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DDM FINANCE AB

Corporate Identity Number 559053-6214

ANNUAL REPORT 2020

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



**The DDM Finance AB
2020 Annual Report**

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

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

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

Any questions regarding financial data published by DDM Finance may be submitted to DDM's Investor Relations, tel. +46 708 618 166 or email: investor@ddm-group.ch

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2020 Highlights

Financial calendar

Annual General Meeting
2021:
22 June 2021

This is DDM Finance

DDM Finance AB (“DDM Finance” or the “Company”) was founded in 2016. DDM Finance acts to directly or indirectly manage, acquire or invest in credits and/or loan portfolios, to on-lend or invest funds in group companies who directly or indirectly manage, acquire or invest in credits and/or loan portfolios and conduct related activities, to incur financing for its business and to conduct related activities. The DDM Group is based in Zug, Switzerland.

The DDM Group is a specialized multinational investor and manager of non-performing loans (“NPL”) and special situations, and mainly invests in non-performing loans with an investment value of EUR 5–100M. Primarily the DDM Group invests in corporate and consumer secured portfolios, but also in unsecured portfolios in Southern, Central and Eastern Europe. The DDM Group works in close and longstanding relations with banks and financial institutions and provide solutions to recover outstanding distressed assets.

The DDM Group 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 the DDM Group to be closer to the market. Consequently, the DDM Group has developed a successful business model allowing for flexibility, automated processes and speed in decision-making.

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

Loan moratorium measures implemented across Europe in response to the COVID-19 pandemic have limited banks’ abilities 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. The DDM Group’s understanding of the complete collection process, access to portfolio management services for secured portfolios in the Balkans in combination with the existing network of specialized local collection agencies gives the DDM Group a unique advantage in the market. Combined with a proprietary IT-system, relations with co-investors and a flexible business model, this supports the DDM Group’s continued growth and its ambitions to maximize shareholder value. The DDM Group is well-positioned to capitalize on rising NPL volumes.

Administration Report

The Board of Directors of DDM Finance AB hereby submit the annual report for the 2020 financial year.

Information regarding the operations

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

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

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

Facts and figures – DDM Finance AB 2020

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

DDM Finance reported a loss before tax of EUR 178k for 2020 (2019: a profit of EUR 5,692k). The full year 2019 included a dividend in kind received from DDM Treasury Sweden AB in the amount of EUR 5,936k that consisted of a loan receivable towards DDM Group AG. On 30 September 2019 DDM Treasury Sweden AB was contributed to DDM Debt by DDM Finance at book value, resulting in a EUR 45k capital contribution from DDM Finance. On 11 February 2020 DDM Treasury Sweden AB was merged into DDM Debt to simplify the existing DDM Group structure. Shareholders' equity amounted to EUR 5,567k at 31 December 2020 (31 December 2019: EUR 5,745k). On 31 December 2020 DDM Finance AB transferred its receivable of EUR 5,936k which was due from DDM Group AG to its subsidiary DDM Debt AB (publ), with this amount being contributed as a Conditional Shareholder's Contribution into the equity of DDM Debt AB (publ).

DDM Finance had no employees at 31 December 2020 (31 December 2019: no employees).

Significant events during the financial year

In March 2020 COVID-19 was declared a pandemic by the World Health Organisation and continues to have an adverse impact on global economic activity. The DDM Group has focused specifically on collections, liquidity management and cost saving initiatives.

Basis of preparation

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

Geographical regions

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

Expenses

Operating expenses consisted primarily of costs relating to audit, legal, consulting and accounting services, in addition to personnel expenses during the full year 2019.

Income from participation in group companies

In 2020 no income was received from participation in group companies. In 2019 DDM Finance AB received a dividend in kind from DDM Treasury Sweden AB in the amount of EUR 5,936k. The dividend in kind consisted of a loan receivable towards DDM Group AG.

Net financial (expenses) / income

In 2020 net financial expenses were EUR 166k (2019: net financial income EUR 107k).

Research and Development

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

Non-financial earnings indicators*DDM Finance's role in society*

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

Business ethics

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

Working conditions

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

Environment

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

Market outlook

The DDM Group 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.

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

Board work

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

Events after the balance sheet date

There were no significant events after the balance sheet date and through the date of issuance of this report.

Financial summary

Key figures, EUR '000s	2020	2019
Operating loss	(12)	(351)
Net (loss) / profit the year	(178)	5,692

Risk management and financial risks

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

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

Credit risk

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

Liquidity risk / Financing risk

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

Interest risk

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

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

Proposed appropriation of earnings

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

EUR	2020
Retained earnings	5,739,107
Contribution agreement	–
Net (loss) / profit for the year	(177,735)
Total	5,561,372

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

EUR	2020
Balance carried forward	5,561,372
Total	5,561,372

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

INCOME STATEMENT

For the year ended 31 December			
Amounts in EUR '000s	Notes	2020	2019
Revenue		–	–
Personnel expenses	4	–	(293)
Consulting expenses	5	(10)	(25)
Other operating income and expenses	6	(2)	(33)
Operating loss		(12)	(351)
Income from participation in Group companies	13	–	5,936
Financial income	7	2,006	1,499
Financial expenses	7	(2,172)	(1,392)
Net financial (expenses) / income		(166)	107
(Loss) / profit before income tax		(178)	5,692
Tax income / (expense)	8	–	–
Net (loss) / profit for the year		(178)	5,692

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December			
Amounts in EUR '000s		2020	2019
Net (loss) / profit for the year		(178)	5,692
Other comprehensive income / (loss) for the year			
<i>Items that will not be reclassified to profit or loss</i>		–	–
<i>Items that may subsequently be reclassified to profit or loss</i>		–	–
Total other comprehensive income / (loss) for the year, net of tax		–	–
Total comprehensive (loss) / profit for the year		(178)	5,692

BALANCE SHEET

As at 31 December			
Amounts in EUR '000s	Notes	2020	2019
ASSETS			
<i>Non-current assets</i>			
Participations in other group companies	12	6,035	99
Loan to subsidiary	13	14,950	14,950
Receivables from other group companies	13	4,800	8,730
Total non-current assets		25,785	23,779
<i>Current assets</i>			
Other receivables		2	4
Cash and cash equivalents	9	23	61
Total current assets		25	65
TOTAL ASSETS		25,810	23,844
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital	10	6	6
Other contributed capital	10	560	560
Retained earnings including net (loss) / profit for the year	10, 15	5,001	5,179
Total shareholders' equity		5,567	5,745
<i>Non-current liabilities</i>			
Borrowings	14	17,537	17,287
Accrued interest	14	2,203	–
Total non-current liabilities		19,740	17,287
<i>Current liabilities</i>			
Accounts payable	11	4	34
Payables to other group companies	11, 13	495	455
Accrued interest	11	–	283
Accrued expenses	11	4	40
Total current liabilities		503	812
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		25,810	23,844

CASH FLOW STATEMENT

For the year ended 31 December			
Amounts in EUR '000s	Notes	2020	2019
Cash flow from operating activities			
Operating loss		(12)	(351)
Other items not affecting cash		(1)	16
Interest paid		–	(1,155)
Cash flow from operating activities before working capital changes		(13)	(1,490)
Working capital adjustments			
(Increase) / decrease in other receivables		2	58
Increase / (decrease) in accounts payable		(30)	(13)
Increase / (decrease) in other current liabilities		4	194
Net cash flow from operating activities		(37)	(1,251)
Cash flow from investing activities			
Loans to subsidiary		–	(4,950)
Net cash flow received / (used) in investing activities		–	(4,950)
Cash flow from financing activities			
Proceeds from issuance of loans	14	–	5,209
Net cash flow received / (used) in financing activities		–	5,209
Cash flow for the year		(37)	(992)
Cash and cash equivalents less bank overdrafts at beginning of the year		61	1,052
Foreign exchange gains / (losses) on cash and cash equivalents		(1)	1
Cash and cash equivalents less bank overdrafts at end of the year		23	61

STATEMENT OF CHANGES IN EQUITY

Amounts in EUR '000s	Share capital	Other contributed capital	Retained earnings incl. net profit / (loss) for the year	Total equity
Balance at 1 January 2019	6	560	(558)	8
Comprehensive income				
Net profit for the year	–	–	5,692	5,692
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	5,692	5,692
<i>Transactions with owners</i>				
Received conditional capital contribution	–	–	45	45
Total transactions with owners	–	–	45	45
Balance at 31 December 2019	6	560	5,179	5,745
Balance at 1 January 2020	6	560	5,179	5,745
Comprehensive income / (loss)				
Net loss for the year	–	–	(178)	(178)
Other comprehensive income / (loss)	–	–	–	–
Total comprehensive loss	–	–	(178)	(178)
<i>Transactions with owners</i>				
Total transactions with owners	–	–	–	–
Balance at 31 December 2020	6	560	5,001	5,567

At 31 December 2020 and 31 December 2019, the number of outstanding shares in DDM Finance AB amounts to 500 shares, with a quota of 11.258 per share.

NOTE 1. GENERAL INFORMATION

DDM Finance AB ("DDM Finance" or "the Company") acts to directly or indirectly manage, acquire or invest in credits and/or loan portfolios, to on-lend or invest funds in group companies who directly or indirectly manage, acquire or invest in credits and/or loan portfolios and conduct related activities, to incur financing for its business and to conduct related activities.

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

DDM Group AG acts as the investment manager and makes all decisions regarding investments and allocation of resources.

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

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

The Board of Directors approved the financial statements on 12 March 2021.

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

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

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

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

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

Shares in subsidiaries are reported at accrued acquisition value less any impairment. If there is an indication that shares and participations in subsidiaries have decreased in value, the recoverable amount is calculated. If this amount is lower than the book value, impairment is carried out. Impairment is reported in the item profit / loss from participation in Group companies in the income statement.

The financial statements have been prepared on a going concern basis

2.2 – Foreign currency translation*Functional and presentation currency*

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

Transactions and balances

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

2.3 – Financial assets and liabilities*Classification*

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

(a) Financial assets held at amortized cost

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

(b) Borrowings

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

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

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

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

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

(d) Accounts payable

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

2.4 – Share capital

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

2.5 – Current tax and deferred income tax

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

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

Deferred income tax assets on temporary differences and tax losses carried forward are reported to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized. The amount of deferred tax assets is reduced when they are utilized or when it is no longer deemed likely that they will be utilized.

2.6 – Dividend distribution

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

No dividends will be proposed to the 2021 annual general meeting regarding the operations for 2020.

NOTE 3. FINANCIAL RISK MANAGEMENT

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

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

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

Interest rate risk

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

Credit risk

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

Liquidity risk / Financing risk

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

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

EUR '000s	Less than 1 year				Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
	1 year	1 and 2 years	2 and 3 years	3 and 5 years			
At 31 December 2020							
Accounts payable	4	–	–	–			
Payables to other group companies	495	–	–	–			
Accrued expenses	4	–	–	–			
Borrowings	–	23,478	–	–			
Total	503	23,478	–	–			

NOTE 3. FINANCIAL RISK... continued

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

Financial instruments by category

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

EUR '000s	Financial assets
At 31 December 2020	
Assets as per balance sheet	
Cash and cash equivalents	23
Receivables from other group companies	4,800
Other receivables	2
Loan to subsidiary	14,950
Total	19,775

EUR '000s	Other financial liabilities
At 31 December 2020	
Liabilities as per balance sheet	
Accounts payable	4
Payables to other group companies	495
Accrued interest	2,203
Accrued expenses	4
Borrowings	17,537
Total	20,243

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

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

NOTE 4. PERSONNEL EXPENSES

EUR '000s	2020	2019
Personnel expenses	–	(293)
Total	–	(293)

DDM Finance had no employees at 31 December 2020 (31 December 2019: no employees).

Gender distribution of board members and other senior executives

The Board of Directors consists of three members (male) (2019: three members (male)).

NOTE 5. CONSULTING EXPENSES

EUR '000s	2020	2019
Consulting expenses	(6)	(7)
Öhrlings PwC		
Audit assignments	(4)	(5)
Other audit related assignments	–	(13)
Total	(10)	(25)

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

NOTE 6. OTHER OPERATING INCOME AND EXPENSES

EUR '000s	2020	2019
Other operating income	9	–
Other operating expenses	(9)	(27)
Non-deductible VAT	(2)	(6)
Total	(2)	(33)

NOTE 7. NET FINANCIAL (EXPENSES) / INCOME

EUR '000s	2020	2019
Financial income		
Interest income	2,005	1,493
Realized / unrealized exchange gains	1	6
Total financial income	2,006	1,499
Financial expenses		
Interest expense	(1,920)	(1,314)
Amortization of transaction costs	(250)	(78)
Realized / unrealized exchange losses	(2)	–
Total financial expenses	(2,172)	(1,392)
Net financial (expenses) / income	(166)	107

NOTE 8. INCOME TAX

EUR '000s	2020	2019
Current tax on profit / (loss) for the year	–	–
Total tax income / (expense)	–	–

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

EUR '000s	2020	2019
(Loss) / profit before tax	(178)	5,692
Income tax calculated at current tax rate	–	1,252
Tax losses for which no deferred income tax asset was recognized	–	(1,252)
Total tax income / (expense)	–	–

NOTE 9. CASH AND CASH EQUIVALENTS

At 31 December		
EUR '000s	2020	2019
Cash and cash equivalents	23	61
Total	23	61

At 31 December 2020 and 31 December 2019 DDM Finance's bank accounts were held with a bank with a credit rating of AA- as rated by Standard & Poor's.

NOTE 10. EQUITY

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

The full year 2019 included a dividend in kind received from DDM Treasury Sweden AB in the amount of EUR 5,936k that consisted of a loan receivable towards DDM Group AG. On 30 September 2019 DDM Treasury Sweden AB was contributed to DDM Debt by DDM Finance at book value, resulting in a EUR 45k capital contribution from DDM Finance. On 11 February 2020 DDM Treasury Sweden AB was merged into DDM Debt AB to simplify the existing DDM Group structure.

Shareholders' equity amounted to EUR 5,567k at 31 December 2020 (31 December 2019: EUR 5,745k).

NOTE 11. CURRENT LIABILITIES

EUR '000s	Less than 3 months	3 – 12 months	Total
At 31 December 2020			
Accounts payable	4	–	4
Payables to other group companies	–	495	495
Accrued interest	–	–	–
Accrued expenses	4	–	4
Total current liabilities	8	495	503
At 31 December 2019			
Accounts payable	34	–	34
Payables to other group companies	95	360	455
Accrued interest	–	283	283
Accrued expenses	40	–	40
Total current liabilities	169	643	812

NOTE 12. PARTICIPATIONS IN GROUP COMPANIES

EUR '000s	31 December 2020	31 December 2019
Investment	6,035	99
Total	6,035	99

EUR '000s	Investment
At 1 January 2019	
Acquisitions	45
At 31 December 2019	99
At 1 January 2020	
Conditional Shareholder's Contribution	5,936
At 31 December 2020	6,035

DDM Finance holds shares in the following subsidiary:

EUR '000s	Corporate identity number	Domicile	Proportion of equity 31 Dec 2020	Proportion of equity 31 Dec 2019	Net book value 31 Dec 2020	Net book value 31 Dec 2019
Company						
DDM Debt AB	559053-6230	Sweden	100%	100%	6,035	99
Total					6,035	99

On 30 September 2019 DDM Finance AB's sister company, DDM Treasury Sweden AB, was contributed to DDM Finance AB by DDM Group AG at book value. DDM Treasury Sweden AB was then contributed to DDM Debt AB by DDM Finance AB at book value, resulting in an increase in the investment in DDM Debt AB. On 11 February 2020 DDM Treasury Sweden AB was merged into DDM Debt AB to simplify the existing DDM Group structure.

On 31 December 2020 DDM Finance AB transferred its receivable of EUR 5,936k which was due from DDM Group AG to its subsidiary DDM Debt AB (publ), with this amount being contributed as a Conditional Shareholder's Contribution into the equity of DDM Debt AB (publ).

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

EUR '000s	Management fee	Other fee	Income from participation in Group companies	Total
2020				
Interest income from DDM Debt AB	–	2,005	–	2,005
Total	–	2,005	–	2,005

Receivables, payables and debts – related parties

EUR '000s	Current	Non-current	Total
at 31 December 2020			
Receivables from DDM Debt AB	–	4,800	4,800
Loan to DDM Debt AB	–	14,950	14,950
Payables to DDM Group AG	(364)	–	(364)
Payables to DDM Debt AB	(131)	–	(131)
Total	(495)	19,750	19,255

Compensation from / (to) related parties

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

Receivables, payables and debts – related parties

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

On 30 September 2019 DDM Finance AB's sister company, DDM Treasury Sweden AB, was contributed to DDM Finance AB by DDM Group AG at book value. DDM Finance AB then received a dividend in kind from DDM Treasury Sweden AB in the amount of EUR 5,936k. The dividend in kind consisted of a loan receivable towards DDM Group AG. DDM Treasury Sweden AB was then contributed to DDM Debt AB by DDM Finance AB at book value. On 11 February 2020 DDM Treasury Sweden AB was merged into DDM Debt AB to simplify the existing DDM Group structure.

On 31 December 2020 DDM Finance AB transferred its receivable of EUR 5,936k which was due from DDM Group AG to its subsidiary DDM Debt AB (publ), with this amount being contributed as a Conditional Shareholder's Contribution into the equity of DDM Debt AB (publ).

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

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

NOTE 14. BORROWINGS

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.

The accrued interest expense on the EUR 18M of senior secured notes at 31 December 2020 was EUR 2,203k and was classified under non-current liabilities in accordance with the terms and conditions of the notes (2019: EUR 283k classified under current liabilities).

Maturity profile of borrowings:

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 31 December 2020						
Senior secured notes	–	17,537	–	–	–	17,537
Total	–	17,537	–	–	–	17,537
at 31 December 2019						
Senior secured notes	–	–	17,287	–	–	17,287
Total	–	–	17,287	–	–	17,287

NOTE 15. PROPOSED APPROPRIATION OF EARNINGS

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

EUR	2020
Retained earnings	5,739,107
Contribution agreement	–
Net (loss) / profit for the year	(177,735)
Total	5,561,372

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

EUR	2020
Balance carried forward	5,561,372
Total	5,561,372

NOTE 16. PLEDGED ASSETS AND CONTINGENT LIABILITIES

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

Under the terms and conditions of the EUR 18M (2019: EUR 18M) senior secured notes issued by DDM Finance, investors receive a share pledge over the shares of DDM Finance, and any downstream loans to DDM Finance's direct subsidiary are pledged to investors as intercompany loans.

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

NOTE 17. EVENTS AFTER THE BALANCE SHEET DATE

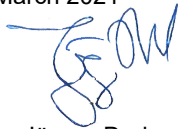
There were no significant events after the balance sheet date and through the date of issuance of this report.

SIGNATURES

The Company's income statement and balance sheet will be presented for adoption at the Annual General Meeting on 22 June 2021.

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

Stockholm, 12 March 2021



Jörgen Durban
Chairman of the board



Joachim Cato
Board member



Henrik Wennerholm
Board member

Our Audit Report was presented on 12 March 2021

Öhrlings PricewaterhouseCoopers AB

Susanne Sundvall
Authorized Public Accountant



Auditor's report (translation)

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

Report on the annual accounts

Opinions

We have audited the annual accounts of DDM Finance AB for the year 2020.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of DDM Finance AB as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors

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

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

Auditor's responsibility

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors of DDM Finance AB for the year 2020 and the proposed appropriations of the company's profit or loss.



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

Basis for Opinions

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

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

Responsibilities of the Board of Directors

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

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

Auditor's responsibility

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

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

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

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

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

Stockholm 12 Mars, 2021
Öhrlings PricewaterhouseCoopers AB

Susanne Sundvall
Authorized Public Accountant

DDM FINANCE AB

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



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