Capital Ltd.
Dependence: Dependent in relation to the company and its principal owners as a major shareholder
Shareholding*: 12,090,717 shares**

JOACHIM CATO • Board member since 2019 • Chairman of the nomination committee since 2018 • Member of the audit committee since 2019
Born: 1969 • **Nationality:** Swedish
Education: M.Sc in Business and Economics, Växjö University and Oxford Brookes University
Other assignments: Director of Fund Administration EDC Advisors Ltd, Member of the boards of directors of DDM Group Finance S.A. and Omnio Sarl
Previous assignments (last five years): Regional Head of Private Banking in Stockholm and Northern Sweden Danske Bank A/S, Head of International Clients in Luxembourg Danske Bank A/S
Dependence: Dependent in relation to the company and its principal owners
Shareholding*: 0 shares

FLORIAN NOWOTNY • Board member since 2019 • Chairman of the audit committee
Born: 1975 • **Nationality:** Austrian
Education: Wirtschaftsuniversität Vienna, MBA at INSEAD
Other assignments: Non-executive director of Malta International Airport p.l.c.
Previous assignments (last five years): CFO of CA Immobilien Anlagen AG, CFO of Invester United Benefits GmbH
Dependence: Independent in relation to the company and its principal owners
Shareholding*: 0 shares

* Shareholding (own and related party holdings)
** Shares held by DDM Group Finance S.A. (previously Demeter Finance Sarl), part of the AEDC Capital Group (previously Aldridge EDC Specialty Finance Group), which was co-founded by Erik Fällström and Andreas Tuczka

EXECUTIVE MANAGEMENT COMMITTEE

HENRIK WENNERHOLM • Chief Executive Officer*
Born: 1975 • **Nationality:** Swedish
Employed: 2018
Education: M.Sc. in International Economics and Business, Stockholm School of Economics
Other assignments: None
Previous assignments (last five years): Head of Business Development and member of the Group Executive Management Team of B2Holding ASA, founding partner and CEO of Sileo Kapital AB
Shareholding:** 112,178 shares

FREDRIK OLSSON • Chief Financial Officer*
Born: 1980 • **Nationality:** Swedish
Employed: 2014
Education: B.Sc. in Accounting and Finance, University of Lund
Other assignments: None
Previous assignments (last five years): None
Shareholding:** 105,429 shares

ALESSANDRO PAPPALARDO • Chief Investment Officer* • Member of the investment committee
Born: 1975 • **Nationality:** Italian
Employed: 2018
Education: Bocconi University, Milan
Other assignments: None
Previous assignments (last five years): Chief Investment Officer and member of the Group Management Team of Intrum AB
Shareholding:** 0 shares

* Manager of DDM Holding AG
** Shareholding (own and related party holdings)

Share data

Market place: Nasdaq First North Growth Market, Stockholm

Date of listing: 5 August 2014

Ticker symbol: DDM

ISIN code: CH0246292343

Currency: SEK

Key data per share

EUR	2020	2019
Earnings per share	0.67	(0.30)
Proposed dividend / Dividend	0.00	0.00
Number of shares at the end of year	13,560,447	13,560,447
Average number of shares during the year	13,560,447	13,560,447

Certified Adviser

DDM Holding AG's Certified Adviser on Nasdaq First North Growth Market is:

Arctic Securities AS, Sweden branch
Biblioteksgatan 8
S-111 46 Stockholm
Sweden
Telephone: +46 8 446 861 00
E-mail: certifiedadviser@arctic.com

DDM SHARE AND SHAREHOLDERS

DDM share and shareholders

Share capital

On 31 December 2020, DDM Holding AG's share capital amounted to CHF 13,560,447 distributed among 13,560,447 shares with a nominal value per share of CHF 1. Each share entitles the holder to one vote and an equal share in the Company's assets and earnings.

DEVELOPMENT OF THE SHARE CAPITAL IN DDM HOLDING AG

Date	Description	Change in the number of shares	Change in share capital	Total number of shares	Total share capital (CHF)	Nominal value (CHF)
16 August 2010	Incorporation	100,000	100,000	100,000	100,000	1
25 July 2012	Ordinary capital increase	132,000	132,000	232,000	232,000	1
10 October 2013	Ordinary capital increase	4,268,000	4,268,000	4,500,000	4,500,000	1
5 August 2014	Ordinary capital increase	2,600,000	2,600,000	7,100,000	7,100,000	1
2 June 2016	Ordinary capital increase	1,940,298	1,940,298	9,040,298	9,040,298	1
3 April 2017	Ordinary capital increase	4,520,149	4,520,149	13,560,447	13,560,447	1

Shareholders

At the end of 2020 DDM had approximately 131 shareholders. At 31 December 2020, DDM Group Finance S.A.* was the Company's largest shareholder with a holding representing 89.2% of votes and share capital. The three members of the Executive Management Committee held a combined 217,607 shares in DDM at the end of 2020. DDM held 0 treasury shares at the end of 2020.

SHAREHOLDER STRUCTURE PER 31 DECEMBER 2020

Name	Total number of shares (thousands)	Percentage of capital and votes
DDM Group Finance S.A.*	12,091	89.2
Ålandsbanken AB	403	3.0
Förvaltnings AB Hummelbosholm	224	1.7
Investment AB Öresund	128	0.9
Nordnet Pensionsförsäkring AB**	126	0.9
Olsson, Fredrik	105	0.8
Sjöblom, Harry	75	0.5
Försäkringsaktiebolaget, Avanza Pension	51	0.4
Mare Invest AB	50	0.4
Söderberg, Jakob	35	0.2
Total; largest owners	**13,288**	**98.0**
Summary others	272	2.0
Total	**13,560**	**100.0**

Holdings include direct and indirect holdings. *Sources: Euroclear, Computershare and DDM Holding*

* Part of the AEDC Capital Group (previously Aldridge EDC Specialty Finance Group)
** Held on behalf of Henrik Wennerholm

DISTRIBUTION OF SHARES PER 31 DECEMBER 2020

Number of shares	Number of shareholders	Percentage of total number of shares, %
1 – 1,000	88	0.1
1,001 – 5,000	16	0.3
5,001 – 10,000	9	0.5
10,001 – 50,000	10	1.7
50,001 – 100,000	2	0.9
100,001 – 500,000	5	7.3
500,001 –	1	89.2
Total	**131**	**100.0**

Sources: Euroclear, Computershare and DDM Holding

Financial calendar

Interim report January–March 2021:
6 May 2021

Annual General Meeting 2021:
22 June 2021

Interim report January–June 2021:
29 July 2021

Interim report January–September 2021:
4 November 2021

Q4 and full year report 2021:
17 February 2022

Annual report 2021:
25 March 2022

Stock option program

DDM currently has no outstanding stock option program in use, and no convertible debentures, warrants or other financial instruments which would imply a dilutive effect for the holders of shares in the Company. However, it should be noted that the Annual General Meeting 2015 approved the creation of conditional capital in the amount of up to CHF 500,000 in order to establish a program for employees and members of the Board of Directors. The Annual General Meeting 2018 also approved an increase of the conditional share capital by a maximum amount of CHF 1,000,000 by either the issuance of shares to employees or members of the Board of Directors of the Company or of group companies or the exercise of option rights which are granted to employees or members of the Board of Directors of the Company or of group companies.

Dividend policy and dividend for 2020

Decisions relating to dividend proposals take into account DDM's future revenues, financial position, capital requirements and the situation in general. The Company is in a phase in which exploiting identified opportunities for growth is prioritized. Consequently, shareholders should not expect to receive dividends in the next few years. The Board of Directors proposes that no dividend be paid for the 2020 financial year.

Share price and trading

DDM Holding AG's share has been listed on Nasdaq First North Growth Market, Stockholm, since 5 August 2014. Opening price on the first day of trading was SEK 50.00. During the period from 1 January to 31 December 2020, 89,680 shares were traded, on average 862 shares per trading day.

The highest closing price during the period from 1 January to 31 December 2020 was SEK 38 on 8 January and the lowest was SEK 22 on 17 July. The share price on 31 December 2020 was SEK 27 (last price paid). During the period from 1 January to 31 December 2020, DDM's share price decreased by 26%.

SHARE PRICE DEVELOPMENT, 1 JANUARY 2020 – 31 DECEMBER 2020, SEK

>> *Source: Nasdaq First North Growth Market*

Quiet periods

DDM's quiet period starts at least 20 days prior to publication of the year-end or interim report, and ends on the day of the report. During this period, the Company will not comment on its financials. Exceptions from this rule can be made in order to correct obvious errors or inaccuracies. Investor Relations will respond to questions related to press releases issued during this period.

Corporate Governance

DDM Holding AG (or the "Company") is a Swiss limited liability company with its shares admitted to trading on a multilateral trading facility, the Nasdaq First North Growth Market in Stockholm, Sweden. Thus, the corporate governance of DDM is subject to Swiss, Swedish and EU rules and regulations, including e.g. the EU Market Abuse Regulation, as further described below.

General Framework

The aim of corporate governance is to ensure that DDM is managed as effectively as possible in the interest of its shareholders, but also in compliance with the rules required by legislators and the Nasdaq First North Growth Market Rulebook.

This Corporate Governance section explains the principles of management and control at the highest level of the DDM Group.

The information contained in this report for the financial year 2020 is valid as at 31 December 2020, unless stated otherwise. The principles and rules on corporate governance in DDM Holding AG are laid down in the articles of association (the "Articles"), the Business Rules for the Board of Directors (the "Board Rules"), the regulations of the Board of Directors' committees and the internal corporate governance policies.

Implementation of the Ordinance Against Excessive Compensation at Listed Companies

The Swiss Federal Council (the executive branch of the Swiss federal government) has adopted rules against excessive remuneration in listed companies by implementing the Ordinance Against Excessive Compensation at Listed Companies (*D. Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften*) (the "VegüV"). The VegüV applies to corporations organized under Swiss law whose shares are listed on a stock exchange in or outside Switzerland. DDM implemented the VegüV in 2017.

The Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance applies to all companies with shares listed on a regulated market in Sweden, such as the main market of Nasdaq Stockholm. The Swedish Code shall be fully applied from the time a company's shares are admitted to trading. Non-Swedish companies listed on a regulated market in Sweden may however opt to apply the applicable corporate governance code in the country where the company is domiciled. However, although being a Swiss company and not listed on the Nasdaq Stockholm main market, DDM aims to comply with applicable rules in the Swedish Code.

The EU Market Abuse Regulation

The EU's Market Abuse Regulation ("MAR") has been applicable to DDM since 3 July 2016. MAR is supplemented by a series of delegated regulations and implementing regulations issued by the EU Commission and by guidelines issued by the European Securities and Markets Authority (ESMA). MAR aims to enhance market integrity and investor protection and applies in respect of e.g. issuers and financial instruments admitted to trading on regulated markets, multilateral trading facilities and organized trading facilities.

MAR contains, among other things, rules regarding a prohibition on insider dealing, unlawful disclosure and market manipulation; rules prescribing the manner in which issuers are to handle and publicly disclose inside information; rules imposing an obligation on issuers to maintain an insider list (logbook); and rules regarding reporting obligations in respect of transactions performed by persons discharging managerial responsibilities at an issuer or persons closely associated with them.

The Board of Directors of the Company has adopted internal policies to facilitate and safeguard DDM's compliance with MAR and related rules and regulations.

Governance of the DDM Group

DDM Holding AG (CHE-115906312) is a company incorporated under Swiss law on 16 August 2010, with its legal seat in Zug, canton Zug, Switzerland. DDM has sixteen subsidiaries as of 31 December 2020 (2019: sixteen), all of which are wholly-owned except for CE Partner S.à.r.l. and CE Holding Invest S.C.S which are partially-owned. DDM Debt AB (publ) is the issuer of the senior secured bonds issued in December 2017 and April 2019.

The purpose of corporate governance is to ensure that the Company is managed as effectively as possible in the interests of the shareholders, but also that DDM Holding AG complies with the rules required by legislators and the stock exchange, among other things in the form of corporate governance.

In addition to compliance with rules and regulations, DDM Holding AG applies internal governance instruments, such as the Company Handbook, together with policies in a number of areas such as DDM's Code of Conduct with which all employees must be familiar and in accordance with which they must conduct themselves.

Articles of Association

According to the Articles, the purpose of DDM Holding AG is to acquire, hold, administrate, finance and sell participations in enterprises in Switzerland and abroad.

For further information see the Articles section on the Company's website >>.

Shareholders' Meetings

General

Shareholders' rights to resolve on company matters are exercised at the shareholders' meeting. An ordinary shareholders' meeting is to be held yearly within six months following the close of the business year. It is called by the Board of Directors or, if necessary, by the auditors.

Extraordinary shareholders' meetings may be called by the Board of Directors, the liquidators or the auditors as often as necessary to safeguard the interests of the Company. Shareholders' meetings are held at the domicile of the Company or at such other place as the Board of Directors shall determine.

The Board of Directors, the CEO and the Executive Management Committee, which assists the CEO, are responsible for the DDM Group's administration and operations.

The shareholders' meetings will be held in English and information and material will be available in English only. The report from the shareholders' meetings will be published on DDM's website.

Right to attend shareholders' meetings

All shareholders (i) who hold their DDM shares through Computershare Schweiz AG must be registered in the share register of DDM with voting rights or (ii) who hold their DDM shares through Euroclear Sweden AB must be registered in the register of shareholders kept by Euroclear Sweden AB and obtain an admission card from DDM in order to be entitled to attend the shareholders' meeting and vote according to the number of DDM shares they hold.

Shareholders may attend shareholders' meetings in person or through a proxy. Shareholders may register for shareholders' meetings in the ways described in the meeting convening letter.

Notice of shareholders' meetings and shareholder initiatives

Notice of a shareholders' meeting is given by means of a publication in the Swiss Commercial Gazette or by letter to the shareholders of record as well as through a press release. Between the day of the publication or the mailing of the notice and the day of the meeting there must be a time period of not less than 20 calendar days. The notice of the shareholders' meeting must indicate the agenda and the motions. The notice will also be published on DDM's website.

Stating the purpose of the meeting and the agenda to be submitted, one or more shareholders representing at least ten percent of the share capital may request the Board of Directors, in writing to call an extraordinary shareholders' meeting. In such case, the Board of Directors must call a shareholders' meeting in due course.

The Annual General Meeting 2020

At the end of 2020, DDM had approximately 131 shareholders (end of 2019: approximately 139) and DDM Group Finance S.A. (previously Demeter Finance Sarl) was the Company's largest shareholder with a holding representing 89.2% of the votes and share capital. For further information on the DDM shareholder structure, see page 18 of the Annual Report and DDM's website >>.

The AGM resolved:

- To elect the Chairman for the Day
- To approve the 2019 annual report, the statutory financial statements and the consolidated financial statements
- To appropriate DDM's available earnings in accordance with the Board of Directors' proposal in the 2019 Annual Report
- To discharge the Board of Directors and the Executive Management Committee from liability
- To re-elect Jörgen Durban, Erik Fällström, Joachim Cato and Florian Nowotny as members of the Board of Directors
- To re-elect Jörgen Durban as Chairman of the Board of Directors
- To re-elect Erik Fällström and Jörgen Durban as members of the remuneration committee

- To re-elect Bratschi AG as independent proxy
- To re-elect PricewaterhouseCoopers AG, Luzern, as the Company's statutory auditors for the business year 2020
- To approve the compensation report 2019, on a consultative basis and as proposed by the Board of Directors
- To approve the compensation of the members of the Board of Directors for the period until the end of the 2021 annual general meeting, the variable compensation of the members of the executive management for the business year 2020 and the fixed compensation of the members of the executive management for the business year 2021
- To approve the compensation of AEDC for business development services provided by AEDC to the Company during the business year 2019 as proposed by the Board of Directors
- To approve the compensation of DDM Group Finance S.A. for brokerage services provided by DDM Group Finance S.A. to the Company during the business year 2019 as proposed by the Board of Directors
- To change the registered seat
- To amend the authorized share capital

The 2021 Annual General Meeting will be held on 22 June in Zurich, Switzerland.

The Board of Directors

The Board of Directors is appointed by DDM Holding AG's owners to bear ultimate responsibility for the Company's organization and the management of the Company's affairs in the best interests of both DDM Holding AG and the shareholders.

DDM's Board of Directors are elected for a term of office of one year (or, in case of an election at an Extraordinary General Meeting, for a term of office until the next Annual General Meeting), with the possibility of repeated re-election. The term of office of a member of the Board of Directors will, however, end irrevocably on the date of the Annual General Meeting following the 70th birthday of the particular member of the Board of Directors.

The Board of Directors constitutes itself, as set out in the Articles of Associations.

The composition of the Board of Directors is set out in section "Board of Directors" on page 16 in this Annual Report and the members of the Board were elected by the Shareholders' Meetings for a term of office expiring at the Annual General Meeting 2021.

Jörgen Durban is Chairman, DDM's Chief Executive Officer and Chief Financial Officer also usually attend the meetings on behalf of the Executive Management Committee. Other members of the Group management and other executives may also attend and present reports on individual issues as required.

The Board of Directors is entrusted with the ultimate management of the Company, as well as with the supervision and control of the management.

The Board of Directors is the ultimate executive body of the Company and shall determine the principles of the business strategy and policies. The Board of Directors shall exercise its function as required by law, the Articles and the Board Rules.

The Board of Directors shall be authorized to pass resolutions on all matters that are not reserved to the general meeting of shareholders or to other executive bodies by applicable law, the Articles or the Board Rules.

By Swiss law, the Board of Directors has the following non-transferable and inalienable duties:

a) The ultimate management of the Company and the issuance of the necessary directive;
b) The establishment of the organization;
c) The structuring of the accounting system and of the financial controls as well as the financial planning insofar as this is necessary to manage the Company;
d) The appointment and removal of the persons entrusted with the management and representation of the Company;
e) The ultimate supervision of the persons entrusted with the management, in particular in relation to compliance with the law, the Articles, regulations, charters and directives;
f) Preparation of the business report consisting of the annual financial statements and consolidated financial statements;
g) The preparation of the general meeting of shareholders of the Company and the implementation of its resolutions;
h) Notification to the judge in case of a capital loss ("Unterbilanz") of the Company and in case of over indebtedness ("Überschuldung"; art. 725-725a CO); and
i) Preparation of the remuneration report.

By Swiss law, the Board of Directors also has the following non-transferable competencies: Decisions in connection with capital increases pursuant to art. 651a, 652g, 653g CO (acknowledgement of capital increase) and art. 651 IV CO (increase of share capital in the case of authorized capital); decisions pursuant to art. 634a I CO (shares not fully paid in) and resolutions pursuant to the Swiss Merger Act.

The Board's committees

The overall responsibility of the Board of Directors cannot be delegated, however the Board may, within itself, set up committees which prepare, follow up on and evaluate issues within their respective spheres ahead of decisions by the Board. The Board set up an audit committee and a remuneration committee in March 2015, an investment committee in March 2016 and a nomination committee in February 2018. The committees' members are appointed at the Board Meeting following election held after the Annual General Meeting and their work is governed by the committees' formal work plans and instructions.

Audit Committee

The audit committee prepares a number of issues for consideration by the Board and thereby supports the Board in its endeavors to fulfil its responsibilities within the areas of auditing and internal control and with assuring the quality of DDM's financial reporting. The audit committee meets on a regular basis. The audit committee was comprised of Florian Nowotny (chair) and Joachim Cato. The committee's meetings are also attended by DDM's CFO.

The audit committee works on the basis of a set of "Instructions for the audit committee" adopted every year by the Board of Directors and reports back to the Board on the results of its work.

Remuneration Committee

The remuneration committee submits proposals for resolution by the Board regarding remuneration and other terms of employment for the Board and the Executive Management Committee. The remuneration committee is, furthermore, tasked with submitting proposals regarding remuneration principles for the Board and the Executive Management Committee – proposals which are then submitted to the Board. The application of the guidelines and relevant remuneration structures and levels within the Company is also followed up by the committee.

The remuneration committee works on the basis of a set of "Instructions for the remuneration committee" adopted every year by the Board of Directors and reports back to the Board on the results of its work. The remuneration committee was comprised of Erik Fällström (chair) and Jörgen Durban.

Investment Committee

The investment committee has been delegated by the Board to assist the Board with selected investment-related matters, including strategy matters, significant investment approvals and supervision. The Committee is responsible for determining investment goals, reviewing the financial aspects of significant proposed transactions and for making specific investment decisions. The Committee is also responsible for review of compliance and performance relative to objectives, with a particular focus on risk identification and Management's mitigation of such risks legally and/or commercially in the Sales and Purchase Agreements, both prior to signing and during execution.

The investment committee works on the basis of a set of "Instructions for the investment committee" adopted every year by the Board of Directors and reports back to the Board on the results of its work. The investment committee was comprised of Erik Fällström (chair), Jörgen Durban and Alessandro Pappalardo.

Nomination Committee

The nomination committee is responsible for proposing candidates for the post of chair and other members of the board. In its assessment of the board's evaluation, the nomination committee is to give particular consideration to the requirements regarding breadth and versatility on the board, as well as the requirement to strive for gender balance. The nomination committee is also to present proposals on the election of the statutory auditor. The nomination committee's proposal to the shareholders' meeting on the election of the auditor is to include the audit committee's recommendation. If the proposal differs from the alternative preferred by the audit committee, the reasons for not following the committee's recommendation are to be stated in the proposal.

The nomination committee works on the basis of a set of "Instructions for the nomination committee" adopted every year by the Board of Directors and reports back to the Board on the results of its work. The nomination committee consisted of Joachim Cato (chair), and Jörgen Durban.

Internal governance systems

The most important internal steering instrument consists of the Articles that are adopted by the general meeting of shareholders. For the purpose of handling specific matters and exercising better supervision of DDM, the Board of Directors established an audit committee and a remuneration committee in March 2015, an investment committee in March 2016 and a nomination committee in February 2018.

Other steering instruments include the Board Rules and the Board of Directors' instructions for the CEO. In addition, from April 2015 the Board of Directors adopted a number of policies and instructions containing rules, including but not limited to: Code of Conduct, Insider Policy and Guidelines, Outsourcing Policy and IT Policy for the entire Company's operations.

Individuals with an insider position

All persons who are employed and contracted by DDM that have access to non-public, price sensitive information ("insider information") as determined by the CEO, including all persons listed as persons discharging managerial responsibilities receive an individual notice and are registered to an insider logbook. Each and every person registered as insiders in the logbook must adhere to the Company's insider policy rules regarding a prohibition on trading in financial instruments in DDM Holding AG and DDM Debt AB during closed periods and receive an individual notice once the insider information has been informed to the public. These individuals are obligated in accordance with DDM's rules governing notification prior to trading to report any changes in their holdings of financial instruments in DDM Holding AG and DDM Debt AB.

External auditor

The Annual General Meeting 2020 appointed PricewaterhouseCoopers AG (Werftestrasse 3, CH-6002 Luzern, Switzerland) as the independent auditor until the Annual General Meeting 2021.

Peter Eberli, born 1964, a certified accountant, is the auditor in charge.

The DDM Holding Group paid the below fees (including expenses) to its external independent auditors. The non-audit fees mainly relate to advisory and tax consultancy fees for investments.

For the year ended 31 December EUR '000s	**2020**	**2019**
Audit		
Audit assignments	383	396
Total audit expenses	**383**	**396**

For the year ended 31 December EUR '000s	**2020**	**2019**
Non-audit		
Tax assignments	18	183
Other assignments	52	402
Total non-audit expenses	**70**	**586**

RISK FACTORS

Investment in DDM is associated with a number of risks

Numerous factors affect or may affect our operations, both directly and indirectly. Risk factors and major circumstances deemed to be of importance for DDM's business and future development are described on the right, in no particular order of priority and without claim to be exhaustive.

Risk awareness and management is an integral part of all employees' roles and responsibilities.

Albeit having a continuous process for monitoring risk, other risks as yet unknown to us, or which we at present deem to be insignificant, may in the future have a material adverse effect on DDM's business, results of operations or financial condition.

Market, financial and business related risks

The COVID-19 pandemic, or other similar outbreaks, may adversely affect our business and exacerbate other risks discussed in this "Risk Factors" section

In March 2020, COVID-19 was declared a "pandemic" by the Word Health Organization. The global spread of COVID-19 has had an adverse impact on global business and economic activity, creating significant volatility and uncertainty in the capital markets and significant disruption to the local operations of markets in which DDM operates. Our core markets have been particularly impacted by the direct impact of the COVID-19 pandemic as well as by local government policies to reduce infection rates, including, for example, restricting bailiff services for debt enforcement and the partial closure of courts and legal systems, resulting in delays of case settlements. In addition, the COVID-19 pandemic has limited the freedom of movement, which has negatively impacted tourism and thereby the economies of our markets particularly in Croatia and Greece, reducing consumer spending which may negatively impact DDM's revenue and profitability.

There is significant uncertainty as to the extent and duration of business disruptions related to the pandemic, as well as its impact on local and global economies and consumer confidence. The extent to which the pandemic impacts DDM's results will depend on future developments and the actions taken to contain it or address its impact, which are highly uncertain and cannot be predicted.

The COVID-19 pandemic may also affect DDM's business in ways which are difficult to predict and could have further material adverse effects on DDM's business, results of operations and financial condition if:

- the duration, scope and severity of the pandemic results in sustained deterioration in the economic environment in our regions and the amount of debt available to us for purchase and to service as a result does not compensate for the adverse effects;
- political, legal and regulatory actions and policies in response to the pandemic, such as governmental actions or proposed actions limiting debt collection efforts and encouraging or requiring extensions, modifications or forbearance with respect to certain loans and fees, prevent us from performing our collection activities, result in material increases in our costs to comply with such laws and regulations or result in fewer debt portfolios coming to market;
- disruptions to or closures of the court system and other disruptions due to the pandemic or government restrictions on the legal process that hinder our ability to collect through the litigation process are prolonged or increased;
- as a result of unemployment or reduced income or increased costs ensuing from the pandemic, consumers respond by failing to pay amounts owed on receivables owned or managed by us;
- we are unable to maintain staffing at the levels necessary to operate our business due to the continued spread or increased virulence of COVID-19 or related coronavirus strains or resultant health complications, causing employees to be unable or unwilling to work;
- we are unable to purchase debt portfolios needed to operate our business because debt owners become unable or unwilling to sell their non-performing loans consistent with recent levels at attractive prices or at all;
- adverse capital market conditions affect our ability to raise capital or increase our cost of capital and our cash generation is not sufficient for our needs;
- tax rates are increased to fund the cost of various government initiatives in connection with the COVID-19 pandemic; or
- we suffer a cyber-security incident or data breach as a result of an increase in the number or severity of cyber-attacks, or increased vulnerability while a larger proportion of our employees work remotely.

RISK FACTORS

Economic conditions in the markets in which DDM operates affect the business

DDM is exposed to the economic, market and fiscal conditions in the markets in which the Group operates and any positive or negative developments regarding these conditions. If the economy suffers a material and adverse downturn for a prolonged period of time including in connection with the current COVID-19 pandemic that, in turn, increases the unemployment rate and/or impacts interest rates and the availability of credit, DDM may not be able to perform debt collection at levels consistent with historic levels due to the inability of debtors to make payments, at the same levels or at all, which could have an adverse effect on DDM's financial results. In addition, should the level of inflation increase, the real term carrying value of DDM's distressed asset portfolios may decrease.

There is a risk that economic conditions will not improve or remain at the same level in the markets in which DDM operates, or that the net effect of any change in economic conditions will not be positive. An improvement in the economic conditions in the markets in which DDM operates could impact the business and performance in various ways including, but not limited to, reducing the number of attractive portfolio opportunities that are available for purchase and increasing the competitiveness of the pricing for portfolios that the Group purchases. There is a risk that the business and results of operations will not develop positively in this environment. Conversely, while adverse economic conditions and increased levels of unemployment may lead to higher default rates on claims, which in turn may increase the stock of portfolios available for DDM to purchase and increase the amount of loans and other overdue receivables, there is a risk that such potential increase in the amount of debt available to purchase will not compensate for the adverse effects of an economic downturn. Accordingly, any of these developments could have a material adverse effect on DDM's business, results of operations or financial condition.

The asset acquisition industry is competitive

DDM operates in a fragmented and highly competitive industry and is exposed to both domestic and international competition. DDM may face bidding competition in acquisition of distressed asset portfolios and believes that successful bids are awarded based on price and a range of other factors including, but not limited to, service, compliance, reputation and relationships with the sellers of distressed asset portfolios. Some of DDM's current competitors, and potential new competitors, can have more effective pricing and collection models, greater adaptability to changing market needs and more established relationships in the industry and geographic markets where DDM operates. Moreover, competitors may elect to pay prices for distressed asset portfolios that DDM determine are not economically sustainable and, in that event, the volume of debt portfolio purchases may be diminished. There is a risk that DDM cannot compete successfully with existing or future competitors and that existing or potential sellers of distressed asset portfolios will continue to sell their portfolios at attractive levels or at all, or that DDM will continue to offer competitive bids for distressed asset portfolios.

Some of DDM's current competitors, and potential new competitors, can have substantially greater financial resources, less expensive funding or lower return requirements than DDM currently has. Additionally, in the future DDM may not have the financial resources to offer competitive bids for portfolio purchases and debt collection contracts, especially when competing with competitors who have greater financial resources. There is a risk that DDM will not be able to develop and expand its business or adapt to changing market needs as well as current or future competitors. Any of these developments could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM is exposed to regulatory risks

DDM operates in a variety of jurisdictions and must comply with applicable laws, regulations, licenses and codes of practice across all jurisdictions, including, among other things, with respect to statutes of limitation and consumer protection regulations. Changes to the regulatory or political environments in which DDM operates, a failure to comply with applicable laws, regulations, licenses and codes of practice or failure of any employees to comply with internal policies and procedures may negatively affect DDM's business. DDM is subject to complex regulations in the jurisdictions in which DDM operates, including, but not limited to, laws and regulations regarding data protection, debt collection, consumer protection, debt purchasing and anti-money laundering, sanctions, anti-corruption and terrorist financing at the national and supranational level. There is a risk that DDM's policies and procedures will not prevent breaches of applicable laws and regulations or that any investigations will not identify such breaches in a timely manner or at all.

RISK FACTORS

Any such delay or failure could have a material adverse effect on DDM's business, results of operations or financial condition. Supervisory authorities in each country in which DDM operates may determine that DDM does not fully comply with, is in violation of, or in the past has violated applicable rules, regulations or administrative guidelines. If DDM's policies and procedures are deemed not to be in compliance, or are deemed not to have previously been in compliance, with relevant legal requirements or applicable legal requirements or applicable laws, regulations or administrative guidelines, this could have a material adverse effect on DDM's business, results of operations or financial condition.

The Swiss Federal Council (the executive branch of the Swiss federal government) has adopted rules against excessive remuneration in listed companies by implementing the Ordinance Against Excessive Compensation at Listed Companies (*D. Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften*) (the "VegüV"). The VegüV applies to corporations organized under Swiss law whose shares are listed on a stock exchange in or outside Switzerland. Non-compliance with the VegüV regime may result in personal liability for the members of the board of directors or the management of a company and/or in a company's remuneration arrangements for its members of the Board of Director or management being null and void. DDM has adapted its governance to the VegüV. In the event that DDM is found not to comply (or not to have complied) with, or is found not to have timely or adequately adapted to the VegüV regime, this could have a material adverse effect on the Group's business, results of operations or financial condition.

Compliance with the extensive regulatory framework is expensive and labor intensive. Failure to comply with applicable laws, regulations and rules, new or amended legislations and regulations, or failure to comply with a contractual compliance obligation, could result in investigations and enforcement actions, licenses that DDM needs to do business not being renewed, being revoked or being made subject to more onerous or disadvantageous conditions, fines or the suspension or termination of its ability to conduct collections. In addition, such failure to comply or revocation of a license, or other actions by DDM, may damage DDM's reputation. Damage to DDM's reputation, whether because of a failure to comply with applicable laws, regulations or rules, or revocation of a license or any other regulatory action or failure to comply with a contractual compliance obligation, could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM needs to be compliant with the General Data Protection Regulation ("GDPR")

In May 2018 the EU legislation GDPR entered into force. In accordance with the legislation DDM needs to ensure that the personal data processing and other related actions are in compliance with GDPR. The maintenance of systems for personal data processing and actions needed to ensure compliance with GDPR may involve costs and be time consuming for DDM. The systems are important as data processing in breach of GDPR could result in fines amounting to a maximum of EUR 20,000,000 or 4 per cent of DDM's global turnover. If DDM fails to comply with GDPR this may have a negative impact on DDM's business and financial conditions.

DDM is dependent on key business relationships and third parties

DDM's future development depends largely on the key business relationships which include, but are not limited to, sellers of distressed asset portfolios, financing partners, debt collection agencies, advisors, co-investors and other third parties. It is therefore important for DDM's future business activities and development that it is able to maintain existing relationships and to develop further relationships with such parties if necessary. Should DDM become unable to maintain or develop further key business relationships it could have a material adverse effect on DDM's business, results of operations or financial condition. Further, the third parties that DDM engage to carry out debt collection services are subject to limited supervision, which may expose DDM to additional risks in relation to these services, such as potential non-compliance and business integrity issues or if there were to be any breach in the data protection of any of these third party providers, all of which could significantly harm DDM's reputation.

Additionally, DDM or its partners may utilize bailiffs to assist with seizure of property and other court ordered solutions and to enforce certain successfully resolved legal claims. There is a risk that DDM will not successfully eliminate the risk that a third party does not meet the agreed service levels or may act outside of the applicable frameworks or DDM's own policies and procedures. Any such actions could have a material adverse effect on DDM's business, results of operations or financial condition.

RISK FACTORS

DDM is dependent on its employees and exposed to risks associated with their activities

DDM's future development depends largely on the skills, experience and commitment of the Group's employees. Therefore, it is important for DDM's future business activities and development that DDM is able to retain and, where necessary, also recruit suitable employees for the purpose of managing DDM's business. It is also of importance that DDM ensures that adequate notice periods are included in employment contracts to avoid disruptions in the ongoing operations. Should DDM become unable to retain or recruit suitable employees, there is a risk that DDM's operations, financial conditions and results are adversely impacted.

Further, individual employees may act against DDM's instructions or internal policies and either inadvertently or deliberately violate applicable law, including, but not limited to, competition laws and regulations by engaging in prohibited activities such as price fixing or colluding with competitors regarding markets or clients. Any such actions could have a material adverse effect on DDM's business, results of operations or financial condition.

Majority owner

Following any potential change of control in DDM, the Company may be controlled by a majority shareholder whose interest may conflict with those of the other shareholders. A majority shareholder has legal power to control a large amount of the matters to be decided by vote at a shareholder's meeting. For example, a majority shareholder will have the ability to elect the board of directors. Furthermore, a majority shareholder may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to the bondholders. There is nothing that prevents a shareholder or any of its affiliates from acquiring businesses that directly compete with DDM. If such an event were to arise, it could have a material negative impact on DDM's operations, earnings and financial conditions.

DDM may not be able to collect sufficient amounts on invested assets

Due to the length of time involved in collecting non-performing debt on acquired invested assets, DDM may not be able to identify economic trends or make changes in acquiring strategies in a timely manner. This could result in a loss of value in an asset after acquisition. Analytical models may not identify changes that originators make in the quality of the invested assets that they sell. If DDM overpays for invested assets, and thus the value of acquired assets and cash flows from operations are less than anticipated, DDM may have difficulty servicing debt obligations and to acquire new invested assets. Further, if purchased invested assets do not generate expected cash flows over specified time horizons it may be necessary to make downward revaluations and impairments of the invested assets, all of which could have a material adverse effect on DDM's business, results of operations or financial condition.

Risks related to investments in SPVs

An investment in a loan to or the taking of an exposure in relation to a SPV entails, in addition to the risks involved in an investment in a loan portfolio, risks relating to the capital structure and contractual arrangement of such SPV, including but not limited to, layering of instruments, intercreditor arrangements, lack of perfection actions and valid underlying security, lack of control and ability to influence, exposure to regulatory requirements and applicable insolvency regimes. If any of such risks materialize, there is a risk that DDM's business, results of operations or financial condition is adversely affected.

DDM's models and analytical tools to value and price portfolios may prove to be inaccurate

DDM uses internally developed models and input from advisors such as real estate valuation experts to value and price portfolios that DDM considers for purchase and to project the remaining cash flow generation from distressed asset portfolios. There is a risk that DDM will not be able to achieve the recoveries forecasted by the models used to value the portfolios, that the models are not transferable to other types of assets or that the models are flawed. There is a risk that the models will not appropriately identify or assess all material factors and yield correct or accurate forecasts as historical collections may not reflect current or future realities.

Further, misjudgments or mistakes could be made when utilizing DDM's statistical models and analytical tools. In addition, DDM's statistical models and analytical tools assess information which to some extent is provided by third parties, such as credit agencies, consultants performing asset valuation services, consultants performing audits of for example loan documentation, and other mainstream or public sources, or generated by software products. DDM only has limited control over the accuracy of such information received from third parties. If such information is not accurate, portfolios may be incorrectly priced at the time of purchase, the recovery value for portfolios may be calculated inaccurately, the wrong collection strategy may be adopted and lower collection rates or higher operating expenses may be experienced.

Further, historical information about portfolios may not be indicative of the characteristics of subsequent portfolios purchased from the same debt originator or within the same industry due to changes in business practices or economic development. Any of these events would have a material adverse effect on DDM's business, results of operations or financial condition.

Macroeconomic factors

DDM has in a larger scale invested in secured portfolios, and is hence more exposed to the risk of volatility in the real estate market. The real estate market is to a large extent affected by macroeconomic factors such as, inter alia, the general economic development and growth, employment trends, level of production of new premises and residential properties, changes in infrastructure, population growth, inflation and interest rate levels. If one or more of these factors would have a negative development, this could have a material negative impact on the value and underlying assets of the secured portfolios, and ultimately DDM's operations, earnings and financial condition.

DDM may make new investments or pursue co-investments that prove unsuccessful

DDM has historically invested in consumer and corporate debt portfolios. In the future DDM may consider acquiring distressed assets portfolios with other types of underlying assets and/or apply new transaction structures including, but not limited to, acquiring minority interest, other debt securities or entire companies or businesses in DDM's current geographical markets or in new markets. Such investments are exposed to a number of risks and uncertainty including, but not limited to, with respect to collections, ownership, rights, assets, liabilities, taxation, accounting treatment, licenses and permits, legal proceedings, financial resources and other aspects. These risks may be greater, more difficult or more extensive to analyze if DDM acquires new asset types and/or enters into unfamiliar countries or regions. Further, such investments involve risks due to difficulties in integrating operations, models, technology, information technology and hiring competent personnel. Any difficulties relating to new asset types, entering other markets or applying new transaction structures could require DDM to divert attention or funds from DDM's current core operations, which may affect the ability to generate a return on capital, service financing obligations, purchase portfolios and pursue portfolio acquisitions or other strategic opportunities and may impact DDM's future growth potential, and could have a material adverse effect on DDM's business, results of operations or financial condition.

There may not be a sufficient supply of distressed asset portfolios, or appropriately priced assets, to acquire

The availability of distressed asset portfolios at prices that generate profits depends on a number of factors, many of which are outside of DDM's control. If originators choose to rely more heavily on collection agencies, there would be a reduction in the availability of assets that are early in the financial difficulty cycle and have had little or no exposure to collection activity. These "fresher" assets typically have higher collection expectations. If originators were to perform more of their own collections, or were to further outsource collections to collection agencies, the volume of assets for sale or the quality of assets sold could decrease and consequently, DDM may not be able to acquire the type and quantity of assets at attractive prices or at prices consistent with its historic return targets. If DDM does not continually replace serviced portfolios with additional portfolios, this could have a material adverse effect on DDM's business, results of operations or financial condition.

RISK FACTORS

DDM may be unable to collect debts or it could take several years to realize cash returns on investments in acquired portfolios

DDM may not be able to collect debts contained in its acquired portfolios. DDM acquires distressed asset portfolios at a discount to face value and collects the outstanding debt. There is a risk that assets contained in DDM's portfolios cannot eventually be collected by DDM or its partners. The risk in this business is that DDM upon acquisition of invested assets would overestimate its ability to collect amounts, underestimate the costs of collection or misjudge whether the acquired assets are valid, existing and enforceable. If DDM were to become unable to collect the expected amounts contained in its portfolios it could have a material adverse effect on DDM's business, results of operations or financial condition. Further, after taking into consideration direct and indirect operating costs, financing costs, taxes and other factors, it may take several years for DDM to recoup the original acquisition price of investment in distressed asset portfolios. During this period, significant changes may occur in the economy, the regulatory environment or DDM's business or markets, which could lead to a substantial reduction in expected returns or reduce the value of the distressed asset portfolios that have been acquired which could have a material adverse effect on DDM's business, results of operations or financial condition.

The seasonality of DDM's business may lead to volatility in cash flow

DDM's business depends on the ability to collect on distressed asset portfolios and purchase of such portfolios. Debt collection is highly affected by seasonal factors including, but not limited to, the number of working days in a given month, the propensity of debtors to take holidays at particular times of the year and annual cycles in disposable income. Accordingly, collections within portfolios tend to have high seasonal variances, resulting in high variances of margins and profitability between quarters. Furthermore, DDM's debt portfolio purchases are likely to be uneven during the year due to fluctuating supply and demand within the market. In addition, DDM has increased its investments in larger secured loan portfolios which increases DDM's dependency on fewer, but larger payments which thereby increases the volatility of DDM's cash flow. The combination of seasonal collections, uneven purchases and investments in larger secured loan portfolios may result in low cash flow at a time when attractive distressed asset portfolios become available. There is a risk that in the future DDM will not be able to obtain interim funding from shareholders or make other borrowings. A lack of cash flow could prevent DDM from purchasing otherwise desirable distressed asset portfolios or prevent DDM to meet obligations, e.g. to pay interest, either of which could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM is exposed to the risk of currency fluctuations and interest rate changes

DDM's revenue on invested assets is primarily denominated, inter alia, in EUR, Croatian kuna, Czech koruna, Hungarian forint, Romanian leu and Serbian dinar while DDM reports financial results in EUR. Further, DDM acquires portfolios with accounts denominated mainly in EUR, Croatian kuna, Czech koruna, Hungarian forint, Romanian leu and Serbian dinar and will service these accounts through the placement and collections process. DDM may further be exposed to additional currencies as a consequence of geographically expanding its business operations.

The headquarters of DDM is located in Switzerland and a significant share of the operating expenses are thereby incurred in CHF. In addition, the bonds issued by DDM Debt AB and DDM Finance AB are located in Sweden and therefore part of DDM's operating expenses are incurred in SEK. This makes DDM exposed to currency fluctuations in both CHF and SEK.

Historically the exchange rates between some of these currencies and EUR have fluctuated significantly and DDM's local currencies may in the future fluctuate significantly. Consequently, to the extent that foreign exchange rate exposures are not hedged, fluctuations in currencies may adversely affect DDM's financial results in ways unrelated to the operations and could affect DDM's financial statements when the results of its portfolios are translated into EUR for reporting purposes. Any of these developments could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM's RCF and the EUR 100M outstanding bond loan expose DDM to interest rate risk by using the floating reference rate EURIBOR. A sudden and permanent interest rate shock could have an have a material adverse effect on DDM's business, results of operations or financial condition.

DDM is exposed to errors in the collection process and other operational issues or negative attention and news regarding the debt collection industry, individual debt collectors or sellers of portfolios

Debtors may become more reluctant to pay their debts in full or at all or become more willing to pursue legal actions against DDM. Print, television or online media may, from time to time, publish stories about the debt collection or asset acquisition industry that may cite specific examples of real or perceived abusive collection practices. Further, debt collection is a relatively new phenomenon in some of the markets where DDM is active, which could bring further attention to DDM, promoting negative publicity. These stories can be published on websites or other media platforms which can lead to the rapid dissemination of the story and increase the exposure to negative publicity about DDM or the industry. In addition, there are websites where debtors may list their concerns about the activities of debt collectors and financial institutions and seek guidance from other users on how to handle the situation. These websites are increasingly providing debtors with legal forms and other strategies to protest collection efforts and to try to avoid their obligations. To the extent that these forms and strategies are based upon erroneous legal information, there is a risk that the cost of collections is increased. Debtor blogs and claims management companies are becoming more common and add to the negative attention given to the industry. Certain of these organizations may also enable debtors to negotiate a larger discount on their payments than DDM would otherwise agree to. As a result of this publicity, debtors may be more reluctant to pay their debts or could pursue legal action against DDM regardless of whether those actions are warranted. These actions could impact DDM's ability to collect on the assets acquired and could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM may acquire portfolios that contain accounts that are not eligible to be collected or could be the subject of fraud when acquiring distressed asset portfolios

In the normal course of portfolio acquisitions, there is a risk that assets may be included in the portfolios that fail to conform to the terms of the acquisition agreements and DDM may seek to return these assets to the seller for refund or replacement of new cases. However, there is a risk that the provisions of the relevant acquisition agreement will not allow for such returns, that the seller will be able to meet its obligations or that DDM will identify non-conforming accounts soon enough to qualify for recourse. Accounts that would be eligible for recourse if discovered in a timely fashion but that DDM is unable to return to sellers are likely to yield no return. If DDM acquires portfolios containing a large amount of non-conforming accounts or containing accounts that are otherwise uncollectible, DDM may be unable to recover a sufficient amount for the portfolio acquisition to be profitable, which could have a material adverse effect on DDM's business, results of operations or financial condition.

In addition, due to fraud by a seller, a consultant or by any employee, DDM could acquire so-called "phantom portfolios" that have been sold to more than one person or where the assets are not valid, existing and enforceable or the debtor is not an existing person. DDM would not be able to collect on a portfolio to which it has no legal ownership, or would need to spend time and resources establishing its legal ownership of the portfolio if such ownership is uncertain. The internal controls DDM has in place to detect such types of fraud may fail. If DDM is the victim of fraud, it could have an impact on DDM's cash flow or reduce its collections from invested assets, in either case potentially adversely impacting DDM's business, results of operations or financial condition.

DDM's collections may decrease if the number of debtors becoming subject to personal insolvency procedures increases

DDM recovers on assets that become subject to insolvency procedures under applicable laws, and acquires accounts that are, at the time of the acquisition, subject to insolvency proceedings. Various economic trends and potential changes to existing legislation may contribute to an increase in the number of debtors subject to insolvency procedures. Under some insolvency procedures a person's assets may be sold to repay creditors, but since the non-performing assets may be unsecured, DDM may not be able to collect on those assets. DDM's ability to successfully collect on its distressed asset portfolios may decline following an increase in personal insolvency procedures or a change in insolvency laws, regulations, practices or procedures. If actual collections with respect to a distressed asset portfolio are significantly lower than projected when DDM acquired the portfolio, this would have a material adverse effect on DDM's business, results of operations or financial condition.

DDM may not be able to successfully maintain and develop its IT or data analysis systems

DDM's proprietary IT System, FUSION, provides possibilities to analyze and bid for new investments and manage current assets, and is important for DDM to carry out its business. IT and telecommunications technologies are evolving rapidly. DDM may not be successful in anticipating, managing or adopting technological changes on a timely basis and may not be successful in implementing improvements to DDM's IT or data analysis systems. The costs for such improvements could be higher than anticipated or result in management not being able to devote sufficient attention to other areas of DDM's business. Also, any security breach in DDM's IT system, or any temporary or permanent failure in the system or loss of data, could disrupt operations and have a material adverse effect on DDM's business, results of operations or financial condition.

DDM is exposed to refinancing risk

DDM's business is as of the date hereof to a large extent funded by outstanding bond loans with final maturity in December 2021, April 2022 and June 2022, and a super senior revolving credit facility maturing in March 2023. The outstanding bonds and/or the RCF may under certain circumstances set out in its respective terms and conditions, be redeemed or prepaid by DDM or accelerated by the bondholders prior to such final maturity date. There is a risk that there will be no correlation in time between collecting on sufficient assets under DDM's portfolios and the maturity of DDM's funding. Therefore, DDM is dependent on the ability to refinance borrowings upon their maturity and there is a risk that DDM will not be able to successfully refinance the bond loans and/or the RCF upon their maturity or only succeeds in securing funding at substantially increased costs, which could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM is exposed to the risk of inaccurate application of, and future changes in tax legislation

DDM manages its operations in a number of countries. The business, including transactions between DDM's companies, is operated according to DDM's understanding or interpretation of current tax laws, tax treaties, and other tax law stipulations and in accordance with DDM's understanding and interpretation of the requirements of the tax authorities concerned. However, there is a risk that DDM's understanding or interpretation of the above-mentioned laws, treaties and other regulations is not correct in every aspect. There is a risk that the tax authorities of the countries concerned will make assessments and make decisions that deviate from DDM's understanding or interpretation of the abovementioned laws, treaties and other regulations. DDM's tax position and tax rates, both for previous years, the present year and future years may change as a result of the decisions of the tax authorities concerned or as a result of changed laws, treaties and other regulations. Such decisions or changes, possibly retroactive, could have a material adverse effect on DDM's business, results of operations or financial condition.

Potential risks relating to a Transfer event or a Domicile Event

DDM has investigated the possibility of moving the bond issuer's fiscal and/or legal domicile to Luxembourg or via an intragroup transfer of assets establish a new bond issuing entity in Luxembourg. There is a risk that such transfer would have an adverse effect of the operations and business of DDM or take more time and be more costly than anticipated, which could have a material adverse effect on DDM's business, results of operations or financial condition.

Dependency on regulatory oversight and regulatory approval and consent in various markets

In certain markets, DDM is dependent on regulatory licenses in order to carry out its business. Obtaining and maintaining licenses and being in compliance with the regulatory framework could potentially be expensive or labor intensive. Furthermore, there is a risk that, for a market in which DDM operates and where a license is required, DDM will not be able to obtain, maintain or renew such licenses. If the relevant authorities were to withdraw such licenses for any reason, there is a risk that DDM might have to cease part or all of its business in the relevant country, having an adverse effect on DDM's business, financial position and results. These risks relating to regulatory oversight and approval, licenses and filings, vary between the markets.

Certain investment strategies, including co-investments and joint ventures, may limit DDM's control over particular investments

If DDM makes co-investments together with third parties or enters into joint ventures with third parties or invests in entities through debt securities, DDM's ability to exercise control over these investments may be limited. Further, the interests of DDM's co-investment partners, any persons with which it pursues joint ventures or other shareholders in entities where DDM has invested though debt securities may conflict with DDM's interests. There is a risk that any such conflict would not be resolved in DDM's favor which could have a material adverse effect on DDM's business, results of operations or financial condition.

DDM is exposed to counterparty risk

Counterparty and counterparty credit risk refer to the risk that DDM's counterparties are unable to perform in accordance with its obligations or fulfill or meet their financial obligations towards DDM. DDM's current and potential joint venture partners, co-investors, collection service agencies, sellers or other counterparties may end up in a financial situation where they cannot pay amounts owed to DDM or make investments in joint projects or portfolios on its due date, or otherwise abstain from fulfilling their obligations. Furthermore, sellers or other contractual parties that DDM is engaged with could make claims against DDM based on their opinion that DDM has not fulfilled or met its obligation towards them. If DDM's counterparties are not able to fulfill their obligations towards DDM, it could negatively affect DDM's earnings and financial position.

DDM is dependent on future financing on attractive terms

DDM's business model and strategy entails that it regularly acquires additional distressed asset portfolios in existing or new markets. This business model and strategy may require additional debt or equity funding. The access to and the terms of such additional financing are affected by a number of factors including, but not limited to, successful collection on current distressed asset portfolios, terms and conditions of DDM's financing arrangements and related security arrangements, the general availability of capital and DDM's credit worthiness and credit capacity. Disruptions and uncertainty in the credit and capital markets may also limit access to additional capital. Should DDM become unable to secure additional funding, or only succeeds in securing additional funding on unfavorable terms, it could have a material adverse effect on DDM's business, results of operations or financial condition.

Risk of limited access to capital

The sub-prime and European financial crises have demonstrated certain inherent weaknesses in the global financial system. This can result in the weakening of confidence in financial markets, which may in turn lead to a reduced supply of money. DDM uses external funding in order to support its rapid expansion. Typically, any disturbances in the banking and financial sector negatively affect leveraged businesses by increasing the cost of money necessary to conduct the day-to-day business and fuel their expansion, and by limiting access to funding. A limited availability of credit and limitations in access to financial and capital markets, combined with rising credit costs, may slow down, deteriorate, or even prevent the growth and further expansion of DDM entirely. In addition, the limitations may undermine DDM's potential to be profitable, which may have a material adverse effect on DDM's business, financial condition, results of operations and prospects.

DDM may not have adequate insurance coverage

There is a risk of DDM's existing insurance coverage not being adequate for possible future needs and of DDM not being able to maintain the existing insurance coverage at a reasonable cost or maintain adequate insurance coverage. Moreover, the coverage that DDM obtains via its insurance policies may be limited, for example on account of monetary limits and the need to pay an excess or by the insurance company not compensating the full loss. It may be difficult and time-consuming to obtain compensation from insurance companies for losses covered by DDM's policies. Consequently, there is a risk that DDM's insurance cover will not cover all potential losses, whatever the cause, or of relevant insurance coverage not always being available at an acceptable cost, which could have a material adverse effect on the DDM's business, results of operations or financial condition. Claims against DDM may also, regardless of the insurance coverage, result in an increase in the premiums DDM pays under its insurance contracts. Significant increases in insurance premiums may have a material adverse effect on DDM's business, results of operations or financial condition.

Litigation, investigations and proceedings may negatively affect DDM's business

DDM may be adversely affected by judgments, settlements, unanticipated costs or other effects of legal and administrative proceedings that are pending or may be instituted in the future, or from investigations by regulatory bodies or administrative agencies. DDM may also become subject to claims and a number of judicial and administrative proceedings considered normal in the course of DDM's operations including, but not limited to, consumer credit disputes, labor disputes, contract disputes, intellectual property disputes, government audits and proceedings, other disputes and tort claims. In some proceedings, the claimant may seek damages as well as other remedies, which, if granted, would require expenditures and may ultimately incur costs relating to these proceedings that exceed DDM's present or future financial accruals or insurance coverage. Even if the Group or its directors, officers and employees (as the case may be) are not ultimately found to be liable, defending claims or lawsuits could be expensive and time consuming, divert management resources, damage DDM's reputation and attract regulatory inquiries. Any of these developments could have a material adverse effect on DDM's business, results of operations or financial condition.

Risks associated with expanding the business of DDM

As DDM has experienced significant growth and expansion in its current markets, and due to its establishment in new markets, DDM may experience significant strains on its managerial, operational and financial resources associated with the hiring and training of new employees, and the development and management of business functions and relationships with clients. A successful expansion is furthermore dependent on DDM's ability to adapt its organization, know-how, and financial position to meet the various challenges associated with an extensive expansion and to acquire portfolios with sought after profitability. Hence, there is a risk that DDM invests time and financial resources in expansion strategies which turn out not to be successful, which would have an adverse effect on DDM's business, results of operations or financial condition.

Dependency on key employees

DDM is dependent on the knowledge, experience and commitment of its employees for continued development and its current ongoing projects. DDM is also dependent on key individuals at management level. There is a risk that DDM loses key individuals, or is unable to retain and attract competent employees resulting in adverse effects on the DDM's business, earnings and financial position.

DDM's geographic presence and expansion exposes the Group to local risks in several European markets

DDM currently holds portfolios and pursues debt collection mainly in Croatia, Slovenia, the Czech Republic, Romania, Hungary and Serbia. DDM's business is subject to local risks due to the operations in multiple Southern, Central and Eastern European markets including, but not limited to, multiple national and local regulatory and compliance requirements relating to labor, licensing requirements, consumer credit, data protection, anti-corruption, anti-money laundering and other regulatory regimes, potential adverse tax consequences, antitrust regulations, an inability to enforce remedies in certain jurisdictions and geopolitical and social conditions in certain sectors of relevant markets. Furthermore, some of these countries, such as Greece, Serbia and Croatia, have relatively unchartered collection markets with limited portfolio transactions. Consequently, there could be unforeseen risks and there may be unanticipated obstacles negatively effecting DDM. Hence, there is a risk that DDM invests time and financial resources in expansion strategies which turn out not to be successful, which could have an adverse effect on DDM's business, results of operations or financial condition.

Furthermore, when entering new markets DDM could face additional risks including, but not limited to, incurring startup losses for several years due to lower levels of business, ramp up and training costs, the lack of expertise in such markets, the lack of adequate and available management teams to monitor these operations, unfavorable commercial terms and difficulties in maintaining uniform standards, control procedures and policies. Any negative impact caused by the foregoing risks could have a material adverse effect on DDM's business, results of operations or financial condition. In addition, if DDM expands into new jurisdictions, the business will be subject to applicable laws, regulations and any licensing requirements in such new jurisdictions, which may be different or more stringent than the jurisdictions in which DDM currently operates.

Risk connected with related party transactions

A major shareholder of DDM Holding AG currently holds a position in the board of directors of DDM. There is a risk that such shareholder and DDM enter into transactions and arrangements as related parties. Even though DDM is of the opinion that such transaction are on arms' length basis, there is a risk that the transactions will be challenged by for example the tax authorities, auditors or other regulatory authorities, which could have a negative effect on DDM's business, results of operations or financial condition.

DDM IN FIGURES

FINANCIAL STATEMENTS AND NOTES

DDM HOLDING GROUP

DDM HOLDING AG

DDM HOLDING GROUP

Consolidated Financial Statements

THE BOARD OF DIRECTORS OF DDM HOLDING AG IS PLEASED TO PRESENT THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2020

This report is dated 5 March 2021 and is signed on behalf of the Board of DDM Holding AG by

Jörgen Durban	Henrik Wennerholm
Chairman	*Chief Executive Officer*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December Amounts in EUR '000s	Notes	2020	2019
Reconciliation of revenue on invested assets:			
Net collections		*109,369*	*57,063*
Amortization of invested assets		*(68,433)*	*(34,498)*
Interest income on invested assets		**40,936**	**22,565**
Net collections on sale of invested assets		*–*	*4,476*
Revaluation and impairment of invested assets		*(1,040)*	*(1,218)*
Revenue on invested assets	6, 7	**39,896**	**25,823**
Share of net profits of joint ventures and associates	16, 17	1,257	916
Other operating income	34	–	1,142
Revenue from management fees	6, 7	74	570
Personnel expenses	8	(5,234)	(5,398)
Consulting expenses	9	(5,153)	(5,497)
Other operating expenses	10	(2,217)	(2,324)
Amortization and depreciation of tangible and intangible assets	20, 21, 23	(408)	(222)
Operating profit		**28,215**	**15,010**
Financial income	11	2,172	178
Financial expenses	11	(18,134)	(19,147)
Unrealized exchange loss	11	(1,824)	(336)
Realized exchange loss	11	(60)	(217)
Net financial expenses		**(17,846)**	**(19,522)**
Profit / (loss) before income tax		**10,369**	**(4,512)**
Tax (expense) / income	12	(1,229)	392
Net profit / (loss) for the year		**9,140**	**(4,120)**
Net profit / (loss) for the year attributable to:			
Owners of the Parent Company		9,140	(4,003)
Non-controlling interest	33	–	(117)
Earnings per share before and after dilution (EUR)	13	0.67	(0.30)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December Amounts in EUR '000s	2020	2019
Net profit / (loss) for the year	**9,140**	**(4,120)**
Other comprehensive income / (loss) for the year		
Items that will not be reclassified to profit or loss:		
Actuarial loss on post-employment benefit commitments	(129)	(77)
Deferred tax on post-employment benefit commitments	(12)	44
Items that may subsequently be reclassified to profit or loss:		
Currency translation differences	(72)	(7)
Share of net income in associate	2,698	–
Other comprehensive income / (loss) for the year, net of tax	**2,485**	**(40)**
Total comprehensive income / (loss) for the year	**11,625**	**(4,160)**
Total comprehensive income / (loss) for the year attributable to:		
Owners of the Parent Company	11,625	(4,043)
Non-controlling interest	–	(117)

The notes on pages 45 to 70 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December Amounts in EUR '000s	Notes	2020	2019
ASSETS			
Non-current assets			
Goodwill	22	4,160	4,160
Intangible assets	23	1,043	1,303
Tangible assets	20	88	54
Right-of-use assets	21	254	104
Interests in associates	16	32,986	–
Distressed asset portfolios	18	79,252	143,027
Other long-term receivables from investments	19	–	3,023
Investment in joint venture	17	25,691	29,952
Deferred tax assets	30	870	1,600
Other non-current assets	24	1,251	995
Total non-current assets		**145,595**	**184,218**
Current assets			
Accounts receivable	15	14,158	3,330
Tax assets	15	93	1,401
Other receivables	15	1,698	1,820
Prepaid expenses and accrued income	15	2,565	1,402
Cash and cash equivalents	14	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	32	11,780	11,780
Share premium	32	21,030	21,030
Other reserves	32	2,163	(451)
Retained earnings including net profit / (loss) for the year		8,342	(669)
Total shareholders' equity		**43,315**	**31,690**
Long-term liabilities			
Loans	27, 28	92,840	114,913
Lease liabilities	26	166	61
Accrued interest	27	2,203	–
Provisions	37	704	–
Post-employment benefit commitments	29	1,459	1,156
Deferred tax liabilities	30	308	220
Total long-term liabilities		**97,680**	**116,350**
Current liabilities			
Accounts payable	25	1,379	1,308
Tax liabilities	25	428	240
Accrued interest	25	1,834	2,667
Accrued expenses and deferred income	25	5,404	2,648
Lease liabilities	26	123	49
Loans	25, 27, 28	45,362	49,504
Total current liabilities		**54,530**	**56,416**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**195,525**	**204,456**

The notes on pages 45 to 70 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December Amounts in EUR '000s	Notes	2020	2019
Cash flow from operating activities			
Operating profit		28,215	15,010
Cash distribution from joint venture	17	4,511	2,654
Adjustments for non-cash items:			
Amortization of invested assets	18, 19	*68,433*	*34,498*
Revaluation and impairment of invested assets	18, 19	*1,040*	*1,218*
Share of net profits of joint ventures and associates	16, 17	*(1,257)*	*(916)*
Other operating income	34	–	*(1,142)*
Depreciation, amortization and impairment of tangible and intangible assets	20, 21, 23	*408*	*222*
Other items not affecting cash		*309*	*(5)*
Interest paid		(14,774)	(18,179)
Interest received		2,137	179
Tax paid		(184)	(3,701)
Tax received		1,249	–
Cash flow from operating activities before working capital changes		**90,087**	**29,838**
Working capital adjustments			
(Increase) / decrease in accounts receivable		(14,481)	5,133
(Increase) / decrease in other receivables		(1,041)	(18)
Increase / (decrease) in accounts payable		71	(292)
Increase / (decrease) in other current liabilities		3,818	21
Net cash flow from operating activities		**78,454**	**34,682**
Cash flow from investing activities			
Purchases of distressed asset portfolios and other long-term receivables from investments	18, 19	–	(66,342)
Purchases of investment of joint ventures and associates	16, 17	(30,094)	(66,662)
Acquisition of subsidiary, net of cash acquired	36	(1,178)	–
Proceeds from divestment of distressed asset portfolios and joint venture	17, 18	–	37,094
Purchases of non-current assets	24, 34	(180)	(975)
Purchases of tangible assets	20	(66)	(36)
Net cash flow received / (used) in investing activities		**(31,518)**	**(96,921)**
Cash flow from financing activities			
Proceeds from issuance of loans	27, 28	27,818	110,537
Repayment of loans	27, 28	(55,218)	(95,700)
Principal elements of lease payments	26	(58)	–
Net cash flow received / (used) in financing activities		**(27,458)**	**14,837**
Cash flow for the year		**19,478**	**(47,402)**
Cash and cash equivalents less bank overdrafts at beginning of the year		**12,285**	**59,862**
Foreign exchange losses on cash and cash equivalents		(347)	(175)
Cash and cash equivalents less bank overdrafts at end of the year	**14**	**31,416**	**12,285**

The notes on pages 45 to 70 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Parent Company's shareholders						
Amounts in EUR '000s	**Notes**	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings incl. net profit / (loss) for the year**	**Total equity**	**Non-controlling interest**	**Total equity**
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								
Actuarial loss on post-employment benefit commitments		–	–	–	(77)	**(77)**	–	**(77)**
Currency translation differences		–	–	(7)	–	**(7)**	–	**(7)**
Deferred tax on post-employment benefit commitments		–	–	44	–	**44**	–	**44**
Total comprehensive 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 post-employment benefit commitments	29	–	–	–	(129)	(129)	–	**(129)**
Currency translation differences		–	–	(72)	–	**(72)**	–	**(72)**
Deferred tax on post-employment benefit commitments	30	–	–	(12)	–	**(12)**	–	**(12)**
Share of net income in associate	16	–	–	2,698	–	**2,698**	–	**2,698**
Total comprehensive income / (loss)		**–**	**–**	**2,614**	**9,011**	**11,625**	**–**	**11,625**
Transactions with owners								
Total transactions with owners		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2020		**11,780**	**21,030**	**2,163**	**8,342**	**43,315**	**–**	**43,315**

At 31 December 2020 and at 31 December 2019 the number of outstanding shares in DDM Holding AG amounted to 13,560,447 shares.

NOTE 1. GENERAL INFORMATION

DDM Holding AG and its subsidiaries (together "DDM" or the "Company") is a specialized multinational investor and manager of non-performing loans and special situations. DDM primarily buys portfolios 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, DDM then assists the debtors to restructure their overdue debt. The Company is based in the canton of Zug in Switzerland where the majority of its staff is located. The address of DDM's registered office is Landis + Gyr-Strasse 1, 6300 Zug, Switzerland. The Company was founded in 2007 and is listed on Nasdaq First North Growth Market, Stockholm since September 2014, under the ticker DDM.

These financial statements were authorized for publication by the Board of Directors on 5 March 2021.

NOTE 2. BASIS OF PREPARATION

The consolidated financial statements of DDM Holding AG have been prepared in accordance with IFRS as adopted by the EU. In accordance with Article 962 of the Swiss Code of Obligation (CO), DDM Holding AG has to prepare financial statements in accordance with a recognized financial reporting standard. The Swiss Federal Council has issued an ordinance defining IFRS as approved by the IASB as a recognized financial reporting standard. DDM Holding AG has evaluated the differences between the IFRS as adopted by the EU and the IFRS approved by the IASB with influence on the DDM group's financial statements, and concluded that there are no material differences.

The financial statements have been prepared on the basis of historical cost modified with the revaluation of financial assets and financial liabilities at fair value through profit or loss. Distressed asset portfolios, other long-term receivables from investments and borrowings are measured at amortized cost using the effective interest rate method, adjusted for revaluation and impairment. The investments in joint ventures and associates are accounted for under the equity method.

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Consolidation

The financial statements consolidate the accounts of DDM Holding AG and its subsidiaries.

Subsidiaries

Subsidiaries are all 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.

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

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

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

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 recognised 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. Distributions received from the joint venture are not recognised 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 recognises 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 recognised 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.

Entities not included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2020	31 Dec 2019
CE Partner S.à r.l.	Equity accounted	Luxembourg	50%	50%
CE Holding Invest S.C.S	Equity accounted	Luxembourg	50%	50%

Associates

Associates are all entities over which DDM Holding AG has significant influence but do not control or jointly 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 for impairment in accordance with the policy described in note 3.

On 9 March 2020 DDM acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30M. On 30 March 2020 DDM exercised a call option to acquire an additional 10.1% shareholding in Addiko Bank AG that lapsed in October. DDM continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding.

DDM has determined that it has significant influence over Addiko Bank AG through acquiring a 9.9% shareholding in Addiko Bank AG. 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.

Entities not included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2020	31 Dec 2019
Addiko Bank AG	Equity accounted	Austria	9.9%	–

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each consolidated entity in DDM Holding AG are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of DDM Holding AG is Euro ("EUR"). The consolidated financial statements are presented in thousands of Euros, ("EUR k"), unless stated otherwise, which is the Group's presentation currency. Rounding differences may occur. The financial statements of entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities at the closing rate on the balance sheet date, equity at historical rates and income and expenses at the average rate for the period (as this is considered a reasonable approximation of the actual rates prevailing on the dates of the individual transactions). All resulting consolidation adjustments are recognized in other comprehensive income as cumulative translation adjustments. All of the entities in the DDM group have EUR as their functional currency except for DDM Debt Management doo 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 and Lombard which have Hungarian forint (HUF) as their functional currency .

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction dates. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entities' functional currency will give rise to realised and unrealised exchange rates differences that are recognized in the income statement in "net financial expenses".

The following exchange rates were applied at the balance sheet dates (spot rates) and for the income statement (average rates):

Exchange rates		31 Dec 2020	31 Dec 2019
Balance sheet	EUR/CHF	1.0802	1.0854
Income statement	EUR/CHF	1.0711	1.1156
Balance sheet	EUR/CZK	26.242	25.408
Income statement	EUR/CZK	26.359	25.697
Balance sheet	EUR/HRK	7.5519	7.4395
Income statement	EUR/HRK	7.5296	7.4154
Balance sheet	EUR/HUF	363.90	330.58
Income statement	EUR/HUF	348.49	324.51
Balance sheet	EUR/RON	4.8683	4.7830
Income statement	EUR/RON	4.8300	4.7350
Balance sheet	EUR/RSD	117.523	117.550
Income statement	EUR/RSD	117.578	117.911
Balance sheet	EUR/SEK	10.0343	10.4468
Income statement	EUR/SEK	10.5097	10.5655

Cash and cash equivalents

Cash and cash equivalents include cash deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Overdrafts are disclosed separately under liabilities and presented as "Liabilities to credit institutions". Please see note 14.

Financial instruments

IFRS 9 "Financial Instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities, and impairment model for financial assets. Distressed asset portfolios, other long-term receivables, accounts receivables and other receivables from investments are financial instruments that are accounted for under IFRS 9 and are measured at amortized cost using the EIR method.

The Company's investments consist of portfolios of non-performing loans and debt, under IFRS 9 these portfolios are defined as purchase or originated credit-impaired (POCI), as these portfolios are purchased at prices significantly below the nominal amount of the receivables and therefore impairments are already included at the point of initial recognition.

The IFRS 9 impairment model is based on a forward-looking 'expected credit loss' ("ECL") model. The impairment model applies to financial assets classified at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk and involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes.

Under IFRS 9 with regard to financial assets held at amortised cost that are considered to have low credit risk, the relevant impairment provision that has been applied is to recognize a 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or the Company acquires POCI portfolio the allowance will be based on the lifetime ECL.

Loans, accounts payable, other payables and lease liabilities are financial liabilities that are accounted for under IFRS 9 and are measured at amortized cost using the EIR method.

The DDM Group's business model is to invest in distressed assets and collect the contractual cash flows. The invested assets only consist of cash flows payments of principal and interest (solely payments of principal and interest, "SPPI"). In exceptional cases, portfolios might be sold.

The table below shows the measurement of DDM's financial instruments according to IFRS 9:

	Valuation under IFRS 9
Assets	
Account receivables	Amortised cost
Other receivables	Amortised cost
Distressed asset portfolios	Amortised cost
Other long-term receivables from investments	Amortised cost
Liabilities	
Accounts payable	Amortised cost
Other payables	Amortised cost
Lease liabilities	Amortised cost
Short-term loans	Amortised cost
Long-term loans	Amortised cost

In line with IFRS 9 "Financial Instruments" financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has, for all intents and purposes, transferred all of the risks and rewards of ownership. Financial liabilities are derecognized when the contractual commitment is discharged, cancelled or expires.

Classification, recognition and measurement

At initial recognition, the Company classifies its financial instruments as follows:

Financial assets carried at amortized cost

Financial assets carried at amortized cost are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. The Company's financial assets carried at amortized cost comprise distressed asset portfolios, other long-term receivables from investments, receivables and cash and cash equivalents. Financial assets carried at amortized cost are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Impairment of financial assets

The impairment regulations contained in IFRS 9, are based on the expected credit loss model (ECL model). Distressed asset portfolios and other long-term receivables from investments are considered credit-impaired under IFRS 9. As such lifetime expected credit losses are included in the recovery of the estimated cash flows when calculating the effective interest rate on initial recognition of such assets. The Company applies the simplified method to apply lifetime expected credit losses to receivables and cash and cash equivalents.

On each reporting date the Company assesses on a forward looking basis the expected credit losses associated with its collection estimates for financial assets held at amortised cost. A change in the estimated cashflows would result in a revaluation and/or impairment of the invested asset. The assessment applied depends on whether has been a change in credit risk determined by the following factors:

a) level of financial difficulty of the obligor;
b) delinquencies in interest or principal payments; and
c) it is likely that the borrower will enter bankruptcy or other financial reorganization.

NOTE 3. SUMMARY OF SIGNIFICANT… continued

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 are 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 have blocked 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 proportion to DDM's share of the rights to the leasing portfolio 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.

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 percent of the portfolio and 100 percent of the equity in Lombard which has been reclassified from other long-term receivables from investments to distressed asset portfolios.

Distressed asset portfolios and other long-term receivables from investments
Distressed asset portfolios and other long-term receivables from investments are purchased at prices significantly below the nominal amount of the receivables. The Company determines the carrying value by calculating the present value of estimated future cash flows of each investment using its effective interest rate at initial recognition by DDM. The original effective interest rate is determined on the date the portfolio / receivable was acquired based on the relationship between the purchase price of the portfolio / receivable and the projected future cash flows as per the acquisition date. Changes in the carrying value of the portfolios / receivables include interest income on invested assets before revaluation and impairment for the period, as well as changes to the estimated projected future cash flows, and are recognized in the income statement under "Revenue on invested assets".

If the fair value of the investment at the acquisition date exceeds the purchase price for a distressed asset portfolio not acquired as part of a business combination, 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). Please see note 5 for further information.

Cash flow projections are made at the portfolio / receivable level. 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. 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 a significant change in the credit risk estimated in relation to the amount of future cash flows of the portfolio / receivable and this can be estimated reliably then this is recorded within the line "Impairment of invested assets". If there is objective evidence that one or more events have taken place that will have a positive impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows then this is recorded within the line "Revaluation of invested assets".

If the Company 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").

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 for 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 recognized in connection with disposals of tangible assets are included among administration expenses (within the line "other operating expenses").

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, and that has a finite useful life. "FUSION" is the proprietary IT system that integrates investment data, case data, payment data and activity data into one effective and comprehensive IT system. This asset was capitalized and initially amortized in the income statement on a straight-line basis over its expected useful life of 20 years. On 1 January 2020 the expected remaining useful life of this asset was reassessed to 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 subsidiaries, businesses or parts of the business is recognized as goodwill in the balance sheet.

Business combinations
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

a) fair values of the assets transferred;
b) liabilities incurred to the former owners of the acquired business;
c) equity interests issued by the group;
d) fair value of any asset or liability resulting from a contingent consideration arrangement; and
e) fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:
a) consideration transferred;
b) amount of any non-controlling interest in the acquired entity; and
c) acquisition-date fair value of any previous equity interest in the acquired entity

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 recognised directly in the income statement as a bargain purchase within the line "other operating income".

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

NOTE 3. SUMMARY OF SIGNIFICANT… continued

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

Non-controlling interest
Non-controlling interest arises in cases where the Company acquires less than 100% of the shares in the subsidiary that the Company controls. For each business combination, the Company elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Impairment of non-financial assets
Goodwill is reviewed for impairment annually or at any time if an indication of impairment exists. Management monitors goodwill for internal purposes based on its Cash Generating Units ("CGU") which are its operating segment.

The Company evaluates impairment losses other than goodwill impairment for potential reversals when events or circumstances warrant such consideration. Accordingly, goodwill is assessed for impairment together with the assets and liabilities of the related segment. The Company has only one CGU, which corresponds to the activities of the entire Group.

Tangible and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units or "CGUs").

The recoverable amount is an asset's fair value less costs to sell or its value in use (being the present value of the expected future cash flows of the relevant asset or CGU as determined by management), whichever is higher.

Post-employment benefit commitments
DDM employees located in Switzerland have entitlements under the Company's pension plans which are defined benefit pension plans. For defined benefit plans, the level of benefit provided is based on the length of service and the earnings of the individual concerned.

The cost of defined benefit plans is determined using the projected unit credit method. The related post-employment benefit commitment recognized in the balance sheet is the present value of the defined benefit commitment at the end of the reporting period less the fair value of plan assets. Actuarial valuations for defined benefit plans are carried out annually. The discount rate applied in arriving at the present value of the defined benefit commitment represents the yield on high quality corporate bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit commitment.

Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income without recycling to the income statement in subsequent periods. Amounts recognized in other comprehensive income are recognized immediately in retained earnings. Current service cost, the recognized element of any past service cost and the interest expense arising on the post-employment benefit commitment are included in the "Personnel expenses" line item in the income statement as the related compensation cost. Past service costs are recognized immediately to the extent the benefits are vested and are otherwise amortized on a straight-line basis over the average period until the benefits become vested.

Provisions
(i) Termination benefits
The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing benefits as a result of an offer made to encourage voluntary termination. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(ii) Provisions
Provisions for restructuring costs, warranties and legal claims are recognized when the Company has a present legal or constructive commitment as a result of past events; it is more likely than not that an outflow of resources will be required to settle the commitment; and the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the commitment at the end of the reporting period and are discounted where the effect is material.

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

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

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

IFRS 16 Leases
IFRS 16 Leases requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

Lease liabilities
Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Lease payments are allocated between principal and finance expense. The finance expense is recognised as an expense in the consolidated income statement (within the line "Financial expenses") over the lease period under the amortised cost method.

Right-of-use assets
Right-of-use assets are measured at cost with an initial measurement amount equal to the lease liability adjusted by the amount of any previously recognized prepaid or accrued lease payments less accumulated depreciation and accumulated impairment. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised as an expense in the consolidated income statement (within the line "Other operating expenses"). Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Current and deferred income tax
Income tax comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity in which case the income tax is also recognized directly in other comprehensive income or equity respectively.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. In general deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted as per the balance sheet date and are expected to apply when the deferred tax asset is realized or the liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are presented as non-current.

Revenue on invested assets and revenue from management fees
IFRS 15 "Revenue from Contracts with Customers" establishes a comprehensive framework for determining whether, how much and when revenue is recognised. IFRS 15 establishes a five-step model to identify and account for revenue streams arising from contracts with customers.

Revenue on invested assets is the result of the application of the amortized cost method (please see note 5 and note 6). Revenue from management fees relates to revenue received from co-investors where DDM manages the operations of the invested assets on the co-investors' behalf. In accordance with IFRS 15, revenue is recognized only when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. The revenues recognized from management fees are based on the service obligations specified in the contracts that are delivered over a period, since the benefit to the client is continually transferred with the provision of the service. Accordingly, the revenues obtained from management fees are recognised over the period the service is provided and it is ensured there is no uncertainty and no significant cancellation of the revenues will occur. The revenues are to be allocated based on the individual service obligations, 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.

NOTE 3. SUMMARY OF SIGNIFICANT… *continued*

Share capital
Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Dividend distribution
Dividends on common shares are recognized in the Company's financial statements in the period in which the dividends are approved by the Board of Directors.

Earnings per share
Basic earnings per share are computed by dividing the profit / (loss) attributable to the equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are computed by dividing the adjusted profit / (loss) attributable to the equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, adjusted to include any potential dilutive effects.

New standards and interpretations not yet adopted in 2020
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by DDM. These standards are not expected to have a material impact on DDM in the current or future reporting periods.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

NOTE 4. FINANCIAL RISK MANAGEMENT

Risk management is handled by employees and the Executive Management Committee who report to the Board on the basis of the policy adopted by the Board. The Company identifies, evaluates and mitigates financial risks relating to the operating activities of the Company. The Board determines and adopts an overall internal policy for risk management. The Company reports to the Board on compliance with and status of the risk policy in terms of the different financial risks.

The Company defines risk as all factors which could have a negative impact on the ability of the Company to achieve its business objectives. All business activity is associated with risk. In order to manage risk in a balanced way it must first be identified and assessed.

The following summary offers examples of risk factors which are considered to be especially important for the Company's future development, but is by no means comprehensive.

(i) The COVID-19 pandemic, or other similar outbreaks
In March 2020, COVID-19 was declared a "pandemic" by the Word Health Organization. The global spread of COVID-19 has had an adverse impact on global business and economic activity, creating significant volatility and uncertainty in the capital markets and significant disruption to the local operations of markets in which DDM operates. Our core markets have been particularly impacted by the direct impact of the COVID-19 pandemic as well as by local government policies to reduce infection rates, including, for example, restricting bailiff services for debt enforcement and the partial closure of courts and legal systems, resulting in delays of case settlements. In addition, the COVID-19 pandemic has limited the freedom of movement, which has negatively impacted tourism and thereby the economies of our markets particularly in Croatia and Greece, reducing consumer spending which may negatively impact DDM revenues and profitability.

There is significant uncertainty as to the extent and duration of business disruptions related to the pandemic, as well as its impact on local and global economies and consumer confidence. The extent to which the pandemic impacts DDM's results will depend on future developments and the actions taken or being continued to contain it or address its impact, which are highly uncertain and cannot be predicted.

The COVID-19 pandemic may also affect DDM's business in ways which are difficult to predict and could have further material adverse effects on DDM's business, results of operations and financial condition if:

- the duration, scope and severity of the pandemic result in sustained deterioration in the economic environment in our regions and the amount of debt available to us for purchase and to service as a result does not compensate for the adverse effects;
- political, legal and regulatory actions and policies in response to the pandemic, such as governmental actions or proposed actions limiting debt collection efforts and encouraging or requiring extensions, modifications or forbearance with respect to certain loans and fees, prevent us from performing our collection activities, result in material increases in our costs to comply with such laws and regulations or result in fewer debt portfolios coming to market;
- disruptions to or closures of the court system and other disruptions due to the pandemic or government restrictions on the legal process that hinder our ability to collect through the litigation process are prolonged or increased;
- as a result of unemployment or reduced income or increased costs ensuing from the pandemic, consumers respond by failing to pay amounts owed on receivables owned or managed by us;
- we are unable to maintain staffing at the levels necessary to operate our business due to the continued spread or increased virulence of COVID-19 or related coronavirus strains or resultant health complications, causing employees to be unable or unwilling to work;
- we are unable to purchase debt portfolios needed to operate our business because debt owners become unable or unwilling to sell their nonperforming loans consistent with recent levels at attractive prices or at all;
- adverse capital market conditions affect our ability to raise capital or increase our cost of capital and our cash generation is not sufficient for our needs;
- tax rates are increased to fund the cost of various government initiatives in connection with the COVID-19 pandemic; or
- we suffer a cyber-security incident or data breach as a result of an increase in the number or severity of cyber-attacks, or increased vulnerability while a larger proportion of our employees work remotely.

(ii) Economic fluctuations
The debt collection industry is negatively affected by a weakened economy. However, the Company's assessment is that, historically, it has been less affected by economic fluctuations than many other sectors. Risks associated with changes in economic conditions are managed through ongoing monitoring of each country's economic situation and development.

(iii) Changes in regulations
With regard to risks associated with changes in regulations in its markets, the Company continuously monitors the regulatory efforts to be able to indicate potentially negative effects and to work for favorable regulatory changes.

Changes to the regulatory or political environments in which the DDM Group operates, a failure to comply with applicable laws, regulations, licenses and codes of practice or failure of any employees to comply with internal policies and procedures may negatively affect the DDM Group's business.

a) i) Transaction exposure
In terms of currency risk, in each country where the Company invests, revenues and most collection costs are denominated in local currencies. DDM does not use any hedging instruments. As part of cash management DDM is striving to maintain the required amount of cash in the different local currencies.

a) ii) Translation exposure
When the balance sheet positions of subsidiaries denominated in foreign currencies are recalculated to DDM's presentational currency in euro, a translation exposure arises that affects investor value.

(b) Interest rate risk
Interest rate risks relate primarily to DDM's interest-bearing debt, which consists of senior secured bonds, the revolving credit facility and senior secured notes. Borrowings issued using the floating reference rate EURIBOR expose DDM to interest rate risk and borrowings issued at fixed rates expose DDM to fair value interest rate risk.

(iv) Liquidity risk
The Company has deposited its liquid assets with established financial institutions where the risk of loss is considered remote. The Company's cash and cash equivalents consist solely of bank balances. The Company prepares regular liquidity forecasts with the purpose of optimizing liquid funds so that the net interest expense and currency exchanges are minimized without incurring difficulties in meeting external commitments.

(v) Credit risks inherent of distressed assets
To minimize the risks in this business, caution is exercised in investment decisions. Invested assets are usually purchased at prices significantly below the nominal value of the receivables and DDM retains the entire amount it collects, including interest and fees, after deducting costs directly relating to debt collection.

The Company places return requirements on acquired invested assets. Before every acquisition, a careful assessment is made based on a projection of future cash flows (collected amounts) from the invested asset.

To facilitate the purchase of larger portfolios at attractive risk levels, the Company works in cooperation with other institutions. Risks are further diversified by acquiring distressed assets from clients in different countries.

NOTE 4. *FINANCIAL RISK MANAGEMENT… continued*

(vi) Other credit risk
Credit risk is the risk that the counterparty in a financial transaction will not fulfil its obligations on the maturity date. Credit risk is managed on a group basis and arises from cash and cash equivalents, and deposits with banks and financial institutions.

A second source of credit risk arises in connection to funds collected during the ordinary course of business. Funds are either collected directly on DDM's bank accounts, or are paid in to client fund accounts held by the respective debt collection agencies to separate DDM's funds from the general funds of the agency. In the second instance, twice per month there is a reconciliation-process, and based on this received and allocated funds are transferred from the client fund accounts. Should a debt collection agency become insolvent between such reconciliation events monies collected and not yet reconciled could be frozen on the account pending the outcome of the insolvency. In selecting debt collection partners DDM makes efforts to control and monitor the financial standing of its partners and also to maintain a balance of the work allocated between agencies to minimize the potential risk of such a situation. Amounts expected to be recovered from a solvent counterparty are recognized as accounts receivable in the balance sheet.

(vii) Financing risk
DDM's borrowings contain a number of financial covenants, including limits on certain financial indicators. The Company'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.

(viii) Capital management
The Company's objective when managing its capital structure is to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTE 5. CRITICAL ESTIMATES AND ASSUMPTIONS IN APPLYING THE COMPANY'S ACCOUNTING PRINCIPLES

The Company undertakes estimates and assumptions concerning future developments. The resulting accounting estimates will by definition seldom equal actual results. The estimates and assumptions entailing a significant risk of a material adjustment to the book values of assets and liabilities within the next financial year are outlined below.

Revenue recognition and measurement of acquired portfolios and other long-term receivables from investments
Distressed asset portfolios and other long-term receivables from investments are financial instruments that are accounted for under IFRS 9 and are measured at amortized cost using the effective interest rate method ("EIR"). The effective interest rate method is a method of calculating the amortized cost of a distressed asset portfolio/receivable and of allocating interest income over the expressed life of the portfolio/receivable; the allocated interest income is recorded within revenue on invested assets, in the financial statements.

The EIR is the rate that discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio/receivable. The EIR is determined at the time of purchase of the portfolio. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy.

If the fair value of the investment at the acquisition date exceeds the purchase price, as in some cases DDM owns the economic benefit of net collections from the cut-off date, 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). If the acquisition is settled on a net basis this results in an impact to the "other items not affecting cash" line in the cash flow statement, as the economic benefit is offset against the cash purchase price.

Upward revaluations are recognized as revenue. Subsequent reversals of such upward revaluations are recorded in the revenue line.

The portfolio / receivables are assessed on a forward looking basis for the expected credit losses associated with its collection estimates for financial assets held at amortised cost in accordance with IFRS 9. An expected credit loss for a portfolio / receivable is recognised if there is a significant change in the credit risk estimated in relation to the amount of future cash flows of the portfolio / receivable and can be estimated reliably, an adjustment is recorded to the carrying value. If the forecasted collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value and is included in revenue on invested assets. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy. Estimates of cash flows that determine the EIR are established for each purchased portfolio / receivable and are based on actual collection information, planned collection actions as well as macroeconomic scenarios and the specific features of the assets concerned. Revaluations of portfolios / receivables are based on the rolling 120-month ERC ("Estimated remaining collections") at the revaluation date. The ERC is updated quarterly using a proprietary model. ERC represents an estimate of the future undiscounted projected cash collections before commission and fees from acquired portfolios, either directly or as a result of any rights to collect or any rights to participate in amounts generated from portfolios. This includes DDM's share of proceeds on all portfolios purchased, however adjusted for any profit-sharing arrangements entered into by any member of the DDM Group and where available the market value of any Portfolio acquired.

The Company estimates that a continuous decrease of net collections by 10% would result in a 10% decrease of the net present value, or carrying value, assuming that the forecasted collection curves remain unchanged. If collections consistently would exceed the originally forecasted amounts by 10%, the net present value, or book value, would be expected to increase by 10%. In addition, if collections would start later than originally forecasted, the net present value, and book value, are expected to be negatively impacted, while be positively impacted should collections start earlier than originally forecasted.

See notes 18 and 19 for the carrying value of distressed asset portfolios and other long-term receivables from investments.

Joint venture
As stated in note 17, on 31 May 2019, 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. Under IFRS 11, the joint arrangement is determined for reporting purposes to be a joint venture and thereby the equity method is applied when accounting for the joint venture. Under the equity method of accounting the investment is recognised 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 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 recognises 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 recognised as gain or loss directly in the income statement.

Associate
As stated in note 16, on 9 March 2020 DDM acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30M. On 30 March 2020 DDM exercised a call option to acquire an additional 10.1% shareholding in Addiko Bank AG that lapsed in October. DDM continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding.

DDM has determined that it has significant influence over Addiko Bank AG through acquiring a 9.9% shareholding in Addiko Bank AG. 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.

NOTE 6. RECONCILIATION OF REVENUE ON INVESTED ASSETS AND REVENUE FROM MANAGEMENT FEES

Revenue on invested assets is the net amount of net collections (net of third party commission and collection fees), amortization, revaluation and impairment.

Net collections is comprised of gross collections from the invested assets held by DDM, less commission and collection 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 third party expenses directly attributable to the collection of distressed asset portfolios, other long-term receivables from investments, investment in joint venture and associate, 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.

For the year ended 31 December EUR ‘000s	2020	2019
Net collections	109,369	57,063
Amortization of invested assets	(68,433)	(34,498)
Interest income on invested assets before revaluation and impairment	**40,936**	**22,565**
Net collections on sale of invested assets	–	4,476
Revaluation of invested assets	(708)	4,562
Impairment of invested assets	(332)	(5,780)
Revenue on invested assets	**39,896**	**25,823**

For the year ended 31 December EUR ‘000s	2020	2019
Revenue from management fees	74	570

NOTE 7. SEGMENT INFORMATION

The Company represents a single reportable segment, which consists of one operating segment. The operational and investing activities of the Company are not divided according to geographical regions. The relevant reporting to allocate resources and assess the performance of the Company received on a regular basis by the Chief Operating Decision Maker (“CODM”) is based on information consistent with the IFRS reporting. The CODM is considered to be the Board of Directors collectively. Collection information is available for each portfolio and country where the Company acquired the invested assets.

The table below presents an overview of revenue on invested assets and revenue from management fees by country.

For the year ended 31 December EUR ‘000s		2020	2019
Bosnia	Revenue on invested assets	(131)	193
Croatia	Revenue on invested assets	5,712	2,205
Croatia	Revenue from management fees	–	14
Czech Republic	Revenue on invested assets	419	3,046
Greece	Revenue on invested assets	23,131	7,792
Greece	Revenue from management fees	70	105
Hungary	Revenue on invested assets	9,007	6,652
Hungary	Revenue from management fees	1	447
Romania	Revenue on invested assets	1,496	1,891
Romania	Revenue from management fees	3	4
Russia	Revenue on invested assets	–	1,937
Serbia	Revenue on invested assets	(16)	(262)
Slovakia	Revenue on invested assets	30	10
Slovenia	Revenue on invested assets	248	2,359
Total revenue on invested assets and revenue from management fees		**39,970**	**26,393**

For the year ended 31 December EUR ‘000s		2020	2019
Croatia	Share of net profits of joint venture	1,063	916
Total share of net profits of joint venture		**1,063**	**916**

For the year ended 31 December EUR ‘000s		2020	2019
Austria	Share of net profits of associate	194	–
Total share of net profits of associate		**194**	**–**

The table below presents an overview of impairment of invested assets by country:

For the year ended 31 December EUR ‘000s		2020	2019
Croatia	Impairment of invested assets	307	5,092
Romania	Impairment of invested assets	25	–
Slovenia	Impairment of invested assets	–	688
Total impairment of invested assets		**332**	**5,780**

Impairments for the full year 2020 and 2019 relate to one-off write downs on portfolios previously acquired in the Balkans and Romania.

Net collections for the full year 2020 includes EUR 59.8M received from Greece, due to the accelerated collections received following the restructuring of the Greek investment. Please refer to note 34 for further details.

No individual debtor generates more than 10% of the Group’s total revenues.

NOTE 7. SEGMENT INFORMATION… continued

The table below presents an overview of the carrying value of invested assets (distressed asset porfolios, other long-term receivables from investments, investments in joint ventures and associates) by country:

EUR '000s	31 December 2020	31 December 2019
Croatia	85,300	98,668
Austria	32,986	–
Hungary	9,405	5,774
Slovenia	3,586	6,323
Czech Republic	3,338	8,618
Romania	1,687	2,827
Bosnia	832	1,004
Serbia	792	1,385
Slovakia	3	13
Greece	–	51,390
Total invested assets	**137,929**	**176,002**

NOTE 8. PERSONNEL EXPENSES

For the year ended 31 December EUR '000s	2020	2019
Salary	4,013	4,421
Social security expenses and other employment expenses	1,047	864
Expenses related to post-employment benefit commitments	174	113
Total personnel expenses	**5,234**	**5,398**

Compensation (including personnel and consulting expenses) for the Board of Directors amounted to EUR 234k in 2020 (EUR 297k in 2019). Personnel expenses (including accrued variable compensation) for the Executive Management Committee amounted to EUR 1,710k in 2020 (EUR 1,550k in 2019).

At the end of 2020, DDM employed 65 people (2019: 22). The average number of employees during 2020 was 58 people (2019: 33), including 40 employees that were employed by Lombard that was acquired during the year. All of our staff are permanently employed. The gender distribution in 2020 was 31% male, 69% female (2019: 64% male, 36% female). The average age of DDM employees is 41 years (2019: 37). The age distribution of employees is shown below:

For the year ended 31 December	2020	2019
Up to 30 years	17%	14%
30 – 40 years	26%	44%
41 – 50 years	38%	42%
51 – 60 years	17%	–
60+ years	2%	–

NOTE 9. CONSULTING EXPENSES

The Company uses third party suppliers for various services such as auditing and legal services. Consulting services are also used when the Company enters new markets and expert advice is needed. The Company's shareholders have elected PwC as its external auditors in Switzerland, Sweden and Hungary.

For the year ended 31 December EUR '000s	2020	2019
Consultancy / Service fees	4,588	4,554
Audit fees	311	323
Tax and legal services	254	620
Total consulting expenses	**5,153**	**5,497**

Consultancy / Service fees includes EUR 2,270k (2019: 1,075k) for services expensed under a brokerage contract with DDM Group Finance S.A. and nil (2019: 757k) business development services from AEDC to DDM during the year ended 31 December 2020. Please refer to note 34 for further details.

NOTE 10. OTHER OPERATING EXPENSES

Other operating expenses are expenditures that the Company incurs as a result of performing its normal business operations.

For the year ended 31 December EUR '000s	2020	2019
Administrative expenses	1,284	840
Non-deductible VAT	369	544
IT expenses	282	290
Business travel expenses	66	333
Rental expenses	62	179
Recruitment expenses	36	110
Other operating expenses	118	28
Total other operating expenses	**2,217**	**2,324**

NOTE 11. NET FINANCIAL EXPENSES

For the year ended 31 December EUR '000s	2020	2019
Interest expense	15,344	14,817
Amortization of transaction costs	1,945	2,155
Unrealized exchange loss	1,824	336
Consent fees relating to written procedures	673	–
Bank charges	131	99
Realized exchange loss	60	217
Other financial expenses	41	53
Call premium EUR 85M senior secured bonds	–	2,023
Total financial expenses	**20,018**	**19,700**

For the year ended 31 December EUR '000s	2020	2019
Interest income	38	–
Gain on bonds repurchased	2,134	178
Total financial income	**2,172**	**178**

For the year ended 31 December EUR '000s	2020	2019
Total financial expenses	20,018	19,700
Total financial income	(2,172)	(178)
Net financial expenses	**17,846**	**19,522**

The increase in interest expense is explained in the table below and in note 27:

For the year ended 31 December EUR '000s	2020	2019
Interest on senior secured bonds 9.25% (8 Apr 2019 – 8 Apr 2022)	8,995	6,396
Interest on senior secured bonds 8% (11 Dec 2017 – 11 Dec 2021)	3,602	4,000
Interest on senior secured notes (7 Nov 2018 – 30 Jun 2022)	1,920	1,314
Revolving credit facility	827	323
Interest on senior secured bonds 9.5% (30 Jan 2017 – 2 May 2019)	–	2,716
Interest on other loans	–	68
Total interest expense	**15,344**	**14,817**

NOTE 12. TAX EXPENSE

For the year ended 31 December EUR '000s	2020	2019
Current tax		
Current tax on profit for the year	(386)	(198)
Adjustment in respect of prior years	(37)	(12)
Total current tax	**(423)**	**(210)**
Deferred tax		
Origination and reversal of temporary differences	(68)	99
Adjustment in deferred tax assets relating to tax losses carried forward	(738)	503
Total deferred tax	**(806)**	**602**
Tax (expense) / income in income statement	**(1,229)**	**392**

The tax on the Company's profit before tax differs from the theoretical amount that would arise by applying the tax rate for the Swiss domiciled companies (as a significant portion of the group companies are domiciled in Switzerland) to the profit / (loss) of the consolidated entities as follows:

For the year ended 31 December EUR '000s	2020	2019
(Loss) / profit before tax	10,369	(4,512)
Tax calculated at 11.91% (Swiss) tax rate (prior year 12.2%)	(1,235)	550
Tax effects of:		
Effect of different tax rates	98	(8)
Adjustments for tax losses carried forward	(738)	(436)
Deferred income tax assets recognized relating to tax losses carried forward	757	108
Adjustments for previous years and other	(111)	178
Tax (expense) / income in income statement	**(1,229)**	**392**

The Group's effective tax rate was 11.9% at 31 December 2020 (8.7% at 31 December 2019). The increase in the Group's effective tax rate in 2020 is primarily due to the combined effects of the profit for the year at consolidated level and the adjustments to the existing temporary differences on individual entity level. The adjustments for tax losses carried forward principally relate to change in deferred tax assets as well as its utilization is reflected under deferred income tax assets recognized relating to tax losses carried forward.

NOTE 13. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit / (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The Company has no ordinary shares purchased by the Company and held as treasury shares. The Company has no convertible preference shares which may be exchanged for ordinary shares.

For the year ended 31 December EUR '000s	**2020**	**2019**
Net profit / (loss) from continuing operations attributable to owners of the Parent Company	9,140	(4,003)
Total	**9,140**	**(4,003)**
Weighted average number of ordinary shares	13,560,447	13,560,447
Earnings per share before dilution (EUR)	0.67	(0.30)
Total potential dilutive shares	–	–
Weighted average number of shares outstanding – fully diluted	13,560,447	13,560,447
Diluted earnings per share (EUR)	0.67	(0.30)

The Board of Directors proposes that no dividend be paid for the 2020 financial year (2019: nil).

NOTE 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purpose of the consolidated cash flow statement:

EUR '000s	**31 December 2020**	**31 December 2019**
Cash and cash equivalents	31,416	12,285
Total	**31,416**	**12,285**

The Company's cash and cash equivalents did not include any restricted cash payable to third parties (2019: nil).

NOTE 15. CURRENT RECEIVABLES

EUR '000s	**31 December 2020**	**31 December 2019**
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
Total current receivables	**18,514**	**7,953**

The fair value of current receivables approximates their respective carrying value.

EUR '000s	**31 December 2020**	**31 December 2019**
Accounts receivable < 30 days	14,130	3,233
Accounts receivable 31-60 days	19	84
Accounts receivable 61-90 days	4	10
Accounts receivable > 91 days	5	3
Total accounts receivable	**14,158**	**3,330**

A provision of EUR 2k was made for impairment of accounts receivables in 2020 (2019: 2k), under the simplified approach permitted under IFRS 9.

Trade and other receivables are presented in the following currencies:

EUR '000s	**Currency**	**31 December 2020**	**31 December 2019**
Accounts receivable	EUR	14,056	2,997
	RON	102	173
	CZK	–	137
	HRK	–	23
Total accounts receivable		**14,158**	**3,330**
Tax assets	EUR	87	1,392
	SEK	6	9
Total tax assets		**93**	**1,401**
Other receivables	EUR	1,401	1,807
	SEK	122	–
	HRK	91	12
	CHF	84	1
Total other receivables		**1,698**	**1,820**
Prepaid expenses and accrued income	EUR	2,177	702
	CHF	211	173
	HUF	162	514
	Other (CZK, SEK)	15	13
Total prepaid expenses and accrued income		**2,565**	**1,402**
Total current receivables		**18,514**	**7,953**

The Group's overall foreign exchange risk is explained in note 31 "Financial Instruments".

NOTE 16. INTERESTS IN ASSOCIATES

Set out below are the associates of DDM as at 31 December 2020 and as at 31 December 2019. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

		% of ownership interest		Nature of	Measurement	Carrying amount (EUR'000)	
Name of entity	Domicile	2020	2019	relationship	method	2020	2019
Addiko Bank AG	Austria	9.9%	–	Associate	Equity method	32,986	–

On 9 March 2020 DDM acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30M. On 30 March 2020 DDM exercised a call option to acquire an additional 10.1% shareholding in Addiko Bank AG that lapsed in October. DDM continues to be committed to its investment in Addiko and confirms its intention to increase its shareholding.

DDM has determined that it has significant influence over Addiko Bank AG through acquiring a 9.9% shareholding in Addiko Bank AG. 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 market value of the 9.9% shareholding in Addiko Bank AG at the 31 December 2020 corresponds to EUR 16.9M. As the investment in associate is accounted under the equity method the recoverable amount of this investment is determined using a discounted dividend cashflow calculation and no impairment has been identified.

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

EUR '000s	31 December 2020	31 December 2019
Opening net book value	–	–
Additions	30,094	–
Share of net income in other comprehensive income	2,698	–
Share of net profits in the income statement	194	–
Closing net book value	**32,986**	–

NOTE 17. 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.

		% of ownership interest		Nature of	Measurement	Carrying amount (EUR'000)	
Name of entity	Domicile	2020	2019	relationship	method	2020	2019
CE Partner S.à r.l.	Luxembourg	50%	50%	Joint Venture	Equity method	6	6
CE Holding Invest S.C.S	Luxembourg	50%	50%	Joint Venture	Equity method	25,685	29,946

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

EUR '000s	31 December 2020	31 December 2019
Opening net book value	**29,952**	–
Additions	–	66,662
Share of net profits of joint venture	1,063	916
Proceeds from divestment of joint venture*	–	(33,789)
Incremental net distribution from joint venture**	(5,324)	(3,837)
Closing net book value	**25,691**	**29,952**

*On 15 July 2019, the Joint Venture secured total gross third party financing of EUR 75M. The net proceeds were used to partially fund the joint venture acquisition in Croatia by DDM together with B2Holding at a lower cost of funding than the existing DDM Debt AB senior secured bonds in issue.

**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.

The Joint Venture is subject, by agreement, to joint control shared equally by DDM and B2Holding. The Joint Venture has invested in a non-performing secured portfolio acquired from HETA Asset Resolution in Croatia. Summarised financial information of the Joint Venture is set out below. The summarised financial information shown below represents amounts from the Joint Venture's financial statements that were prepared in accordance with IFRS:

EUR '000s	31 December 2020	31 December 2019
Summarised balance sheet		
Non-current assets		
Portfolio investments	51,077	58,554
Current assets		
Cash and cash equivalents	–	–
Other current assets	835	1,118
Total assets	**51,912**	**59,672**
Current liabilities		
Other current liabilities	4,046	101
Total liabilities	**4,046**	**101**
Equity	**47,866**	**59,571**
Total liabilities & equity	**51,912**	**59,672**
Summarised income statement		
Interest income	2,325	2,638
Operating expenses	(199)	(36)
Operating profit	**2,126**	**2,602**
Financial expenses	–	–
Profit before tax	**2,126**	2,602
Taxation	–	–
Profit for the year	**2,126**	**2,602**

NOTE 18. DISTRESSED ASSET PORTFOLIOS

EUR '000s	31 December 2020	31 December 2019
Opening accumulated acquisition cost	**290,844**	**224,978**
Acquisitions	3,966	66,696
Reclassification from other long-term receivables from Investments	2,853	–
Disposals	–	(3,310)
Revaluation (including forex differences)	(5,049)	2,480
Closing accumulated acquisition cost	**292,614**	**290,844**
Opening accumulated amortization and impairment	**(147,817)**	**(108,835)**
Amortization for the year (including forex differences)	(65,213)	(33,202)
Impairment	(332)	(5,780)
Closing accumulated amortization and impairment	**(213,362)**	**(147,817)**
Closing net book value	**79,252**	**143,027**

Net collections (see note 6) 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. DDM has assessed the transaction and concluded it retains the same contractual rights to future cashflows in the distressed asset portfolio as prior to the restructuring and therefore has not derecognized the asset under IFRS 9 amortized cost as of 31 December 2020.

Distressed asset portfolios by currency:

Currency EUR '000s	31 December 2020	31 December 2019
HRK	55,214	63,557
EUR	9,971	65,797
HUF	9,405	2,751
CZK	3,338	8,618
RSD	792	1,385
RON	532	919
Total	**79,252**	**143,027**

Included within distressed asset portfolios are EUR 2.4M (2019: 1.3M) of real estate assets which have been repossessed as part of the management of secured non-performing loan portfolios. This collateral relating to real estate is considered when determining the recoverability and carrying amount of the portfolio / receivable held at amortised cost. Any collateral received during the life of the portfolio is disposed of on an on-going basis to limit the amount of collateral held.

NOTE 19. OTHER LONG-TERM RECEIVABLES FROM INVESTMENTS

DDM owned 100% of the shares in certain legal entities holding leasing portfolios as at 31 December 2019 (see note 3). The fair value of 100% of the equity was immaterial, with the economic substance of the investments being 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 fair value of the loans were initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, adjusted for revaluation and impairment.

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

EUR '000s	31 December 2020	31 December 2019
Opening accumulated acquisition cost	**23,209**	**21,127**
Reclassification to distressed asset portfolios	(2,853)	–
Revaluation (including forex differences)	(390)	2,082
Closing accumulated acquisition cost	**19,966**	**23,209**
Opening accumulated amortization and impairment	**(20,186)**	**(18,705)**
Amortization for the year (including forex differences)	220	(1,481)
Closing accumulated amortization and impairment	**(19,966)**	**(20,186)**
Closing net book value	–	**3,023**

Other long-term receivables from investments by currency:

Currency EUR '000s	31 December 2020	31 December 2019
HUF	–	3,023
Total	–	**3,023**

NOTE 20. TANGIBLE ASSETS

EUR '000s	Furniture	Computer hardware	Total
Year ended 31 December 2020			
at 1 January 2020	**30**	**24**	**54**
Additions	66	–	**66**
Disposals	–	–	–
Depreciation	(29)	(3)	**(32)**
Impairment	–	–	–
at 31 December 2020	**67**	**21**	**88**
At cost	126	237	**363**
Accumulated depreciation	(59)	(216)	**(275)**
Net book value at 31 December 2020	**67**	**21**	**88**
Year ended 31 December 2019			
at 1 January 2019	**18**	**39**	**57**
Additions	26	10	**36**
Disposals	–	–	**–**
Depreciation	(14)	(25)	**(39)**
Impairment	–	–	**–**
at 31 December 2019	**30**	**24**	**54**
At cost	60	237	**297**
Accumulated depreciation	(30)	(213)	**(243)**
Net book value at 31 December 2019	**30**	**24**	**54**

NOTE 21. RIGHT-OF-USE ASSETS

EUR '000s	Office premises	Motor vehicles	Office equipment	Total
Year ended 31 December 2020				
at 1 January 2020	**66**	**33**	**5**	**104**
Additions	265	–	–	**265**
Disposals	–	–	–	**–**
Depreciation	(86)	(27)	(2)	**(115)**
Impairment	–	–	–	**–**
at 31 December 2020	**245**	**6**	**3**	**254**
At cost	373	60	7	**440**
Accumulated depreciation	(128)	(54)	(4)	**(186)**
Net book value at 31 December 2020	**245**	**6**	**3**	**254**
Year ended 31 December 2019				
at 1 January 2019	**768**	**60**	**7**	**835**
Additions	339	–	–	**339**
Disposals	(999)	–	–	**(999)**
Depreciation	(42)	(27)	(2)	**(71)**
Impairment	–	–	–	**–**
at 31 December 2019	**66**	**33**	**5**	**104**
At cost	108	60	7	**175**
Accumulated depreciation	(42)	(27)	(2)	**(71)**
Net book value at 31 December 2019	**66**	**33**	**5**	**104**

The majority of the underlying right-of-use assets in DDM's operating leases are office buildings. Right-of-use assets are measured at cost with an initial measurement amount equal to the lease liability see note 26. On 1 February 2020, DDM entered into a agreement for a Swiss office lease located in Zug that resulted in EUR 265k right-of-use asset being recognized. At 31 December 2020 in Sweden the earliest termination date for the office lease agreement was 31 March 2021, and therefore no right-of-use asset has been recognized.

During 2019, EUR 768k of disposals related to the Swiss office lease located in Baar that was terminated and the Slovenian office lease was renewed terminating in August 2021. On 1 October 2019, AXFina Austria GmbH (previously aXs GmbH) and AxFina Croatia d.o.o. (previously aXs Croatia d.o.o.) entered into lease agreements for office premises located in Austria and Croatia respectively. Subsequently 82% of the shares held in 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's largest shareholder) and therefore the corresponding right-of-use assets were derecognized. At 31 December 2019 in Sweden the earliest termination date for the office lease agreement was 31 March 2020, and therefore no right-of-use asset was recognized.

NOTE 22. GOODWILL

The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The goodwill was generated in relation to the acquisition of 50% of DDM Group AG in the year 2012. The Company considers that it has only one CGU which the goodwill relates to.

The recoverable amount of this CGU is determined from value in use calculations and no impairment has been identified. Value in use is based on pre-tax cash flow projections based on financial budgets approved by management covering a five-year period, discounted to present value by using a pre-tax, market-determined rate that reflects the current assessment of the time value of money and the risks specific to the asset for which the cash-flow estimates have not been adjusted.

The key assumptions for the value in use calculations are those regarding terminal growth rate, gross collections minus commissions, fees and operating expenses. The expected amounts of gross collections minus commissions and fees are determined based on management's past experience along with external sources of information. The pre-tax rate used to discount the forecast cash flows from this CGU is 11% (prior year 11%). A terminal growth rate of 2% (prior year 3%) has been applied.

In projected net cash flow collections, the recoverable amount calculated based on value in use exceeded the carrying value in 2020 (prior year exceeded the carrying value in 2019). The goodwill impairment assessment is sensitive to changes in estimates. An adverse change in projected net cash flows of more than 25% (prior year 5%), or a decrease in the assumed terminal growth rate by more than 3% (prior year 1%), would, all changes taken in isolation, result in an impairment as the recoverable amount would be less than the carrying amount.

At the beginning and end of the financial year the recoverable amount of the CGU was in excess of its book value and therefore management deem it reasonable not to recognize any impairment in the carrying amount for goodwill.

EUR '000s	Goodwill
Year ended 31 December 2020	
at 1 January 2020	**4,160**
Additions	–
Disposals	–
Impairment	–
at 31 December 2020	**4,160**
At cost	4,160
Accumulated impairment	–
Net book value at 31 December 2020	**4,160**
Year ended 31 December 2019	
at 1 January 2019	**4,160**
Additions	–
Disposals	–
Impairment	–
at 31 December 2019	**4,160**
At cost	4,160
Accumulated impairment	–
Net book value at 31 December 2019	**4,160**

NOTE 23. INTANGIBLE ASSETS

EUR '000s	IT software "FUSION"
Year ended 31 December 2020	**1,303**
at 1 January 2020	**1,303**
Additions	–
Disposals	–
Amortization	(260)
Impairment	–
at 31 December 2020	**1,043**
At cost	2,225
Accumulated amortization	(1,182)
Net book value at 31 December 2020	**1,043**
Year ended 31 December 2019	
At 1 January 2019	**1,415**
Additions	–
Disposals	–
Amortization	(112)
Impairment	–
at 31 December 2019	**1,303**
At cost	2,225
Accumulated amortization	(922)
Net book value at 31 December 2019	**1,303**

Prior to 1 January 2020, each significant addition to the FUSION system was amortized in the income statement on a straight-line basis over its expected useful life of 20 years. On 1 January 2020 the expected remaining useful life of this asset was reassessed to 5 years and the average remaining amortization period of the FUSION software at 31 December 2020 is 4 years.

NOTE 24. OTHER NON-CURRENT ASSETS

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

Other non-current assets by currency:

EUR '000s	31 December 2020	31 December 2019
EUR	1,241	984
SEK	10	7
HUF	–	4
Total	**1,251**	**995**

NOTE 25. CURRENT LIABILITIES

EUR '000s	Less than 3 months	3 - 12 months	Total
at 31 December 2020			
Accounts payable	1,379	–	**1,379**
Tax liabilities	–	428	**428**
Accrued interest	1,678	156	**1,834**
Accrued expenses and deferred income	4,296	1,108	**5,404**
Lease liabilities	76	47	**123**
Loans	12,971	32,391	**45,362**
Total current liabilities	**20,400**	**34,130**	**54,530**
at 31 December 2019			
Accounts payable	1,308	–	**1,308**
Tax liabilities	–	240	**240**
Accrued interest	2,172	495	**2,667**
Accrued expenses and deferred income	1,253	1,395	**2,648**
Lease liabilities	12	37	**49**
Loans	–	49,504	**49,504**
Total current liabilities	**4,745**	**51,671**	**56,416**

Current liabilities are presented in the following currencies:

EUR '000s	Currency	31 December 2020	31 December 2019
Accounts payable	CHF	685	720
	EUR	675	542
	CZK	–	35
	Other (RON, HRK, SEK)	19	11
Total accounts payable		**1,379**	**1,308**
Tax liabilities	CHF	197	138
	EUR	80	–
	Other (SEK, RSD)	151	102
Total tax liabilities		**428**	**240**
Accrued interest	EUR	1,834	2,667
Total accrued interest		**1,834**	**2,667**
Accrued expenses and deferred income	EUR	2,789	747
	CHF	1,351	1,485
	HUF	587	–
	HRK	425	–
	SEK	78	199
	Other (RSD, CZK, RUB, USD)	174	217
Total accrued expenses and deferred income		**5,404**	**2,648**
Lease liabilities	CHF	76	2
	EUR	34	34
	SEK	13	13
Total lease liabilities		**123**	**49**
Loans	EUR	45,362	49,504
Total loans		**45,362**	**49,504**
Total current liabilities		**54,530**	**56,416**

NOTE 26. LEASE LIABILITIES

Amounts in EUR '000s	Current lease liabilities	Non-current lease liabilities	Total
Year ended 31 December 2020			
At 1 January 2020	**49**	**61**	**110**
Additions	119	146	**265**
Disposals	–	–	**–**
Cash flow	(59)	(57)	**(116)**
Interest expense	14	16	**30**
At 31 December 2020	**123**	**166**	**289**
Year ended 31 December 2019			
At 1 January 2019	**104**	**731**	**835**
Additions	83	256	**339**
Disposals	(128)	(894)	**(1,022)**
Cash flow	(15)	(43)	**(58)**
Interest expense	5	11	**16**
At 31 December 2019	**49**	**61**	**110**

The majority of the DDM's operating leases are leases of office buildings. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. On 1 February 2020, DDM entered into a agreement for a Swiss office lease located in Zug that resulted in EUR 265k lease liability being recognized. At 31 December 2020 in Sweden the earliest termination date for the office lease agreement was 31 March 2021, and therefore no lease liability has been recognized.

During 2019, EUR 768k of disposals related to the Swiss office lease located in Baar that was terminated and the Slovenian office lease was renewed terminating in August 2021. On 1 October 2019, AXFina Austria GmbH (previously aXs GmbH) and AxFina Croatia d.o.o. (previously aXs Croatia d.o.o.) entered into lease agreements for office premises located in Austria and Croatia respectively. 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's largest shareholder) and therefore the corresponding lease liabilities were derecognized. At 31 December 2019 in Sweden the earliest termination date for the office lease agreement was 31 March 2020, and therefore no lease liability was recognized.

NOTE 27. LOANS AND 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**

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

On 16 March 2020 DDM Debt AB completed a written procedure regarding certain amendments to the terms and conditions of its up to EUR 150M senior secured bonds. A consent fee amounting to EUR 250 per bond was paid by DDM Debt. 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. Please also refer to the financial statements of DDM Debt AB. DDM Debt AB 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.

NOTE 27. LOANS AND BORROWINGS… continued

Revolving credit facility EUR 27M
On 15 March 2019, DDM Debt agreed a super senior revolving credit facility of EUR 27M with an international bank. The revolving credit facility is available to finance investments and for general corporate purposes. The facility 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 that certain amendments are made 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 the financial markets will normalize. The written procedure amended the call option structure, incorporated an obligation to cancel EUR 5M of Bonds and a mandatory partial redemption structure which will set the outstanding nominal amount to be redeemed on the new final maturity date at EUR 28M. A consent fee amounting to EUR 1,000 per bond was paid by DDM Debt. At 31 December 2020 DDM Debt held EUR 0.6m of the EUR 50m senior secured bonds following bond buybacks.

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.

At 31 December 2020 bank accounts totaling EUR 0k were assigned to the bond agent and the bondholders under the terms and conditions of the senior secured bonds (31 December 2019: EUR 0k). In addition, DDM Debt AB had a bank guarantee of EUR 5k at 31 December 2020 (31 December 2019: EUR 5k). DDM Debt has pledged the shares in its subsidiaries as security under the terms and conditions. DDM Finance is a guarantor of the bonds. In addition, the investors receive a first ranking share pledge over the shares of DDM Debt and any downstream loans to DDM Debt's subsidiaries are pledged to the investors as intercompany loans. 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.

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 that was repaid in full in November 2020.

Please refer to note 31 "Financial Instruments" for disclosures regarding the fair value of the Group's loans and borrowings.

NOTE 28. CASH FLOW AND NET DEBT

The movements in cash and cash equivalents and borrowings during the year were as follows:

Amounts in EUR '000s	Cash and cash equivalents	Current borrowings	Non-current borrowings	Total
Year ended 31 December 2020				
At 1 January 2020	**12,285**	**(49,504)**	**(114,913)**	**(152,132)**
Cash flow	19,478	4,643	23,309	**47,430**
Amortization of transaction costs (non-cash)	–	(699)	(1,246)	**(1,945)**
Other non-cash movements	–	198	–	**198**
Exchange movements	(347)	–	10	**(337)**
At 31 December 2020	**31,416**	**(45,362)**	**(92,840)**	**(106,786)**
Year ended 31 December 2019				
At 1 January 2019	**59,862**	**(14,000)**	**(133,225)**	**(87,363)**
Cash flow	(47,402)	2,000	(16,837)	**(62,239)**
Reallocation from current borrowings to non-current borrowings	–	(37,504)	37,504	**–**
Amortization of transaction costs (non-cash)	–	–	(2,155)	**(2,155)**
Other non-cash movements	–	–	(200)	**(200)**
Exchange movements	(175)	–	–	**(175)**
At 31 December 2019	**12,285**	**(49,504)**	**(114,913)**	**(152,132)**

A reconciliation of cash flow to movement in net debt is shown below:

Amounts in EUR '000s	2020	2019
Increase / (decrease) in cash and cash equivalents	19,478	(47,402)
Increase in external borrowings	(27,818)	(110,537)
Capitalized written procedure costs	552	–
Repayment of external borrowings	55,218	95,700
Change in net debt resulting from cash flows	47,430	(62,239)
Amortization of transaction costs (non-cash)	(1,945)	(2,155)
Other non-cash movements	198	(200)
Exchange movements	(337)	(175)
Movement in net debt during the year	45,346	(64,769)
Opening net debt	**(152,132)**	**(87,363)**
Closing net debt	**(106,786)**	**(152,132)**

NOTE 29. POST-EMPLOYMENT BENEFIT COMMITMENTS

The Company sponsors a pension plan according to the national regulations in Switzerland. The Swiss plan is outsourced to and operated through a collective foundation with an insurance company which is legally independent. The pension plan is funded by employees' and employers' contributions. Swiss pension schemes have certain characteristics of defined benefit plans and the pension plan is therefore regarded as a defined benefit plan in line with IAS 19. The post-employment benefit commitment is measured based on the projected unit credit method.

In 2020, 13 employees and in 2019, 20 employees participated in the defined benefit plans. Employees are insured for death, disability and for retirement benefits. The table below provides where the Company's post-employment benefit amounts and activity are included in the financial statements.

EUR '000s	31 December 2020	31 December 2019
Balance sheet commitments for:		
– Post-employment benefit commitments	(1,459)	(1,156)
Income statement charge for:		
– Post-employment benefit commitments	(174)	(113)

The amounts recognized in the balance sheet are determined as follows:

EUR '000s	31 December 2020	31 December 2019
Defined benefit obligation	(2,582)	(2,048)
Fair value of plan assets	1,123	892
Deficit of funded plans	**(1,459)**	**(1,156)**
Post-employment benefit commitments	**(1,459)**	**(1,156)**

NOTE 29. POST-EMPLOYMENT BENEFIT COMMITMENTS... continued

The movement in the post-employment benefit commitments during the year is as follows:

EUR '000s	Defined benefit obligation	Fair value of plan assets	Total
at 1 January 2020	**(2,048)**	**892**	**(1,156)**
Current service cost	(270)	–	**(270)**
Past service cost - plan amendments	–	–	**–**
Interest (expense) / income	(5)	2	**(3)**
	(275)	**2**	**(273)**
Re-measurements:			
– Return on plan assets greater / (less) than the discount rate	–	12	**12**
– Gain / (loss) from change in demographic assumptions	–	–	**-**
– Gain / (loss) from change in financial assumptions	(91)	–	**(91)**
– Experience gains / (losses)	(46)	–	**(46)**
	(137)	**12**	**(125)**
Contributions:			
– Employer	-	99	**99**
– Plan participants	(99)	99	**-**
Payments from plans:			
– Benefit payments	(17)	16	**(1)**
Translation differences	(6)	2	**(4)**
at 31 December 2020	**(2,582)**	**1,123**	**(1,459)**
at 1 January 2019	**(1,711)**	**745**	**(966)**
Current service cost	(261)	–	**(261)**
Past service cost - plan amendments	54	–	**54**
Interest (expense) / income	(18)	9	**(9)**
	(225)	**9**	**(216)**
Re-measurements:			
– Return on plan assets greater / (less) than the discount rate	–	10	**10**
– Gain / (loss) from change in demographic assumptions	93	–	**93**
– Gain / (loss) from change in financial assumptions	(306)	–	**(306)**
– Experience gains / (losses)	205	–	**205**
	(8)	**10**	**2**
Contributions:			
– Employer	–	103	**103**
– Plan participants	(103)	103	**–**
Payments from plans:			
– Benefit payments	138	(138)	**–**
Translation differences	(139)	60	**(79)**
at 31 December 2019	**(2,048)**	**892**	**(1,156)**

Methods and Assumptions Used in Sensitivity Analysis
The discount rate sensitivity includes a corresponding change in the interest crediting rate as well as the BVG minimum interest crediting rate assumptions.

The following significant actuarial assumptions were used at 31 December 2020:

		Sensitivity analysis	Effect on DBO, EUR '000s
Discount rate	0.25%	0.25% increase	(148)
Discount rate	0.25%	0.25% decrease	162
Mortality	BVG 2015 Generational tables	Increase of 1 year in expected lifetime of plan participants at age 65	30
Mortality	BVG 2015 Generational tables	Decrease of 1 year in expected lifetime of plan participants at age 65	(29)

Mortality
The mortality tables are the Swiss BVG 2015 generational mortality tables for males and females.
The expected lifetime of a participant who is aged 65 and the expected lifetime (from age 65) of a participant who will be age 65 in 15 years are shown in years below based on the above mortality tables.

Age	Males	Females
65	22.83	24.86
65 in 15 years	24.18	26.22

Retirement
100% of males retire at age 65. 100% of females retire at age 64.

The significant actuarial assumptions were as follows:

	2020	2019
Discount rate	0.10%	0.25%
Price inflation	1.00%	1.25%
Salary increases	3.00%	3.00%
Future increases in social security	1.25%	1.25%
Assumed pension increases	0.00%	0.00%

Description of pension plan characteristics and associated risks
DDM Group AG meets its commitments under Switzerland's mandatory company-provided second pillar pension system to provide contribution-based cash balance retirement and risk benefits to employees via a contract with a collective foundation. The Company retains overall responsibility for deciding on such fundamental aspects as the level and structure of plan benefits at each contract renewal and remains responsible for providing the benefits to members if the collective foundation contract is cancelled or the collective foundation is unable to meet its commitments.

Companies within the Swiss regulatory environment have substantial freedom to define their pension plan design (e.g. with regards to the salary covered, level of retirement credits, or even overall plan design) provided the benefits are always at least equal to the minimum requirements as defined by the law (second pillar mandatory minimum benefits). Most employers provide higher benefits than those required by law. The minimum level of retirement benefit is expressed by a cash balance formula with age-related contribution rates (or "retirement credits") on an insured salary defined by law and a required interest crediting rate, which is set by the government (1.00% in 2020).

NOTE 29. POST-EMPLOYMENT BENEFIT COMMITMENTS... continued

There are a number of guarantees provided within the plan which potentially expose the Company to risks which may require them to provide additional financing (if the collective foundation fails or the Company chooses to discontinue the insurance arrangements). The main risks that they are exposed to include:

- Investment risk: there is a guaranteed return on account balances of at least 0% per annum on the total account balance as well as the rate set by the government (1.00% in 2020) on the mandatory minimum benefits.
- Pensioner longevity and investment risk: the pension plan offers a lifelong pension in lieu of the cash balance lump sum upon retirement. The plan has defined rates for converting the lump sum to a pension and there is the risk that the members live longer than implied by these conversion rates and that the pension assets fail to achieve the investment return implied by these conversion rates.

Determination of economic benefit available
No determination of the economic benefit available has been made since the plan has a funded status deficit.

Description of asset-liability matching strategies
DDM Group AG invests in a collective foundation in which assets are selected to match pension plan liabilities.
DDM Group AG does not have flexibility in the choice of investment.

The expected contributions for the year ending 31 December 2021 are:
1) Employer EUR 100k
2) Plan participants EUR 100k

The weighted average duration of post-employment benefit commitments is 24.0 years.

Maturity profile of post-employment benefit commitments:

Expected benefit payments during the fiscal year ending:	EUR '000s
31 December 2021	116
31 December 2022	88
31 December 2023	91
31 December 2024	94
31 December 2025	96
31 December 2026 through 31 December 2030	501

Analysis of post-employment benefit commitments by participant category:
1) Active participants: EUR 2,582k
2) Deferred participants: EUR -
3) Pensioners: EUR -

Plan asset information:

	Allocation percentage 31 December 2020	Allocation percentage 31 December 2019
Equity securities	30.75%	29.56%
Debt securities	33.01%	34.11%
Real estate-property	13.68%	13.43%
Cash and cash equivalents	(0.36%)	0.54%
Derivatives	0.95%	1.99%
Other	21.97%	20.37%
Total	**100.00%**	**100.00%**

The majority of the plan assets are fair valued at 31 December 2020 based on quoted prices in active markets.

NOTE 30. DEFERRED TAXES

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax assets EUR '000s	Loss carried forward	Post-employment benefit	Software amortization	Total
at 1 January 2020	**1,378**	**184**	**38**	**1,600**
(Charged) / credited to the Income statement	(739)	–	21	**(718)**
(Charged) / credited to Other comprehensive income	–	(12)	–	**(12)**
at 31 December 2020	**639**	**172**	**59**	**870**
at 1 January 2019	**875**	**140**	**26**	**1,041**
(Charged) / credited to the Income statement	503	–	12	**515**
(Charged) / credited to Other comprehensive income	–	44	–	**44**
at 31 December 2019	**1,378**	**184**	**38**	**1,600**

Deferred tax liabilities EUR '000s	Invested assets	Total
at 1 January 2020	**(220)**	**(220)**
(Charged) / credited to the Income statement	(88)	**(88)**
(Charged) / credited to Other comprehensive income	–	**–**
Foreign exchange differences	**–**	**–**
at 31 December 2020	**(308)**	**(308)**
at 1 January 2019	**(307)**	**(307)**
(Charged) / credited to the Income statement	87	**87**
(Charged) / credited to Other comprehensive income	–	**–**
Foreign exchange differences	–	**–**
at 31 December 2019	**(220)**	**(220)**

The Company's deferred tax assets have been recognized in accordance with IAS 12, based on historical performance and future budgets, the Board of Directors believe that it is probable that there will be sufficient taxable profits against which the assets will be reversed. Under Swiss law, net operating losses can be carried forward for a period of up to seven years.

NOTE 31. FINANCIAL INSTRUMENTS

The key risks and uncertainties faced by the Company are managed within an established risk management framework. The Company's day-to-day working capital is funded by its cash and cash equivalents. The key risks identified for the Company are discussed below. The Company has exposure to credit risk, market risk and liquidity risk, which arises throughout the normal course of the Company's business.

Fair values

The Company considers there to be no material differences between the financial asset values in the consolidated balance sheet and their fair value. Invested assets are classified as financial assets carried at amortised cost and recognized at amortized cost according to the effective interest rate method. The Company determines the carrying value by calculating the present value of estimated future cash flows at the invested assets' original effective interest rate. Adjustments are recognized in the income statement. In the Company's opinion, the market's yield requirements in the form of effective interest rates on new invested assets have varied dependant on the profile of receivables, underlying collateral and geographical locations of the portfolios acquired. With this valuation method, the carrying value is the best estimate of the fair value of invested assets.

The table below shows the financial assets and financial liabilities where the carrying values are considered to be materially in line with their fair values:

EUR '000s	IFRS 9 category	Fair value category	31 December 2020	31 December 2019
Assets	**Fair value and carrying value of financial instruments**			
Accounts receivable	Financial assets at amortized cost	Level 2	14,158	3,330
Other receivables	Financial assets at amortized cost	Level 2	1,698	1,820
Distressed asset portfolios	Financial assets at amortized cost	Level 3	79,252	143,027
Other long-term receivables from investments	Financial assets at amortized cost	Level 3	–	3,023
Liabilities	**Fair value and carrying value of financial instruments**			
Accounts payable	Financial liabilities at amortized cost	Level 2	1,379	1,308
Other payables	Financial liabilities at amortized cost	Level 2	10,573	5,555
Lease liabilities	Financial liabilities at amortized cost	Level 2	289	110

For the Company's revolving credit facility, short-term and long-term senior secured bonds, the fair value is considered to be materially different to the carrying value, as shown in the table below:

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
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,537
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
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

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 senior secured bonds 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).
  The valuation technique for invested assets, as well as valuation sensitivity for changes in material data are described in the accounting principles and in note 5.

Credit risk

Credit risk consists of the risk that counterparties of the Company are unable to meet their commitments. The credit risk is considered upon the acquisition of a financial asset by assessing the expected return. The Company manages this risk by monitoring the performance of the financial asset throughout its economic life. Cash collections are continually monitored, and the carrying value of the asset is impaired where it is deemed that, based on collections profiles, the asset is underperforming compared to the initial expected return determined at the acquisition date. The financial assets subjected to credit risk are cash and cash equivalents, accounts receivable, distressed asset portfolios and other long-term receivables from investments. Depending on the distressed asset portfolio or other long-term receivables from investments, the loans in the portfolio / receivable may contain underlying assets such as cars and houses as collateral for the loans. However it is always the Company's intention to recover the debt if possible, rather than the collateral. This collateral is considered when determining the recoverability and carrying amount of the portfolio / receivable. Any collateral received during the life of the portfolio is disposed of on an on-going basis to limit the amount of collateral held.

The maximum credit exposure for each class of financial assets therefore corresponds to the carrying amount, which is shown in the table below:

EUR '000s	31 December 2020	31 December 2019
Cash and cash equivalents	31,416	12,285
Accounts receivable	14,158	3,330
Distressed asset portfolios	79,252	143,027
Other long-term receivables from investments	–	3,023
Total	**124,826**	**161,665**

At 31 December 2020 the majority of the DDM group bank accounts were held with banks with credit ratings ranging from A+ to BB- (at 31 December 2019: AA- to BB-) as rated by Standard and Poor's. No credit ratings are available for the other financial assets held by DDM.

Liquidity risk / Financing risk

The Company actively monitors its liquidity and cash flow position to ensure that it has sufficient cash and distressed asset portfolio financing in order to fund its activities. The Executive Management Committee monitors cash through monthly reporting, the management accounts and periodic review meetings.

The undiscounted cash flows arising from the Company's loans and borrowings (see note 27) in the form of financial instruments, based on the remaining period to the earliest contractual maturity date as at the balance sheet date, are specified in the table below:

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years	Total
At 31 December 2020	57,109	103,766	–	–	–	**160,875**
At 31 December 2019	63,745	9,463	128,155	–	–	**201,363**

NOTE 31. FINANCIAL INSTRUMENTS… continued

Amounts in foreign currencies and amounts that are to be paid based on floating interest rates are estimated using the exchange and interest rates applicable on the balance sheet date.

Market risk
Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises currency risk and interest rate risk considered further below.

As the Company has no variable interest-bearing assets or liabilities, its income and operating cash flows are predominantly independent of any changes in market interest rate. For further information, refer to note 27 "Loans and borrowings".

Foreign exchange rate risk
Foreign exchange rate risk is the risk that fluctuations in exchange rates will negatively affect the Company's income statement, balance sheet and/or cash flows. The most important currencies for the Company, other than Euro (EUR), are Croatian kuna (HRK), Swiss franc (CHF), Czech koruna (CZK), Hungarian forint (HUF), Romanian leu (RON) and Serbian dinar (RSD).

Foreign exchange rate risk can be divided into transaction exposure and translation exposure. Transaction exposure consists of net operating and financial receipts and disbursements in different currencies. Translation exposure consists of the effects from the translation of the financial reports of foreign subsidiaries into EUR.

Transaction exposure
In each country, the majority of income and collection costs are denominated in local currencies, and thus currency fluctuations have only a limited impact on the Company's operating earnings in local currency. Income and expenses in local currency are thereby hedged in a natural way, which limits transaction exposure. The currency exposure that arises within the operating activities is limited to the extent by which it pertains to international collection operations. DDM is monitoring its currency exposure to be able to take actions if necessary. As part of cash management DDM is striving to maintain the required amount of cash in the different local currencies. The Company does not have a hedging program in place.

Translation exposure
The results and financial position of subsidiaries are reported in the relevant foreign currencies and later translated into EUR for inclusion in the consolidated financial statements. Consequently, fluctuations in the EUR exchange rate against these currencies represent currency translation differences on the translation of foreign operations recognised in other comprehensive income and other reserves in the financial statements.

Foreign exchange exposure table
The table below shows the impact on the income statement when the EUR appreciates or depreciates against the respective foreign currency:

		31 December 2020			31 December 2019		
Currency	**EUR '000s**	Actual Amount	10% appreciation	10% depreciation	Actual Amount	10% appreciation	10% depreciation
CHF	Assets	921	(92)	92	3,318	(332)	332
	Liabilities	(4,223)	422	(422)	(3,835)	384	(384)
	Net	**(3,302)**	**330**	**(330)**	**(517)**	**52**	**(52)**
CZK	Assets	3,903	(390)	390	9,056	(906)	906
	Liabilities	(7)	1	(1)	(35)	4	(4)
	Net	**3,896**	**(389)**	**389**	**9,021**	**(902)**	**902**
GBP	Assets	–	–	–	–	–	–
	Liabilities	(150)	15	(15)	(159)	16	(16)
	Net	**(150)**	**15**	**(15)**	**(159)**	**16**	**(16)**
HRK	Assets	60,454	(6,045)	6,045	64,249	(6,425)	6,425
	Liabilities	(425)	43	(43)	(51)	5	(5)
	Net	**60,029**	**(6,002)**	**6,002**	**64,198**	**(6,420)**	**6,420**
HUF	Assets	10,394	(1,039)	1,039	6,578	(658)	658
	Liabilities	(1,291)	129	(129)	–	–	–
	Net	**9,103**	**(910)**	**910**	**6,578**	**(658)**	**658**
RON	Assets	997	(100)	100	1,334	(133)	133
	Liabilities	(9)	1	(1)	(9)	1	(1)
	Net	**988**	**(99)**	**99**	**1,325**	**(132)**	**132**
RSD	Assets	1,290	(129)	129	1,656	(166)	166
	Liabilities	(36)	4	(4)	–	–	–
	Net	**1,254**	**(125)**	**125**	**1,656**	**(166)**	**166**
RUB	Assets	9	(1)	1	10	(1)	1
	Liabilities	(2)	–	–	–	–	–
	Net	**7**	**(1)**	**1**	**10**	**(1)**	**1**
SEK	Assets	154	(15)	15	51	(5)	5
	Liabilities	(236)	24	(24)	(199)	20	(20)
	Net	**(82)**	**9**	**(9)**	**(148)**	**15**	**(15)**
USD	Assets	16	(2)	2	19	(2)	2
	Liabilities	(11)	1	(1)	(10)	1	(1)
	Net	**5**	**(1)**	**1**	**9**	**(1)**	**1**

NOTE 32. EQUITY

EUR '000s	Number of shares (quantity)	Share capital	Share premium	Total
at 1 January 2019	**13,560,447**	**11,780**	**21,030**	**32,810**
Issue of additional shares	–	–	–	–
at 31 December 2019	**13,560,447**	**11,780**	**21,030**	**32,810**
Issue of additional shares	–	–	–	–
at 31 December 2020	**13,560,447**	**11,780**	**21,030**	**32,810**

All shares have been issued and fully paid.

The Annual General Meeting on 27 May 2015 resolved to amend DDM Holding AG's articles of association for the purpose of increasing the authorized capital by 3,550,000 shares. There was a two year expiry period associated with the increase. The Company issued 1,940,298 shares in 2016, leaving an open capital amount of 1,609,702 shares, which expired on 27 May 2017. At the same time, the shareholders authorized a conditional capital increase of 500,000 shares. The conditional capital has no time restriction.

The Annual General Meeting on 31 May 2017 resolved to amend DDM Holding AG's articles of association for the purpose of increasing the authorized capital and the conditional capital. The shareholders approved authorized capital of 6,780,223 shares, which could be issued until 31 May 2019. The Board of Directors was authorized to restrict or deny pre-emptive subscription rights of shareholders or to allocate such rights to third parties in the extent of up to 3,390,111 shares in specific cases outlined in the articles of association. In addition, 1,500,000 shares of conditional capital (new Article 3^{ter}) were authorized for capital increases by exercising conversion or option rights in connection with the issuance of loans, bonds or similar debt instruments, equity-linked instruments or other financial market instruments. The conversion rights may be exercisable during a maximum of 15 years and option rights during a maximum of 7 years from the time of the respective issue, whilst contingent conversion features may remain in place indefinitely. There is no time restriction on the existing conditional capital (article 3^{quater}).

The Annual General Meeting on 23 May 2018 resolved to amend DDM Holding AG's articles of association for the purpose of increasing the conditional share capital (article 3^{quater}) from the 500,000 shares of existing conditional capital (article 3^{quater}) created on 27 May 2015. The shareholders approved an increase in the conditional share capital (article 3^{quater}) to a maximum aggregate amount of CHF 1,000,000.00 through the issuance of a maximum of 1,000,000 registered shares, which shall be fully paid-in, with a nominal value of CHF 1.00 per share by either the issuance of shares to employees or members of the Board of Directors of the Company or of group companies or the exercise of option rights which are granted to employees or members of the Board of Directors of the Company or of group companies, both according to one or more plan(s) to be drawn up by the board of directors, taking into account performance, functions, levels of responsibility and profitability criteria. Such shares or subscription rights may be issued at a price lower than that quoted on the stock exchange. The advance subscription rights and the pre-emptive subscription rights of the shareholders are excluded. The acquisition of registered shares through the exercise of option rights and each subsequent transfer of the shares shall be subject to the provisions of Art. 5 of the Articles of Association.

The Annual General Meeting on 18 June 2019 resolved to amend DDM Holding AG's articles of association for the purpose of increasing the authorized share capital in an amount not to exceed CHF 6,780,223.00 through the issuance of up to 6,780,223 fully paid-in registered shares with a nominal value of CHF 1.00 per share by not later than 31 May 2021. The new Authorized Share Capital is a replacement of the previously existing, equivalent mandate in the same amount of CHF 6,780,223.00 (article 3^{bis}) which expired on 31 May 2019 and serves the purpose of maintaining an adequate flexibility for the Board of Directors to resolve on capital increases if deemed to be in the best interest of the Company.

The Annual General Meeting on 17 September 2020 resolved to amend DDM Holding AG's articles of association for the purpose of extending and modifying the authorized share capital in an amount not to exceed CHF 6,780,223.00 through the issuance of up to 6,780,223 fully paid-in registered shares with a nominal value of CHF 1.00 per share by not later than 17 September 2022. The Board of Directors was further authorized to restrict or deny pre-emptive subscription rights of shareholders or to allocate such rights to third parties in the extent of up to 6,780,223 shares in specific cases outlined in the articles of association.The extension of the Authorized Share Capital is a replacement of the previously existing, equivalent mandate in the same amount of CHF 6,780,223.00 (article 3^{bis}) expiring on 31 May 2021 and serves the purpose of maintaining an adequate flexibility for the Board of Directors to resolve on capital increases if deemed to be in the best interest of the Company. The increase of the authorized capital for which pre-emptive subscription rights can be excluded of up to 6,780,223 shares serves the purposes of extending the Board's flexibility to use the full Authorized Share Capital.

	Authorized capital (number of shares) Article 3^{bis}	Conditional capital (number of shares) Article 3^{quater}	Conditional capital (number of shares) Article 3^{ter}
Number of shares created on 27 May 2015	**3,550,000**	**500,000**	**–**
Issued	(1,940,298)	–	–
Expired	(1,609,702)	–	–
Number of shares created on 31 May 2017	**6,780,223**	**–**	**1,500,000**
Issued	–	–	–
Expired	–	–	–
Number of shares created on 23 May 2018	**–**	**500,000**	**–**
Issued	–	–	–
Expired	(6,780,223)	–	–
Number of shares created on 18 June 2019	**6,780,223**	**–**	**–**
Issued	–	–	–
Expired	–	–	–
Open capital	**6,780,223**	**1,000,000**	**1,500,000**

Other reserves comprise share of net income in associate, exchange differences arising through translation of foreign operations and deferred tax on post-employment benefit commitments.

NOTE 33. NON-CONTROLLING INTEREST

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 issued shares in AXFina Austria GmbH (previously aXs GmbH) were controlled by DDM. On 23 December 2019, a further 12% of the shares of AXFina Austria GmbH (previously aXs GmbH) were acquired and subsequently the 82% of 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’s largest shareholder). The effect on the equity attributable to the non-controlling interest of DDM during the 2019 year is summarised as follows:

EUR ‘000s	31 December 2020	31 December 2019
Opening accumulated non-controlling interest	**–**	**–**
Net profit / (loss) for the year attributable to non-controlling interest	–	(117)
Disposal of subsidiary	–	117
Closing accumulated non-controlling interest	**–**	**–**

NOTE 34. RELATED PARTIES

The Company has defined its Executive Management Committee, Board of Directors and owners of the Company, including the companies associated with them, as related parties. Amounts in foreign currencies are estimated using the exchange rates applicable on the balance sheet date.

The following transactions were carried out with related parties (excluding board member fees):

For the year ended 31 December EUR ‘000s	Type of transaction	Name	2020	2019
Income Statement	Other operating income	Erik Fällström and Andreas Tuczka (and owned companies)	–	1,142
	Consulting expenses	Erik Fällström and Andreas Tuczka (and owned companies)	(2,270)	(1,832)
		Florian Nowotny (and owned companies)	(126)	–
		Fredrik Waker (and owned companies)*	–	(29)
		Joachim Cato (and owned companies)	–	(17)
	Financial expenses	Erik Fällström and Andreas Tuczka (and owned companies)	(523)	(316)
Income Statement, Total			**(2,919)**	**(1,052)**

* Board member until the AGM held on 18 June 2019

In 2018 AEDC Capital Limited (previously Aldridge EDC Speciality Finance Ltd) (AEDC), a company related to DDM Group Finance S.A. (formerly Demeter Finance Sarl) being the largest shareholder in DDM, whose shares are ultimately held by trusts attributable to Erik Fällström and Andreas Tuczka, entered into an agreement with DDM where AEDC provides business development services for identified projects. Business development services from AEDC to DDM Group during the year ended 31 December 2020 amounted to nil (2019: EUR 757k) as this agreement was superseded during the year.

In 2019 DDM Group Finance S.A. entered into an agreement with DDM where DDM Group Finance S.A. provides services under a brokerage contract. The compensation to DDM Group Finance S.A. under the brokerage contract during the year ended 31 December 2020 amounted to EUR 3,788k (2019: 2,685k), which is subject to the approval of the shareholders at the 2021 Annual General Meeting. In relation to this total amount in 2020, EUR 2,270k (2019: 1,075k) was recognized in consultancy expenses and EUR 1,075k (2019: nil) was capitalized as transaction costs as part of the strategic investment in Addiko Bank AG. In addition, EUR 443k of brokerage fees were capitalized to prepayments as part of ongoing projects. During 2019, EUR 1,610k was capitalized as transaction costs as part of bond refinancing, resulting in EUR 523k (2019: 316k) of amortized transaction costs that were recognized within financial expenses during the year ended 31 December 2020.

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. This transaction resulted in a gain on sale of shares of EUR 1,142k which was recognized in the consolidated income statement under “Other operating income” during the year ended 31 December 2019.

In 2020 AXFina Holding S.A. together with its 100% directly-held subsidiaries AXFina Austria GmbH, AXFina Croatia d.o.o. and AXFina Slovenia d.o.o. (“AXFina”) entered into an agreement with DDM where AXFina provides services for DDM’s secured portfolios under a servicing contract. The compensation to AXFina under the servicing contract during the year ended 31 December 2020 amounted to EUR 1,296k that was principally recognized within net collections.

On 20 December 2019, EUR 725k was paid from DDM to Omnione S.A. (“Omnio”) and recognized as a non-current asset receivable from DDM Group Finance S.A., following an investment made in Omnio by AEDC.

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

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

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 18k which has been recognized in consultancy expenses.

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.

At 31 December 2020, the major shareholder was DDM Group Finance S.A. (formerly Demeter Finance Sarl) (part of the AEDC Capital Group (formerly Aldridge EDC Specialty Finance Group)), which was co-founded by Erik Fällström and Andreas Tuczka, who held 12,090,717 shares (89.2% participation). At 31 December 2019 DDM Group Finance S.A. held 12,090,717 shares in DDM Holding AG (89.2% participation).

NOTE 34. ***RELATED PARTIES…*** *continued*

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 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. Transactions between DDM 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
	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 35. CONTINGENT LIABILITIES AND COMMITMENTS

The Company has entered into operational leases for office premises, motor vehicles and office equipment in Switzerland, Sweden, Slovenia and Hungary. The group has recognised right-of-use assets and lease liabilities for these leases, except for short term and low-value leases, see notes 21 and 26 for further information. On 1 February 2020, DDM entered into a agreement for a Swiss office lease located in Zug where the earliest termination date for the office lease agreement was 31 May 2024. At 31 December 2020 in Sweden the earliest termination date for the office lease agreement was 31 March 2021, and therefore no right-of-use asset or lease liability has been recognized.

At 31 December 2019 in Sweden the earliest termination date for the office lease agreement was 31 March 2020, and therefore no right-of-use asset or lease liability was recognized.

The undiscounted cash flows arising from the contractually bound leasing commitments, based on the remaining period to the earliest contractual maturity date as at the balance sheet date, are specified in the table below:

EUR '000s	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
At 31 December 2020	144	180	–	**324**
At 31 December 2019	87	70	–	**157**

Amounts in foreign currencies are estimated using the exchange rates applicable on the balance sheet date.

There were no commitments related to capital expenditure as of 31 December 2020 and 31 December 2019.

NOTE 36. BUSINESS COMBINATIONS

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

Acquired net assets	EUR '000s
Distressed asset portfolios	8,283
Cash and cash equivalents	2,038
Other receivables	116
Acquired assets	**10,437**
Provisions	(2,752)
Accruals	(1,616)
Assumed liabilities	**(4,368)**
Acquired net assets	**6,069**
Cash consideration	(3,216)
Other long-term receivables from investments	(2,853)
Goodwill	–

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

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

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

NOTE 36. BUSINESS COMBINATIONS…continued

Revenue and profit contribution

If the business combination had occurred as at 1 January 2020, Lombard would have contributed a further EUR 1.9M to net collections and EUR 1.7M to net profit for the year ended 31 December 2020.

NOTE 37. PROVISIONS

Provisions for restructuring costs, warranties and legal claims were recognized following the acquisition of Lombard during the year, which are measured at management's best estimate of the expenditure required to settle the commitment at the end of the year.

EUR '000s	31 December 2020	31 December 2019
Opening balance	–	–
Provisions acquired	2,752	–
Unutilised amounts reversed	(2,048)	–
Closing balance	**704**	–

Please refer to note 36 for amounts of provisions acquired. An unutilized amount of EUR 2.0m in Lombard was reversed during the year following the end of a 5 year period in which the provisions could be legally enforced.

NOTE 38. SUBSEQUENT EVENTS

In February 2021 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.

Report of the statutory auditor

to the General Meeting of DDM Holding AG, Zug

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of DDM Holding AG and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2020, the consolidated balance sheet as at 31 December 2020 and the consolidated cash flow statement and consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 41 to 70) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

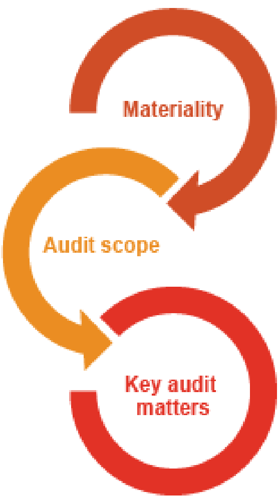
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 1'950'000

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

As key audit matter the following area of focus has been identified:

- Valuation of distressed assets and recognition of revenue on invested assets

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Context of our audit 2020

The context of our audit is set by the Group's major activities in the reporting period in which the distressed assets and net collections from these invested assets have been a significant event. We therefore considered valuation of distressed assets and recognition of revenue on invested assets as a key audit matter.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 1'950'000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, the assets are a relevant metric used by the readers of the consolidated financial statements. Profit before tax is a more commonly applied benchmark, however, in our view, this would not have been an appropriate benchmark given that DDM is in a state of growth and the volatility observed in the income statements in recent years.

We agreed with the Audit Committee that we would report to them misstatements above CHF 195'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made. Therefore, we focused on the entities which hold the significant portfolios of the distressed assets and which generate the revenue on invested assets. With the full scope audits that we performed on these entities, we addressed 89% of total assets and 92% of revenue of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of distressed assets and recognition of revenue on invested assets

Key audit matter	How our audit addressed the key audit matter
As DDM is a specialized multinational investor and manager of non-performing loans and special situation, the distressed assets are the most significant position in the financial statements. The distressed assets also represent the ability of the company to generate cash flows and further profits in the coming periods. The distressed assets are considered as a key audit matter due to the size of the balance (EUR 79 Mio, representing 41 % of the total assets) as well as considerable judgement with respect to the assumptions about the future cash flow forecasts. DDM invests in distressed asset portfolios, where the receivables are directly from the debtor. The valuation of these distressed assets is based on the expected future cash flows (ERC, 'Estimated Remaining Collections'). The procedures of the company to determine the ERC is set out in note 5 *Critical estimates and assumptions in applying the company's accounting principles*. The revenue on invested assets represents the economical profit of the distressed assets for the period, applying the amortized cost method, including also the reassessment of future cash flows. The net collections and the revenue on invested assets amount to EUR 109 Mio and EUR 41 Mio respectively. The recognition of revenue on invested assets the company discloses in note 3 *Summary of significant accounting policies and note 6 Reconciliation of revenue on invested assets and revenue from management fees*	Our audit approach included, among others, an assessment of the company's assumptions for the valuation of the distressed assets. This includes mainly the following procedures: • We checked the initial recognition by reviewing the contractual basis for the initial measurement. We obtained supporting documents from the due diligence process and challenged the management assumptions of the expected future cash flows. • We verified the calculations of the internal rates of return related to the expected future cash flows and the initial purchase price (underwriting). We also challenged the appropriateness and reasonableness of the assumptions made by the management with market data. • We performed back-testing analysis to validate that the cause of observed deviations of actual collections from previous forecasts are understood by management, and that forecasts have been appropriately revised in consideration of new knowledge. Based on our testing of the process and the method as well as the range of valuation we independently performed, we found management's assessment of the accounting of distressed assets appears acceptable. The collection process is outsourced to local collection agencies, selected by DDM and suitable for the collection of a particular class of asset or performed by own DDM group companies. With a focus on collection, which is a key driver for reassessment of future cash flows and therefore revenue on invested assets, we performed the following procedures: • We tested the correct accounting treatment regarding recognition of revenue on the invested assets based on the methodology as set out in the notes 3 *Summary of significant accounting policies* and 6 *Reconciliation of revenue on invested assets and revenue from management fees*. • We performed testing on the control which ensures that the collection reports issued by the collection agencies were agreed between the collection agencies and DDM's collection managers. • We tested a sample of collections received to validate that collections are correctly recognized. • We tested on a sample basis that cash settlements were in accordance with collection reports.

- We performed testing of the IT environment. We focused on IT general controls, especially for the asset management system (ITGC and application controls).

Based on our audit procedures, we agree with management's assessment the revenue on invested assets is in line with the Company's accounting policy.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Eberli	Valentin Studer
Audit expert Auditor in charge	Audit expert

Luzern, 5 March 2021

DDM HOLDING AG, ZUG

Standalone Financial Statements

INCOME STATEMENT

DDM HOLDING AG, ZUG

For the year ended 31 December Amounts in '000s	2020 EUR	2020 CHF	2019 EUR	2019 CHF
Operating income	**650**	**696**	**650**	**725**
Consulting expenses	(426)	(456)	(1,523)	(1,699)
Personnel expenses	(244)	(261)	(316)	(353)
Other operating expenses	(37)	(40)	(136)	(152)
Operating result	**(57)**	**(61)**	**(1,325)**	**(1,479)**
Financial income	62	66	49	55
Financial income from group companies	—	—	2,453	2,737
Financial expenses	(50)	(54)	(86)	(96)
(Loss) / profit before taxes	**(45)**	**(49)**	**1,091**	**1,217**
Direct taxes	(5)	(6)	(52)	(58)
Net (loss) / profit for the year	**(50)**	**(55)**	**1,039**	**1,159**

BALANCE SHEET

DDM HOLDING AG, ZUG

As at 31 December Amounts in '000s	2020 EUR	2020 CHF	2019 EUR	2019 CHF
ASSETS				
Current assets				
Cash and cash equivalents	36	39	301	327
Receivables from direct / indirect investments	581	628	144	156
Other current receivables	3	3	—	—
Accrued income and prepaid expenses				
due from direct / indirect investments	108	117	—	—
Total current assets	**728**	**787**	**445**	**483**
Non-current assets				
Financial assets				
Loans to direct / indirect investments	2,650	2,863	2,984	3,239
Loans to direct / indirect investments (subordinated)	26,128	28,888	26,128	28,888
Investments	6,812	8,448	6,812	8,448
Total non-current assets	**35,590**	**40,199**	**35,924**	**40,575**
TOTAL ASSETS	**36,318**	**40,986**	**36,369**	**41,058**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Short-term liabilities				
Trade payables	48	52	71	77
Accrued expenses and deferred income				
due to third parties	448	486	267	287
due to direct/indirect participants	—	—	159	173
Total short-term liabilities	**496**	**538**	**497**	**537**
Total liabilities	**496**	**538**	**497**	**537**
Shareholders' equity				
Share capital	11,780	13,560	11,780	13,560
Legal reserves				
Reserves from capital contribution	20,993	24,171	20,993	24,171
Statutory retained earnings	167	191	115	133
Exchange variation reserve	—	(773)	—	(755)
Profit brought forward	2,932	3,354	1,945	2,253
(Loss) / profit for the year	(50)	(55)	1,039	1,159
Total shareholders' equity	**35,822**	**40,448**	**35,872**	**40,521**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**36,318**	**40,986**	**36,369**	**41,058**

NOTE 1. CORPORATE INFORMATION

DDM Holding AG is incorporated and domiciled in Switzerland. Its registered office is at Landis & Gyr Strasse 1, CH-6300 Zug, Switzerland. DDM Holding AG operates under the Swiss Code of Obligations (“CO”) as a stock corporation (Aktiengesellschaft). DDM Holding AG’s shares are admitted to trading on a multilateral trading facility, the Nasdaq First North Growth Market in Stockholm, Sweden. The purpose of the corporation is to acquire, hold, administrate, finance and sell participations in enterprises in Switzerland and abroad. The DDM group operates as a specialized multinational investor and manager of non-performing loans and special situations.

NOTE 2. ACCOUNTING PRINCIPLES APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The DDM Holding AG standalone financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Dispensations in the standalone financial statements
As DDM Holding AG prepares consolidated financial statements in accordance with a recognized financial reporting standard (International Financial Reporting Standard, IFRS) DDM Holding AG is exempt from various disclosures in the standalone financial statements and therefore dispensed with the requirement to present the additional information in the notes, the cash flow statement and the management report (article 961d para 2 Swiss CO).

Foreign currencies
As the majority of the business activities of DDM Holding AG is in euro, the functional currency is the euro. The exchange rates used for balance sheet items are the rates prevailing on 31 December; the exchange rates used for transactions conducted during the course of the year and for items in the profit and loss statement are average rates for the respective financial year. Equity, participations and subordinated loans are translated at historical rates.

The following exchange rates were applied:

Exchange rates		31 December 2020	31 December 2019
Balance sheet (spot rate balance sheet date)	EUR/CHF	1.0802	1.0854
Income statement (average rate)	EUR/CHF	1.0711	1.1156

Financial assets
Financial assets include loans to direct and indirect investments within the DDM group with a long-term holding period. Financial assets are measured at cost less impairment.

Investments in subsidiaries
Investments in subsidiaries are equity interests which are held for the purpose of DDM Holding AG’s business activities. They include all directly held subsidiaries through which DDM conducts its business. The investments are measured individually and carried at cost less impairment.

Operating income
Income relating to management services provided to its subsidiaries is recognized in operating income in the period in which it occurred.

NOTE 3. INVESTMENTS IN EQUITY PARTICIPATIONS

Directly held equity participations as of 31 December:

Company	Corporate identity number	Registered office	Primary business	2020 Share capital (CHF ‘000s)	2020 Interest	2019 Share capital (CHF ‘000s)	2019 Interest
DDM Group AG	CHE 115.278.533	Zug (CH)	Business operation	232	100%	232	100%

NOTE 3. INVESTMENTS IN EQUITY PARTICIPATIONS… continued

Indirectly held equity participations as of 31 December:

Company	Corporate identity number	Registered office	Primary business	2020 Share capital (CHF '000s)	2020 Interest	2019 Share capital (CHF '000s)	2019 Interest
DDM Invest III AG	CHE 115.238.947	Zug (CH)	Investment activities	150	100%	150	100%
DDM Treasury Sweden AB 1)	556910-3053	Stockholm (SE)	Provision of funding	–	–	71	100%
DDM Finance AB 2)	559053-6214	Stockholm (SE)	Holding company	6	100%	6	100%
DDM Debt AB 3)	559053-6230	Stockholm (SE)	Provision of funding	59	100%	59	100%
DDM Invest V d.o.o. 4) (formerly Ahive d.o.o.)	8297355000	Ljubljana (SL)	Investment activities	8	100%	8	100%
DDM Invest VII d.o.o. 5)	7109806000	Ljubljana (SL)	Investment activities	8	100%	8	100%
DDM Debt Management d.o.o Beograd 6)	21313963	Belgrade (RS)	Investment activities	–	100%	–	100%
DDM Debt Romania S.R.L 7)	39689815	Bucharest (RO)	Investment activities	123	100%	123	100%
DDM REO Adria d.o.o. 8)	05288215	Croatia (HR)	Investment activities	3	100%	–	–
CE Partner S.a.r.l. 9)	B230176	Luxembourg (LUX)	Investment activities	14	50%	14	50%
CE Holding Invest S.C.S 10)	B230358	Luxembourg (LUX)	Investment activities	52,044	49.99%	61,001	49.99%
Finalp Zrt. 11)	06-10-000554	Szeged (HU)	Leasing activities	355	100%	355	100%
Lombard Pénzügyi és Lízing Zrt. 12)	06-10-000062	Szeged (HU)	Leasing activities	346	100%	–	–
Lombard Ingatlan Lízing Zrt. 12)	06-10-000319	Szeged (HU)	Leasing activities	–	100%	–	–
Lombard Bérlet Kft. 12)	06-09-004809	Szeged (HU)	Leasing activities	–	100%	–	–

1) The share capital of DDM Treasury Sweden AB was EUR 52k.
2) The share capital of DDM Finance AB is EUR 6k.
3) The share capital of DDM Debt AB is EUR 54k.
4) The share capital of DDM Invest V d.o.o. is EUR 8k.
5) The share capital of DDM Invest VII d.o.o. is EUR 8k.
6) The share capital of DDM Debt Management d.o.o Beograd is RSD 100.
7) The share capital of DDM Debt Romania S.R.L is RON 500k.
8) The share capital of DDM REO Adria d.o.o. is HRK 20k.
9) The share capital of CE Partner S.a.r.l. is EUR 12k
10) The share capital of CE Holding Invest S.C.S was EUR 48,180k at 31 December 2020.
11) The share capital of Finalp Zrt. is HUF 101,000k.
12) The share capital of Lombard Pénzügyi és Lízing Zrt. is HUF 110,000k. Lombard Ingatlan Lízing Zrt. And Lombard Bérlet Kft. are 100% directly-held subsidiaries of Lombard Pénzügyi és Lízing Zrt.

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

On 27 February 2020 DDM acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l., Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft ("Lombard"). Prior to the acquisition DDM owned the rights to 30 percent of the portfolio and 100 percent of the equity in Lombard which has been reclassified from other long-term receivables from investments to distressed asset portfolios. On 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 4. PERSONNEL

DDM Holding AG had no employees as of and during the year ended 31 December 2020 (31 December 2019: 0). All employees of the consolidated DDM group were employed by subsidiaries of DDM Holding AG.

NOTE 5. CONTINGENT LIABLITIES

DDM Holding AG is jointly and severally liable for the value added tax (VAT) liability of the Swiss subsidiaries (DDM Group AG and DDM Invest III AG) that belong to its VAT group.

NOTE 6. SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There were no significant events occurring after the balance sheet date.

PROPOSED APPROPRIATION OF THE AVAILABLE EARNINGS

The Board of Directors proposes the following appropriation to the shareholders:

	2020		2019	
Amounts in ‘000s	**EUR**	**CHF**	**EUR**	**CHF**
Net (loss) / profit for the year	(50)	(55)	1,039	1,159
Retained profit carried forward	2,932	3,354	1,945	2,253
Amount at the disposal of the shareholders	**2,882**	**3,299**	**2,984**	**3,412**
Proposal				
Allocation to statutory retained earnings	–	–	52	58
To be carried forward	**2,882**	**3,299**	**2,932**	**3,354**

DDM Holding AG is in a phase in which exploring identified opportunities for growth is prioritized. Consequently, the Board of Directors proposes that no dividend be paid for the financial year 2020.

Report of the statutory auditor

to the General Meeting of DDM Holding AG, Zug

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DDM Holding AG, which comprise the income statement for the year ended 31 December 2020, the balance sheet as at 31 December 2020 and notes, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 77 to 81) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

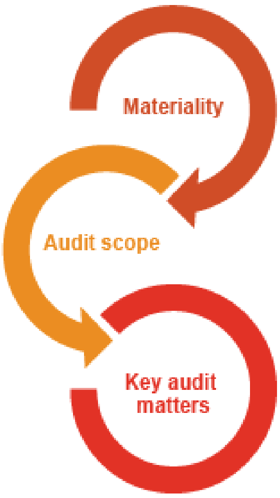
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: EUR 325'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

- Valuation of the investments, including loans

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	EUR 325'000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the most appropriate benchmark for a holding company which has limited operating activities and which holds mainly investments in subsidiaries and intragroup loans.

We agreed with the Audit Committee that we would report to them misstatements above EUR 32'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the investments, including loans

Key audit matter	How our audit addressed the key audit matter
The purpose of DDM Holding AG is to hold the group companies of DDM. The investments including loans contain the following positions in the balance sheet: • Loans to direct/indirect investments, • Loans to direct/indirect investments (subordinated) and • Investments. The direct and indirect investments held by DDM Holding AG are listed in note 3 to the financial statements. Investments including the loans are measured at cost less impairment (carrying value) according to the accounting principles in note 2. Impairment is recognized when the carrying amount exceeds the recoverable amount. Management uses judgement when determining the recoverable amount of the investment units. This judgement relates to the estimation of the future cash flows of the	Our focus for testing the investments including the loans was the invested assets held by the investment units, as the invested assets are the key driver for the value of the investments and include significant management judgement. We therefore tested that the carrying value of the investments including loans does not exceed the values of the invested assets as determined in the consolidated financial statements applying IFRS. We considered our audit procedures performed concerning the valuation of the invested assets in the consolidated financial statements to assess the recoverable amount of these invested assets. In doing the above procedures we particularly challenged management through substantive review of the business plan, including budget and liquidity plan, as the valuation of the invested assets is highly dependent on the business plan and the investing activities of the DDM group.

invested assets held by the investment units. As the investments basically only contain the invested assets, these are the relevant key drivers for the value of these investment units.

Due to the size and the applied managements' judgement, the investments including the loans are considered a key audit matter as the amount of EUR 35.6 Mio represents 98% of the total assets.

Based on our audit procedures performed, we agree with management's assessment and judgement applied for the valuation of the investments including loans.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Eberli	Valentin Studer
Audit expert Auditor in charge	Audit expert

Luzern, 5 March 2021

THREE-YEAR OVERVIEW

For the year ended 31 December Amounts in EUR '000s	2020	2019	2018
Consolidated income statement summary			
Adjusted net collections*	114,693	65,376	65,669
Other operating income	–	1,142	1,967
Revenue from management fees	74	570	1,233
Operating expenses**	(12,604)	(13,219)	(9,246)
Adjusted cash EBITDA*	102,163	52,727	57,656
Amortization, revaluation and impairment of invested assets	(69,473)	(35,716)	(37,425)
Operating profit	28,215	15,010	22,068
Net profit / (loss) for the year***	9,140	(4,120)	4,817
Adjusted net profit / (loss) for the year***	9,140	(1,489)	5,780
Earnings per share before and after dilution (EUR)	0.67	(0.30)	0.36
Consolidated balance sheet summary			
Total assets	195,525	204,456	194,534
Net debt	106,786	152,132	87,363
Selected key ratios			
Cash flow from operating activities before working capital changes	90,087	29,838	43,685
Cash investments net of financing in invested assets	33,310	99,215	42,313
Gross ERC 120 months, EUR M	258	328	240
Number of shares outstanding at end of the year	13,560,447	13,560,447	13,560,447
Number of employees at end of the year	65	22	33

* Adjusted net collections and adjusted cash EBITDA include the sale of invested assets and incremental net distribution from joint venture. See alternative performance measures on page 86.
** Operating expenses do not include depreciation and amortization of tangible and intangible assets.
*** The bond refinancing in 2019 resulted in total negative non-recurring items of approximately EUR 2.6M. See alternative performance measures on page 86.

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures – reconciliation to IFRS:

For the year ended 31 December Amounts in EUR ‘000s	2020	2019
Net collections	**109,369**	**57,063**
Sale of invested assets	–	4,476
Incremental net distribution from joint venture	5,324	3,837
Adjusted net collections	**114,693**	**65,376**
Cash EBITDA	**96,839**	**44,414**
Sale of invested assets	–	4,476
Incremental net distribution from joint venture	5,324	3,837
Adjusted cash EBITDA	**102,163**	**52,727**
Net profit / (loss) for the year	**9,140**	**(4,120)**
Non-recurring items bond refinancing	–	2,631
Adjusted net profit / (loss) for the year	**9,140**	**(1,489)**

The financial statements of DDM have been prepared in accordance with accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as adopted by the EU. In addition, DDM presents alternative performance measures (“APMs”). Adjusted key figures for net collections, cash EBITDA and net profit / (loss) for the year provide a better understanding of the underlying business performance and enhance comparability from year to year, 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 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 Company’s performance and to enhance comparability between financial years. 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.

GLOSSARY

AGM
Annual General Meeting

BN
Billion

CAGR
Compound annual growth rate

Certified Adviser
All companies with shares traded on Nasdaq First North Growth Market have a Certified Adviser that monitors the companies' compliance with the rules and regulations of First North Growth Market concerning disclosure of information to the market and investors

CHF
Swiss franc, the currency of Switzerland

Computershare Schweiz
Swiss service provider, Computershare Schweiz AG, takes care of post-trade processes ranging from clearing and settlement through to securities custody, and maintains share registers and special registers

CZK
Czech koruna, the currency of the Czech Republic

DCA
Debt collection agency

DDM, the Company or the Group
DDM Holding AG, reg. no. CHE-115906312, and its subsidiaries

EUR
Refer to the single currency of the participating member states in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time

Euroclear
Euroclear Sweden AB, reg. no. 556112-8074

First North Growth Market
Nasdaq First North Growth Market, Stockholm

FUSION
DDM's proprietary IT system, which integrates investment data, case data, payment data and activity data into one effective and comprehensive IT system

HRK
Croatian Kuna, the currency of Croatia

HUF
Hungarian forint, the currency of Hungary

M
Million

NPL
Non-performing loans

PARENT COMPANY
DDM Holding AG, CHE-115906312

RON
Romanian leu, the currency of Romania

RSD
Serbian dinar, the currency of Serbia

SEK
Swedish krona, the currency of Sweden

Southern, Central and Eastern Europe ("SCEE")
The countries in EuroVoc's definition of CEE, plus Greece, Italy and the Baltic states

USD
U.S. dollar, the currency of the United States

FINANCIAL DEFINITIONS

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
Net earnings for the period, attributable to the owners of the Parent Company, divided by the average number of shares during the period

EBIT
Earnings before interest and taxes

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

EBIT margin
EBIT as a percentage of revenue on invested assets, revenue from management fees and share of net profits / (losses) of joint ventures and associates

Estimated Remaining Collections / ERC
The sum of future, undiscounted projected cash collections before commission & fees from acquired portfolios, either directly or as a result of any rights to collect or any rights to participate in amounts generated from portfolios. This includes the Group's share of proceeds on all portfolios purchased, however adjusted for any profit-sharing arrangements entered into by any member of the Group and where available the market value of any Portfolio acquired. 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
Equity as a percentage of total assets

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, investments in joint ventures and associates

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

Net debt
Long-term and short-term 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

SPECIALIZED MULTINATIONAL INVESTOR AND MANAGER OF NON-PERFORMING LOANS AND SPECIAL SITUATIONS

DDM Holding AG (First North Growth Market: DDM) is a specialized 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 2.3M receivables with a nominal value of over EUR 4BN.

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 DDM'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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