DDM DEBT AB (publ)

Corporate Identity Number 559053-6230

ANNUAL REPORT

2021

SPECIALIZED MULTINATIONAL INVESTOR IN SITUATIONS ARISING OUT OF THE GENERAL STRATEGIC CHALLENGES IN THE EUROPEAN BANKING MARKETS

The DDM Debt AB (publ)
2021 Annual Report

DDM Debt AB (publ) ("DDM Debt" or the "Company") is a Swedish Company headquartered in Stockholm. Corporate registration number 559053-6230. DDM Debt and its subsidiaries are together referred to as ("the DDM Debt Group" or "the Group").

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, 2020.

Data on markets and competitors are DDM Debt's own estimates, unless another source is specified. This report may contain forward-looking statements that are based on the current expectations of DDM Debt'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.

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

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

Production: DDM Debt.

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2021 Highlights

This is DDM Debt

DDM Debt AB (publ) ("DDM" or the "Company") was founded in 2016 to fund the DDM Debt Group's growth. The DDM Debt Group is based in Zug, Switzerland.

The DDM Debt Group is a specialized multinational investor in situations arising out of the general strategic challenges in the European banking markets. This includes investments into assets and companies previously held by financial institutions, including performing and non-performing loans and special situations, usually with an investment value of EUR 5–100M. Primarily the DDM Debt Group invests in corporate and consumer secured portfolios, but also in unsecured portfolios in Southern, Central and Eastern Europe. The DDM Debt Group works in close and longstanding relations with banks and financial institutions and provide solutions to recover outstanding distressed assets.

The DDM Debt 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 Debt Group to be closer to the market. Consequently, the DDM Debt 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 Debt Group has longstanding relations with sellers of distressed assets, based on trust and the Group's status as a credible acquirer. The DDM Debt Group's expertize 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 Debt 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.

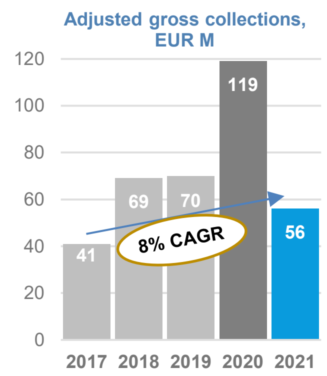
Investment activity has intensified across the SCEE region, both in existing markets and newly entered markets during 2021. This is largely as a result of increased portfolio sales from European Banks reducing the level of NPLs held in the banking sector mainly through securitizations, in order to improve their asset quality metrics following government-guaranteed securitization schemes in response to the COVID-19 pandemic and the end of loan-payment moratoriums across most countries.

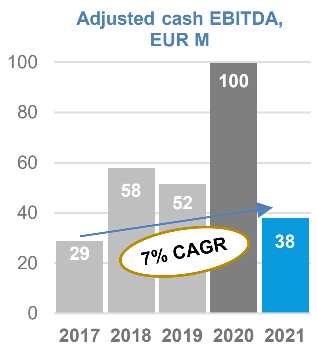
The long-term extent of the COVID-19 pandemic on asset quality remains uncertain, however the volumes of NPL sales and special situation opportunities are expected to increase significantly during 2022 and beyond.

The DDM Debt Group has positioned itself well for growth by actively working both in existing markets across the SCEE region, having further invested in NPL portfolios located in Croatia and Romania where we have previously transacted, and by entering new markets by teaming up with strategic partners and co-investors in neighbouring countries including Italy, Poland and Switzerland, where we see significant investment opportunities at attractive prices.

Florian Nowotny,
CEO of DDM Debt

"The DDM Debt Group is well-positioned with approximately EUR 63m of cash available to invest at 31 December"





STATEMENT BY THE CEO

Significant investment activity and successful bond refinancing

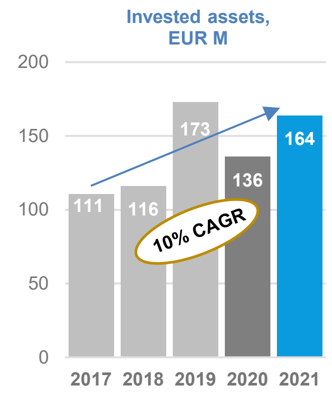
I am delighted to have been appointed as CEO of DDM Debt in August after having contributed to the continued success of the DDM Group in various capacities since 2017 and as a Board member since 2019. I have extensive capital markets experience as well as in investment banking which will enable me to drive forward the DDM Debt Group's growth strategy in NPL and special situation investment opportunities.

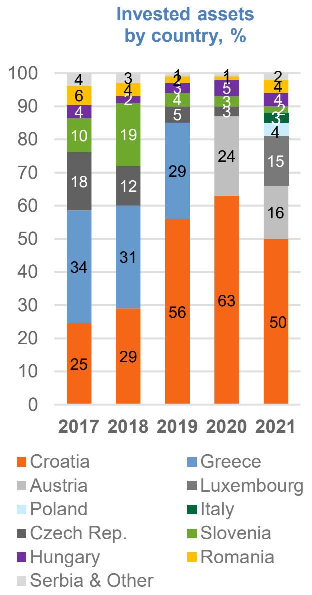
We ended the 2021 year with intensive investment activity by investing in both new and existing markets. In March we received our first credit ratings, which was a significant milestone in our financing plan. We also refinanced and significantly extended our debt maturity during the year giving us a strong capital position which will help to support future growth.

Agreement for acquisition in Switzerland
During December we entered into an agreement to acquire 100% of the share capital of Swiss Bankers, with closing subject to regulatory approval. Swiss Bankers is the Swiss market leader in prepaid cards and provides innovative, credit-based payment products and offers solutions in cashless, globally secure payment transactions. This transaction follows the DDM Debt Group's growth strategy to invest into special situation opportunities arising out of the transformation of the European Banking sector. The acquisition of Swiss Bankers is an attractive opportunity to access a highly scalable platform for payments with an e-money banking licence that is eligible for passporting into the EU. The DDM Debt Group will support Swiss Bankers in its strategic direction and the associated implementation of its digitization and international expansion strategy by extending the product offering into alternative banking and embedded finance solutions. As of 30 June 2021 Swiss Bankers had total assets of approximately CHF 440m.

Entered into a strategic partnership in Italy
During December we also acquired a 5% stake and entered into a strategic partnership with Borgosesia, an Italian investment platform specialized in secured non-performing loans and special situations. Borgosesia is a niche investment platform with a proven track record of successfully originating, structuring and executing complex investments at attractive returns. This strategic partnership with Borgosesia will provide the DDM Debt Group with access to an exciting pipeline of Italian mid-market real estate-backed special situation investment opportunities, with an expert and knowledgeable partner and co-investor. The target investment volume amounts to up to EUR 100m over a three-year horizon. The DDM Debt Group acquired a 5% stake in Borgosesia for approximately EUR 1.4m financed by cash on hand and executed its first co-investment alongside Borgosesia before the end of the year in an NPL portfolio containing secured residential receivables with a gross collection (face value) of over EUR 10m.

Strategic NPL investments in new and existing markets
We have further successfully capitalized on our investment pipeline of attractive opportunities by investing in NPL portfolios located in both existing markets and new markets across the SCEE region. In Poland, a large market where we see interesting future opportunities, we acquired an NPL portfolio containing consumer receivables with a gross collection value (face value) of the portfolio that amounts to over EUR 25m, with the acquisition financed by cash on hand. We also acquired a NPL portfolio containing secured corporate receivables located in Croatia with a gross collection value of the portfolio that amounts to over EUR 10m with the acquisition financed by cash on hand and a follow-on investment with a gross collection value (face value) of the portfolio that amounts to over EUR 20m that was pending regulatory approval at the end of the year and closed on 9 February 2022. We also





acquired a consumer NPL portfolio in Romania with a gross collection value of the portfolio that amounts to over EUR 90m, and further made investments in Luxembourg in the Omnio Group totalling approximately EUR 25m.

First credit rating and significant debt maturity extension

In March DDM Debt received its first ratings of 'B' with stable outlook from S&P Global Ratings and Fitch, which was a significant milestone in our financing plan. In Q2 we also successfully refinanced DDM Debt's EUR 100m and EUR 33.5m senior secured bonds by issuing senior secured fixed rate bonds in an initial amount of EUR 150m under a framework of up to EUR 300m. The bonds have a five-year tenor and carry a fixed rate coupon of 9%. At the time of the new bond issuance DDM Debt was holding approximately EUR 23m of the outstanding EUR 100m bonds. DDM Debt also successfully issued a further EUR 50m of bonds during September in an oversubscribed tap issue that was priced at a 2% premium to par value. The issuances demonstrated continued support from existing investors across the Nordic region and also attracted interest from new international investors. We are very pleased to have secured this long-term financing providing stability and the opportunity for the DDM Debt Group to capitalize on market opportunities to expand its investment portfolio.

Earnings 2021

Adjusted gross collections amounted to EUR 55.9m for the full year 2021, lower than the corresponding period last year mainly due to approximately EUR 60m of accelerated collections that were received from the restructured Greek transaction in the second half of 2020. After deducting commission and collection fees to third parties this resulted in EUR 46.6m of adjusted net collections being received for the full year 2021. Operating expenses were EUR 8.7m for the full year 2021, and as a result, adjusted cash EBITDA totaled EUR 38.0m for the full year 2021, equating to a high cash conversion ratio of above 80% for FY 2021 as a percentage of adjusted net collections. Operating profit includes EUR 2.1m of upwards revaluation recognized during the fourth quarter on portfolios located across the Balkans and Hungary for which large, secured receivables are expected to be collected at a higher realizable value in the future following the end of loan moratoria and improved economic expectations. This is in addition to EUR 2.0m of upwards revaluation recognized earlier in the year on portfolios following the release of credit provisions implemented in the prior year in response to the COVID-19 pandemic.

Share of net profits of joint venture and financial assets at fair value

The results for the full year 2021 include EUR 2.3m share of net profits of joint venture under the equity method of accounting, following the buy-out of third party financing together with B2Holding that was used to partially fund the joint venture acquisition in Croatia during 2019. We received a EUR 3.9m capital dividend from our investment in Addiko Bank AG on 11 November in addition to the EUR 0.7m capital dividend previously received on 5 May, following the European Central Bank guidance in July to lift restrictions on dividend distributions. The investment in Addiko Bank was reclassified in December 2021 to a financial asset at fair value, which resulted in a EUR 3.7m fair value loss recognized within financial expenses in the income statement, partially offset by EUR 3.0m of other comprehensive income being recycled to the income statement.

Estimated Remaining Collections

ERC in relation to invested assets at 31 December 2021 stands at EUR 297m, corresponding to an increase of 16% compared to 31 December 2020, as a result of investments acquired partially offset by the collections that have been received during 2021, and is expected to increase further during 2022 following the receipt of regulatory approval for recently signed acquisitions. Over 70% of the collections are expected to be received within the next three years and the composition of the portfolios that are secured is approximately 81% of ERC over the next three years at 31 December 2021.

Market outlook

Investment activity has intensified across the SCEE region, both in existing markets and newly entered markets during 2021. This is largely as a result of increased portfolio sales from European Banks reducing the level of NPLs held in the banking sector mainly through securitizations, in order to improve their asset quality metrics following government-guaranteed securitization schemes in response to the COVID-19 pandemic and the end of loan-payment moratoriums across most countries. The long-term extent of the COVID-19 pandemic on asset quality remains uncertain, however the volumes of NPL sales and special situation opportunities are expected to increase significantly during 2022 and beyond.

The DDM Debt Group has positioned itself well for growth by actively working both in existing markets across the SCEE region, having further invested in NPL portfolios located in Croatia and Romania where we have previously transacted, and by entering new markets by teaming up with strategic partners and co-investors in neighbouring countries including Italy, Poland and Switzerland, where we see significant investment opportunities at attractive prices.

Administration Report

The Board of Directors and the CEO of DDM Debt AB (publ) hereby submit the annual report and consolidated financial statements for the 2021 financial year.

Information regarding the operations

DDM Debt AB (publ) (corporate identity number 559053-6230) 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, and changed from a private limited liability company to a public limited liability company on 26 May 2016.

DDM Debt is a wholly owned subsidiary of DDM Finance AB, Stockholm, Sweden, being 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 Nasdaq First North Growth Market exchange in Stockholm, Sweden, since August 2014. The indirect ultimate parent company is DDM Group Finance S.A, a Luxembourg registered company owning 95.2% of the shares in DDM Holding AG at 31 December 2021.

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

Florian Nowotny was appointed CEO of DDM Debt on 1 August 2021 replacing Henrik Wennerholm. Florian Nowotny has been involved in various capacities with the DDM Debt Group since 2017 and as a Board member since 2019.

Subsidiaries

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, the DDM Debt Group acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l. Prior to the acquisition DDM owned the rights to 30 percent of the portfolio and 100 percent of the equity in Lombard which has been reclassified from other long-term receivables from investments to distressed asset portfolios. On 17 December 2020 Clipper Holding III S.à r.l. was dissolved.

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

On 31 March 2021 DDM Debt and its directly held subsidiary DDM Invest III AG entered into an agreement with the following group companies; DDM Finance AB, DDM Group AG and DDM Holding AG where the subordinated loans from other group companies of EUR 20,861k and the subordinated payables to other group companies of EUR 1,775k were transferred to the parent company DDM Finance AB and recognized within subordinated loans from other group companies in the DDM Debt AB balance sheet.

On 25 November 2021, DDM Invest III AG acquired 100% of the share capital of DDM Mergeco AG from DDM Group Finance S.A.

Joint ventures

The DDM Debt Group's joint arrangement with B2Holding closed on 31 May 2019 where each party holds 50% of the share capital and voting rights of CE Partner S.à r.l. and CE Holding Invest S.C.S (the "Joint Venture") is classified as a joint venture, as the DDM Debt Group is entitled to 50% of the net assets of the Joint Venture rather than having a direct entitlement to assets and responsibility for liabilities.

Facts and figures – The DDM Debt Group 2021

Consolidated revenue on invested assets during the year amounted to EUR 18,150k (2020: EUR 36,248k). Net collections during the year were EUR 36,392k (2020: EUR 104,876k). Operating profit amounted to EUR 13,118k (2020: EUR 26,920k).

The net loss before tax for the year amounted to EUR 6,287k (2020: net profit before tax of EUR 9,963k) and the net loss for the year was EUR 5,662k (2020: net profit of EUR 8,869k).

Significant events during the financial year

The COVID-19 pandemic continued to have an adverse impact on global economic activity. The DDM Debt Group has focused specifically on collections, liquidity management and cost saving initiatives.

On 19 April 2021, DDM Debt issued EUR 150m of senior secured fixed rate bonds at 9% within a total framework amount of EUR 300m. The bonds with ISIN number SE0015797683 have a final maturity date of 19 April 2026 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 100m and EUR 33.5m bonds (of which EUR 23m of the EUR 100m bonds were already held by DDM Debt) and for investments and acquisitions.

On 6 May 2021, DDM Debt redeemed in advance its EUR 100m senior secured bonds with ISIN SE0012454940 and its EUR 33.5m senior secured bonds with ISIN number SE0010636746, 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 101.85 per cent. and 103.0 per cent. of the outstanding nominal amount for the EUR 100m bonds and EUR 33.5m bonds respectively) totaling EUR 2.4m, plus accrued but unpaid interest. In addition, the remaining capitalized transaction costs of approximately EUR 1.5m were expensed to the income statement as a non-cash write off in relation to the existing bonds. The redemption amount was paid to the bondholders holding bonds on the relevant record date, being 29 April 2021. 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 23 April 2021.

In September 2021 DDM Debt successfully issued a further EUR 50m of bonds in an oversubscribed tap issue that was priced at a 2% premium to par value.

Investment activity intensified in the fourth quarter of 2021 by investing in both new and existing markets, including an agreement for an acquisition in Switzerland, a strategic partnership in Italy and further non-performing loan acquisitions in Poland and Croatia.

Geographical regions

The operational and investment activities of the DDM Debt Group and 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.

Distressed asset portfolios

Distressed asset are acquired for significantly less than their nominal value after which the DDM Debt Group collects the receivables in cooperation with local debt collection agencies or the new servicing platform for secured portfolios. As such, revenue on invested assets represents 100% of the consolidated income.

Investment in joint venture

The DDM Debt Group's joint arrangement with B2Holding that closed on 31 May 2019 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") which is classified as a joint venture, as the DDM Debt Group is entitled to 50% of the net assets of the Joint Venture rather than having a direct entitlement to assets and responsibility for liabilities. The equity method is applied when accounting for the Joint Venture. Under the equity method of accounting the investment is recognised at cost and subsequently adjusted to the DDM Debt Group's 50% share of the change in the net assets of the Joint Venture since the acquisition date. The DDM Debt Group's share of earnings for the year amounted to EUR 2.3m (2020: EUR 1.1m), and this is reported under Share of net profits of joint venture in the consolidated income statement. The distributions received from the Joint Venture reduce the carrying value of the investment and includes EUR 5.6m (2020: EUR 4.5m) that has been received as a cash distribution during the year of which EUR 2.0m relates to 2020 and EUR 3.6m relates to 2021. A further EUR 1.1m (2020: EUR 2.0m) has been reclassified to accounts receivable at the end of the year.

Investment in associate

On 9 March 2020 the DDM Debt Group acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30m. Following the acquisition of a 9.9% stake in Addiko Bank that closed during March 2020, the results for the period up to 17 December 2021 include EUR 1.4m (FY 2020: EUR 0.2m) of share of net profits of the associate in the income statement and EUR 0.3m (FY 2020: EUR 2.7m) of share of other comprehensive income of associates accounted for using the equity method in other comprehensive income. DDM received a capital dividend amounting to EUR 0.7m on 4 May 2021 and a further EUR 3.9m capital dividend on 11 November 2021 from Addiko Bank.

In January 2021, a non-binding forward flow agreement and commitment to acquire a further 10.1% shareholding in Addiko Bank was signed, however this was not pursued and the DDM Debt Group did not increase its shareholding above the existing 9.9% held. The DDM Debt Group is no longer pursuing the plan to increase their shareholding in Addiko Bank following the agreement that was announced on 17 December 2021 to acquire 100% of the share capital of Swiss Bankers. As at 31 December 2021, the DDM Debt Group has an effective influence on the Supervisory Board of Addiko Bank of 12.5% (as there are 8 Board Members in total appointed) which is below the required 20% and therefore the DDM Debt Group reached the conclusion that it is no longer presumed to be able to exert significant influence over Addiko Bank and therefore the investment in Addiko Bank was reclassified to a financial asset at fair value. This resulted in a EUR 3.7m fair value loss recognized within financial expenses in the income statement measured at a closing share price of EUR 13.65/share on 31 December 2021, partially offset by EUR 3.0m of other comprehensive income being recycled to the income statement. This resulted in a EUR 3.7m fair value loss recognized within financial expenses in the income statement measured at a closing share price of EUR 13.65/share on 31 December 2021, partially offset by EUR 3.0m of other comprehensive income being recycled to the income statement.

Financial assets at fair value
Equity-traded instruments and other investments that do not meet the criteria under IFRS 9 of cash flows consisting solely of payments of principle and interest (SPPI) and Hold to collect for being measured at amortised cost nor elected at FVTOCI are measured at fair value through profit or loss (FVTPL). Financial assets held at FVTPL are initially recognised and subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses recognised through financial income or expenses respectively in the consolidated income statement. Dividends or any interest earned on the financial assets are included within financial income.

On 3 December 2021, the DDM Debt Group acquired a 5% stake in Borgosesia S.p.A. ("Borgosesia"), an Italian investment platform specialized in secured non-performing loans and special situations for approximately EUR 1.4m financed by cash on hand. During 2021, the DDM Debt Group has invested into a total of EUR 15.8m of pre-IPO convertible bonds in Omnione S.A ("Omnio"), a leading innovator in Banking-as-a-Service of which EUR 3.0m was paid on 12 May, EUR 1.0m was paid on 18 November and EUR 11.8m was reclassified from accounts receivables. In addition, EUR 3.9m was invested in Omnio on 6 October and EUR 4.0m invested in Omnio Group Limited ("Omnio Group") on 30 November. On 17 December 2021, the investment in Addiko Bank was reclassified from investment in associates and measured at a closing share price of EUR 13.65/share on 31 December 2021.

Expenses
Operating expenses consisted primarily of costs relating to management fees to DDM Group AG, audit, legal and accounting services, salary costs and office rent expense.

Net financial expenses
In 2021 net financial expenses were EUR 19,405k (2020: EUR 16,957k). Net financial expenses for 2021 include non-recurring items of EUR 3,911k following the bond refinancing in Q2 2021, comprised of the call premium of EUR 2,408k that was paid in relation to the EUR 100m and EUR 33.5m bonds, and the non-cash write off of EUR 1,503k for the remaining capitalized transaction costs.

Cash flow and investments
Cash flow from operating activities before working capital changes for the full year amounted to EUR 20,463k (2020 EUR 87,775k).

In 2021, the cash purchase price of invested assets (distressed asset portfolios, investments in joint ventures and associates and financial assets at fair value) amounted to EUR 39,464k (2020: EUR 33,310k).

Research and Development
DDM Debt is not engaged in any research and development activities.

Financing
Please refer to the "Significant events during the financial year" section for details regarding changes to the financing agreements during the year.

At 31 December 2021 net debt, consisting of the EUR 200M senior secured bonds (net of own bonds) and interest-bearing intercompany loans (excluding subordinated debt), less cash and cash equivalents, amounted to EUR 120,702k. Shareholders' equity according to the terms and conditions of the senior secured bonds amounted to EUR 51,033k.

At 31 December 2020 net debt, consisting of the EUR 100M and EUR 37.5m senior secured bonds (net of bond buybacks), EUR 9M drawn under the EUR 27m revolving credit facility and interest-bearing intercompany loans (excluding subordinated debt), less cash and cash equivalents, amounted to EUR 89,993k. Shareholders' equity according to the terms and conditions of the senior secured bonds amounted to EUR 59,425k.

Non-financial earnings indicators
DDM Debt's role in society
The Company offers a platform for economic growth by giving companies and banks the opportunity to manage their credit exposure. DDM Debt systems and understanding of creditor's requirements are optimized and are paired with respect for debtors and their integrity.

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

Working conditions
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, DDM Debt generally has limited possibilities to affect the environment, although it seeks to act in an environmentally responsible manner where possible.

Please refer to the DDM Debt Sustainability report at page 15 for further details.

Market outlook
Investment activity has intensified across the SCEE region, both in existing markets and newly entered markets during 2021. This is largely as a result of increased portfolio sales from European Banks reducing the level of NPLs held in the banking sector mainly through securitizations, in order to improve their asset quality metrics following government-guaranteed securitization schemes in response to the COVID-19 pandemic and the end of loan-payment moratoriums across most countries.

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Board work
According to DDM Debt's Articles of Association, the Board of Directors shall consist of no less than three and no more than ten members with no more than five deputies. All members are elected at the annual general meeting or under special circumstances at an extraordinary general meeting.

Parent Company
The operations of the Parent Company at 31 December 2021 encompass ownership of the subsidiaries: DDM Invest III AG, DDM Mergeco AG, DDM Invest V d.o.o., DDM Invest VII d.o.o., DDM Debt Management d.o.o Beograd, DDM Debt Romania S.R.L., DDM REO Adria d.o.o. and ownership of 50% of CE Partner S.à r.l. and CE Holding Invest S.C.S (the "Joint Venture"). In addition, the Parent Company provides funding for the subsidiaries' investments into distressed asset portfolios, financial assets at fair value, joint ventures and associates. The funding is provided to subsidiaries through intercompany loans.

The Parent Company reported revenue of EUR 0k for the year (2020: EUR 0k) and a loss before tax of EUR 3,102k (2020: profit of EUR 2,749k). The Parent Company had no employees at 31 December 2021 (31 December 2020: two employees (one male and one female)).

Events after the balance sheet date
On 2 February 2022, the National Assembly of Slovenia approved a "Law on limiting and distributing currency risk among creditors and borrowers of loans in Swiss francs", the implementation of which the Constitutional Court of the Republic of Slovenia unanimously decided to suspend on 10 March 2022 pending a final decision on the conformity of the Law with the Constitution. It remains uncertain whether legal remedies against the Law will prove successful as for the time being there is no indication by when the Constitutional Court in Slovenia will finalise its assessment. The DDM Debt Group has reviewed its distressed asset portfolios located in Slovenia which do not contain receivables with loan agreements that were denominated in Swiss francs. The extent of the impact on the DDM Debt Group's investment in Addiko Bank could be material due to a significant decline in the share price.

Fitch Ratings ("Fitch") placed DDM Debt and DDM Debt's EUR 200m senior secured bonds that are assigned with a "B" Rating on Rating Watch Negative on 23 February 2022, which is expected to be resolved within 6 months.

The DDM Debt Group is following closely the evolving conflict in Ukraine, which has resulted in significant turmoil in financial markets on a global scale. Whilst the DDM Debt Group's operations in Southern, Central and Eastern Europe are not expected to be directly impacted, the DDM Debt Group could be exposed to unfavourable exchange rate movements that could result in significant unrealised foreign exchange losses in 2022, however the DDM Debt Group is actively managing its foreign exchange positions.

The DDM Debt Group considers all of the subsequent events above as non-adjusting events after the end of the reporting period.

Financial summary

Key figures, EUR '000s (unless otherwise indicated)	**2021**	**2020**
Revenue on invested assets	18,150	36,248
Revenue from management fees	100	-
Share of net profits of associate and joint venture	3,631	1,257
Operating profit	13,118	26,920
Operating margin, %	60.0	71.8
Cash flow from operating activities before working capital changes	20,463	87,775
Equity ratio (including subordinated debt), %	20.6	30.2

Risk management and financial risks
Risk management is handled by employees and management of the DDM Group who report to the Board on the basis of the policy adopted by the Board. The DDM Group identifies, evaluates and mitigates financial risks relating to the operating activities of the DDM Debt Group. The Board determines and adopts an overall internal policy for risk management.

The DDM Group defines risk as all factors which could have a negative impact on the ability of the Group 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 DDM Debt Group's risk management is conducted by employees and management of the DDM Group, where risks are evaluated in a systematic manner.

The following summary offers examples of risk factors which are considered to be especially important for the DDM Debt Group's future development but is by no means comprehensive. For further details regarding potential risk factors impacting the DDM Debt Group, please refer to the senior secured bonds prospectuses, which are available on our website.

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 the DDM Debt Group operates. Our core markets have been particularly impacted by the direct impact of the COVID-19 pandemic as well as by local government, including, for example, debt moratoriums. 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, reducing consumer spending which may negatively impact the DDM Debt Group'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 the DDM Debt Group'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 the DDM Debt Group's business in ways which are difficult to predict and could have further material adverse effects on the DDM Debt Group'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 proportion of our employees work remotely.

Economic fluctuations
The debt collection industry is negatively affected by a weakened economy. However, the DDM Debt Group'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.

Changes in regulations
With regard to risks associated with changes in regulations in its markets, the DDM Debt Group 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 Debt 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 Debt Group's business.

Market risks
DDM Debt's financing and financial risks are managed by the DDM Group in accordance with the policy established by the Board of Directors. The policy contains rules for managing activities, delegating responsibility, measuring, identifying and reporting risks and limiting these risks. Operations are concentrated in the DDM Group in Switzerland, ensuring economies of scale when pricing financial transactions.

As part of cash management, the DDM Debt Group is striving to maintain cash in the different currencies they are exposed to. For further information regarding currency exposure, see notes 17, 18, 20 and 21.

Interest rate risks relate primarily to DDM Debt's interest-bearing debt, which during 2021 consisted of senior secured bonds. Borrowings issued using the floating reference rate Euribor expose DDM Debt to interest rate risk and borrowings issued at fixed rates expose DDM Debt to fair value interest rate risk.

Liquidity risk
The DDM Debt Group has deposited its liquid assets with established financial institutions where the risk of loss is considered remote. The DDM Debt Group's cash and cash equivalents consist solely of bank balances. The DDM Debt Group 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.

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 Debt Group 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 mainly collected directly on the DDM Debt Group's bank accounts, however in certain cases they are paid in to client fund accounts held by the respective debt collection agencies to separate the DDM Debt Group's funds from the general funds of the agency. In the second instance every 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, the DDM Debt Group 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.

Risks inherent of distressed assets
To minimize the risks in this business, caution is exercised in investment decisions. The DDM Debt Group invests in non-performing loans and special situations with an investment value of EUR 5–100m. Sellers are primarily financial institutions, typically international banks with presence in several countries in Southern, Central and Eastern Europe. The DDM Debt Group has established relationships with sellers throughout the industry and as the DDM Debt Group 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. 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 the DDM Debt Group 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. The DDM Debt Group depends upon reputable and trustworthy co-investment partners.

Invested assets are usually purchased at prices significantly below the nominal value of the receivables, and the DDM Debt Group retains the entire amount it collects, including interest and fees, after deducting costs directly relating to the collection of the debt. The DDM Debt Group 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 DDM Debt Group works in cooperation with other institutions and shares the equity investment and profits. Risks are further diversified by acquiring distressed assets from various sellers in different countries.

Financing risk
DDM Debt's financial instruments contain a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds are: an equity ratio of at least 20.00% and net interest-bearing debt to ERC below 75.00%, and must be complied with on an incurrence test basis. DDM Debt'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. The terms and conditions are available in their entirety on our website.

Equity price risk
Equity price risk is the risk that arises from security price volatility, the risk of a decline in the value of an equity security. Equity price risk can be either systematic that is uncontrollable as affects multiple asset class in a global economic crisis or unsystematic which is specific to a company or industry.

The carrying amount of financial assets held at fair value represents the Directors' assessment of the maximum credit risk exposure of the Group and Company at the balance sheet date. For further information, refer to note 16 "Financial assets at fair value".

For further information regarding the financial risk management of the DDM Debt Group, see note 4.

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.

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 Debt's financial reporting. The audit committee meets on a regular basis. The audit committee was comprised of Jörgen Durban (chair) and Joachim Cato. The committee's meetings are also attended by Fredrik Olsson (CFO). The committee held two meetings in 2021 (2020: two meetings). Special attention was paid in 2021 and 2020 to the auditors' reviews, internal controls, financing and the acquisitions in the year.

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.

Corporate Governance Report
DDM Debt AB has established a corporate governance report in accordance with the Swedish Annual Accounts Act 6 chapter 8§. The report is available at the company, and will be distributed upon request. In addition, DDM Debt has also prepared a Sustainability report at page 15.

Employees
DDM Debt had no employees as of 31 December 2021 (2020: two), while the DDM Debt Group had two employees (2020: four employees). All other staff involved in the activities of DDM Debt are employed by DDM Group AG and are based in Zug, Switzerland. DDM Group AG charges the DDM Debt Group a management fee for this work.

Proposed appropriation of earnings

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

EUR	2021
Retained earnings	14,063,824
Net earnings for the year	(3,101,532)
Total	**10,962,292**

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

EUR	2021
Balance carried forward	10,962,292
Total	**10,962,292**

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

Sustainability Report

Jörgen Durban,
Chairman of DDM Debt

"I believe that DDM Debt's embedded commitment to ESG will be instrumental in ensuring sustainability"

Statement by the Chairman

On behalf of the Board of Directors and their responsibility for Environmental, Social and Governance ("ESG"), DDM Debt AB (publ), its business units and subsidiaries ("the **DDM Debt Group**") has issued its Sustainability Report in line with the Company's corporate responsibility to carry out its business with its stakeholders ethically and sustainability. Our embedded commitment to ESG throughout our business, from diligent investment decisions to the ethical treatment for the work-out of our debtors is instrumental to ensuring sustainability and the Group's success in the future.

Role in society

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

The DDM Debt Group plays a key role within society by providing liquidity to lenders in certain markets by acquiring distressed corporate and consumer debt, enabling the lenders to continue providing loans to companies and individuals. The DDM Debt Group then assists the debtors to restructure their overdue debt professionally, ethically and with the utmost respect by carefully selecting and closely monitoring our debt collection partners.

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.

Sustainable approach

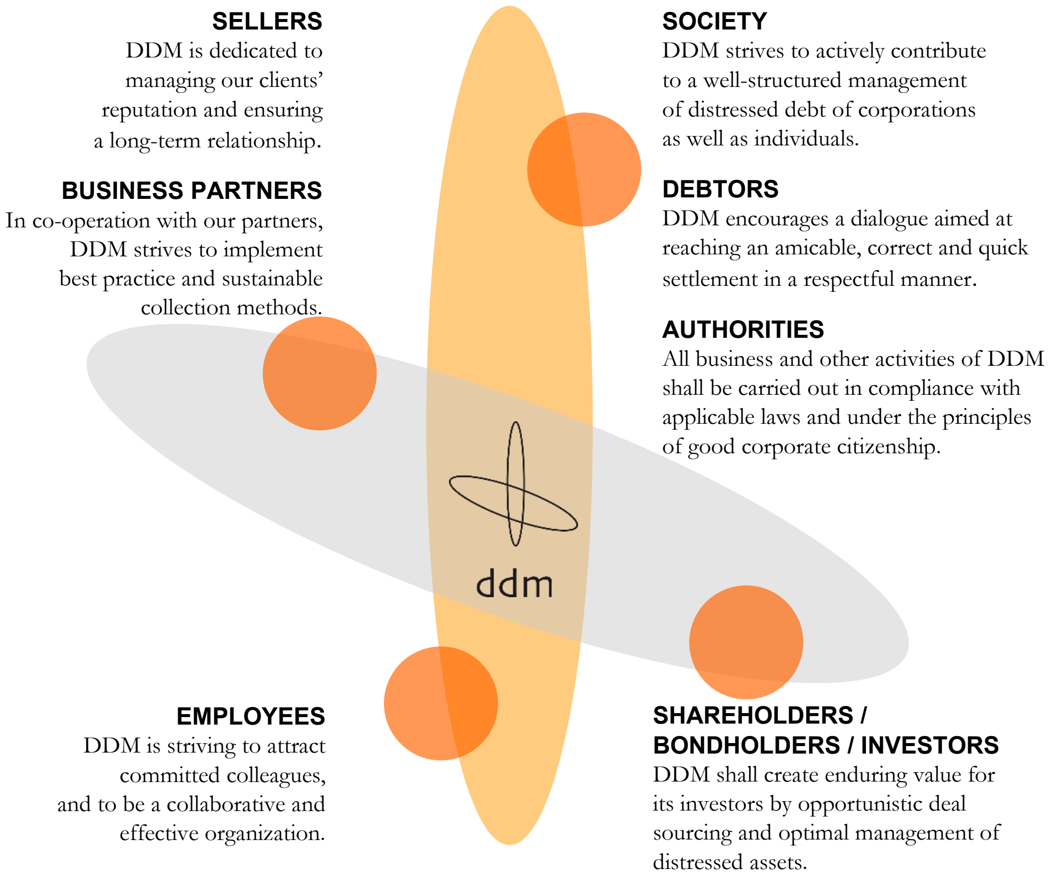
We select partner collection agencies carefully, making sure they apply professional, respectful and ethical methods. We work closely with them to determine which agencies are appropriate for collection on certain assets and what measures are appropriate.

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.

Effective from 1 January 2020, the DDM Debt Group is obliged to report its progress on sustainability in accordance with the Annual Accounts Act in Sweden on the Disclosure of Non-Financial and Diversity Information.

ESG priorities

The DDM Debt Group has undertaken a materiality assessment to identify the topics of highest importance for stakeholders' concerns and the company's risk and opportunities including: the fair and ethical treatment of debtor collection, anti-corruption and bribery matters, retaining key management and environmental protection.



Our business model is supporting sellers and debtors

The DDM Debt Group's business model is based on our extensive experience and expertise from the non-performing loan ("NPL") industry and proprietary data in combination with debt collection agencies providing the services according to the DDM Debt Group'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. The DDM Debt Group is different from most of its peers due to our unique business model, which is based on partially outsourcing debt collection to external collection agencies, access to a servicing platform for the work-out of secured receivables that was launched in 2019 and our in-house technology platform.

Fair and ethical treatment of debtor collection

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 the DDM Debt Group understands the sellers' demands and expectations. In combination with a strict ethical approach throughout the process, the DDM Debt Group 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.

Our ethical corporate culture, embraced by the Board of Directors and 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 acceptable behaviour, ensuring that the DDM Debt Group conducts its business in compliance with applicable laws, and under the principles of good corporate citizenship in each country where activities take place.

Anti-corruption and bribery matters

The Board of Directors of DDM Group Finance SA, the largest shareholder at 31 December 2021 with a holding representing 95.2% of the votes and share capital in DDM Holding AG, the ultimate parent company of DDM Debt AB (publ), has adopted a number of policies and instructions containing rules, including but not limited to: Code of Conduct, Insider Policy and Guidelines, Prevention of Money Laundering and Terrorist Financing Policy, Outsourcing Policy and IT Policy for the entire Company's operations.

The DDM Debt Group currently holds portfolios and pursues debt collection mainly in Croatia, Hungary, Romania, Poland, Italy, Slovenia, Serbia and the Czech Republic. The DDM Debt Group'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 labour, licensing requirements, consumer credit, data protection, anti-corruption, anti-money laundering and other regulatory regimes, potential adverse tax consequences, anti-trust regulations, an inability to enforce remedies in certain jurisdictions and geopolitical and social conditions in certain sectors of relevant markets.

No DDM Debt Group 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 favours 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 Group's Code of Conduct and its underlying policies and instructions.

The Prevention of Money Laundering and Terrorist Financing Policy provides the procedural rules on the performance of activities and measures to detect and prevent money laundering and terrorist financing throughout the DDM Debt Group, including risk assessment of customers, due diligence and ongoing monitoring of customers, restrictive measures, "Know Your Customer" ("KYC") procedures, reporting obligations, implementation of internal controls and the appointment of the persons responsible to perform the task related to the prevention of money laundering and terrorism financing.

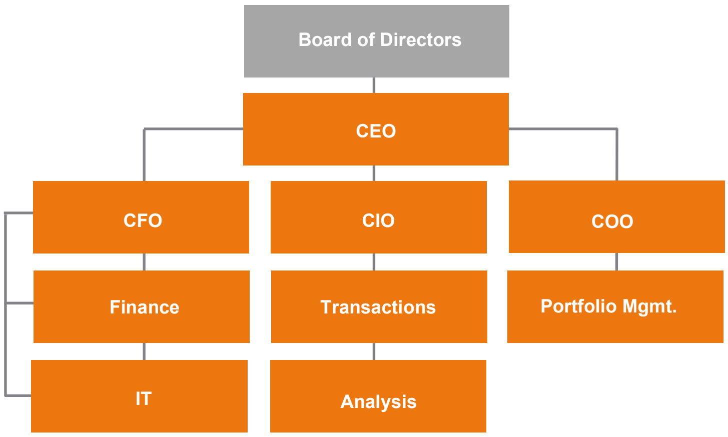
The Outsourcing Policy includes all employees, consultants, directors and service providers involved in DDM Debt Group's business activities, which gives overall guidelines for assessment and risk handling within the Group's outsourcing activities in order to ensure the highest quality of services and create long-term and prudent relationships.

Retaining key management

The DDM Debt Group has a management agreement with DDM Group AG regarding services required in the DDM Debt Group's business (the "management agreement"). The DDM Debt Group's future development depends largely on the skills, experience and commitment of the consultants which are made available to the Group under the management agreement. Therefore, it is important for the DDM Debt Group's future business activities and development that DDM Group AG can retain and, where necessary, also recruit suitable consultants for the purpose of managing the DDM Debt Group's business. It is also of importance that DDM Group AG ensures that adequate notice periods are included in employment and service contracts to try to avoid possible disruptions in the ongoing operations. Should DDM Group AG become unable to retain or recruit suitable consultants for managing the Group's business, this could have a material adverse effect on the DDM Debt Group's business, results of operations or financial position.

DDM 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.



Environmental protection
The DDM Debt Group is committed to taking account of environmental impacts when conducting its business. The Company combines its economic goals with environmental and social requirements, and addresses sustainability issues when managing risks. The DDM Debt Group is continuously striving to implement new measures to improve its environmental performance and limit the contribution of our activities on greenhouse gas emissions and the consumption of natural resources in accordance with the Code of Conduct. This includes aiming to become a fully paperless operation wherever possible both internally and with external communications with various stakeholders, incentivising our employees to use public transportation and reducing corporate travel through the increased usage of digital meetings. The Board of Directors continuously monitors and strives to reduce the DDM Debt Group's impact on the environment by annually reviewing the performance and policies included in the Code of Conduct. Due to the nature of business activities, the DDM Debt Group's most significant impact on the environment is through corporate travel and the production of material.

Activities and progress during the year
The DDM Debt Group has identified the following policies and detailed our progress in relation to ESG during 2021:

Fair and ethical treatment of debtor collection

All employees abide by the Code of conduct	The DDM Debt Group takes an active approach to the application of the Code of Conduct ("Code") adopted by DDM Group Finance S.A. and the companies under the control of DDM Group Finance S.A. ("DDM Group") and promotes its implementation through the effective communication of its contents to its employees. The Code is subject to annual approval by the DDM Group Board of Directors. A DDM Group Compliance Officer was appointed and is responsible to monitor the application of this Code and can be contacted at ddm_corporate.gov@ddm-group.ch. No violations of the Code were reported in 2021.
Effective monitoring of suppliers and business partners	Suppliers and business partners are an important and integral part of the total value chain of the services of the DDM Debt Group. They are expected and encouraged to conduct their businesses in compliance with the same high legal and ethical standards and business practices as adopted by the DDM Debt Group. The DDM Debt Group co-operates and conducts business with the suppliers and business partners in accordance with the provisions of the DDM Group Outsourcing Policy.
Effective data protection of personal data	Effectively managing and protecting confidential information is critical to the nature of our business involved with dealing with large quantities of personal data. These processes are built into the DDM Group's proprietary IT system FUSION, which integrates investment data, case data, payment data and activity data into one effective and comprehensive IT system. As a result of the DDM Debt Group partially outsourcing the collection process both employees and business partners abide by strictly formulated policies to protect confidential information. Data protection of personal data is stated as a responsibility within the DDM Group Data Protection Policy, which applies to all employees and service providers whose activities are connected to debt collection.
Compliance with GDPR	General Data Protection Regulation (GDPR) has been effective since 25 May 2018. The DDM Debt Group has worked vigorously in cooperation with its business partners to enhance and ensure compliance with GDPR. A Privacy Notice accessible on our website http://www.ddm-group.ch/data-privacy and applicable since 25 May 2018 details how the DDM Debt Group collects, uses, processes and stores personal data, and data holder rights regarding personal data. A Data Protection Officer was appointed as responsible for managing compliance with GDPR and can be contacted at dpo@ddm-group.ch.

Anti-corruption and bribery matters

Adherence to anti-money laundering standards and policies	The DDM Debt Group exercises due diligence when executing financial transactions. The DDM Debt Group is committed to the “Know your customer/know your intermediary” principles. The DDM Debt Group does not conduct business with persons or groups of persons, or with clients and partners from countries, against which Switzerland or the EU has imposed sanctions. The DDM Debt Group undertakes ongoing due diligence and monitoring to assist in the identification of suspicious activities. The DDM Debt Group maintains the highest standards to ensure that money laundering is prevented or detected. Suspicion of money laundering is reported to the competent authorities. Each employee and consultant is expected to comply with the requirements of those standards and policies. If suspicious activities are discovered, this must be promptly escalated to the DDM Group Anti-Money Laundering Compliance Officer.
Conflicts of interest	The DDM Debt Group expects full loyalty from its employees and consultants. Employees and consultants must avoid situations where their personal interests may conflict with those of the DDM Debt Group. This means, for instance, that employees and consultants are not allowed to accept gifts or entertainment from a stakeholder, except for a gift or entertainment of a minor value given on an occasional basis, providing it does not create a conflict of interest situation. During 2021, no instances of intended bribery or uncertainty were reported by an employee to his or her line manager and the DDM Compliance Officer. There were no instances of employees of the DDM Debt Group accepting gifts or entertainment from a stakeholder, except for a gift or entertainment of a minor value (< 30 EUR or equivalent in local currency).
Anti-fraud	The DDM Debt Group does not tolerate fraudulent behaviour or activities, such as embezzlement, fraud or theft. Such violations will lead to immediate termination of employment and are subject to criminal sanctions. Suppliers and business partners are an important and integral part of the total value chain of the services of the DDM Debt Group. They are expected and encouraged to conduct their businesses in compliance with the same high legal and ethical standards and business practices as the DDM Debt Group. The DDM Debt Group co-operates and conducts business with its suppliers and business partners in accordance with the applicable laws and provisions of the DDM Group Prevention of Money Laundering and Terrorist Financing Policy, and other applicable policies and guidelines. There were no instances of employees accepting such payments and favours that may be considered bribery or fraud, and there were no violations under local legislation and internationally recognised principles for combating corruption and bribery are reported for the year ended 31 December 2021.
Insider trading	The EU’s Market Abuse Regulation (“MAR”) has been applicable to the DDM Debt Group 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 the DDM Debt Group’s compliance with MAR and related rules and regulations.

Retaining key management

Implementation of fundamental conventions of the International Labour Organization	The DDM Debt Group supports core labour rights as defined by the International Labour Organisation included in the DDM Group Code. In this respect, the DDM Group Code upholds the freedom of association and the effective recognition of the right to collective bargaining. In the case that these rights are restricted by local law, the DDM Group Code endeavours to offer its employees alternative means to present their views. The DDM Group Code does not accept any form of forced or compulsory labour, or the use of child labour.
Education and notice periods	The DDM Group continuously invests in its employees through training and education which can provide the DDM Debt Group with a competitive advantage, as the NPL industry in known to have a high employee turnover rate. Key persons including members of the Board and Executive Management Committee of the DDM Group have a notice period of up to 12 months.
Health and safety at work	The DDM Debt Group endeavours to create hazard-free workplaces for its employees, consultants, contractors and others working in various locations by applying high standards of occupational health and safety. Each individual is responsible for complying with any safety instructions, for using personal protection equipment when required and for reporting on any shortcomings regarding safety instructions or protection measures.
Social dialogue	The DDM Debt Group promotes openness and transparency, as well as continuous dialogue with its stakeholders, including clients, customers and other business partners, shareholders, personnel, authorities, local communities and the media. The DDM Debt Group strives to be honest and accurate in all communications with its stakeholders.
Equality and non-discrimination	The composition of the DDM Debt Group team reflects the Group's European outreach. The policy is to hire the best possible talent and at the same time embracing diversity in all levels in the Group, including the Executive Management Committee, as well as the Board of Directors. At 31 December 2021, the DDM Debt Group employed two people (both male). 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 42 years.
Composition of the Board of Directors	The composition of the Board of Directors is set out in the section "Board of Directors" at page 13 and the members of the Board were elected by the Shareholders' Meeting for a term of office expiring at the Annual General Meeting 2022.
Respect for human and labour rights	The DDM Debt Group supports and respects the protection of human rights as defined in the United Nations' Universal Declaration on Human Rights. No employee is allowed to take any action that violates these human rights principles, either directly or indirectly. The DDM Debt Group supports core labour rights as defined by the International Labour Organisation. In this respect, the DDM Debt Group upholds the freedom of association and the effective recognition of the right to collective bargaining. In the case that these rights are restricted by local law, the DDM Debt Group endeavours to offer its employees alternative means to present their views. The DDM Debt Group does not accept any form of forced or compulsory labour, or the use of child labour.

Environmental protection

Corporate travel and the production of material	Corporate travel and the production of material continued to be significantly reduced during 2021 following the travel restrictions imposed by the COVID-19 pandemic and the enforcement of remote working during parts of the year across the Group to protect our employees. We have reduced the impact further on the environment through the application of video conferencing thereby reducing the need for corporate travel.
Energy efficiency	The DDM Debt Group's head office is located at Birger Jarlsgatan 18, 3tr 114 34 Stockholm, Sweden, where the earliest termination date for the office lease agreement is 31 March 2022. The DDM Debt Group also has an office lease located at Cigaletova ulica 7, 1000, Ljubljana, Slovenia which will terminate in August 2022. Therefore, the DDM Debt Group does not consider that the office premises will have a material impact on the environment in the future.

GROUP CONSOLIDATED INCOME STATEMENT

For the year ended 31 December **Amounts in EUR '000s**	**Notes**	**2021**	**2020**
Interest income on invested assets	6	13,988	37,572
Revaluation and impairment of invested assets	6	4,162	(1,324)
Revenue on invested assets	6	**18,150**	**36,248**
Share of net profits of associate and joint venture	6, 14, 15	3,631	1,257
Revenue from management fees	6	100	–
Personnel expenses	7	(646)	(695)
Consulting expenses	8	(7,720)	(9,607)
Other operating expenses	9	(352)	(216)
Depreciation expense	12, 13	(45)	(67)
Operating profit		**13,118**	**26,920**
Financial income	10	1,496	2,597
Financial expenses	10	(21,253)	(17,938)
Unrealized exchange profit / (loss)	10	392	(1,643)
Realized exchange (loss) / profit	10	(40)	27
Net financial expenses		**(19,405)**	**(16,957)**
(Loss) / profit before income tax		**(6,287)**	**9,963**
Tax income / (expense)	11	625	(1,094)
Net (loss) / profit for the year		**(5,662)**	**8,869**
Net (loss) / profit for the year attributable to:			
Owners of the Parent Company		(5,662)	8,869
Earnings per share, EUR		**(104.85)**	**164.24**

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December **Amounts in EUR '000s**	**Notes**	**2021**	**2020**
Net (loss) / profit for the year		**(5,662)**	**8,869**
Other comprehensive (loss) / income for the year			
Items that may subsequently be reclassified to profit or loss:			
Currency translation differences		(32)	(6)
Share of other comprehensive income of associates accounted for using the equity method		313	2,698
Recycling of share of other comprehensive income of associates to the income statement	14	(3,011)	–
Other comprehensive (loss) / income for the year, net of tax		**(2,730)**	**2,692**
Total comprehensive (loss) / income for the year		**(8,392)**	**11,561**
Total comprehensive (loss) / income for the year attributable to:			
Owners of the Parent Company		(8,392)	11,561

GROUP CONSOLIDATED BALANCE SHEET

As at 31 December Amounts in EUR '000s	Notes	2021	2020
ASSETS			
Non-current assets			
Tangible assets	12	12	17
Right-of-use assets	13	–	41
Interests in associates	14	–	32,986
Distressed asset portfolios	17	80,578	77,194
Financial assets at fair value	16	51,547	–
Investment in joint venture	15	31,819	25,691
Loans to other group companies	28	4,000	4,000
Receivable from other group companies	28	5,936	5,936
Accrued interest from other group companies	28	1,649	1,209
Deferred tax assets	19	1,900	637
Other non-current assets	20	313	290
Total non-current assets		**177,754**	**148,001**
Current assets			
Accounts receivable	21	1,711	14,152
Receivables from other group companies	21	157	138
Tax assets	21	82	86
Other receivables	21	4,192	1,636
Prepaid expenses and accrued income	21	1,506	2,278
Cash and cash equivalents	22	62,750	30,672
Total current assets		**70,398**	**48,962**
TOTAL ASSETS		**248,152**	**196,963**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	23	54	54
Other reserves		(33)	2,697
Retained earnings including net (loss) / profit for the year		13,426	19,088
Total shareholders' equity attributable to Parent Company's shareholders		**13,447**	**21,839**
Non-current liabilities			
Bonds loans and borrowings	25, 26	183,452	75,303
Payables to other group companies	28	3,284	3,077
Payables to other group companies, subordinated	28	–	1,775
Loans from other group companies, subordinated	28	37,586	35,811
Accrued interest	28	–	4,800
Deferred tax liabilities	19	629	308
Total non-current liabilities		**224,951**	**121,074**
Current liabilities			
Bonds loans and borrowings	25, 26, 27	–	45,362
Accounts payable	27	323	358
Tax liabilities	27	414	231
Accrued interest	27	6,559	1,834
Accrued expenses and deferred income	27	2,458	6,196
Lease liabilities	24, 27	–	69
Total current liabilities		**9,754**	**54,050**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**248,152**	**196,963**

GROUP CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December Amounts in EUR '000s	Notes	2021	2020
Cash flow from operating activities			
Operating profit		13,118	26,920
Cash distribution from associate and joint venture	14, 15	10,214	4,511
Adjustments for non-cash items:			
Amortization of invested assets	*17, 18*	*22,404*	*67,304*
Revaluation and impairment of invested assets	*17, 18*	*(4,162)*	*1,324*
Share of net profits of joint ventures and associates	*14, 15*	*(3,631)*	*(1,257)*
Depreciation expense	*12, 13*	*45*	*67*
Other items not affecting cash		*358*	*381*
Call premium paid		(2,408)	–
Interest paid		(15,400)	(14,774)
Interest received		–	2,137
Tax paid		(75)	(87)
Tax received		–	1,249
Cash flow from operating activities before working capital changes		**20,463**	**87,775**
Working capital adjustments			
(Increase) / decrease in accounts receivable		(5,035)	(14,475)
(Increase) / decrease in other receivables		(1,784)	781
Increase / (decrease) in accounts payable		(35)	(220)
Increase / (decrease) in other current liabilities		(2,150)	6,282
Net cash flow from operating activities		**11,459**	**80,143**
Cash flow from investing activities			
Purchases of distressed asset portfolios	17	(17,527)	(3,216)
Purchases of associates and joint ventures	14, 15	(8,521)	(30,094)
Purchases of financial assets at fair value	16	(13,416)	–
Purchases of tangible assets	12	–	(1)
Net cash flow received / (used) in investing activities		**(39,464)**	**(33,311)**
Cash flow from financing activities			
Proceeds from issuance of loans	25, 26	182,756	27,471
Repayment of loans	25, 26	(122,590)	(54,876)
Principal elements of lease payments	24	(24)	(7)
Net cash flow received / (used) in financing activities		**60,142**	**(27,412)**
Cash flow for the year		**32,137**	**19,420**
Cash and cash equivalents less bank overdrafts at beginning of the year		**30,672**	**11,464**
Foreign exchange losses on cash and cash equivalents		(59)	(212)
Cash and cash equivalents less bank overdrafts at end of the year	22	**62,750**	**30,672**

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in EUR '000s	Share capital	Other reserves	Retained earnings incl. net (loss) / profit for the year	Total equity
Balance at 1 January 2020	**54**	**5**	**4,283**	**4,342**
Comprehensive loss				
Net profit for the year	–	–	8,869	**8,869**
Other comprehensive income				
Currency translation differences	–	(6)	–	**(6)**
Share of other comprehensive income of associates accounted for using the equity method	–	2,698	–	**2,698**
Total comprehensive income	**–**	**2,692**	**8,869**	**11,561**
Transactions with owners				
Conditional shareholder's contribution	–	–	5,936	**5,936**
Total transactions with owners	**–**	**–**	5,936	**5,936**
Balance at 31 December 2020	**54**	**2,697**	**19,088**	**21,839**
Balance at 1 January 2021	**54**	**2,697**	**19,088**	**21,839**
Comprehensive income				
Net loss for the year	–	–	(5,662)	**(5,662)**
Other comprehensive loss				
Currency translation differences	–	(32)	–	**(32)**
Share of other comprehensive income of associates accounted for using the equity method	–	313	–	**313**
Recycling of share of other comprehensive income of associates to the income statement		(3,011)	–	**(3,011)**
Total comprehensive loss	**–**	**(2,730)**	**(5,662)**	**(8,392)**
Transactions with owners		–	–	**–**
Total transactions with owners	**–**	**–**	**–**	**–**
Balance at 31 December 2021	**54**	**(33)**	**13,426**	**13,447**

Conditional shareholder contributions amounted to EUR 5,936k for the year ending 31 December 2020.

PARENT COMPANY – INCOME STATEMENT

For the year ended 31 December Amounts in EUR '000s	Notes	2021	2020
Revenue		–	–
Personnel expenses	7	(534)	(531)
Consulting expenses	8	(273)	(252)
Other operating expenses	9	(176)	(116)
Depreciation of tangible assets		(1)	(1)
Operating loss		**(984)**	**(900)**
Financial income	10, 28	16,329	19,921
Financial expenses	10, 28	(18,431)	(16,275)
Unrealized exchange loss	10	(11)	(13)
Realized exchange (loss) / profit	10	(5)	16
Net financial (expenses) / income		**(2,118)**	**3,649**
(Loss) / profit before income tax		**(3,102)**	**2,749**
Tax expense	11	–	(107)
Net (loss) / profit for the year		**(3,102)**	**2,642**

PARENT COMPANY – STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December Amounts in EUR '000s	Notes	2021	2020
Net (loss) / profit for the year		**(3,102)**	**2,642**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss		–	–
Items that may subsequently be reclassified to profit or loss		–	–
Total other comprehensive income for the year, net of tax		**–**	**–**
Total comprehensive (loss) / income for the year		**(3,102)**	**2,642**

PARENT COMPANY – BALANCE SHEET

As at 31 December Amounts in EUR '000s	Notes	2021	2020
ASSETS			
Non-current assets			
Tangible assets		2	3
Participations in other group companies	29	9,478	9,478
Loans to other group companies	28	212,825	129,808
Receivables from other group companies	28	5,936	5,936
Accrued interest from other group companies	28	1,071	851
Other non-current assets	20	303	425
Total non-current assets		**229,615**	**146,501**
Current assets			
Other receivables	21	1,402	1,377
Accrued interest from other group companies	21	5,779	9,879
Prepaid expenses and accrued interest income	21	12	25
Cash and cash equivalents	22	3,453	521
Total current assets		**10,646**	**11,802**
TOTAL ASSETS		**240,261**	**158,303**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	23	54	54
Retained earnings including net (loss)/ profit for the year	30	10,962	14,064
Total shareholders' equity		**11,016**	**14,118**
Non-current liabilities			
Bond loans and borrowings	25, 26	183,452	74,693
Payables to other group companies	28	1,324	1,324
Loans from other group companies, subordinated	28	37,586	14,950
Accrued interest	28	–	4,800
Total non-current liabilities		**222,362**	**95,767**
Current liabilities			
Bond loans and borrowings	25, 26, 27	–	45,972
Accounts payable	27	54	189
Tax liabilities	27	103	151
Accrued interest	27	6,559	1,834
Accrued expenses and deferred income	27	167	272
Total current liabilities		**6,883**	**48,418**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**240,261**	**158,303**

PARENT COMPANY – CASH FLOW STATEMENT

For the year ended 31 December **Amounts in EUR '000s**	**Notes**	**2021**	**2020**
Cash flow from operating activities			
Operating loss		(984)	(900)
Adjustments for non-cash items:			
Depreciation of tangible assets		*1*	*1*
Other items not affecting cash		*106*	*27*
Call premium paid		(2,408)	–
Interest paid		(15,400)	(14,774)
Interest received		20,132	18,837
Cash flow from operating activities before working capital changes		**1,447**	**3,191**
Working capital adjustments			
(Increase) / decrease in other receivables		(12)	(15)
Increase / (decrease) in accounts payable		(135)	(203)
Increase / (decrease) in other current liabilities		(105)	(531)
Net cash flow from operating activities		**1,195**	**2,442**
Cash flow from investing activities			
Loans to group companies		(205,000)	(27,000)
Repayment of loans to group companies		146,586	49,250
Net cash flow received / (used) in investing activities		**(58,414)**	**22,250**
Cash flow from financing activities			
Proceeds from issuance of loans	25, 26	182,756	27,000
Repayment of loans	25, 26	(122,590)	(54,410)
Net cash flow received / (used) in financing activities		**60,166**	**(27,410)**
Cash flow for the year		**2,947**	**(2,718)**
Cash and cash equivalents less bank overdrafts at beginning of the year		**521**	**3,234**
Foreign exchange (losses) / gains on cash and cash equivalents		(15)	5
Cash and cash equivalents less bank overdrafts at end of the year		**3,453**	**521**

PARENT COMPANY – STATEMENT OF CHANGES IN EQUITY

Amounts in EUR '000s	Share capital	Retained earnings incl. net (loss) / profit for the year	Total equity
Balance at 1 January 2020	**54**	**5,486**	**5,540**
Comprehensive income			
Net profit for the year	–	2,642	**2,642**
Other comprehensive income	–	–	–
Total comprehensive income	**–**	**2,642**	**2,642**
Transactions with owners			
Conditional shareholder's contribution	–	5,936	**5,936**
Total transactions with owners	**–**	**5 936**	**5,936**
Balance at 31 December 2020	**54**	**14,064**	**14,118**
Balance at 1 January 2021	**54**	**14,064**	**14,118**
Comprehensive income			
Net loss for the year	–	(3,102)	**(3,102)**
Other comprehensive income	–	–	–
Total comprehensive loss	**–**	**(3,102)**	**(3,102)**
Transactions with owners			
Total transactions with owners	**–**	**–**	**–**
Balance at 31 December 2021	**54**	**10,962**	**11,016**

Conditional shareholder contributions amounted to EUR 5,936k for the year ending 31 December 2020.

NOTE 1. GENERAL INFORMATION

The Parent Company, DDM Debt AB (publ) is a limited liability company with registered offices in Stockholm, Sweden and its Swedish Corporate ID No. is 559053-6230. The address of the main office and postal address is Birger Jarlsgatan 18, 3tr 114 34 Stockholm, Sweden.

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

On 24 March 2022, the Board of Directors approved the financial statements for publication.

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

The Company was registered on 3 March 2016, and changed from a private limited liability company to a public limited liability company on 26 May 2016. DDM Debt is a wholly owned subsidiary of DDM Finance AB, Stockholm, Sweden, being a wholly owned subsidiary of DDM Group AG, Zug, Switzerland.

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

DDM Group AG's parent company DDM Holding AG prepares consolidated financial statements under IFRS and is listed on Nasdaq First North Growth Market, Stockholm since September 2014, under the ticker DDM. The indirect ultimate parent company is DDM Group Finance S.A, a Luxembourg registered company owning 95.2% of the shares in DDM Holding AG at 31 December 2021.

Subsidiaries
On 30 September 2019 DDM Treasury Sweden AB was contributed to DDM Debt by DDM Finance at book value, resulting in a EUR 45k capital contribution from DDM Finance. On 11 February 2020 DDM Treasury Sweden AB was merged into DDM Debt AB to simplify the existing DDM Group structure.

On 27 February 2020, the DDM Debt Group acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l. Prior to the acquisition DDM owned the rights to 30 percent of the portfolio and 100 percent of the equity in Lombard which has been reclassified from other long-term receivables from investments to distressed asset portfolios. On 17 December 2020 Clipper Holding III S.à r.l. was dissolved. On 23 July 2020, DDM REO Adria d.o.o. was incorporated. On 31 March 2021 DDM Debt and its directly held subsidiary DDM Invest III AG entered into an agreement with the following group companies; DDM Finance AB, DDM Group AG and DDM Holding AG where the subordinated loans from other group companies of EUR 20,861k and the subordinated payables to other group companies of EUR 1,775k were transferred to the parent company DDM Finance AB and recognized within subordinated loans from other group companies in the DDM Debt AB balance sheet.

On 25 November 2021, DDM Invest III AG acquired 100% of the share capital of DDM Mergeco AG from DDM Group Finance S.A.

Joint venture
The DDM Debt Group's joint arrangement with B2Holding closed on 31 May 2019 where each party holds 50% of the share capital and voting rights of CE Partner S.à r.l. and CE Holding Invest S.C.S (the "Joint Venture") is classified as a joint venture, as the DDM Debt Group is entitled to 50% of the net assets of the Joint Venture rather than having a direct entitlement to assets and responsibility for liabilities.

Associates
On 9 March 2020 the DDM Debt Group acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30M. On 17 December 2021, the investment in Addiko Bank was reclassified to a financial asset at fair value, which resulted in a EUR 3.7m fair value loss recognized within financial expenses in the income statement measured at a closing share price of EUR 13.65/share on 31 December 2021, partially offset by EUR 3.0m of other comprehensive income being recycled to the income statement.

Financial assets at fair value
On 3 December 2021 the DDM Debt Group acquired a 5% stake in Borgosesia S.p.A. ("Borgosesia"), an Italian investment platform specialized in secured non-performing loans and special situations, for approximately EUR 1.4m financed by cash on hand. During 2021, the DDM Debt Group has invested into a total of EUR 15.8m of pre-IPO convertible bonds in Omnione S.A ("Omnio"), a leading innovator in Banking-as-a-Service of which EUR 3.0m was paid on 12 May, EUR 1.0m was paid on 18 November and EUR 11.8m was reclassified from accounts receivables. In addition, EUR 3.9m was invested in Omnio on 6 October and EUR 4.0m was invested in Omnio Group Limited ("Omnio Group") on 30 November.

NOTE 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as in accordance with RFR 1 *Supplementary Accounting Principles for Groups* and the Annual Accounts Act. The DDM Debt Group has evaluated the differences between the IFRS as adopted by the EU and the IFRS approved by the IASB with influence on the DDM Debt Group's financial statements, and concluded that there are no material differences.

The consolidated 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 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.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in these consolidated financial statements are presented as follows:

The preparation of financial statements in conjunction with IFRS requires the application of certain important estimates for accounting purposes. Furthermore, it is required that management undertakes a number of assessments as regards to the application of the Group's accounting policies. Areas involving a high degree of assessment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are referred to in note 5.

The accounts of DDM Debt AB have been prepared in accordance with the Annual Accounts Act (ÅRL 1995:1554) and RFR 2 Accounting for Legal Entities and applicable statements. The instances in which the Parent Company applies accounting principles differing from those of the Group are provided separately at the end of this section on accounting principles.

Consolidation

The financial statements consolidate the accounts of DDM Debt AB and its subsidiaries.

Subsidiaries

Subsidiaries are all entities over which DDM Debt AB has control. DDM Debt AB 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.

The following entities are included in the scope of consolidation:

Entities included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2021	31 Dec 2020
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Mergeco AG	Fully consolidated	Switzerland	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%	100%

Joint venture

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

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 DDM Debt Group 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 DDM Debt Group.

Entities not included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2021	31 Dec 2020
CE Partner S.a.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 the DDM Debt Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method. The carrying amount (including goodwill) of equity accounted investments is tested for impairment in accordance with the policy described in note 3.

On 9 March 2020 the DDM Debt Group acquired a 9.9% shareholding in Addiko Bank AG for a cash consideration totaling approximately EUR 30M. On 17 December 2021, the investment in Addiko Bank was reclassified to a financial asset at fair value, which resulted in a EUR 3.7m fair value loss recognized within financial expenses in the income statement measured at a closing share price of EUR 13.65/share on 31 December 2021, partially offset by EUR 3.0m of other comprehensive income being recycled to the income statement.

Entities not included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2021	31 Dec 2020
Addiko Bank AG	Equity accounted	Austria	–	9.9%

Financial assets at fair value

Equity-traded instruments and other investments that do not meet the criteria under IFRS 9 of cash flows consisting solely of payments of principle and interest (SPPI) and Hold to collect for being measured at amortised cost nor elected at FVTOCI are measured at fair value through profit or loss (FVTPL).

Financial assets held at FVTPL are initially recognised and subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses recognised through financial income or expenses respectively in the consolidated income statement. Dividends or any interest earned on the financial assets are included within financial income.

NOTE 3. SUMMARY OF SIGNIFICANT… *continued*

On 3 December 2021 the DDM Debt Group acquired a 5% stake in Borgosesia S.p.A. ("Borgosesia"), an Italian investment platform specialized in secured non-performing loans and special situations, for approximately EUR 1.4m financed by cash on hand. During 2021, the DDM Debt Group has invested into a total of EUR 15.8m of pre-IPO convertible bonds in Omnione S.A ("Omnio"), a leading innovator in Banking-as-a-Service of which EUR 3.0m was paid on 12 May, EUR 1.0m was paid on 18 November and EUR 11.8m was reclassified from accounts receivables. In addition, EUR 3.9m was invested in Omnio on 6 October and EUR 4.0m was invested in Omnio Group Limited ("Omnio Group") on 30 November. On 17 December 2021, the investment in Addiko Bank was reclassified from investment in associates and measured at a closing share price of EUR 13.65/share on 31 December 2021.

Financial assets at fair value	Measurement	Domicile	31 Dec 2021	31 Dec 2020
Addiko Bank AG	FVTPL	Austria	9.9%	–
Borgosesia S.p.A.	FVTPL	Italy	5.0%	–
Omnio Group	FVTPL	Luxembourg	N/A	–

Segment reporting

The one operating segment in the DDM Debt Group is reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, is identified as the Chief Executive Officer of DDM Group that makes strategic decisions. The DDM Debt Group reports one segment, consistent with the DDM Group policy.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the DDM Debt Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of DDM Debt AB 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 Debt 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 and DDM REO Adria d.o.o. which has Croatia Kuna (HRK) as its functional currency.

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 2021	31 Dec 2020
Balance sheet	EUR/CHF	1.0331	1.0802
Income statement	EUR/CHF	1.0847	1.0711
Balance sheet	EUR/CZK	24.858	26.242
Income statement	EUR/CZK	25.734	26.359
Balance sheet	EUR/HRK	7.5156	7.5519
Income statement	EUR/HRK	7.5309	7.5296
Balance sheet	EUR/HUF	369.14	363.90
Income statement	EUR/HUF	357.79	348.49
Balance sheet	EUR/PLN	4.5969	4,5597
Income statement	EUR/PLN	4.5530	4.4239
Balance sheet	EUR/RON	4.9490	4.8683
Income statement	EUR/RON	4.9139	4.8300
Balance sheet	EUR/RSD	117.578	117.523
Income statement	EUR/RSD	117.586	117.578
Balance sheet	EUR/SEK	10.2503	10.0343
Income statement	EUR/SEK	10.1363	10.5097

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 22.

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 and accounts receivables are financial instruments that are accounted for under IFRS 9 and are measured at amortized cost using the EIR method.

The DDM Debt Group'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.

NOTE 3. SUMMARY OF SIGNIFICANT… *continued*

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 Debt 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 the DDM Debt Group'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
Financial investments	FVTPL
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 DDM Debt Group 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 DDM Debt Group 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

The DDM Debt Group classifies its financial instruments as follows and depends on the purpose for which the financial assets or liabilities were acquired:

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 DDM Debt Group's financial assets carried at amortized cost comprise distressed asset portfolios, 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 is 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 DDM Debt Group or the counterparty.

All financial assets and liabilities are presented as gross amounts in the DDM Debt Group and the Parent Company's financials, and therefore offsetting of financial assets and liabilities has not been disclosed.

Impairment of financial assets

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

On each reporting date the DDM Debt Group assesses on a forward-looking basis the expected credit losses associated with its collection estimates for financial assets held at amortized cost. A change in the estimated cashflow 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.

Accounts receivable

Accounts receivable are reported initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. For accounts receivables, the Company applies the simplified approach permitted under IFRS 9, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. No provision was made for impairment of accounts receivables as of 31 December 2021 (31 December 2020: EUR 2k), under the simplified approach permitted under IFRS 9.

Distressed asset portfolios

The recognition of the acquisition of distressed asset portfolios is based on the DDM Debt Group's forecast of future cash flows from acquired portfolios. Distressed asset portfolios are purchased at prices significantly below their principal value. Such assets are classified as non-current assets. Reporting follows the effective interest method, where the carrying value of each portfolio corresponds to the present value of all projected future cash flows discounted by an initial effective interest rate determined on the date the portfolio was acquired, based on the relation between cost and the projected future cash flows on the acquisition date. Changes in the carrying value of the portfolios are reported as amortization, revaluation and impairment for the period, 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, the difference results in a "gain on bargain purchase" in the income statement within the line "interest income on invested assets". The gain on bargain purchase relates to the fair value measurement of the investment (purchase price allocation). Please see note 6 for further information.

NOTE 3. SUMMARY OF SIGNIFICANT… ***continued***

Distressed asset portfolios are reported at amortized cost using the effective interest method. The initial effective interest rate is calculated for each portfolio based on its purchase price including transaction costs and estimated cash flows that, based on a probability assessment, are expected to be received from the debtors of the corresponding portfolio net of collection costs.

Cash flow projections are made at the portfolio 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 and can be estimated reliably. 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 DDM Debt Group sells a portfolio for a higher or lower amount than its carrying value, the resulting gain or loss on disposal is recognized in the 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 DDM Debt Group and the cost can be measured reliably. Repairs and maintenance costs are charged to the income statement during the period in which they are incurred.

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

Furniture	5 years
Computer hardware	5 years

The DDM Debt Group distributes the amount initially recognized for a tangible asset between its significant components and depreciates each component separately. The carrying amount for a replaced component is derecognized when replaced. The residual value method of depreciation 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").

Tangible 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"). Impairment and gains and losses recognized in connection with disposals of tangible assets are included among administration expenses (within the line "other operating expenses").

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.

Non-controlling interest
Non-controlling interest arises in cases where the DDM Debt Group acquires less than 100% of the shares in the subsidiary that the DDM Debt Group controls. For each business combination, the DDM Debt Group 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.

Other financial liabilities
The borrowings of the DDM Debt Group (including borrowings from credit institutions and other borrowings) and accounts payable are classified as other financial liabilities. Accounts payable are reported at fair value. Borrowings are recognized initially at fair value, net of transaction costs incurred and subsequently measured at amortized cost using the effective interest method.

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.

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.

NOTE 3. SUMMARY OF SIGNIFICANT… ***continued***

Borrowings are classified as current liabilities unless the Group 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 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.

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

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.

Current tax 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 6). Revenue from management fees relates to revenue received from co-investors where the DDM Debt Group 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, fees are calculated based on the time spent on portfolio management and are received on a quarterly basis in arrears.

Provisions
Provisions are reported when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated. No provisions have been recognized for the period. Provisions are not reported for future operating losses.

Provisions are valued at the present value of the expenditures expected to settle the obligation using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the provision. The successive increase in the total amount of the provision incurred, due to the provision continuing to be reported over a long period of time, is reported as an interest expense.

NOTE 3. SUMMARY OF SIGNIFICANT… *continued*

Revenue recognition
Interest income on financial instruments such as distressed asset portfolios is recognized over the course of maturity according to the effective interest method. The DDM Debt Group reduces the value of a distressed asset to the recoverable amount, which consists of the future expected cash flow discounted with the initially calculated effective interest rate for the financial instrument if an instrument has depreciated in value and continues to dissolve the discounting effect as an interest income. Interest income on impaired instruments is recognized at the initially calculated effective interest rate.

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 2022 annual general meeting regarding the operations for 2021.

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

New standards and interpretations not yet adopted in 2021
There were no new accounting standards and interpretations adopted in 2021 that had a material impact on DDM's financial statements. Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the DDM Debt Group. These standards are not expected to have a material impact on the DDM Debt Group 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.

Parent Company accounting principles
The accounting principles of the Parent Company are, in all material aspects, consistent with the accounting principles of the Group.

The Parent Company's financial reports have been prepared in accordance with RFR 2 *Reporting for Legal Entities* and the Annual Accounts Act. RFR 2 stipulates exceptions from and supplements to the standards issued by IASB and interpretations thereof issued by IFRIC. The exceptions and supplements are to be applied from the date on which the legal entity applies the standard or statement in question in its consolidated financial statements.

For its financial reporting, the Parent Company applies the design stated in the Annual Accounts Act, implying, among other things, that a different presentation form is applied for equity.

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

Definitions of key ratios
Applied in the "Financial summary" in the administration report

Operating margin, %: Operating profit as a percentage of revenue on invested assets, revenue from management fees and share of net profits of associate and joint venture.

Equity ratio, %: Equity (including subordinated debt according to the senior secured bond terms and conditions) as a percentage of total assets.

NOTE 4. FINANCIAL RISK MANAGEMENT

The DDM Debt Group's activities expose it to a variety of financial and non-financial risks: market risks (currency risk and interest rate risk), credit risk, liquidity risk/financing risk and risk relating to the purchase of invested assets (distressed asset portfolios, investments in joint ventures and associates and financial assets at fair value).

Risk management is carried out by the DDM Group in accordance with policies established by the Board of Directors. The DDM Group identifies, evaluates and mitigates financial risks, which have been adopted by the DDM Debt Group in close co-operation with DDM Debt's CEO and Board of Directors. The Board provides a comprehensive financial policy for risk management, specified into separate sections for the various areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, financing risk and equity price risk.

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.

Risk factors
The DDM Debt Group defines risk as all factors which could have a negative impact on the ability of the Group 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 DDM Debt Group's future development, but is by no means comprehensive.

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 the DDM Debt Group operates. Our core markets have been particularly impacted by the direct impact of the COVID-19 pandemic as well as by local government policies including, for example, debt moratoriums.

NOTE 4. FINANCIAL RISK… ***continued***

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, reducing consumer spending which may negatively impact the DDM Debt Group'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 the DDM Debt Group'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 the DDM Debt Group's business in ways which are difficult to predict and could have further material adverse effects on the DDM Debt Group'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 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 proportion of our employees work remotely.

Economic fluctuations
The debt collection industry is negatively affected by a weakened economy. However, the DDM Debt Group'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.

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 Debt 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 Debt Group's business.

Market risk
Foreign exchange risk
The DDM Debt Group is an international group with operations in several countries. DDM Debt's reporting currency is Euros (EUR). This exposes the DDM Debt Group to foreign exchange risk due to fluctuations in foreign exchange rates that may impact the DDM Debt Group's results and equity. Exposure to currency fluctuations is usually specified according to two main categories: transaction exposure and translation exposure.

Translation exposure
When the balance sheet positions denominated in foreign currencies are recalculated to the DDM Debt Group's functional currency, a translation exposure arises that affects investor value.

Transaction exposure
Transaction exposure refers both to the exposure attributable to commercial flows, that is, sales and purchases across international borders, and the exposure from financial flows.

In terms of currency risk, the DDM Debt Group's operations are characterized by collections and collection costs mainly performed in local currency in the respective countries. The DDM Debt Group does not use any hedging instruments. As part of cash management the DDM Debt Group is striving to maintain cash in the different currencies they are exposed to. See also notes 17, 18, 20 and 21 regarding currencies and foreign exchange risks.

Cash flow and fair value interest rate risks
DDM Debt's interest rate risk primarily arises from borrowings, which consists of the senior secured bonds. Borrowings issued using the floating reference rate EURIBOR expose DDM Debt to interest rate risk and borrowings issued at fixed rates expose DDM Debt to fair value interest rate risk. A sudden and permanent interest rate shock could have a material adverse effect on DDM's business, results of operations or financial condition and its ability to make payments under the bond terms.

NOTE 4. FINANCIAL RISK… ***continued***

Credit risks inherent of distressed assets

The credit risk is considered upon the acquisition of a financial asset by assessing the expected return. The DDM Debt Group 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 and distressed asset portfolios. Depending on the distressed asset portfolio, the loans in the portfolio may contain underlying assets such as cars and houses as collateral for the loans. However, it is always the DDM Debt Group'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. Any collateral received during the life of the portfolio is disposed 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 following tables:

Group EUR '000s	At 31 December 2021
Cash and cash equivalents	62,750
Accounts receivable	1,711
Distressed asset portfolios	80,578
Total	**145,039**

Group EUR '000s	At 31 December 2020
Cash and cash equivalents	30,672
Accounts receivable	14,152
Distressed asset portfolios	77,194
Total	**122,018**

At 31 December 2021 the majority of the DDM Debt Group bank accounts were held with banks with credit ratings ranging from A+ to BB- as rated by Standard and Poor's. At 31 December 2020 the majority of the DDM Debt Group bank accounts were held with banks with credit ratings ranging from A+ to BB- as rated by Standard and Poor's. No credit ratings are available for the other financial assets held by the DDM Debt Group.

DDM Debt AB had a bank guarantee of EUR 5k at 31 December 2021 (31 December 2020: EUR 5k).

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 by the DDM Debt Group and arises from cash and cash equivalents, and deposits with banks and financial institutions.

Another source of credit risk arises in connection to funds collected during the ordinary course of business. Funds are mainly collected directly on the DDM Debt Group's bank accounts, however in certain cases they are paid in to client fund accounts held by the respective debt collection agencies to separate the DDM Debt Group's funds from the general funds of the agency. In the second instance every 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 the DDM Debt Group 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.

Liquidity risk / Financing risk

The aim of the capital structure is to secure the DDM Debt Group's ability to continue its operations, in order to continue generating returns to its shareholders and to provide benefit for other stakeholders, and to maintain an optimal capital structure, minimizing the cost of capital.

The tables below specify the undiscounted cash flows arising from the DDM Debt Group'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 on the balance sheet date.

Group EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
At 31 December 2021				
Borrowings	16,956	16,956	16,956	210,490
Loans from other group companies, subordinated	–	37,586	–	–
Payables to other group companies	–	3,284	–	–
Accounts payable	323	–	–	–
Tax liabilities	414	–	–	–
Accrued expenses	2,458	–	–	–
Total	**20,151**	**57,826**	**16,956**	**210,490**

NOTE 4. FINANCIAL RISK… *continued*

Parent Company EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
At 31 December 2021				
Borrowings	16,956	16,956	16,956	210,490
Loans from other group companies, subordinated	–	37,586	–	–
Payables to other group companies	–	1,324	–	–
Accounts payable	54	–	–	–
Tax liabilities	103	–	–	–
Accrued expenses	167	–	–	–
Total	**17,280**	**55,866**	**16,956**	**210,490**

Group EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
At 31 December 2020				
Borrowings	57,109	80,288	–	–
Lease liabilities	69	–	–	–
Loans from other group companies, subordinated	–	29,611	–	20,861
Payables to other group companies	–	3,077	–	–
Payables to other group companies, subordinated	–	–	–	1,775
Accounts payable	358	–	–	–
Tax liabilities	231	–	–	–
Accrued expenses	6,196	–	–	–
Total	**63,963**	**112,976**	**–**	**22,636**

Parent Company EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
At 31 December 2020				
Borrowings	57,109	80,288	–	–
Lease liabilities	–	–	–	–
Loans from other group companies, Subordinated	–	29,611	–	–
Payables to other group companies	–	1,324	–	–
Accounts payable	189	–	–	–
Tax liabilities	151	–	–	–
Accrued expenses	272	–	–	–
Total	**57,721**	**111,223**	**–**	**–**

Financial instruments by category

Group EUR '000s	Financial assets held at amortized cost
At 31 December 2021	
Assets as per balance sheet	
Distressed asset portfolios	80,578
Financial assets at fair value	51,547
Loans to and accrued interest from other group companies	5,649
Other non-current assets	313
Trade and other receivables	5,903
Receivables from other group companies	157
Prepaid expenses and accrued income	1,506
Cash and cash equivalents	62,750
Total	**208,403**

Group EUR '000s	Other financial liabilities
At 31 December 2021	
Liabilities as per balance sheet	
Bond loans	183,452
Payables to other group companies	3,284
Loans from other group companies, subordinated	37,586
Accounts payable	323
Accrued interest	6,559
Accrued expenses and deferred income	2,458
Total	**233,662**

Group EUR '000s	Financial assets held at amortized cost
At 31 December 2020	
Assets as per balance sheet	
Distressed asset portfolios	77,194
Loans to and accrued interest from other group companies	5,209
Other non-current assets	290
Trade and other receivables	15,788
Receivables from other group companies	138
Prepaid expenses and accrued income	2,278
Cash and cash equivalents	30,672
Total	**131,569**

NOTE 4. FINANCIAL RISK… *continued*

Group EUR '000s	Other financial liabilities
At 31 December 2020	
Liabilities as per balance sheet	
Bond loans	120,665
Lease liabilities	69
Payables to other group companies	3,077
Payables to other group companies, subordinated	1,775
Loans from other group companies, subordinated	35,811
Accounts payable	358
Accrued interest	6,634
Accrued expenses and deferred income	6,196
Total	**174,585**

Fair values

The DDM Debt Group 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 held at amortized cost and recognized at amortized cost according to the effective interest rate method. The DDM Debt Group 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 DDM Debt Group's opinion, the market's yield requirements in the form of effective interest rates on new invested assets have remained fairly constant, despite turbulence in global financial markets in recent years. With this valuation method, the carrying value is the best estimate of the fair value of invested assets. Please note that the table below is only intended to illustrate how the use of fair value could be presented. The DDM Debt Group reports their loans at amortized cost and the table below should only be considered from an illustrative perspective.

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:

Group EUR '000s	IFRS 9 category	Fair value category	31 Dec 2021
Assets	**Fair value and carrying value of financial instruments**		
Accounts receivable	Financial assets held at amortized cost	Level 2	1,711
Other receivables	Financial assets held at amortized cost	Level 2	4,192
Distressed asset portfolios	Financial assets held at amortized cost	Level 3	80,578
Financial assets at fair value	Financial assets held at fair value	Level 1	27,835
Financial assets at fair value	Financial assets held at fair value	Level 3	23,712
Liabilities	**Fair value and carrying value of financial instruments**		
Accounts payable	Financial liabilities held at amortized cost	Level 2	323
Other payables	Financial liabilities held at amortized cost	Level 2	2,458

Group EUR '000s	IFRS 9 category	Fair value category	31 Dec 2020
Assets	**Fair value and carrying value of financial instruments**		
Accounts receivable	Financial assets held at amortized cost	Level 2	14,152
Other receivables	Financial assets held at amortized cost	Level 2	1,636
Distressed asset portfolios	Financial assets held at amortized cost	Level 3	77,194
Liabilities	**Fair value and carrying value of financial instruments**		
Accounts payable	Financial liabilities held at amortized cost	Level 2	358
Other payables	Financial liabilities held at amortized cost	Level 2	11,338
Lease liabilities	Financial liabilities held at amortized cost	Level 3	69

Group EUR '000s	IFRS 9 category	Fair value category	Fair value	Carrying value
At 31 December 2021				
Bond loan, 9%	Financial liabilities at amortized cost	Level 2	189,304	183,452
At 31 December 2020				
Revolving credit facility	Financial liabilities at amortized cost	Level 2	9,000	8,971
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	36,244	36,391
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	72,865	75,303

The table below shows the movement in the carrying values of all financial assets at fair value level 3, refer to note 17 distressed asset porfolios for further information regarding financial at amortized cost level 3:

EUR '000s	31 Dec 2021	31 Dec 2020
Balance at beginning of the year	**–**	**–**
Additions	11,932	–
Reclassification from accounts receivable	11,780	–
Balance at end of the year	**23,712**	**–**

Level 1 financial assets at fair value

On 3 December 2021, the DDM Debt Group acquired a 5% stake in Borgosesia S.p.A. ("Borgosesia"), an Italian investment platform specialized in secured non-performing loans and special situations for approximately EUR 1.4m financed by cash on hand measured at a closing share price of EUR 0.62/share on 31 December 2021. On 17 December 2021, the investment in Addiko Bank was reclassified from investment in associates and measured at a closing share price of EUR 13.65/share on 31 December 2021.

NOTE 4. FINANCIAL RISK… ***continued***

Level 3 financial assets at fair value
During 2021, the DDM Debt Group has invested into a total of EUR 15.8m of pre-IPO convertible bonds in Omnione S.A ("Omnio"), a leading innovator in Banking-as-a-Service of which EUR 3.0m was paid on 12 May, EUR 1.0m was paid on 18 November EUR 11.8m was reclassified from accounts receivables. This has been recognized and measured at cost within financial assets at fair value level 3, which are due to mature in accordance with the terms of the pre-IPO convertible bonds on 31 December 2024 accruing at an annual rate of 2% cash interest and 6% Payment-in-Kind ("PIK"), including convertibility rights into ordinary shares of Omnio.

In addition, EUR 3.9m was invested in Omnio on 6 October and EUR 4.0m was invested in Omnio Group Limited ("Omnio Group") on 30 November. This has been recognized and measured at cost within Financial assets at fair value level 3, which are expected to be received by 31 December 2024 in line with the maturity of the pre-IPO convertible bonds and therefore have been classified as non-current accruing at an annual rate of 15% Payment-in-Kind ("PIK").

Management has reviewed during the year the valuation methodology for all financial assets at fair value that have been have been classified as level 3 as at 31 December 2021. The fair value of unquoted level 3 financial assets has been estimated using valuation techniques based on assumptions that are not supported by observable market prices. This has been calculated by discounting to present value the projected net cash flow collections to maturity that are expected to be received including the convertibility rights into ordinary shares of Omnio.

Significant unobservable valuation inputs includes the projected net cash flow collections to maturity that are expected to be received including the convertibility rights into ordinary shares of Omnio and the pre-tax, market-determined discount rate of 11% 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. A quantitative sensitivity analysis has been performed where a change in projected net cash flows of more than 17%, or loss of convertibility rights into ordinary shares of Omnio, or a change in the pre-tax, market-determined discount rate of more than 23%, would, all changes taken in isolation, result in a significant adverse impact to the fair value of the asset as at 31 December 2021.

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 appropriate level is determined based on the lowest level of input that is essential for valuation at fair value.
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.

Management of capital risk
Similar to other companies in the industry, DDM Debt Group assesses its capital requirements on the basis of its equity / total assets ratio. For the purpose of calculating compliance with the incurrence covenant of the senior secured bonds, this ratio is calculated as adjusted equity divided by total assets. Adjusted equity includes subordinated debt (defined in IFRS 9 as an instrument without a contractual obligation to deliver cash or other assets) and retained earnings.

EUR '000s	31 December 2021	31 December 2020
Total assets	**248,152**	**196,963**
Shareholder's equity	13,447	21,839
Shareholder debt (subordinated)	37,586	37,586
Adjusted equity	**51,033**	**59,425**
Adjusted equity / total assets ratio	**20.6%**	**30.2%**

Equity price risk
Exposure
The DDM Debt Group's exposure to equity securities price risk arises from investments held by DDM classified in the balance sheet at fair value through profit or loss (FVPL). For further information, refer to note 16 "Financial assets at fair value".

The DDM Debt Group's equity investments are publicly traded on various European stock exchanges and therefore the STOXX Europe 600 Index is a benchmark for the overall performance of European equity prices. On 3 December 2021, the DDM Debt Group acquired a 5% stake in Borgosesia S.p.A. ("Borgosesia"), an Italian investment platform specialized in secured non-performing loans and special situations for approximately EUR 1.4m financed by cash on hand measured at a closing share price of EUR 0.62/share on 31 December 2021. On 17 December 2021, the investment in Addiko Bank was reclassified from investment in associates and measured at a closing share price of EUR 13.65/share on 31 December 2021.

Sensitivity
The table on the next page summarises the impact of increases/decreases of STOXX Europe 600 Index on the DDM Debt Group's net (loss) / profit after tax and shareholders equity for the full year 2021. The analysis is based on the performance of the STOXX Europe 600 Index that increased by 21% during the full year 2021, with all other variables held constant, and assumes that all of the group's equity instruments moved in line with the indexes.

NOTE 4. FINANCIAL RISK… *continued*

Impact on net (loss) / profit after tax & shareholders equity EUR '000s	31 December 2021	31 December 2020
STOXX Europe 600 Index – increase 21% (2020: 4%)	6,030	–
STOXX Europe 600 Index – decrease 21% (2020: 4%)	(6,030)	–

(Loss) / profit after tax for the year would increase / decrease as a result of gains / losses on equity securities classified as at FVPL. The amounts recognised in profit or loss in relation to the equity investments held by the DDM Debt Group are disclosed further in note 10 "Net financial expenses".

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

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events deemed to be reasonable under the circumstances.

Furthermore, the decision to amend a cash flow projection is preceded by a discussion between operations and Company management. All changes in cash flow projections are ultimately decided on by the CEO and Board of Directors. Please also refer to our website for additional information on risk factors affecting the DDM Debt Group.

Critical accounting estimates and judgements

The DDM Debt Group 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 as follows:

Revenue recognition and measurement of acquired portfolios

Distressed asset portfolios are financial instruments that are accounted for under IFRS 9 and are measured at amortized cost using the effective interest method ("EIR"). The effective interest rate method is a method of calculating the amortized cost of a distressed asset portfolio and of allocating interest income over the expressed life of the portfolio; the allocated interest income is recorded within revenue on invested assets in the financial statements. The EIR is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio. 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 Debt Group 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 "interest income on invested assets".

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 portfolios 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 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 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 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 are based on the rolling 120-month ERC ("Estimated remaining collections") at the revaluation date. The ERC is updated quarterly using a proprietary model, see page 64 for the financial definition of ERC.

The DDM Debt Group estimates that a continuous decrease of net collections by 10% would result in a 10% decrease of the net present value, or book 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 note 17 for the carrying value of distressed asset portfolios.

Joint venture

As stated in note 15, on 31 May 2019, the DDM Debt Group became 50% owner of the share capital and voting rights of CE Partner S.à r.l. and CE Holding Invest S.C.S. (the "Joint Venture") registered in Luxembourg. Under IFRS 11, the joint arrangement is determined for reporting purposes to be a joint venture and therefore 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 the DDM Debt Group's 50% share of the change in the net assets of the Joint Venture since the acquisition date.

NOTE 5. CRITICAL ESTIMATES… *continued*

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

In January 2021, a non-binding forward flow agreement and commitment to acquire a further 10.1% shareholding in Addiko Bank was signed, however this was not pursued and the DDM Debt Group did not increase its shareholding above the existing 9.9% held. The DDM Debt Group is no longer pursuing the plan to increase their shareholding in Addiko Bank following the agreement that was announced on 17 December 2021 to acquire 100% of the share capital of Swiss Bankers. As at 31 December 2021, the DDM Debt Group has an effective influence on the Supervisory Board of Addiko Bank of 12.5% (as there are 8 Board Members in total appointed) which is below the required 20% and therefore the DDM Debt Group reached the conclusion that it is no longer presumed to be able to exert significant influence over Addiko Bank and therefore the investment in Addiko Bank was reclassified to a financial asset at fair value

NOTE 6. RECONCILIATION OF REVENUE ON INVESTED ASSETS

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

Net collections is comprised of gross collections from the invested assets held by the DDM Debt Group, less commission and fees to third parties. The net amount of cash collected is recorded as “Net collections” within the line “Interest income on invested assets” in the consolidated income statement. The DDM Debt Group discloses the alternative performance measure “Net collections” in the notes separately, as it is an important measurement for the DDM Debt Group to monitor the performance of the portfolios and measure the cash available for operating expenses and to service its debt. The DDM Debt Group believes that disclosing net collections as a separate performance measure in the notes improves the transparency and understanding of the DDM Debt Group's financial statements and performance, meeting the expectations of its investors. Collection costs are comprised of all third-party expenses directly attributable to the collection of distressed asset portfolios, 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.

Revenue from management fees

EUR '000s	2021	2020
Luxembourg	100	–

EUR '000s	1 Jan – 31 Dec 2021
Gross collections	**40,344**
Collection and commission expenses	(3,952)
Net collections by country:	
Croatia	18,104
Romania	5,068
Slovenia	3,837
Hungary	3,802
Czech Republic	3,430
Greece	952
Poland	481
Bosnia	354
Serbia	330
Slovakia	34
Net collections	**36,392**
Amortization of invested assets	(22,404)
Interest income on invested assets before revaluation and impairment	**13,988**
Revaluation of invested assets	4,162
Impairment of invested assets	–
Revenue on invested assets	**18,150**

EUR '000s	1 Jan – 31 Dec 2020
Gross collections	**108,739**
Collection and commission expenses	(3,863)
Net collections by country:	
Greece	74,522
Croatia	14,461
Czech Republic	5,411
Hungary	4,331
Slovenia	2,985
Romania	2,658
Serbia	427
Bosnia	41
Slovakia	40
Net collections	**104,876**
Amortization of invested assets	(67,304)
Interest income on invested assets before revaluation and impairment	**37,572**
Revaluation of invested assets	(992)
Impairment of invested assets	(332)
Revenue on invested assets	**36,248**

Share of net profits of joint venture

EUR '000s	2021	2020
Croatia	2,258	1,063

Share of net profits of associate

EUR '000s	2021	2020
Austria	1,373	194

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

NOTE 6. RECONCILIATION OF … *continued*

The DDM Debt Group discloses information regarding revenue on invested assets based on its key geographic areas.

No individual debtor generates more than 10% of the DDM Debt Group's total revenues.

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

Impairment of invested assets by country

EUR '000s	2021	2020
Croatia	–	307
Romania	–	25
Impairment of invested assets	**–**	**332**

There were no impairments for the full year 2021. Impairments for the full year 2020 relate to one-off write downs on portfolios previously acquired in Croatia and Romania.

The table below presents an overview of the carrying value of invested assets (distressed asset portfolios, financial assets at fair value and investments in joint ventures and associates) by country:

EUR '000s	31 December 2021	31 December 2020
Croatia	83,096	85,300
Austria	26,351	32,986
Luxembourg	23,711	–
Hungary	7,309	7,347
Romania	6,926	1,687
Poland	5,781	–
Italy	5,534	–
Slovenia	2,657	3,586
Serbia	1,591	792
Bosnia	704	832
Czech Republic	284	3,338
Slovakia	–	3
Total	**163,944**	**135,871**

NOTE 7. PERSONNEL EXPENSES

The Parent Company and its subsidiaries had two employees at 31 December 2021 (2020: four employees). Personnel expenses for the Group were EUR 646k (2020: EUR 695k) and for the Parent Company were EUR 534k (2020: EUR 531k). The gender distribution at 31 December 2021 for the Group was 100% male (2020: 75% male, 25% female) and the Parent Company at 31 December 2021 has no employees (2020: 50% male, 50% female).

Gender distribution of board members and other senior executives

The Board of Directors consists of four members (male) (2020: four (male)). DDM Debt AB has one managing director (male) (2020: one (male)). The Board of Directors and managing director are also board members and executives of DDM Debt AB's ultimate parent company, DDM Holding AG.

Their remuneration for their services provided to the DDM Holding Group is paid by entities outside of the DDM Debt Group. The DDM Debt Group is charged a management fee for these services, in line with the terms and conditions of DDM Debt AB's senior secured bonds.

	2021		2020	
EUR '000s	Salaries and other remuneration	Social costs (pension)	Salaries and other remuneration	Social costs (pension)
Parent Company	365	169 (68)	327	204 (92)
Subsidiary	94	18	123	41 (22)
Group	**459**	**187 (68)**	**450**	**245 (114)**

	2021		2020	
EUR '000s	Salaries and other remuneration (variable)	Pension expenses	Salaries and other remuneration (variable)	Pension expenses
Board members and CEO	421 (219)	58	306 (48)	86
Other employees	157	10	144	28
Group	**578**	**68**	**450**	**114**

NOTE 8. CONSULTING EXPENSES

Group EUR '000s	2021	2020
Consultancy fees	1,813	400
PwC		
Audit assignments	155	161
Tax assignments	2	–
Other audit related assignments	–	46
DDM Group management fees	5,750	9,000
Total	**7,720**	**9,607**

Parent Company EUR '000s	2021	2020
Consultancy fees	204	171
Öhrlings PwC		
Audit assignments	70	81
Total	**274**	**252**

Audit assignment refers to the examination of the annual financial statements and accounting records, as well as the administration of the Board of Directors and the Managing Director. 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 9. OTHER OPERATING EXPENSES

Group EUR '000s	2021	2020
Non-deductible VAT	210	102
Other office costs	91	52
Other operating expenses	28	22
Rental expenses	12	18
Business travel expenses	11	22
Total	**352**	**216**

Parent Company EUR '000s	2021	2020
Non-deductible VAT	78	52
Training and other external services	55	3
Other operating expenses	33	39
Business travel expenses	8	10
Rental expenses	2	12
Total	**176**	**116**

NOTE 10. NET FINANCIAL EXPENSES

Group EUR '000s	2021	2020
Financial income		
Interest income on convertible bonds	826	–
Interest income	670	463
Gain on bonds repurchased	–	2,134
Unrealized exchange gains	392	–
Realized exchange gains	–	27
Total financial income	**1,888**	**2,624**
Financial expenses		
Interest expense	(15,299)	(15,442)
Amortization of transaction costs	(2,621)	(1,695)
Call premium EUR 100M & EUR 33.5M senior secured bonds	(2,408)	–
Consent fees relating to the written procedures	–	(673)
Loss on financial assets at fair value	(687)	–
Bank charges	(219)	(128)
Other financial expenses	(19)	–
Unrealized exchange losses	–	(1,643)
Realized exchange losses	(40)	–
Total financial expenses	**(21,293)**	**(19,581)**
Net financial expenses	**(19,405)**	**(16,957)**

The increase in interest expense compared to 2020 is due to non-recurring items of approximately EUR 3.9m relating to the bond refinancing in Q2 2021. Please see note 25 for further details.

Parent EUR '000s	2021	2020
Financial income		
Interest income	16,239	17,787
Gain on bonds repurchased	–	2,134
Realized exchange gains	–	16
Total financial income	**16,329**	**19,937**
Financial expenses		
Interest expense	(15,297)	(15,433)
Amortization of transaction costs	(726)	(169)
Consent fees relating to the written procedures	(2,408)	(673)
Bank charges	–	–
Unrealized exchange losses	(11)	(13)
Realized exchange losses	(5)	–
Total financial expenses	**(18,447)**	**(16,288)**
Net financial (expenses) / income	**(2,118)**	**3,649**

NOTE 11. INCOME TAX

Group EUR '000s	2021	2020
Current tax expense for the year	317	268
Movement in deferred tax assets	(1,263)	738
Movement in deferred tax liabilities	321	88
Total tax (income) / expense	**(625)**	**1,094**

Parent Company EUR	2021	2020
Current tax expense for the year	–	107
Total tax expense	–	**107**

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

Group EUR '000s	2021	2020
(Loss) / profit before tax	(6,287)	9,963
Tax calculated at 11.85% (Swiss) tax rate (prior year 11.91%)	(745)	1,187
Movement in deferred tax assets	(518)	(757)
Movement in deferred tax liabilities	321	88
Effects of foreign tax rates	1	98
Adjustments for previous years and other	316	478
Total tax (income) / expense	**(625)**	**1,094**

Parent Company EUR '000s	2021	2020
(Loss) / profit before tax	(3,102)	2,749
Tax calculated at 20.6% (Swedish) tax rate (prior year 21.4%)	(639)	588
Adjustment for previous years and other	639	(481)
Total tax (income) / expense	–	**107**

The Group's effective tax rate was 9.9% at 31 December 2021 (11.0% at 31 December 2020).

There was no tax related to items of other comprehensive income.

NOTE 12. TANGIBLE ASSETS

Group EUR '000s	Furniture	Computer hardware	Total
Year ended 31 December 2021			
At 1 January 2021	**3**	**14**	**17**
Additions	–	–	**–**
Disposals	–	–	**–**
Depreciation	(1)	(4)	**(5)**
Impairment	–	–	**–**
At 31 December 2021	**2**	**10**	**12**
At cost	6	49	**55**
Accumulated depreciation	(4)	(39)	**(43)**
Net book value at 31 December 2021	**2**	**10**	**12**
Year ended 31 December 2020			
At 1 January 2020	**4**	**25**	**29**
Additions	–	1	**1**
Disposals	–	–	**–**
Depreciation	(1)	(12)	**(13)**
Impairment	–	–	**–**
At 31 December 2020	**3**	**14**	**17**
At cost	6	49	**55**
Accumulated depreciation	(3)	(35)	**(38)**
Net book value at 31 December 2020	**3**	**14**	**17**

NOTE 13. RIGHT-OF-USE ASSETS

Group EUR '000s	Office premises	Motor vehicles	Total
Year ended 31 December 2021			
At 1 January 2021	**29**	**12**	**41**
Additions	–	–	**–**
Disposals	(6)	–	**–**
Depreciation	(23)	(12)	**(35)**
Impairment	–	–	**–**
At 31 December 2021	**–**	**–**	**–**
At cost	93	57	**150**
Accumulated depreciation	(93)	(57)	**(150)**
Net book value at 31 December 2021	**–**	**–**	**–**

The majority of the underlying right-of-use assets in DDM Debt Group'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 24.

Group EUR '000s	Office premises	Motor vehicles	Total
Year ended 31 December 2020			
At 1 January 2020	**59**	**39**	**98**
Additions	–	–	**–**
Disposals	–	–	**–**
Depreciation	(30)	(27)	**(57)**
Impairment	–	–	**–**
At 31 December 2020	**29**	**12**	**41**
At cost	99	57	**156**
Accumulated depreciation	(70)	(45)	**(115)**
Net book value at 31 December 2020	**29**	**12**	**41**

At 31 December 2021 in Sweden the earliest termination date for the office lease agreement was 31 March 2022, and therefore no right-of-use asset has been recognized. In Slovenia the office lease agreement was terminated during 2021, resulting in a EUR 6k disposal, and at 31 December 2021 in Slovenia the earliest termination date for the new office lease agreement was 31 August 2022, and therefore no right-of-use asset has been 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.

NOTE 14. INTERESTS IN ASSOCIATES

Set out below are the associates of the DDM Debt Group as at 31 December 2021 and 31 December 2020. The entities listed have share capital consisting solely of ordinary shares, which are held directly by the DDM Debt 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.

Interests in associates are as follows:

Name of entity	Corporate identity number	Domicile	% of ownership interest 2021	2020	Nature of relationship
Addiko Bank AG	350921k	Austria	–	9.9%	Associate

Name of entity	Measurement method	Carrying amount (EUR '000s) 2021	2020
Addiko Bank AG	Equity method	–	32,986

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

Following the acquisition of a 9.9% stake in Addiko Bank that closed during March 2020, the results for the period up to 17 December 2021 include EUR 1.4m (FY 2020: EUR 0.2m) of share of net profits of the associate in the income statement and EUR 0.3m (FY 2020: EUR 2.7m) of share of other comprehensive income of associates accounted for using the equity method in other comprehensive income. DDM received a capital dividend amounting to EUR 0.7m on 4 May 2021 and a further EUR 3.9m capital dividend on 11 November 2021 from Addiko Bank.

NOTE 14. INTERESTS IN ASSOCIATES… *continued*

The investment was previously accounted for using the equity method in accordance with IAS 28 Associates and has changed as follows during the year:

EUR '000s	31 Dec 2021	31 Dec 2020
Opening net book value	**32,986**	**–**
Additions	–	30,094
Share of other comprehensive income of associates accounted for using the equity method	313	2,698
Share of net profits in the income statement	1,373	194
Reclassification to financial assets at fair value	(26,351)	–
Dividends received & other	(4,622)	–
Fair value loss recognized in the income statement	(3,699)	–
Closing net book value	**–**	**32,986**

In January 2021, a non-binding forward flow agreement and commitment to acquire a further 10.1% shareholding in Addiko Bank was signed, however this was not pursued and the DDM Debt Group did not increase its shareholding above the existing 9.9% held. The DDM Debt Group is no longer pursuing the plan to increase their shareholding in Addiko Bank following the agreement that was announced on 17 December 2021 to acquire 100% of the share capital of Swiss Bankers. As at 31 December 2021, the DDM Debt Group has an effective influence on the Supervisory Board of Addiko Bank of 12.5% (as there are 8 Board Members in total appointed) which is below the required 20% and therefore the DDM Debt Group reached the conclusion that it is no longer presumed to be able to exert significant influence over Addiko Bank and therefore the investment in Addiko Bank was reclassified to a financial asset at fair value. This resulted in a EUR 3.7m fair value loss recognized within financial expenses in the income statement measured at a closing share price of EUR 13.65/share on 31 December 2021, partially offset by EUR 3.0m of other comprehensive income being recycled to the income statement.

NOTE 15. INVESTMENT IN JOINT VENTURE

On 31 May 2019, the DDM Debt Group acquired a distressed asset portfolio containing secured corporate receivables in Croatia through a 50/50 joint venture with B2Holding. As part of the co-investment structure with B2Holding, 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.

Name of entity	Corporate identity number	Domicile	% of ownership interest 2021	% of ownership interest 2020	Nature of relationship
CE Partner S.a.r.l.	B230176	Luxembourg	50%	50%	Joint Venture
CE Holding Invest S.C.S	B230358	Luxembourg	50%	50%	Joint Venture

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

EUR '000s	31 Dec 2021	31 Dec 2020
Opening net book value	**25,691**	**29,952**
Additions	8,521	–
Share of net profits of joint venture	2,258	1,063
Incremental net distribution from joint venture	(4,651)	(5,324)
Closing net book value	**31,819**	**25,691**

The incremental net distribution from the joint venture includes EUR 5.6M (2020: EUR 4.5M) that has been received as a cash distribution during the full year 2021, of which EUR 3.6M relates to 2021 and EUR 2.0M relates to 2020. A further EUR 1.1M (31 December 2020: EUR 2.0M) that 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 the DDM Debt Group and B2Holding. The Joint Venture has invested in a non-performing secured portfolio acquired from HETA Asset Resolution in Croatia.

The summarized financial information shown below represents amounts from the Joint Venture's financial statements that were prepared in accordance with IFRS:

EUR '000s	31 Dec 2021	31 Dec 2020
Summarized balance sheet		
Non-current assets		
Portfolio investments	63,541	51,077
Current assets		
Cash and cash equivalents	3,371	–
Other current assets	–	835
Total assets	**66,912**	**51,912**
Current liabilities		
Other current liabilities	2,145	4,046
Total liabilities	**2,145**	**4,046**
Equity	**64,767**	**47,866**
Total liabilities and equity	**66,912**	**51,912**

EUR '000s	31 Dec 2021	31 Dec 2020
Summarized income statement		
Interest income	4,570	2,325
Operating expenses	(54)	(199)
Operating profit	**4,516**	**2,126**
Financial expenses	–	–
Profit before tax	**4,516**	**2,126**
Taxation	–	–
Profit for the year	**4,516**	**2,126**

NOTE 16. FINANCIAL ASSETS AT FAIR VALUE

Equity-traded instruments and other investments that do not meet the criteria under IFRS 9 of cash flows consisting solely of payments of principle and interest (SPPI) and Hold to collect for being measured at amortised cost nor elected at FVTOCI are measured at fair value through profit or loss (FVTPL).

Financial assets held at FVTPL are initially recognised and subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses recognised through financial income or expenses respectively in the consolidated income statement. Dividends or any interest earned on the financial assets are included within financial income.

On 3 December 2021, the DDM Debt Group acquired a 5% stake in Borgosesia S.p.A. ("Borgosesia"), an Italian investment platform specialized in secured non-performing loans and special situations for approximately EUR 1.4m financed by cash on hand. During 2021, the DDM Debt Group has invested into a total of EUR 15.8m of pre-IPO convertible bonds in Omnione S.A ("Omnio"),

NOTE 16. FINANCIAL ASSETS… *continued*

a leading innovator in Banking-as-a-Service of which EUR 3.0m was paid on 12 May, EUR 1.0m was paid on 18 November and EUR 11.8m was reclassified from accounts receivables. In addition, EUR 3.9m was invested in Omnio on 6 October and EUR 4.0m invested in Omnio Group Limited ("Omnio Group") on 30 November. On 17 December 2021, the investment in Addiko Bank was reclassified from investment in associates and measured at a closing share price of EUR 13.65/share on 31 December 2021.

EUR '000s	31 Dec 2021	31 Dec 2020
Balance at beginning of the year	**–**	**–**
Reclassification from investment in associates at fair value	26,351	–
Additions	13,416	–
Reclassification from accounts receivable	11,780	–
Balance at end of the year	**51,547**	**–**

During 2021 and 2020, the Group has not reclassified any of its financial non-current assets, which have been valued at amortized cost, to assets valued at fair value.

The DDM Debt Group invests in portfolios that are denominated in local currencies as well as portfolios/receivables denominated in EUR. Therefore, fluctuations in the EUR exchange rate against these currencies affects collections from invested assets and the operating earnings of the DDM Debt Group.

The carrying values of the distressed asset portfolios owned by the DDM Debt Group are distributed by currency as follows:

EUR '000s	31 December 2021	31 December 2020
HRK	51,179	55,214
EUR	9,155	9,971
HUF	7,309	7,347
PLN	5,781	–
RON	5,279	532
RSD	1,591	792
CZK	284	3,338
Total	**80,578**	**77,194**

An appreciation of the euro of 10% as at 31 December 2021 against the Croatian kuna would have resulted in an additional unrealized foreign exchange loss of EUR 5.1M (31 December 2020: loss of EUR 5.5M) and against the Hungarian Forint a loss of EUR 0.7M (31 December 2020: loss of EUR 0.7M). Consequently, a depreciation of the euro of 10% at 31 December 2021 and 31 December 2020 would have resulted in an additional unrealized foreign exchange gain of the same amount.

NOTE 17. DISTRESSED ASSET PORTFOLIOS

EUR '000s	31 Dec 2021	31 Dec 2020
Opening accumulated acquisition cost	**288,823**	**286,973**
Acquisitions	20,198	3,966
Reclassification from other long-term receivables from Investments	–	2,853
Disposals	–	–
Revaluation, including forex differences	7,013	(4,969)
Closing accumulated acquisition cost	**316,034**	**288,823**
Opening accumulated amortization, revaluation and impairment	**(211,629)**	**(146,697)**
Amortization, including forex differences	(23,827)	(64,600)
Impairment	–	(332)
Closing accumulated amortization, revaluation and impairment	**(235,456)**	**(211,629)**
Closing net book value	**80,578**	**77,194**

Net collections (see note 6) in 2020 includes EUR 59.8M received from Greece, due to the accelerated collections received following the restructuring of the Greek investment. The entire carrying value remaining of EUR 43.8M prior to the restructuring has been recognized as amortization. The DDM Debt Group has assessed the transaction and concluded it retains the same contractual rights to future cashflows in the distressed asset portfolio as prior to the restructuring and therefore has not derecognized the asset under IFRS 9 amortized cost as of 31 December 2021 and 31 December 2020.

NOTE 18. OTHER LONG-TERM RECEIVABLES FROM INVESTMENTS

EUR '000s	31 December 2021	31 December 2020
Opening accumulated acquisition cost	**–**	**20,849**
Reclassification to distressed asset portfolios	–	(2,853)
Revaluations, including forex differences	–	(390)
Closing accumulated acquisition cost	**–**	**17,606**
Opening accumulated amortization and impairment	**–**	**(17,826)**
Amortization, including forex differences	–	220
Closing accumulated amortization and impairment	**–**	**(17,606)**
Closing net book value	**–**	**–**

The DDM Debt Group owned 100% of the shares in certain legal entities holding leasing portfolios as at 31 December 2019. The fair value of 100% of the equity was

NOTE 18. OTHER LONG-TERM… *continued*

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 Debt Group acquired and obtained 100% control of the economic rights to a distressed asset portfolio located in Hungary, resulting in the consolidation of Clipper Holding III S.à r.l. Prior to the acquisition the DDM Debt Group owned the rights to 30 percent of the portfolio which was reclassified from other long-term receivables from investments to distressed asset portfolios in 2020. On 17 December 2020 Clipper Holding III S.à r.l. was dissolved.

NOTE 19. DEFERRED TAX

DTA - Group EUR '000s	Opening balance	Income statement (charge) / credit	FX	Closing balance
2021				
Tax losses carried forward	637	1,263	–	**1,900**
Total	**637**	**1,263**	**–**	**1,900**
2020				
Tax losses carried forward	1,375	(738)	–	**637**
Total	**1,375**	**(738)**	**–**	**637**

DTL - Group EUR '000s	Opening Balance	Income statement (charge) / credit	FX	Closing balance
2021				
Invested assets	(308)	(321)	–	**(629)**
Total	**(308)**	**(321)**	**–**	**(629)**
2020				
Invested assets	(220)	(88)	–	**(308)**
Total	**(220)**	**(88)**	**–**	**(308)**

The Group's deferred tax assets have been recognized in accordance with IAS 12 as, 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.

NOTE 20. OTHER NON-CURRENT ASSETS

During 2019 EUR 250k was paid from the DDM Debt Group to AXFina Austria GmbH and recognized as a non-current asset receivable to fund the working capital of the servicing platform.

Other non-current assets by currency:

Group EUR '000s	31 December 2021	31 December 2020
EUR	313	280
SEK	–	10
Total	**313**	**290**

Parent EUR '000s	31 December 2021	31 December 2020
EUR	303	402
SEK	–	23
Total	**303**	**425**

NOTE 21. CURRENT RECEIVABLES

Group EUR '000s	31 Dec 2021	31 Dec 2020
Accounts receivable	1,711	14,152
Receivables from other group companies	157	138
Tax assets	82	86
Other receivables	4,192	1,636
Prepaid expenses and accrued income	1,506	2,278
Total	**7,648**	**18,290**

Group EUR '000s	31 Dec 2021	31 Dec 2020
Accounts receivable < 30 days	1,650	14,124
Accounts receivable 31-60 days	1	19
Accounts receivable 61-90 days	45	4
Accounts receivable > 91 days	15	5
Total	**1,711**	**14,152**

A provision of EUR 2k (31 December 2020: EUR 2k) was made for impairment of accounts receivables as of 31 December 2021, under the simplified approach permitted under IFRS 9.

Accounts receivable by currency:

Group EUR '000s	31 Dec 2021	31 Dec 2020
EUR	1,161	14,050
HUF	474	–
RON	56	102
Other (HRK, CZK)	20	–
Total	**1,711**	**14,152**

The fair values of the Group's current receivables correspond to the book values.

Parent EUR '000s	31 Dec 2021	31 Dec 2020
Other receivables	1,402	1,377
Prepaid expenses and accrued income	5,791	9,904
Total	**7,193**	**11,281**

Other receivables as of 31 December 2021 includes EUR 1,367k (31 December 2020: EUR 1,367k) deferred consideration receivable from AxFina Holding S.A. Please see note 28 for further details.

Prepaid expenses and accrued income as of 31 December 2021 includes EUR 5,779k (31 December 2020: EUR 9,879k) of accrued interest income on loans to group companies see note 28 for further details.

NOTE 22. CASH AND CASH EQUIVALENTS

Group EUR '000s	31 Dec 2021	31 Dec 2020
Cash and cash equivalents	62,750	30,672
Total	**62,750**	**30,672**

Parent Company EUR '000s	31 Dec 2021	31 Dec 2020
Cash and cash equivalents	3,453	521
Total	**3,453**	**521**

At 31 December 2021 the majority of the DDM Debt Group's bank accounts were held with banks with credit ratings ranging from A+ to BB- as rated by Standard & Poor's. At 31 December 2020 the majority of the DDM Debt Group's bank accounts were held with banks with credit ratings ranging from A+ to BB- as rated by Standard & Poor's.

NOTE 23. SHARE CAPITAL

The 54,000 shares have a quota of 1 per share. Each share entitles the holder to one vote. All registered shares as per the reporting date are fully paid.

NOTE 24. LEASE LIABILITIES

Group EUR '000s	Current	Non- current	Total
Year ended 31 December 2021			
At 1 January 2021	**69**	**–**	**69**
Additions	–	–	**–**
Disposals	(45)	–	**–**
Cash flow	(32)	–	**–**
Interest expense	8	–	**–**
Reclassifications	–	–	**–**
At 31 December 2021	**–**	**–**	**–**

Group EUR '000s	Current	Non- current	Total
Year ended 31 December 2020			
At 1 January 2020	**47**	**57**	**104**
Additions	–	–	**–**
Disposals	–	–	**–**
Cash flow	(47)	–	**(47)**
Interest expense	12	–	**12**
Reclassifications	57	(57)	**–**
At 31 December 2020	**69**	**–**	**69**

The majority of the DDM Debt Group'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.

At 31 December 2021 in Sweden the earliest termination date for the office lease agreement was 31 March 2022, and therefore no lease liability has been recognized. In Slovenia the office lease agreement was terminated during 2021, and at 31 December 2021 in Slovenia the earliest termination date for the new office lease agreement was 31 August 2022, and therefore no lease liability has been 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 was recognized.

NOTE 25. BOND LOANS AND BORROWINGS

The DDM Debt Group had the following borrowings at the balance sheet dates of 31 December 2021 and 31 December 2020. See note 4 for a description of contractual undiscounted cash flows.

Bond loan EUR 200m
On 19 April 2021, DDM Debt issued EUR 150m of senior secured fixed rate bonds at 9% within a total framework amount of EUR 300m. The bonds with ISIN number SE0015797683 have a final maturity date of 19 April 2026 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 100m and EUR 33.5m bonds (of which EUR 23m of the EUR 100m bonds were already held by DDM Debt) and for investments and acquisitions.

On 21 September 2021, DDM Debt successfully completed a EUR 50M tap issue under the EUR 300M senior secured bond framework. The bond tap issue was placed at a price of 102.0%. Following the tap issue the total outstanding amount of the company's bond loan is EUR 200 million.

DDM Debt's financial instruments contain a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds are: an equity ratio of at least 20.00% and net interest bearing debt to ERC below 75.00%. The financial covenants must be complied with on an incurrence test basis. DDM's management carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded.

DDM Debt has pledged the shares in its material wholly-owned subsidiaries as security under the terms and conditions. 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 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 and local credits. The terms and conditions of the senior secured bonds are available in their entirety on our website.

Bond loan EUR 100m
On 6 May 2021, DDM Debt redeemed in advance its EUR 100m senior secured bonds with ISIN SE0012454940 and its EUR 33.5m senior secured bonds with ISIN number SE0010636746, 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 101.85 per cent. and 103.0 per cent. of the outstanding nominal amount for the EUR 100m bonds and EUR 33.5m bonds respectively) totaling EUR 2.4m, plus accrued but unpaid interest. In addition, the remaining capitalized transaction costs of approximately EUR 1.5m were expensed to the income statement as a non-cash write off in relation to the existing bonds. The redemption amount was paid to the bondholders holding bonds on the relevant record date, being 29 April 2021. 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 23 April 2021.

On 8 April 2019, DDM Debt issued EUR 100m of senior secured bonds priced at Euribor plus a margin of 9.25% within a total framework amount of EUR 150m. The bonds with ISIN number SE0012454940 had a final maturity date of 8 April 2022 and were listed on the Corporate Bond list at Nasdaq Stockholm. At 31 December 2020 and at the redemption date DDM Debt held EUR 23m of the EUR 100m senior secured bonds following bond buybacks.

Bond loan EUR 50m (EUR 33.5m at redemption date)
The EUR 33.5m bonds were redeemed in advance on 6 May 2021 (see "Bond loan EUR 100m" section above for further details).

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 had a final maturity date of 11 December 2021 and were listed on the Corporate Bond list at Nasdaq Stockholm.

On 14 August 2020 DDM Debt AB completed a written procedure to request certain amendments to the terms and conditions of its up to EUR 160m senior secured bonds. The amendments incorporated a mandatory partial redemption structure, including a EUR 7.5m of nominal value bond buyback paid on 16 September 2020, EUR 5m bond cancellation on 18 December 2020, call structure and consent fee of 1% that was paid on 28 August 2020. On 30 March 2021 EUR 4m was repaid as part of the mandatory partial redemption structure.

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 was 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.

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

NOTE 25. BOND LOANS… *continued*

Maturity profile of borrowings:

Group & Parent 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 2021						
Bond loan, 9%	–	–	–	–	183,452	**183,452**
Total	**–**	**–**	**–**	**–**	**183,452**	**183,452**
at 31 December 2020						
Revolving credit facility	8,971	–	–	–	–	**8,971**
Bond loan, 8%	36,391	–	–	–	–	**36,391**
Bond loan, 9.25%	–	75,303	–	–	–	**75,303**
Total	**45,362**	**75,303**	**–**	**–**	**–**	**120,665**

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

Please refer to note 4 "Financial Risk Management" for disclosures regarding the fair value of the Group's loans and borrowings.

NOTE 26. 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
At 1 January 2021	**30,672**	**(45,362)**	**(75,303)**	**(89,993)**
Cash flow	32,137	45,890	(106,056)	**(28,029)**
Amortization of transaction costs (non-cash)	–	(528)	(2,093)	**(2,621)**
Exchange movements	(59)	–	–	**(59)**
At 31 December 2021	**62,750**	**–**	**(183,452)**	**(120,702)**

Amounts in EUR '000s	Cash and cash equivalents	Current borrowings	Non-current borrowings	Total
At 1 January 2020	**11,464**	**(49,504)**	**(97,626)**	**(135,666)**
Cash flow	19,420	4,643	23,314	**47,376**
Amortization of transaction costs (non-cash)	–	(699)	(996)	**(1,695)**
Other non-cash movements	–	198	–	**198**
Exchange movements	(212)	–	5	**(207)**
At 31 December 2020	**30,672**	**(45,362)**	**(75,303)**	**(89,993)**

NOTE 26. CASH FLOW… *continued*

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

Amounts in EUR '000s	2021	2020
Increase / (decrease) in cash and cash equivalents	32,137	19,420
Increase in external borrowings	(182,756)	(27,471)
Capitalized written procedure costs	–	552
Repayment of external borrowings	122,590	54,876
Change in net debt resulting from cash flows	(28,029)	47,376
Amortization of transaction costs (non-cash)	(2,621)	(1,695)
Other non-cash movements	–	198
Exchange movements	(59)	(212)
Movement in net debt during the year	(30,709)	45,673
Opening net debt	**(89,993)**	**(135,666)**
Closing net debt	**(120,702)**	**(89,993)**

NOTE 27. CURRENT LIABILITIES

Group EUR '000s	Less than 3 months	3 – 12 months	Total
At 31 December 2021			
Accounts payable	323	–	**323**
Tax liabilities	153	261	**414**
Accrued interest	–	6,559	**6,559**
Accrued expenses and deferred income	266	2,192	**2,458**
Total current liabilities	**742**	**9,012**	**9,754**
At 31 December 2020			
Loans	12,971	32,391	**45,362**
Accounts payable	358	–	**358**
Tax liabilities	–	231	**231**
Accrued interest	1,678	156	**1,834**
Accrued expenses and deferred income	3,296	2,900	**6,196**
Lease liabilities	–	47	**47**
Total current liabilities	**18,303**	**35,725**	**54,028**

Parent Company EUR '000s	Less than 3 months	3 – 12 months	Total
At 31 December 2021			
Accounts payable	54	–	**54**
Tax liabilities	–	103	**103**
Accrued interest	–	6,559	**6,559**
Accrued expenses and deferred income	167	–	**167**
Total current liabilities	**221**	**6,662**	**6,883**
At 31 December 2020			
Loans	12,971	33,001	**45,972**
Accounts payable	189	–	**189**
Tax liabilities	–	151	**151**
Accrued interest	1,678	156	**1,834**
Accrued expenses and deferred income	138	134	**272**
Total current liabilities	**14,976**	**33,442**	**48,418**

NOTE 28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Compensation (to) / from related parties

Group EUR '000s	Management fee	Commission and consultancy costs	Interest expense	Interest income	Total
2021					
DDM Group AG	(5,750)	–	–	438	**(5,312)**
DDM Finance AB	–	–	(2,164)	–	**(2,164)**
AxFina Austria GmbH	–	–	–	24	**24**
AxFina Holding S.A.	–	(765)	–	–	**(765)**
AxFina Croatia d.o.o.	–	(1,017)	–	–	**(1,017)**
AxFina, poslovne storitve d.o.o.	–	(2)	–	–	**(2)**
AxFina Romania Srl	–	(248)	–	–	**(248)**
Omnione S.A.	–	–	–	958	**958**
Omnione Group Limited	–	–	–	40	**40**
Total	**(5,750)**	**(2,052)**	**(2,164)**	**1,460**	**(8,506)**

Receivables, payables and debts – related parties

Group EUR '000s	Current	Non-current	Total
at 31 December 2021			
Loan to AxFina Holding S.A.	–	250	**250**
Loan to DDM Group AG	–	4,000	**4,000**
Receivables from DDM Group AG	–	5,936	**5,936**
Interest receivable from DDM Group AG	–	1,649	**1,649**
Payables to DDM Group AG	–	(3,275)	**(3,275)**
Payables to DDM Holding AG	–	(9)	**(9)**
Loan payable to DDM Finance AB, subordinated	–	(37,586)	**(37,586)**
Accrued interest cost DDM Finance AB	(3,214)	–	**(3,214)**
Receivables from DDM Finance AB	157	–	**157**
Receivables from AXFina Holding S.A.	1,367	–	**1,367**
Accrued interest income AxFina Austria GmbH	–	53	**53**
Payables to AxFina, poslovne storitve d.o.o.	(2)	–	**(2)**
Payables to AxFina Croatia d.o.o.	(3)	–	**(3)**
Total	**1,695**	**(28,982)**	**(30,677)**

NOTE 28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES… *continued*

Compensation (to) / from related parties

Parent Company EUR '000s	Interest expense	Interest income	Total
2021			
DDM Group AG	–	220	**220**
DDM Invest III AG	–	15,956	**15,956**
DDM Invest VII d.o.o.	–	76	**76**
AXFina Austria GmbH	–	24	**24**
DDM Debt Management d.o.o. Beograd	–	53	**53**
DDM Finance AB	(2,164)	–	**(2,164)**
Total	**(2,164)**	**16,329**	**14,165**

Receivables, payables and debts – related parties

Parent Company EUR '000s	Current	Non-current	Total
at 31 December 2021			
Loan to AXFina Austria GmbH	–	250	**250**
Loan to DDM Group AG	–	2,000	**2,000**
Receivables from DDM Group AG	–	5,936	**5,936**
Loan to DDM Invest III AG	–	4,215	**4,215**
Loan to DDM Invest III AG	–	205,000	**205,000**
Loan to DDM Invest VII d.o.o.	–	760	**760**
Loan to DDM Debt Management d.o.o. Beograd	–	700	**700**
Loan to DDM Finance AB	–	150	**150**
Accrued interest income DDM Group AG	–	1,071	**1,071**
Accrued interest income from AXFina Austria GmbH	–	53	**53**
Receivables from AXFina Holding S.A.	1,367	–	**1,367**
Accrued interest on loan to DDM Invest III AG	5,410	–	**5,410**
Accrued interest on loan to DDM Invest VII d.o.o	343	–	**343**
Accrued interest on loan to DDM Debt Management d.o.o. Beograd	26	–	**26**
Loan from DDM Group AG	–	(1,324)	**(1,324)**
Loan payable to DDM Finance AB	–	(37,586)	**(37,586)**
Accrued interest payable to DDM Finance AB	(3,214)	–	**(3,214)**
Total	**3,932**	**181,225**	**185,157**

NOTE 28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES… *continued*

Compensation (to) / from related parties

Group EUR '000s	Management fee	Commission and consultancy costs	Interest expense	Interest income	Total
2020					
DDM Group AG	(9,000)	–	–	440	**(8,560)**
DDM Finance AB	–	–	(2,006)	–	**(2,006)**
AXFina Austria GmbH	–	–	–	24	**24**
AXFina Holding S.A.	–	(385)	–	–	**(385)**
AxFina Croatia d.o.o.	–	(879)	–	–	**(879)**
AxFina, poslovne storitve d.o.o.	–	(4)	–	–	**(4)**
Total	**(9,000)**	**(1,268)**	**(2,006)**	**464**	**(11,810)**

Receivables, payables and debts – related parties

Group EUR '000s	Current	Non-current	Total
at 31 December 2020			
Loan to AXFina Austria GmbH	–	250	**250**
Loan to DDM Group AG	–	4,000	**4,000**
Receivables from DDM Group AG		5,936	**5,936**
Interest receivable from DDM Group AG	–	1,209	**1,209**
Payables to DDM Group AG	–	(3,068)	**(3,068)**
Payables to DDM Holding AG	–	(9)	**(9)**
Payables to DDM Group AG, subordinated	–	(1,775)	**(1,775)**
Loan payable to DDM Finance AB, subordinated	–	(14,950)	**(14,950)**
Loan payable to DDM Holding AG, subordinated	–	(20,861)	**(20,861)**
Accrued interest cost DDM Finance AB		(4,800)	**(4,800)**
Receivables from DDM Finance AB	138	–	**138**
Receivables from AXFina Holding S.A.	1,367	–	**1,367**
Accrued interest income AXFina Austria GmbH	–	30	**30**
Payables to AXFina Holding S.A.	(51)	–	**(51)**
Accrued expense AxFina Croatia d.o.o.	(234)	–	**(234)**
Total	**1,220**	**(34,038)**	**(32,818)**

NOTE 28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES… *continued*

Compensation (to) / from related parties

Parent Company EUR '000s	Other operating income	Interest expense	Interest income	Total
2020				
DDM Group AG	–	–	220	**220**
DDM Invest III AG	–	–	17,449	**17,449**
DDM Invest VII d.o.o.	–	–	76	**76**
AXFina Austria GmbH	–	–	24	**24**
DDM Finance AB	–	(2,006)	–	**(2,006)**
DDM Debt Management d.o.o. Beograd	–	–	18	**18**
Total	–	**(2,006)**	**17,787**	**15,781**

Receivables, payables and debts – related parties

Parent Company EUR '000s	Current	Non-current	Total
at 31 December 2020			
Loan to AXFina Austria GmbH	–	250	**250**
Loan to DDM Group AG	–	2,000	**2,000**
Receivables from DDM Group AG	–	5,936	**5,936**
Loan to DDM Invest III AG	–	124,582	**124,582**
Loan to DDM Invest III AG, subordinated	–	1,235	**1,235**
Loan to DDM Invest VII d.o.o.	–	760	**760**
Loan to DDM Debt Management d.o.o. Beograd	–	1,100	**1,100**
Loan to DDM Finance AB	–	131	**131**
Accrued interest income DDM Group AG	–	851	**851**
Accrued interest income from AXFina Austria GmbH	–	30	**30**
Receivables from AXFina Holding S.A.	1,367	–	**1,367**
Accrued interest on loan to DDM Invest III AG	9,586	–	**9,586**
Accrued interest on loan to DDM Invest VII d.o.o	267	–	**267**
Accrued interest on loan to DDM Debt Management d.o.o. Beograd	26	–	**26**
Loan from DDM Group AG	–	(1,324)	**(1,324)**
Loan payable to DDM Finance AB	–	(14,950)	**(14,950)**
Accrued interest payable to DDM Finance AB	–	(4,800)	**(4,800)**
Total	**11,246**	**115,801**	**127,047**

The Company has defined the Company's management, the Board of Directors in the Parent Company, DDM Debt AB (publ), the owners of DDM Debt AB (publ) and all subsidiaries included in the Group as related parties. AxFina Austria GmbH, AxFina Romania S.R.L, AxFina Croatia d.o.o, AxFina d.o.o and AxFina Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. (DDM Holding AG's largest shareholder) are also defined as related parties. Omnione S.A and Omnione Group Limited are also defined as related parties.

No interest is calculated on the current intercompany receivables / payables within the DDM Debt Group.

NOTE 28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES… *continued*

In 2019 DDM Group Finance S.A. entered into an agreement with the DDM Debt Group where DDM Group Finance S.A. provides services under a brokerage contract. In relation to this agreement an amount of EUR 2.4m of brokerage fees were capitalized as part of the bond refinancing during 2021, resulting in EUR 0.1m and EUR 0.3m of amortized transaction costs that were recognized within financial expenses in Q4 and the full year of 2021 respectively. In relation to the full year 2020 EUR 1.1m of brokerage fees were capitalized as transaction costs as part of the strategic investment in Addiko Bank. In relation to the full year 2019 an amount of EUR 1.3m of brokerage fees was capitalized as transaction costs as part of the bond refinancing during Q2 2019, resulting in EUR nil and EUR 0.6m (Q4 2020: EUR 0.1m and FY 2020: EUR 0.4m) of amortized transaction costs that were recognized within financial expenses in Q4 and the full year of 2021 respectively.

Current assets at 31 December 2021 includes EUR 1.4m receivable from AxFina Holding S.A. ("AxFina") for the sale of 82% of the shares held in AxFina Austria GmbH during the full year 2019. A further EUR 0.3m is receivable from AxFina including EUR 0.2m of working capital loans and EUR 0.1m of accrued interest.

During 2020, AxFina entered into an agreement with the DDM Debt Group where AxFina provides debt collection services under a servicing contract. In relation to this agreement EUR 0.7m and EUR 1.9m (Q4 2020: EUR 0.5m, and FY 2020: EUR 1.3m) was expensed and principally recognized within collection and commission expenses in Q4 and the full year of 2021 respectively.

In 2017 the DDM Debt Group undertook an investment in a Greek NPL transaction which was executed by making a structured investment of a net amount of EUR 36.4m into a Luxembourg SPV ("Artemis Finance Holding S.A.R.L."), whose shares are ultimately held by trusts attributable to Erik Fällström and Andreas Tuczka. In 2019 the DDM Debt Group further bought out the co-investor, with a total investment amounting to approximately EUR 20.1m. In 2020 the DDM Debt Group restructured its investment in the Greek NPL transaction which resulted in accelerated collections of EUR 59.8m being received in H2 2020 and the entire carrying value remaining of EUR 43.8m prior to the restructuring was recognized as amortization. The DDM Debt Group has assessed the transaction and concluded that it retains the same contractual rights to future cashflows in the distressed asset portfolio as prior to the restructuring and therefore has not derecognized the asset under IFRS 9 amortized cost. As at 31 December 2021 the DDM Debt Group has released EUR 1.6m of accrued expenses and deferred income recognized during 2020, of which EUR 1.0m has been recognized to net collections, EUR 0.4m netted against prepaid expenses and accrued income and EUR 0.2m has been paid during the year.

Transactions between the DDM Debt Group companies (fully consolidated) and Artemis Finance Holding (and its subsidiaries) were as follows:

Group EUR '000s		1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Income Statement	Net collections	952	74,522
	Amortization net of revaluation	–	(49,890)
Income Statement, Total		**952**	**7,792**

Group EUR '000s		31 December 2021	31 December 2020
Balance sheet	Accounts receivable	–	11,876
	Accrued expensed and deferred income	(476)	(2,064)
Balance sheet, Total		**(476)**	**9,812**

During 2021, the DDM Debt Group has invested into a total of EUR 15.8m of pre-IPO convertible bonds in Omnione S.A ("Omnio"), a leading innovator in Banking-as-a-Service of which EUR 3.0m was paid on 12 May, EUR 1.0m was paid on 18 November and EUR 11.8m was reclassified from accounts receivables. In addition, EUR 3.9m was invested in Omnio on 6 October and EUR 4.0m was invested in Omnio Group Limited ("Omnio Group") on 30 November. Omnio Group has not finalized its financial reporting as at 31 December 2021, consequently Rothesay Limited a company related to the Achilles Trust and Erik Fällström has committed to support the going concern of Chronos Investments S.à r.l. that holds the investment in Omnio for at least the next 12 months.

NOTE 29. PARTICIPATIONS IN GROUP COMPANIES

Parent Company EUR '000s	31 December 2021	31 December 2020
Investment	9,478	9,478
Total	**9,478**	**9,478**

Parent Company EUR '000s	Investment
At 1 January 2020	**9,523**
Acquisitions	–
Merger	(45)
At 31 December 2020	**9,478**
At 1 January 2021	**9,478**
Acquisitions	–
At 31 December 2021	**9,478**

The Parent Company holds shares in the following subsidiaries:

EUR '000s Company	Corporate identity number	Domicile	Proportion of equity 31 Dec 2021	Proportion of equity 31 Dec 2020	Net book value 31 Dec 2021	Net book value 31 Dec 2020
DDM Invest III AG	CHE 115.238.947	Switzerland	100%	100%	9,364	9,364
DDM Mergeco AG*	CHF-353.292.452	Switzerland	100%	–	–	–
DDM Invest V d.o.o.*	8297355000	Slovenia	100%	100%	–	–
DDM Invest VII d.o.o.	7109806000	Slovenia	100%	100%	8	8
DDM Debt Management d.o.o Beograd**	21313963	Serbia	100%	100%	–	–
DDM Debt Romania S.R.L	39689815	Romania	99%	99%	106	106
DDM REO Adria d.o.o.* **	05288215	Croatia	100%	100%	–	–
Total					**9,478**	**9,478**

* DDM Mergeco AG, DDM Invest V d.o.o. and DDM REO Adria d.o.o. are subsidiaries 100% indirectly held through DDM Invest III AG.

** The net book value of the investments in DDM Debt Management d.o.o Beograd and DDM REO Adria d.o.o. amount to EUR 1 each as of 31 December 2021 and 31 December 2020.

On 25 November 2021, DDM Invest III AG acquired 100% of the share capital of DDM Mergeco AG from DDM Group Finance S.A.

NOTE 30. PROPOSED APPROPRIATION OF EARNINGS

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

EUR	2021
Retained earnings	14,063,824
Net earnings for the year	(3,101,532)
Total	**10,962,292**

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

EUR	2021
Balance carried forward	10,962,292
Total	**10,962,292**

NOTE 31. PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

The Parent Company has pledged the shares in its material wholly-owned subsidiaries as security under the terms and conditions of the senior secured bonds. In addition, the investors receive a first ranking share pledge over the shares of DDM Debt AB.

The Parent Company's pledged collateral in the form of shares held in the material wholly-owned subsidiaries amounted to EUR 150k at 31 December 2021 (EUR 262k at 31 December 2020). In addition, the Parent Company had a bank guarantee of EUR 5k at 31 December 2021 (EUR 5k at 31 December 2020). Neither the DDM Debt Group nor the Parent Company has any other pledged assets, contingent liabilities or other items to report.

The DDM Debt Group has office rental lease contracts in Slovenia and Sweden. From 1 January 2019, the group has recognised right-of-use assets and lease liabilities for these leases, except for short term and low-value leases, see note 24 for further information. At 31 December 2021 in Sweden the earliest termination date for the office lease agreement was 31 March 2022, and therefore no right-of-use asset or lease liability has been recognized. At 31 December 2021 in Slovenia the earliest termination date for the office lease agreement was 31 August 2022, and therefore no right-of-use asset or lease liability has been 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 or lease liability has been 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 2021	–	–	–	**–**
At 31 December 2020	69	–	–	**69**

NOTE 32. EVENTS AFTER THE BALANCE SHEET DATE

On 2 February 2022, the National Assembly of Slovenia approved a "Law on limiting and distributing currency risk among creditors and borrowers of loans in Swiss francs", the implementation of which the Constitutional Court of the Republic of Slovenia unanimously decided to suspend on 10 March 2022 pending a final decision on the conformity of the Law with the Constitution. It remains uncertain whether legal remedies against the Law will prove successful as for the time being there is no indication by when the Constitutional Court in Slovenia will finalise its assessment. The DDM Debt Group has reviewed its distressed asset portfolios located in Slovenia which do not contain receivables with loan agreements that were denominated in Swiss francs. The extent of the impact on the DDM Debt Group's investment in Addiko Bank could be material due to a significant decline in the share price.

Fitch Ratings ("Fitch") placed DDM Debt and DDM Debt's EUR 200m senior secured bonds that are assigned with a "B" Rating on Rating Watch Negative on 23 February 2022, which is expected to be resolved within 6 months.

The DDM Debt Group is following closely the evolving conflict in Ukraine, which has resulted in significant turmoil in financial markets on a global scale. Whilst the DDM Debt Group's operations in Southern, Central and Eastern Europe are not expected to be directly impacted, the DDM Debt Group could be exposed to unfavourable exchange rate movements that could result in significant unrealised foreign exchange losses in 2022, however the DDM Debt Group is actively managing its foreign exchange positions.

The DDM Debt Group considers all of the subsequent events above as non-adjusting events after the end of the reporting period.

Reconciliation tables, non-IFRS measures

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

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

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

Net collections:

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

Amortization, revaluation and impairment of invested assets:

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

Operating expenses and Cash EBITDA:

Amounts in EUR '000s	**1 Jan – 31 Dec 2021**	**1 Jan – 31 Dec 2020**
Net collections*	46,601	110,200
Revenue from management fees	100	–
Personnel expenses	(646)	(695)
Consulting expenses	(7,720)	(9,607)
Other operating expenses	(352)	(216)
Operating expenses	(8,718)	(10,518)
Cash EBITDA	37,983	99,682

** Net collections includes the incremental net distribution from associate and joint venture.*
Please refer to page 63 for a reconciliation of alternative performance measures ("APMs") to IFRS

Net debt:

Bond loan, 9%	183,452	–
Revolving credit facility	–	8,971
Bond loan, 8%	–	36,391
Bond loan, 9.25%	–	75,303
Less: Cash and cash equivalents	(62,750)	(30,672)
Net debt	120,702	89,993

Reconciliation tables, non-IFRS measures, continued

Equity ratio:

Amounts in EUR '000s	**31 December 2021**	**31 December 2020**
Shareholder's equity	13,447	21,839
Shareholder debt (subordinated)	37,586	37,586
Total equity according to the senior secured bond terms	51,033	59,425
Total assets	248,152	196,963
Equity ratio	20.6%	30.2%

Alternative performance measures

Alternative performance measures – reconciliation to IFRS:

Amounts in EUR '000s	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Gross collections	**40,344**	**104,876**
Incremental gross distribution from associate and joint venture	15,563	5,324
Adjusted gross collections	**55,907**	**110,200**
Net collections	**36,392**	**104,876**
Incremental net distribution from associate and joint venture	10,209	5,324
Adjusted net collections	**46,601**	**110,200**
Cash EBITDA	**27,774**	**94,358**
Incremental net distribution from associate and joint venture	10,209	5,324
Adjusted cash EBITDA	**37,983**	**99,682**
Net (loss) / profit for the year	**(5,662)**	**8,869**
Non-recurring items bond refinancing	3,911	–
Adjusted net (loss) / profit for the year	**(1,751)**	**8,869**

The financial statements of the DDM Debt Group 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, the Company presents alternative performance measures ("APMs").

Adjusted key figures for gross collections, net collections, cash EBITDA and net (loss) / profit 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 DDM Debt Group's run rate cost level, significant earnings effects from acquisitions and disposals and incremental distributions from associates and 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

CHF
Swiss franc, the currency of Switzerland

CZK
Czech koruna, the currency of the Czech Republic

DCA
Debt collection agency

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

DDM Debt Group, the Company or the Group
DDM Debt AB (publ), Swedish Corporate ID No. 559053- 6230, 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

HRK
Croatian kuna, the currency of Croatia

HUF
Hungarian forint, the currency of Hungary

M
Million

NPL
Non-performing loans

Parent Company
DDM Debt AB (publ), Swedish Corporate ID No. 559053- 6230

PLN
Polish Zloty, the currency of Poland

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, less operating expenses

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 and share of net profits / (losses) from joint ventures and associates

Equity
Shareholders’ equity at the end of the period

Estimated Remaining Collections / ERC
Estimated Remaining Collections refers to the sum of future, undiscounted projected cash collections before commission & fees from acquired portfolios and future reasonably expected dividends, distributions or other payments from investments (not double counting), in each case for the next following 120 months, either directly or as a result of any rights to collect or any rights to participate in amounts generated from portfolios or investments. This includes the Group's share of proceeds on all portfolios purchased or other investments made, 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 or investment made. 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.

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
The DDM Debt Group’s invested assets consist of purchases of distressed asset portfolios, investments in joint ventures and associates and financial assets at fair value

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

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

Non-recurring items
One-time costs not affecting the DDM Debt Group’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

SIGNATURES

The Group's income statement and balance sheet will be presented for adoption at the Annual General Meeting on 23 June 2022.

The information in this Annual Report is mandatory for DDM Debt AB (publ) to publish in accordance with the EU Market Abuse Regulation and the Securities Markets Act.

This information was submitted to the market for publication on 25 March 2022.

The Board of Directors and Chief Executive Officer certify that the Annual Report gives a true and fair view of the Parent Company's and Group's operations, financial position and results of operations and describes the material risks and uncertainty factors facing the Parent Company and the companies included in the Group.

Stockholm, 24 March 2022

Jörgen Durban
Chairman of the board

Joachim Cato
Board member

Erik Fällström
Board member

Andreas Tuczka
Board member

Florian Nowotny
CEO

Our Audit Report was presented on 24 March 2022

Öhrlings PricewaterhouseCoopers AB

Sussanne Sundvall
Authorized Public Accountant

Auditor’s report (Translation)

To the general meeting of the shareholders of DDM Debt AB, corporate identity number 559053-6230

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of DDM Debt AB for the year 2021, excluding the sustainability report page 15-21. The annual accounts and consolidated accounts of the company are included on pages 7-60 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The opinion not include the sustainability report page 15-21. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our statements in this opinion on the annual accounts and the consolidated accounts are consistent with the content of the supplementary report that has been submitted to the company and the Company's and the Group's Board of Directors in accordance with Article 11 of the Auditors' Ordinance (537/2014).

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 the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This means that, based on our best knowledge and belief, no prohibited services referred to in Article 5 (1) of the Auditors' Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

The focus and scope of the audit DDM Debt AB’s (“DDM”) purpose is to finance the DDM Group’s subsidiaries through issuing bonds in the Swedish market. The DDM Group is an international corporate group investing in and managing matured receivables in the Eastern-, Central- and Southern European markets. 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 the materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective assumptions and considered future events that are inherently uncertain. The area that is inherently uncertain as such is as critical accounting estimates in the valuation of distressed asset portfolios, which have been made based on assumptions and projections about future events. Such forecasts are by nature always 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.

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. All of the subsidiaries have been included in our audit.

Audit scope

The focus and scope of the audit

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 the materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective assumptions and considered future events that are inherently uncertain. The area that is inherently uncertain as such is as critical accounting estimates in the valuation of distressed asset portfolios, which have been made based on assumptions and projections about future events. Such forecasts are by nature always 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.

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Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether 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. 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.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Valuation of distressed assets and recognition of revenue on invested assets As DDM is a specialized multinational investor and manager of non-performing loans and special situations, 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 81 Mio, representing 33% of the total	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.

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 revenue on invested assets amount to EUR 18 Mio.

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.*

- 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*.
- 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 than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and can be found on pages 1-6 and 15-21. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information. In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated. If we, based on the work performed concerning this information, 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 and the Managing Director

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group'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 and the Managing Director 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 and consolidated 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 and consolidated 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 and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of DDM Debt AB for the year 2021 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 and the Managing Director 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 the parent company and the group 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 and the Managing Director

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 and the group's type of operations, size and risks place on the size of the parent company's and the group'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 and the group'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. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets 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 or the Managing Director 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 websitewww.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

The auditor's opinion regarding the statutory sustainability report

The Board is responsible for the sustainability report on pages 15–21 and for having prepared it in accordance with the Annual Accounts Act.

Our review has been performed in accordance with FAR's statement RevR 12 Auditor's opinion on the statutory sustainability report. This means that our review of the sustainability report has a different focus and a significantly smaller scope compared with the focus and scope of an audit in accordance with International Standards on Auditing and good auditing practice in Sweden. We believe that this review provides us with a sufficient basis for our statement.

A sustainability report has been prepared.

Öhrlings PricewaterhouseCoopers AB, was appointed DDM Debt AB's (publ) auditor by the 2016 Annual General Meeting and Sussanne Sundvall has been the company's key auditor since 11 September 2019.

Stockholm 24 Mars 2022
Öhrlings PricewaterhouseCoopers AB

Sussanne Sundvall
Authorized Public Accountant

DDM DEBT AB (publ)

A SPECIALIZED MULTINATIONAL INVESTOR IN SITUATIONS ARISING OUT OF THE GENERAL STRATEGIC CHALLENGES IN THE EUROPEAN BANKING MARKETS

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