DDM HOLDING AG

Corporate Registration Number: CHE-115906312

Q4 and full year report | 1 January – 31 December 2021

Significant investment activity in new and existing markets

Highlights fourth quarter 2021

- Agreement for acquisition in Switzerland to acquire 100% of the share capital of Swiss Bankers Prepaid Services AG, a market-leading Swiss payments company pending regulatory approval, in line with DDM's growth strategy
- Entered into a strategic partnership in Italy with Borgosesia S.p.A. to invest in Italian mid-market real estate-backed special situation opportunities of up to EUR 100m over the next three years and executed first co-investment in December
- Investment in Poland in a consumer NPL portfolio with a GCV of approximately EUR 25m
- Investments in Croatia in secured corporate NPL portfolios with a total GCV of over EUR 30m
- Gross ERC at the end of December 2021 was EUR 299m (258 at December 2020)
- Cash at the end of December 2021 was EUR 65.5m (31.4 at December 2020)
- Gross collections amounted to EUR 17.7m (20.9)*
- Net collections amounted to EUR 14.3m (18.7)*
- Cash EBITDA amounted to EUR 10.8m (15.3)*
- Net profit for the period of EUR 0.1m (4.8)*

Highlights full year 2021

- Assigned a 'B' Rating with stable outlook to DDM Debt AB by both S&P Global Ratings and Fitch Ratings
- EUR 200m of senior secured bonds were issued with a five-year tenor under a framework of up to EUR 300m, enabling DDM Debt AB to refinance its existing bonds and to fund acquisitions of portfolios
- Investment in Romania in a consumer NPL portfolio with a GCV of approximately EUR 90m
- Investments in Luxembourg in the Omnio Group of approximately EUR 25m
- Florian Nowotny appointed Chief Executive Officer with effect as of 1 August 2021 replacing Henrik Wennerholm
- Gross collections amounted to EUR 60.7m (123.3)*
- Net collections amounted to EUR 49.1m (114.7)*
- Cash EBITDA amounted to EUR 37.9m (102.2)*
- Net loss for the year of EUR 2.9m (profit of 9.1)*

** Key financial highlights above include non-IFRS alternative performance measures that represent underlying business performance. Further details including a reconciliation to IFRS can be found on page 19.*

IFRS Consolidated Amounts in EUR '000s (unless specified otherwise)	**1 Oct–31 Dec 2021****	**1 Oct–31 Dec 2020****	**Full Year 2021****	**Full Year 2020**
Gross collections**	10,775	18,040	45,185	113,232
Collection and commission expenses**	(1,908)	(1,358)	(6,291)	(3,863)
Net collections	8,867	16,682	38,894	109,369
Revenue from management fees	–	1	100	74
Operating expenses	(3,560)	(3,400)	(11,275)	(12,604)
Cash EBITDA	5,307	13,283	27,719	96,839
Amortization, revaluation and impairment of invested assets	(1,853)	(5,663)	(18,292)	(69,473)
Share of net profits of associate and joint venture	1,472	973	3,631	1,257
Operating profit	4,859	8,417	12,666	28,215
Net profit / (loss) for the period***	68	4,791	(6,828)	9,140
Selected key figures				
Total assets	248,194	195,525	248,194	195,525
Invested assets	164,960	137,929	164,960	137,929
Net debt	135,809	106,786	135,809	106,786
Equity ratio****	13.7%	22.2%	13.7%	22.2%
Cash flow from operating activities before working capital changes	3,127	10,749	22,028	90,087
Gross ERC 120 months (EUR M)	299	258	299	258
Earnings per share before and after dilution (EUR)	0.01	0.35	(0.50)	0.67
Total average and number of shares at the end of the period	13,560,447	13,560,447	13,560,447	13,560,447

** Unaudited

*** The bond refinancing in Q2 2021 resulted in total negative non-recurring items of approximately EUR 3.9m in 2021 due to the call premium of EUR 2.4m that was paid and expensed in relation to the EUR 100m and EUR 33.5m bonds, and the non-cash write off of about EUR 1.5m for the remaining capitalized transaction costs.

**** The equity ratio for the DDM Debt Bond Group calculated according to the terms and conditions of the DDM Debt AB bonds is 20.5% at 31 Dec 2021

The information in this report requires DDM Holding AG to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 17 February 2022 at 08:00 CET.

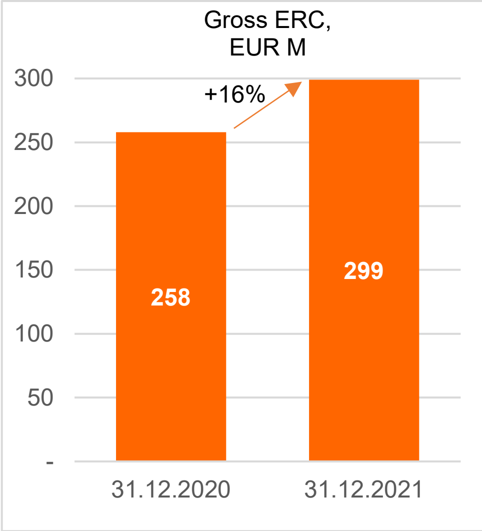
DDM Holding AG is a specialized multinational investor in situations arising out of the general strategic challenges in the European banking markets

Comment by the CEO

DDM's growth strategy has transformed from its core as an investor and manager of NPLs to a specialized multinational investor in situations arising out of the general strategic challenges in the European banking markets, including performing and non-performing loans and special situations.

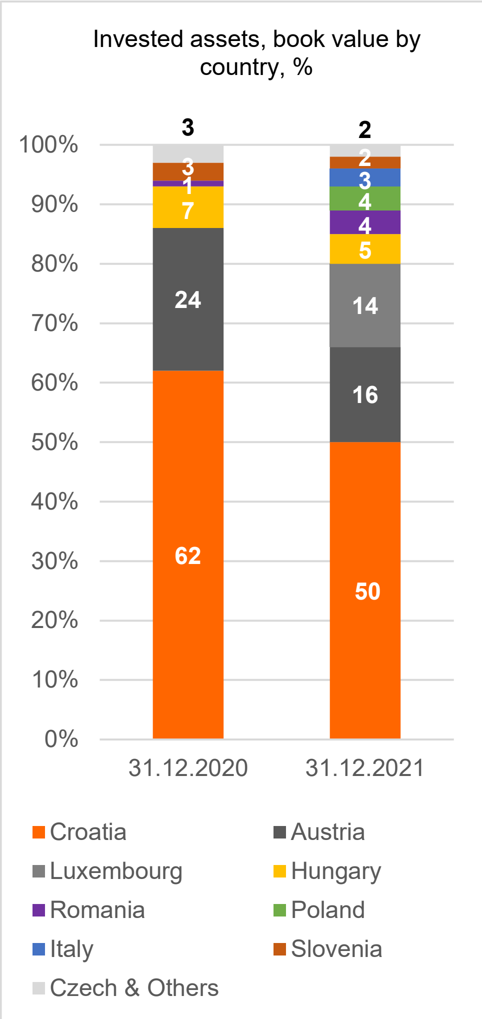
We act as an investor and partner for financial institutions in Europe, and just before the end of the year we signed an agreement to acquire Swiss Bankers Prepaid Services AG ("Swiss Bankers"), an attractive opportunity to acquire a market-leading Swiss payments company. We also entered into a strategic partnership with Borgosesia S.p.A ("Borgosesia") to invest in Italian mid-market real estate-backed special situation opportunities.

Our investment activity intensified during the fourth quarter by investing in both new and existing markets, which has increased our ERC to approximately EUR 300m at the end of the 2021 and is expected to increase further during 2022.



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 DDM'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. DDM 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 DDM 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. DDM 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.

NPL investments in new and existing markets

We have further successfully capitalized on our investment pipeline of attractive opportunities during the fourth quarter 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 (face 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.

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.

DDM 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.

Zug, 17 February 2022
DDM Holding AG
Florian Nowotny, CEO

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

Annual report 2021:	25 March 2022
Interim report for January – March 2022	5 May 2022

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

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

Presentation of the report
The report and presentation material are available at www.ddm-group.ch on 17 February 2022, at 08:00 CET.

CEO Florian Nowotny and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 17 February 2022, starting at 10:00 CET. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers: SE: +46 8 566 427 07, CH: +41 225 675 632, UK: +44 333 300 9273.

Financial results

Adjusted gross collections amounted to EUR 17.7m in the fourth quarter and EUR 60.7m 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 14.3m of adjusted net collections being received for the fourth quarter and EUR 49.1m for the full year 2021.

Operating expenses were EUR 3.6m in the fourth quarter, largely in line Q4 2020 and EUR 11.3m for the full year 2021, EUR 1.3m lower than the prior year due to the transfer of the collections platform in Hungary to AxFina Holding S.A. ("AxFina") as servicer during 2021, which is recognized within commission and collection fees to third parties. As a result, adjusted cash EBITDA totaled EUR 10.8m in the fourth quarter and EUR 37.9m for the full year 2021, equating to a high cash conversion ratio of above 75% for Q4 and for FY 2021 as a percentage of adjusted net collections.

The operating profit margin of 57% in the fourth quarter and 52% for the full year 2021 is below the corresponding period last year due to EUR 60m of accelerated collections that were received from the Greek transaction in the prior year. This includes EUR 2.6m 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 2.4m 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

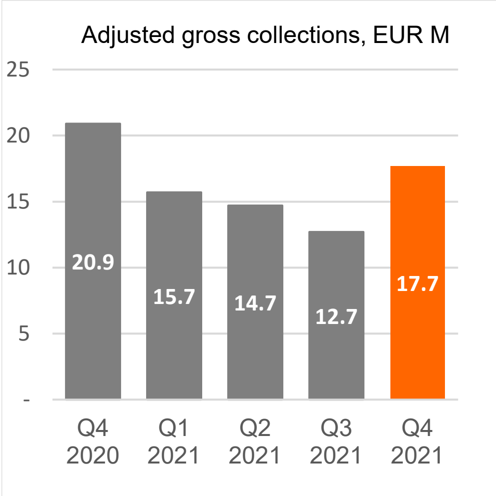
The results for the fourth quarter and full year 2021 include EUR 1.5m and 2.3m respectively share of net profits of joint venture under the equity method of accounting, following the buy-out of third party financing together with B2Holding that was used to partially fund the joint venture acquisition 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.

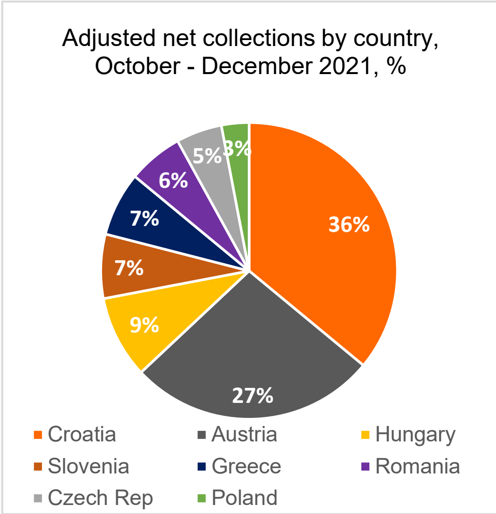
Cash flow and financing

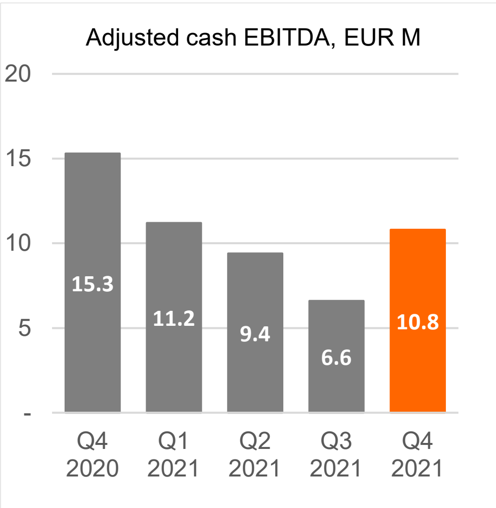
For the fourth quarter and full year 2021, cash flow from operating activities before working capital changes was EUR 3.1m and EUR 22.0m respectively compared to EUR 10.7m and EUR 90.1m respectively for the corresponding periods in 2020. This is primarily as a result of the EUR 60m of accelerated collections that were received in the second half of 2020 from Greece. We continue to have a strong cash position of EUR 65.5m at the end of the year that is available to fund investments and acquisitions.

Estimated Remaining Collections

ERC in relation to invested assets at 31 December 2021 stands at EUR 299m, 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.







Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Oct–31 Dec 2021*	1 Oct–31 Dec 2020*	Full Year 2021*	Full Year 2020
Interest income on invested assets		4,386	10,733	15,601	40,936
Revaluation and impairment of invested assets		2,628	286	5,001	(1,040)
Revenue on invested assets	**11**	**7,014**	**11,019**	**20,602**	**39,896**
Share of net profits of associate and joint venture	5,6,11	1,472	973	3,631	1,257
Revenue from management fees	11	–	1	100	74
Personnel expenses		(638)	(1,268)	(4,119)	(5,234)
Consulting expenses		(2,095)	(1,295)	(4,944)	(5,153)
Other operating expenses		(827)	(837)	(2,212)	(2,217)
Amortization and depreciation of tangible and intangible assets		(67)	(176)	(392)	(408)
Operating profit		**4,859**	**8,417**	**12,666**	**28,215**
Financial income		946	679	1,079	2,172
Financial expenses**		(5,921)	(4,066)	(21,511)	(18,134)
Unrealized exchange (loss) / profit		(459)	192	271	(1,824)
Realized exchange (loss) / profit		(49)	24	(76)	(60)
Net financial expenses		**(5,483)**	**(3,171)**	**(20,237)**	**(17,846)**
(Loss) / profit before income tax		**(624)**	**5,246**	**(7,571)**	**10,369**
Tax income / (expense)		692	(455)	743	(1,229)
Net profit / (loss) for the period		**68**	**4,791**	**(6,828)**	**9,140**
Net profit / (loss) for the period attributable to:					
Owners of the Parent Company		68	4,791	(6,828)	9,140
Earnings per share before and after dilution (EUR)		0.01	0.35	(0.50)	0.67
Average number of shares		13,560,447	13,560,447	13,560,447	13,560,447
Number of shares at the end of period		13,560,447	13,560,447	13,560,447	13,560,447

* Unaudited

** The bond refinancing in Q2 2021 resulted in total negative non-recurring items of approximately EUR 3.9m in 2021 due to the call premium of EUR 2.4m that was paid in relation to the EUR 100m and EUR 33.5m bonds, and the non-cash write off of about EUR 1.5m for the remaining capitalized transaction costs.

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Oct–31 Dec 2021*	1 Oct–31 Dec 2020*	Full Year 2021*	Full Year 2020
Net profit / (loss) for the period	**68**	**4,791**	**(6,828)**	**9,140**
Other comprehensive (loss) / income for the period				
Items that will not be reclassified to profit or loss:				
Actuarial gain / (loss) on post-employment benefit commitments	155	(129)	155	(129)
Deferred tax on post-employment benefit commitments	(9)	(12)	(9)	(12)
Items that may subsequently be reclassified to profit or loss:				
Currency translation differences	(28)	7	(26)	(72)
Share of other comprehensive income of associates accounted for using the equity method	–	752	313	2,698
Recycling of share of other comprehensive income of associates to the income statement	(3,011)	–	(3,011)	–
Other comprehensive (loss) / income for the period, net of tax	**(2,893)**	**618**	**(2,578)**	**2,485**
Total comprehensive (loss) / income for the period	**(2,825)**	**5,409**	**(9,406)**	**11,625**
Total comprehensive (loss) / income for the period attributable to:				
Owners of the Parent Company	(2,825)	5,409	(9,406)	11,625

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 December 2021*	31 December 2020
ASSETS			
Non-current assets			
Goodwill	9	4,160	4,160
Intangible assets	9	782	1,043
Tangible assets	8	68	88
Right-of-use assets		146	254
Interests in associate	6	–	32,986
Distressed asset portfolios	4	81,594	79,252
Financial assets at fair value	7	51,547	–
Investment in joint venture	5	31,819	25,691
Deferred tax assets	3	2,269	870
Other non-current assets	12	1,356	1,251
Total non-current assets		**173,741**	**145,595**
Current assets			
Accounts receivable		1,711	14,158
Tax assets		82	93
Other receivables		4,218	1,698
Prepaid expenses and accrued income		2,957	2,565
Cash and cash equivalents		65,485	31,416
Total current assets		**74,453**	**49,930**
TOTAL ASSETS		**248,194**	**195,525**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		11,780	11,780
Share premium		21,030	21,030
Other reserves		(570)	2,163
Retained earnings including net profit / (loss) for the year		1,669	8,342
Total shareholders' equity		**33,909**	**43,315**
Long-term liabilities			
Loans and borrowings	10	183,452	92,840
Lease liabilities		83	166
Accrued interest		–	2,203
Provisions		–	704
Post-employment benefit commitments		1,389	1,459
Deferred tax liabilities	3	629	308
Total long-term liabilities		**185,553**	**97,680**
Current liabilities			
Loans and borrowings	10	17,842	45,362
Accounts payable		1,990	1,379
Tax liabilities		569	428
Accrued interest		5,548	1,834
Accrued expenses and deferred income		2,697	5,404
Lease liabilities		86	123
Total current liabilities		**28,732**	**54,530**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**248,194**	**195,525**

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Oct–31 Dec 2021*	1 Oct–31 Dec 2020*	Full Year 2021*	Full Year 2020
Cash flow from operating activities				
Operating profit	4,859	8,417	12,666	28,215
Cash distribution from associate and joint venture	5,732	540	10,214	4,511
Adjustments for non-cash items:				
Amortization of invested assets	*4,481*	*5,949*	*23,293*	*68,433*
Revaluation and impairment of invested assets	*(2,628)*	*(286)*	*(5,001)*	*1,040*
Share of net profits of associate and joint venture	*(1,472)*	*(973)*	*(3,631)*	*(1,257)*
Depreciation, amortization, and impairment of tangible and intangible assets	*67*	*176*	*392*	*408*
Other items not affecting cash	*754*	*467*	*408*	*309*
Interest paid	(8,666)	(4,212)	(13,738)	(14,774)
Interest received	–	671	–	2,137
Call premium paid	–	–	(2,408)	–
Tax paid	–	–	(167)	(184)
Tax received	–	–	–	1,249
Cash flow from operating activities before working capital changes	**3,127**	**10,749**	**22,028**	**90,087**
Working capital adjustments				
(Increase) / decrease in accounts receivable	(2,137)	(2,778)	(5,029)	(14,481)
(Increase) / decrease in other receivables	(222)	(186)	(2,912)	(1,041)
Increase / (decrease) in accounts payable	899	683	611	71
Increase / (decrease) in other current liabilities	(2,041)	2,370	(1,119)	3,818
Net cash flow from operating activities	**(374)**	**10,838**	**13,579**	**78,454**
Cash flow from investing activities				
Purchases of distressed asset portfolios	(13,247)	–	(17,527)	–
Purchases of associates and joint ventures	(8,521)	–	(8,521)	(30,094)
Purchases of financial assets at fair value	(10,416)	–	(13,416)	–
Acquisition of subsidiary, net of cash acquired	–	–	–	(1,178)
Purchases of non-current assets	–	–	–	(180)
Purchases of tangible and intangible assets	(9)	(34)	(9)	(66)
Net cash flow received / (used) in investing activities	**(32,193)**	**(34)**	**(39,473)**	**(31,518)**
Cash flow from financing activities				
Proceeds from issuance of loans	–	–	182,756	27,818
Repayment of loans	–	(31,358)	(122,590)	(55,218)
Principal element of lease payments	(4)	(58)	(75)	(58)
Net cash flow received / (used) in financing activities	**(4)**	**(31,416)**	**60,091**	**(27,458)**
Cash flow for the period	**(32,571)**	**(20,612)**	**34,197**	**19,478**
Cash and cash equivalents less bank overdrafts at beginning of the period	**98,118**	**52,070**	**31,416**	**12,285**
Foreign exchange losses on cash and cash equivalents	(62)	(42)	(128)	(347)
Cash and cash equivalents less bank overdrafts at end of period	**65,485**	**31,416**	**65,485**	**31,416**

* Unaudited

Consolidated Statement of Changes in Equity

Amounts in EUR '000s	Share capital	Share premium	Other reserves	Retained earnings including net profit / (loss) for the period	Total equity
Balance at 1 January 2020	**11,780**	**21,030**	**(451)**	**(669)**	**31,690**
Net profit for the year	–	–	–	9,140	**9,140**
Other comprehensive income / (loss)					
Actuarial loss on defined benefit commitment	–	–	–	(129)	(129)
Currency translation differences	–	–	(72)	–	**(72)**
Deferred tax on post-employment benefit commitments	–	–	(12)	–	**(12)**
Share of other comprehensive income of associates accounted for using the equity method	–	–	2,698	–	**2,698**
Total comprehensive income	**–**	**–**	**2,614**	**9,011**	**11,625**
Transactions with owners					
Total transactions with owners	**–**	**–**	**–**	**–**	**–**
Balance at 30 December 2020	**11,780**	**21,030**	**2,163**	**8,342**	**43,315**
Balance at 1 January 2021	**11,780**	**21,030**	**2,163**	**8,342**	**43,315**
Net loss for the year	–	–	–	(6,828)	**(6,828)**
Other comprehensive (loss) / income					
Actuarial gain on defined benefit commitment	–	–	–	155	**155**
Currency translation differences	–	–	(26)	–	**(26)**
Deferred tax on post-employment benefit commitments	–	–	(9)	–	**(9)**
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	**–**	**–**	**(2,733)**	**(6,673)**	**(9,406)**
Transactions with owners					
Total transactions with owners	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2021*	**11,780**	**21,030**	**(570)**	**1,669**	**33,909**

* Unaudited

Notes

Note 1. Basis of preparation

These consolidated financial statements (the “financial statements”) of DDM Holding AG and its subsidiaries (together "DDM" or "the Company") have been prepared in accordance with IAS 34 Interim Financial Reporting, are unaudited, and should be read in conjunction with DDM’s last annual consolidated financial statements as of and for the year ended 31 December 2020. DDM’s principal accounting policies are set out in Note 3 to the consolidated financial statements in the Annual Report 2020 and conform with International Financial Reporting Standards (IFRS) as adopted by the EU. The 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.

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not be considered as a substitute for measures defined under IFRS. Please refer to page 19 for reconciliation of alternative performance measures including adjusted gross collections, adjusted net collections, adjusted cash EBITDA and adjusted net profit / (loss) for the period.

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

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

Subsidiaries	Consolidation method	Domicile	31 December 2021	31 December 2020
DDM Group AG	Fully consolidated	Switzerland	100%	100%
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Mergeco AG	Fully consolidated	Switzerland	100%	–
DDM Debt AB	Fully consolidated	Sweden	100%	100%
DDM Finance AB	Fully consolidated	Sweden	100%	100%
DDM Invest V d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Invest VII d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Debt Management d.o.o Beograd	Fully consolidated	Serbia	100%	100%
DDM Debt Romania S.R.L	Fully consolidated	Romania	100%	100%
DDM REO Adria d.o.o.	Fully consolidated	Croatia	100%	100%
Finalp Zrt.	Fully consolidated	Hungary	100%	100%
AxFina Hungary Zrt.	–	Hungary	1%	100%
Lombard Ingatlan Lízing Zrt.	–	Hungary	1%	100%
AxFina Servicing Kft.	–	Hungary	1%	100%

On 5 May 2021, DDM transferred 99% of its ownership in AxFina Hungary Zrt. (previously Lombard Pénzügyi és Lízing Zrt), Lombard Ingatlan Lízing Zrt. and AxFina Servicing Kft. (previously Lombard Bérlet Kft) (“Lombard”), being the collections platform in Hungary, to AxFina Holding S.A. (“AxFina”) as servicer for a nominal consideration. As DDM retains the economic rights to the future cashflows in Lombard the receivable from AxFina has been recognised as a distressed asset portfolio. On 31 December 2021, DDM’s investment in Lombard was revalued to EUR 7.3m as the distressed asset portfolio is expected to be collected at a higher realizable value in the future following the end of loan moratoria and improved economic expectations resulting in a EUR 1.5m revaluation gain.

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

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

Note 1. Basis of preparation… continued

Joint Ventures	Consolidation method	Domicile	31 December 2021	31 December 2020
CE Partner S.à r.l.	Equity method	Luxembourg	50%	50%
CE Holding Invest S.C.S	Equity method	Luxembourg	50%	50%

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

On 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.

Associates	Consolidation method	Domicile	31 December 2021	31 December 2020
Addiko Bank AG	Equity method	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.

On 3 December 2021 DDM 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, DDM 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. 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.

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

Post-employment benefit commitment
The post-employment benefit commitment is calculated on an annual basis. In 2020 and 2021 the annual post-employment benefit commitment has been recorded in the consolidated interim financial statements of DDM Holding AG based on the final actuarial valuation.

Note 2. Currency translation

All entities prepare their financial statements in their functional currency. At 31 December 2021 all fully consolidated group entities have EUR as their functional currency, except for DDM Debt Management d.o.o Beograd, which has Serbian Dinar (RSD) as its functional currency, DDM Debt Romania S.R.L, which has Romanian Leu (RON) as its functional currency, DDM REO Adria d.o.o. which has Croatia Kuna (HRK) as its functional currency and Finalp Zrt., which has Hungarian Forint (HUF) as its functional currency.

Note 3. Deferred taxes

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

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

Note 4. Distressed asset portfolios

DDM invests in distressed asset portfolios, where the receivables are directly against the debtor. The recognition of the acquisition of distressed asset portfolios is based on the DDM Group's own forecast of future cash flows from acquired portfolios. Distressed asset portfolios consist mainly of portfolios of non-performing debts purchased at prices significantly below their principal value. Such assets are classified as non-current assets. Reporting follows the effective interest method, where the carrying value of each portfolio 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 purchase price 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.

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).

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

Cash flow projections are made at the portfolio level since each portfolio consists of a large number of receivables. Assumptions must be made at each reporting date as to the expected timing and amount of future cash flows. Cash flows include the nominal amount, reminder fees, collection fees and late interest that are expected to be received from debtors less forecasted collection costs. These projections are updated at each reporting date based on actual collection information, planned collection actions as well as macroeconomic scenarios and the specific features of the assets concerned. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, and upside and downside scenarios.

The estimation and application of this forward-looking information requires significant judgment and is subject to appropriate internal governance and scrutiny. Changes in cash flow forecasts are treated symmetrically i.e. both increases and decreases in forecast cash flows affect the portfolios' book value and as a result "Revenue on invested assets". If there is objective evidence that one or more events have taken place that will have a positive impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows then this is recorded within the line "Revaluation of invested assets".

DDM assesses at each reporting date whether there is objective evidence that a portfolio is impaired. A portfolio is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the portfolio that can be reliably estimated. This is recorded within the line "Impairment of invested assets". If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated income statement (within the line "Impairment of invested assets"). If DDM sells a portfolio for a higher or lower amount than its carrying value, the resulting gain or loss on disposal is recognized in the consolidated income statement (within the line "Net collections on sale of invested assets").

The carrying values of distressed asset portfolios are distributed by currency as follows:

Distressed asset portfolios by currency EUR '000s	**31 December 2021**	**31 December 2020**
HRK	51,179	55,214
EUR	9,155	9,971
HUF	8,325	9,405
PLN	5,781	–
RON	5,279	532
RSD	1,591	792
CZK	284	3,338
Total	**81,594**	**79,252**

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

Note 5. Investment in joint venture

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

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

Investment in joint venture EUR '000s	31 December 2021	31 December 2020
Balance at beginning of the year	25,691	29,952
Additions	8,521	–
Share of net profits of joint venture	2,258	1,063
Incremental net distribution from the joint venture	(4,651)	(5,324)
Balance at end of the year	**31,819**	**25,691**

Cash distributions of EUR 5.6m (FY 2020: EUR 4.5m) have been received from the joint venture during 2021, of which EUR 2.0m relates to 2020 and EUR 3.6m relates to 2021. A further EUR 1.1m (31 December 2020: EUR 2.0m) has been reclassified to accounts receivable at the end of the year.

Note 6. Investment in associates

On 9 March 2020, DDM acquired a 9.9% shareholding in Addiko Bank 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.

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

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

The investment in Addiko Bank was reclassified to a financial asset at fair value, as DDM no longer had the intention to increase its shareholding above the existing 9.9% held following the agreement that was announced on 17 December 2021 to acquire 100% of the share capital of Swiss Bankers and therefore was no longer presumed to be able to exert significant influence over Addiko Bank. 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 7. 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 7. Financial assets… continued

On 3 December 2021, DDM 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, DDM 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 **EUR '000s**	**31 December 2021**	**31 December 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**	**–**

Note 8. Tangible assets

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

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

Furniture	5 years
Computer hardware	5 years

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

Note 9. Intangible assets

(i) Identifiable intangible assets

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

(ii) Goodwill

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

Note 10. Loans and borrowings

The Group had the following borrowings outstanding during the periods ending 31 December 2021 and/or 31 December 2020:

Bond loan EUR 200m
On 19 April 2021, DDM Debt AB (publ) ("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 DDM Debt's bond loan is EUR 200m.

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. Please also refer to the financial statements of DDM Debt.

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.

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

Bond loan EUR 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 3.0m paid, of which EUR 2.4m was expensed to the income statement and EUR 0.6m capitalized as part of the new bond issuance, 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.

Note 10. *Loans and borrowings… continued*

Other loans

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

Maturity profile and carrying value of borrowings:

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 31 December 2021						
Bond loan, 9%	–	–	–	–	183,452	**183,452**
Senior secured notes	17,842	–	–	–	–	**17,842**
Total	**17,842**	**–**	**–**	**–**	**183,452**	**201,294**
at 31 December 2020						
Revolving credit facility	8,971	–	–	–	–	**8,971**
Bond loan, 8%	36,391	–	–	–	–	**36,391**
Bond loan, 9.25%	–	75,303	–	–	–	**75,303**
Senior secured notes	–	17,537	–	–	–	**17,537**
Total	**45,362**	**92,840**	**–**	**–**	**–**	**138,202**

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

Fair value of borrowings:

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
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,842
Total			**207,304**	**201,294**
at 31 December 2020				
Revolving credit facility	Financial liabilities at amortized cost	Level 2	9,000	8,971
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	36,244	36,391
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	72,865	75,303
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,537
Total			**136,109**	**138,202**

The levels in the hierarchy are:

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

Note 11. Revenue recognition

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

Gross collections are comprised of cash collections from the distressed asset portfolios held by DDM, before commission and fees to third parties. The gross amount of cash collected is recorded as "Gross collections" within the line "Revenue on invested assets" in the consolidated income statement. DDM discloses the alternative performance measure "Gross collections" in the consolidated income statement separately, as it is a common measure to monitor the performance of portfolios in the debt purchasing industry.

Net collections is comprised of gross collections from the distressed asset portfolios held by DDM, minus 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. DDM discloses the alternative performance measure "Net collections" in the notes separately, as it is an important measurement for DDM to monitor the performance of the portfolios and measure the cash available for operating expenses and to service its debt. DDM believes that disclosing net collections as a separate performance measure in the notes improves the transparency and understanding of DDM's financial statements and performance, meeting the expectations of its investors.

Collection costs are comprised of all expenses directly attributable to the collection of distressed asset portfolios, 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.

Note 11. Revenue recognition… continued

EUR '000s	1 Oct–31 Dec 2021	1 Oct–31 Dec 2020	Full Year 2021	Full Year 2020
Gross collections	**10,775**	**18,040**	**45,185**	**113,232**
Collection and commission expenses	(1,908)	(1,358)	(6,291)	(3,863)
Net collections by country:				
Croatia	3,674	6,720	18,104	14,461
Hungary	1,225	2,454	6,304	8,825
Slovenia	970	465	3,837	2,984
Greece	952	5,092	952	74,522
Romania	844	744	5,068	2,658
Czech Republic	639	1,091	3,430	5,411
Poland	481	–	481	–
Serbia	80	55	330	427
Slovakia	2	20	34	40
Bosnia	–	41	354	41
Net collections	**8,867**	**16,682**	**38,894**	**109,369**
Amortization of invested assets	(4,481)	(5,949)	(23,293)	(68,433)
Interest income on invested assets before revaluation and impairment	**4,386**	**10,733**	**15,601**	**40,936**
Revaluation of invested assets	2,628	286	5,001	(708)
Impairment of invested assets	–	–	–	(332)
Revenue on invested assets	**7,014**	**11,019**	**20,602**	**39,896**
Share of net profits of associate and joint venture	1,472	973	3,631	1,257
Revenue from management fees	–	1	100	74

Net collections for the full year 2020 included EUR 59.8m received from Greece in H2 2020, due to the accelerated collections received following the restructuring of the Greek investment. The entire carrying value remaining of EUR 43.8m prior to the restructuring was recognized as amortization. DDM assessed the transaction and concluded that it retains the same contractual rights to future cashflows in the distressed asset portfolio as prior to the restructuring and therefore has not derecognized the asset under IFRS 9 amortized cost.

Share of net profits of associate and joint venture
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. On 17 December 2021, the investment in Addiko Bank was reclassified from investment in associates to financial assets at fair value and measured at a closing share price of EUR 13.65/share on 31 December 2021.

The results for Q4 and FY 2021 also include EUR 1.5m and EUR 2.3m respectively (Q4 2020: EUR 0.4m and FY 2020: EUR 1.1m) from share of net profits of joint venture accounted for using the equity method in accordance with IFRS.

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

Note 12. Related parties

In 2019 DDM Group Finance S.A. entered into an agreement with the DDM Group where DDM Group Finance S.A. provides services under a brokerage contract. In relation to this agreement an amount of EUR 4.2m of brokerage fees were charged during 2021 (FY 2020: EUR 3.8m), of which EUR 3.8m was paid in 2021 (FY 2020: EUR 3.8m) and a further EUR 0.4m accrued as at 31 December 2021 (31 December 2020: nil). In relation to the full year 2021 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 FY 2021 respectively, EUR 1.1m of brokerage fees were recognized in consultancy expenses, EUR 0.8m were prepaid as at 31 December 2021 and a further EUR 0.4m of brokerage fees prepaid in the prior year were recognized in consultancy expenses during 2021. 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, EUR 0.4m of brokerage fees were prepaid and EUR 2.3m of brokerage fees were recognized in consultancy expenses. In relation to the full year 2019 an amount of EUR 1.6m of brokerage fees was capitalized as transaction costs as part of the bond refinancing during Q2 and Q3 2019, resulting in EUR 0.0m and EUR 0.7m (Q4 2020: EUR 0.1m and FY 2020: EUR 0.5m) of amortized transaction costs that were recognized within financial expenses in Q4 and FY 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.

During 2020, AxFina Holding S.A. ("AxFina") entered into an agreement with the DDM Group where AxFina provides debt collection services under a servicing contract. In relation to this agreement EUR 0.7m and EUR 2.1m (Q4 2020: EUR 0.5m and FY2020: EUR 1.3m) was expensed and recognized principally within collection and commission expenses in Q4 and FY 2021 respectively.

Note 12. Related parties… continued

On 1 May 2020, NFE Unternehmensberatungs GmbH ("NFE"), a company related to Florian Nowotny, entered into an agreement with DDM where NFE provided services under an advisory agreement until 31 July 2021. Advisory services from NFE to DDM amounted to EUR 0.0m and EUR 0.1m (FY 2020: EUR 0.1m) which have been recognized in consultancy expenses during Q4 and FY 2021 respectively.

On 5 May 2021, DDM transferred 99% of its ownership in Lombard Pénzügyi és Lízing Zrt, Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft ("Lombard"), being the collections platform in Hungary, to AxFina Holding S.A. ("AxFina") as servicer for a nominal consideration. As DDM retains the economic rights to the future cashflows in Lombard the receivable from AxFina has been recognised as a distressed asset portfolio. On 31 December 2021, DDM's investment in Lombard was revalued to EUR 7.3m as the distressed asset portfolio is expected to be collected at a higher realizable value in the future following the end of loan moratoria and improved economic expectations resulting in a EUR 1.5m revaluation gain.

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

EUR '000s		Full Year 2021	Full Year 2020
Income Statement	Net collections	952	74,522
	Revenue from management fees	–	70
	Amortization net of revaluation	–	(49,890)
Income Statement, Total		**952**	**24,702**

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

DDM 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 reclassified from accounts receivables that has been recognized at cost within Financial assets at fair value. As a result, EUR 0.7m and 0.8m of interest income has been recognized in the income statement in Q4 and for the full year 2021 respectively in relation to the 2% cash interest and 6% PIK accruing on the convertible bonds. 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, which have been recognized at cost within Financial assets at fair value. As a result, EUR 0.2m of interest income has been recognized in the income statement in Q4 and for the full year 2021 in relation to the 15% PIK accruing from Omnio and Omnio Group.

Non-current assets at 31 December 2021 includes EUR 0.7m (31 December 2020: EUR 0.7m) receivable from DDM Group Finance S.A. A further EUR 0.4m from AxFina has been recognized in non-current assets for amounts paid during 2019 and 2020.

Note 13. Subsequent events

On the 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". DDM confirms that as at 31 December 2021 none of its distressed asset portfolios located in Slovenia contain receivables with loan agreements that were denominated in Swiss francs. The extent of the impact on DDM's investment in Addiko Bank is expected to be material, however it remains uncertain whether legal remedies against the Law will prove successful before the Constitutional Court in Slovenia. DDM considers this as a non-adjusting event after the reporting period.

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Oct–31 Dec 2021	1 Oct–31 Dec 2020	Full Year 2021	Full Year 2020
Gross collections	**10,775**	**18,040**	**45,185**	**113,232**
Incremental gross distribution from associate and joint venture	6,959	2,889	15,563	10,055
Adjusted gross collections	**17,734**	**20,929**	**60,748**	**123,287**
Net collections	**8,867**	**16,682**	**38,894**	**109,369**
Incremental net distribution from associate and joint venture	5,474	2,023	10,209	5,324
Adjusted net collections	**14,341**	**18,705**	**49,103**	**114,693**
Cash EBITDA	**5,307**	**13,283**	**27,719**	**96,839**
Incremental net distribution from associate and joint venture	5,474	2,023	10,209	5,324
Adjusted cash EBITDA	**10,781**	**15,306**	**37,928**	**102,163**
Net profit / (loss) for the period	**68**	**4,791**	**(6,828)**	**9,140**
Non-recurring items bond refinancing	–	–	3,911	–
Adjusted net profit / (loss) for the period	**68**	**4,791**	**(2,917)**	**9,140**

The financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting. In addition, the Company presents alternative performance measures ("APMs"). Adjusted key figures for gross collections, net collections, cash EBITDA and net profit / (loss) for the period provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include one-time costs not affecting the Company's run rate cost level, significant earnings effects from acquisition and disposals of invested assets and incremental 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 periods. The APMs are reported in addition to but are not substitutes for the financial statements prepared in accordance with IFRS. The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of Management, distort the evaluation of the performance of our operations.

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

Definitions

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

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

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

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

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

Estimated Remaining Collections / ERC
Estimated Remaining Collections refers to the sum of future, undiscounted projected cash collections before commission and fees from acquired portfolios and future reasonably expected dividends, distributions or other payments from investments, 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.

Equity
Shareholders' equity at the end of the period.

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

GCV
Gross collection value is the face (nominal) value of the portfolio.

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

Invested assets
DDM's invested assets consist of purchases of distressed asset portfolios, investments in joint ventures and associates and financial assets held 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 loans, liabilities to credit institutions (bank overdrafts) less cash and cash equivalents.

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

NPL
Non-performing loans acquired as part of a distressed asset portfolio.

Operating expenses
Personnel, consulting and other operating expenses.

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

About DDM

DDM Holding AG (First North Growth Market: DDM) is a specialized multinational investor 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. DDM strives to create value for its stakeholders by combining significant expertise in financial services, credit underwriting and technology with a focus on operational excellence.

DDM Holding AG, the Parent Company, is a company incorporated and domiciled in Zug, Switzerland, was founded in 2007 and has been listed on Nasdaq First North Growth Market in Stockholm, Sweden, since August 2014.

ddm

DDM Holding AG

Landis + Gyr-Strasse 1
CH-6300 Zug, Switzerland
+41 41 766 1420
http://www.ddm-group.ch
investor@ddm-group.ch