DDM HOLDING AG

2019 ANNUAL REPORT

ddm

MULTINATIONAL INVESTOR
AND MANAGER OF
DISTRESSED ASSETS

The DDM Holding AG 2019 Annual Report

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

Values are expressed in euro (EUR), thousands of euros as EUR 000s and millions of euros as EUR M. Unless otherwise stated, figures in parentheses relate to the preceding financial year, 2018.

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

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

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

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

Photos: Shutterstock (cover), Jacqueline Fellmann (p. 18). Illustration: Idéfolket (p. 8).

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2019

H1

Secured super senior RCF of EUR 27M significantly lowering the cost of funding

Sale of portfolios in Russia, realizing a gain of c. EUR 2M

Significant investment in Croatia in a corporate secured portfolio with a total GCV of c. EUR 800M made through a 50/50 joint venture with B2Holding

Successful refinancing issuing a new EUR 100M senior secured bond with a three-year term replacing the existing EUR 85M bond

H2

Buy-out of co-investor in Greece

Financing secured to partially fund the joint venture, at a lower cost of borrowing than the existing senior secured bond framework

Launch of servicing platform for secured portfolios

Refinanced EUR 12M of senior secured bonds, extending the maturity to June 2022 and issued a further EUR 6M of bonds

Significant investment in Croatia with a GCV of c. EUR 200M

Sale of consumer portfolio previously acquired in Croatia

ERC 2019

Estimated Remaining Collections ("ERC") on 31 December 2019 amounted to EUR 328M, an increase of 37% compared with the end of 2018.

For more information, see Accounting policies, page 45. Glossary and Financial definitions can be found on page 84.

2019 Highlights

This is DDM

Experienced specialist in an expanding sector

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

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

The banking sector in Southern, Central and Eastern Europe is subject to increasing regulatory and supervisory pressure to reduce their NPL ratios to below the EU average of 3%. The SCEE region has benefited from continued economic growth in recent years, supported by positive price development of real estate markets and a low interest rate environment. As a result, banks are increasingly looking to divest portfolios of distressed and other non-core assets. In addition, during the last few years, several larger financial institutions have exited a number of countries in Southern, Central and Eastern Europe.

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

The strong trend of increased transaction volumes is expected to continue. DDM's understanding of the complete collection process, access to portfolio management services for secured portfolios in the Balkans in combination with the existing network of specialized local collection agencies gives DDM a unique advantage in the market. Combined with a proprietary IT-system, relations with co-investors and a flexible business model, this supports DDM's continued growth and its ambitions to maximize shareholder value.

Key financial highlights below include non-IFRS alternative performance measures that represent underlying business performance. Further details including a reconciliation to IFRS can be found on page 84.

Financial overview

EUR M	2019	2018
Income statement:		
Adjusted net collections	65.4	65.7
Revenue from management fees	0.6	1.2
Adjusted Cash EBITDA	52.7	57.7
Share of net profits of joint venture	0.9	–
Operating profit	15.0	22.1
Adjusted net (loss) / proft for the year	(1.5)	5.8
Earnings per share, EUR	(0.30)	0.36
Cash flow statement:		
Cash flow from operating activities before working capital changes	29.8	43.7
Cash purchases net of financing of invested assets	99.2	42.3
Balance sheet:		
Total assets	204.5	194.5
Net debt	152.1	87.4
Equity ratio	15.5%	18.4%
Other:		
Total number of shares outstanding at the end of the year	13,560,447	13,560,447
Proposed dividend per share, EUR	0.00	0.00
Number of employees at the end of the year	22	33

DDM's progress

2007 - 2014

- Incorporation of DDM with a unique business model
- Buildup of team, processes and IT system FUSION
- Issued senior secured bonds of SEK 300M with subsequent listing on the NGM in Sweden in 2013
- New issue of 2.6 million shares, raising SEK 130M in equity capital
- Listing of DDM Holding AG on Nasdaq First North Growth Market, Stockholm in 2014
- Broadened geographic scope: entered Czech Republic, Macedonia, Poland, Romania, Slovenia and Slovakia

2015

- In cooperation with large investment partners, DDM made significant investments in Hungary
- Refinanced the SEK 300M senior secured bonds

2016

- New issue of 1,940,298 shares, raising approximately EUR 7M (SEK 65M) in equity capital before transaction costs
- Issued first Euro denominated bond of EUR 11M

2017

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

2018

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

2019

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

2019 Highlights

Building a platform for significant growth

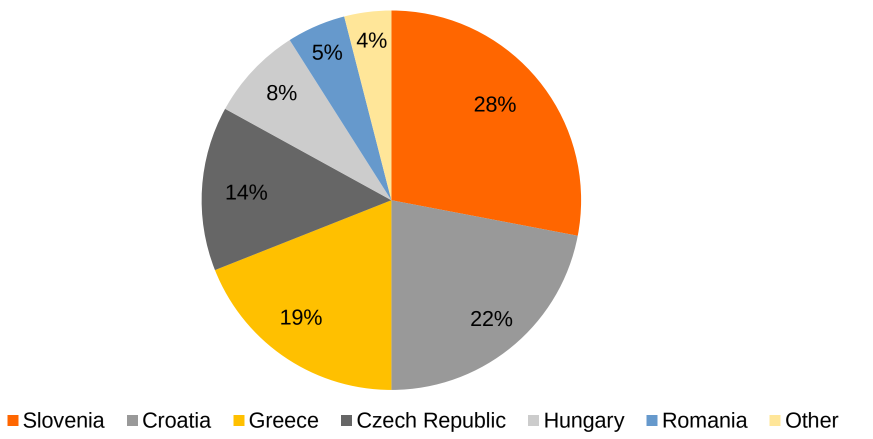
A year of significant investments across our core markets and sucessful refinancing

During 2019, DDM reported adjusted net collections of EUR 65.4M, in line with record collections for the full year 2018 of EUR 65.7M. Estimated Remaining Collections ("ERC") has grown by 37% to EUR 328M following portfolio acquisitions of approximately EUR 100M across our core markets, with a significant proportion invested in secured portfolios. A key focus during the year has been to refinance our debt structure to support future growth. A servicing platform was launched to increase focus on portfolio management and business development services for secured portfolios across the Balkans to better position DDM as a top-tier and effective workout partner.

We have continued to demonstrate our reputation as a reliable partner that can manage large and complex transactions in the distressed debt market. We closed a significant acquisition, through a 50/50 joint venture with B2Holding, of a distressed asset portfolio containing secured corporate receivables in Croatia with a Gross Collection Value (face value) of the total portfolio amounting to approximately EUR 800M. We bought out the co-investor in our Greek non-performing loan portfolio which was acquired by DDM in August 2017. We also finalized the acquisition of a significant distressed asset portfolio in Croatia with a gross collection value (face value) of about EUR 200M. We continue to receive a significant number of invitations to participate in sales processes both in our existing markets and in new geographies, in line with our strategy for further expansion and continued growth.

In order to finance our growth, significant progress was made during the year to refinance our debt structure, improving flexibility and extending the maturity of our existing financing. We secured a new Revolving Credit Facility of EUR 27M, priced at Euribor plus a margin of 3.5%, which is available until March 2021. We also successfully refinanced the existing EUR 85M bond by issuing a new EUR 100M bond maturing in April 2022, priced at Euribor plus a margin of 9.25%, demonstrating our continued ability to access financing. We further refinanced the existing EUR 12M bonds issued by DDM Finance AB, extending the maturity to June 2022 and issued a further EUR 6M of bonds. Funding of the business remains a focus area and we will continue to work on this going forward to further improve flexibility, decrease the cost of capital and, in combination with strong collections, support our future growth.

Adjusted net collections* by country 2019



Adjusted net collections includes the sale of invested assets and incremental net distributions from joint venture, see page 84 alternative performance measures

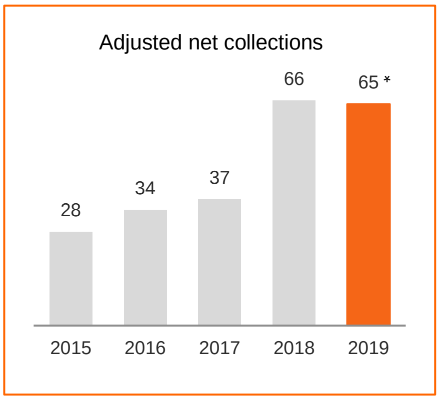
2019 Highlights

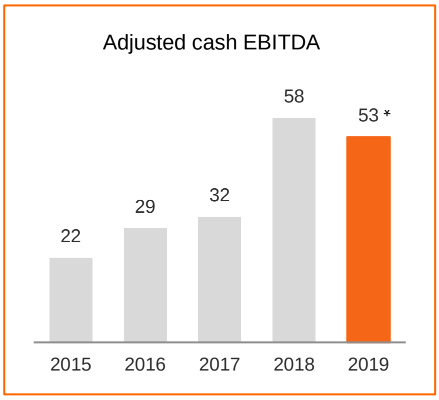
Financial KPI's

"During the year we have made significant investments across our core markets and we have also successfully refinanced our existing debt structure to support our future growth"

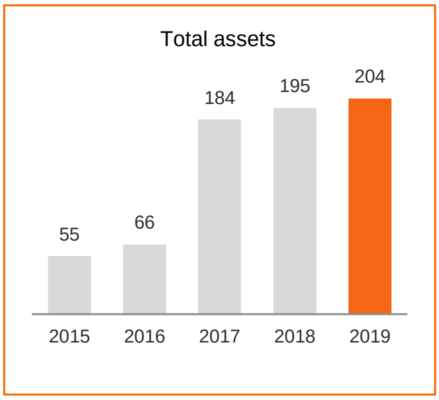
Henrik Wennerholm,
CEO of DDM

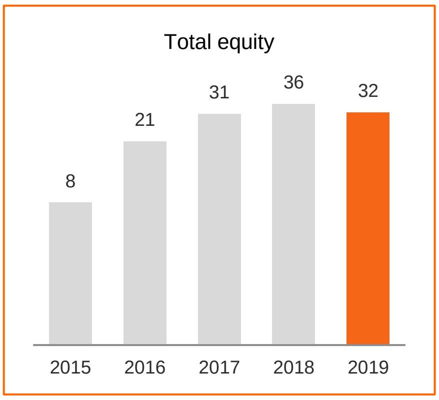
Income statement



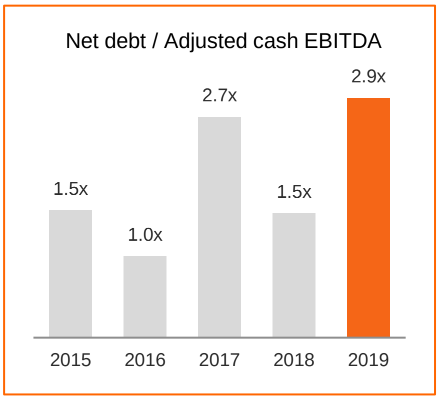


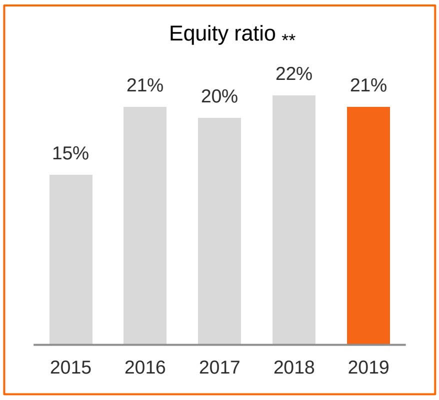
Balance sheet



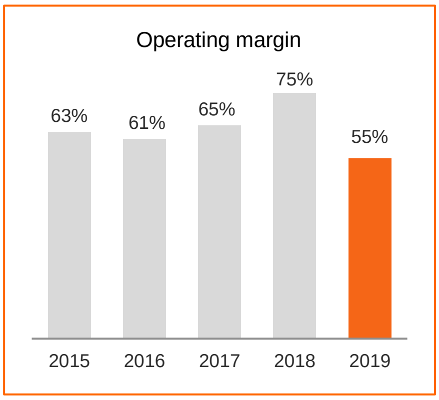


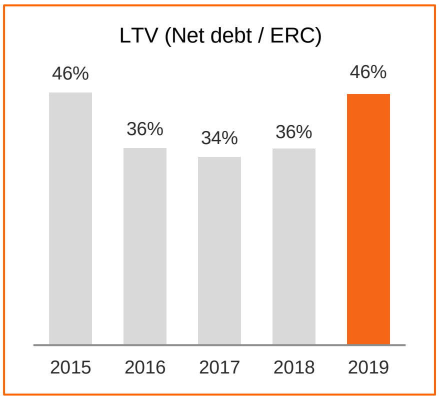
Leverage





Efficiency





All figures are in EUR million, unless stated otherwise.

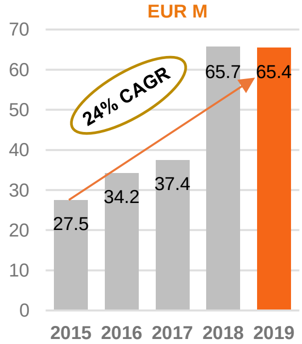
* Adjusted net collections and cash EBITDA includes EUR ~ 4.5m sale of invested assets and EUR ~ 3.8m incremental net distribution from joint venture. See Alternative Performance Measures on page 84 for further details.

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

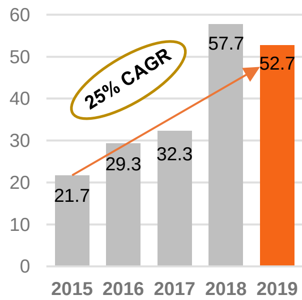
Henrik Wennerholm,
CEO of DDM

"ERC has increased 37% to EUR 328M at the end of 2019, as part of our growth strategy"

Adjusted net collections, EUR M



Adjusted cash EBITDA, EUR M



CEO'S REPORT

Significant investments in core markets and successful refinancing

2019 has been a transformational year for DDM, as we have acquired significant portfolios across our core markets aligned with our strategic growth plan as a specialized investor and manager of secured non-performing loan ("NPL") portfolios. We also successfully refinanced our existing debt structure to improve flexibility, extending the maturity of our existing financing, and, in combination with strong collections supporting our future growth.

Estimated Remaining Collections ("ERC") has grown by 37% to EUR 328M following portfolio acquisitions of approximately EUR 100M across our core markets, with a significant proportion invested in secured portfolios.

Investing activities
In 2019, we finalized significant acquisitions in Croatia and Greece which have increased the proportion of secured portfolios. Through a 50/50 joint venture with B2Holding we acquired a distressed asset portfolio containing secured corporate receivables in Croatia with a Gross Collection Value (face value) of the total portfolio amounting to approximately EUR 800M. We secured third party financing to partially fund this transaction at a lower cost of borrowing than the existing senior secured bond frameworks. We bought out the co-investor in our Greek non-performing loan portfolio which was acquired by DDM in August 2017. We also finalized the acquisition of a significant distressed asset portfolio containing secured and unsecured consumer and corporate receivables in Croatia with a gross collection value (face value) of about EUR 200M. Total investments for 2019 net of financing in the joint venture amounted to approximately EUR 100M.

Financing activities
We secured a new Revolving Credit Facility ("RCF") of EUR 27M at a significantly lower cost of funding with an international bank, priced at Euribor plus a margin of 3.5%, which is available until March 2021. We then successfully refinanced the existing EUR 85M bond by issuing a new EUR 100M bond in April with a three-year term, priced at Euribor plus a margin of 9.25%.

We also refinanced the existing EUR 12M bonds issued by DDM Finance AB, extending the maturity to June 2022 and issued a further EUR 6M of bonds gross of financing costs. Part of the net proceeds were used to provide a shareholder loan to DDM Debt AB, which thereby qualifies as equity under the existing senior secured bond framework in DDM Debt AB. This strengthens the opportunities for DDM to support continued growth. Funding of the business remains a focus area and we will continue to work on this going forward to further improve flexibility, decrease the cost of capital and support our rapid growth.

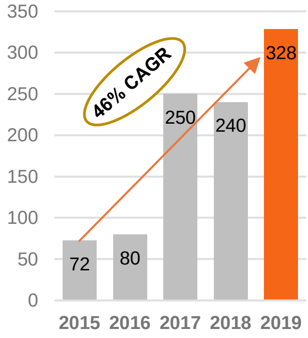
Strengthening our operations
During the year we launched a servicing platform for secured portfolios to increase the focus on portfolio management and business development services. Bernhard Engel (COO) is leading the development of the servicing platform which will increase the focus on portfolio management and business development services, partially servicing DDM's own secured portfolios and further identifying profitable business opportunities to strengthen our position in the market. The servicing platform was sold in December 2019 to Ax Financial Holding S.A. ("AxFina") which resulted in a EUR 1.1M gain that was recognized in other operating income.

Earnings 2019
Adjusted net collections totaled EUR 65.4M for the full year 2019, largely in line with record collections that totaled EUR 65.7M for the full year 2018. Strong collections in 2019 were primarily driven by large, secured collections received in the Balkans including from the joint venture acquired in Croatia together with B2Holding in May and collections in Greece following the buy-out of the co-investor in July. During the year, DDM sold certain portfolios resulting in a EUR 4.5M operating gain, including a previously acquired portfolio in Croatia containing consumer receivables and all of its portfolios in Russia. As a result, adjusted cash EBITDA amounted to EUR 52.7M for the full year 2019.

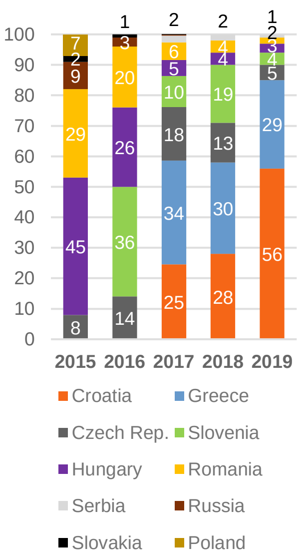
Revenue from management fees was EUR 0.6M for the full year 2019, EUR 0.7M lower than 2018 due to the buy-out of the co-investors in Greece in July and the collections platform in Hungary that was fully acquired in November 2018.

CEO'S REPORT

Gross ERC 120 months, EUR M



Portfolio book value by country, %



Operating expenses were EUR 13.2M for the full year 2019, EUR 4.0M higher than in 2018, mainly as a result of EUR 1.1M of fees expensed for the period from 1 April under a brokerage contract with DDM Group Finance S.A. (the largest shareholder in DDM) that was approved at the last AGM, start-up costs incurred to build-up the servicing platform, consultancy fees for business development services and consolidation of the collections platform in Hungary acquired in the prior year.

Impairments totaled EUR 5.8M for 2019 primarily relating to one-off write downs on portfolios in the Balkans partially offset by EUR 4.6M of revaluation gains following the buy-out of the co-investor in Greece and strong collection performance in Hungary.

The net result for the year was an adjusted net loss of EUR 1.5M for 2019 including a EUR 1.1M gain on the sale of the servicing platform in December. The net result for 2019 adjusts for non-recurring items of approximately EUR 2.6M following the bond refinancing in 2019 recognised under financial expenses. This is due to the call premium of EUR 2.0M that was paid in relation to the EUR 85M bond and the non-cash write off of about EUR 0.6M for the remaining capitalized transaction costs.

For the full year 2019, cash flow from operating activities before working capital changes was EUR 29.8M compared to EUR 43.7M for the full year 2018. This is primarily as a result of interest paid on additional debt drawn following the bond refinancing including a call premium that was paid in relation to the EUR 85M bond, consulting fees paid to DDM Group Finance S.A. and corporation tax that was prepaid. The EUR 27M RCF was undrawn at 31 December and is available until March 2021, and cash on hand was EUR 12M at the end of December.

Share of net profits of joint venture

Following the acquisition that closed on 31 May of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding, the 2019 results include EUR 0.9M from share of net profits of joint venture accounted for under the equity method in accordance with IFRS.

Estimated Remaining Collections

ERC at the end of the year stands at EUR 328M, 37% higher than as at 31 December 2018. The proportion of secured portfolios has increased from 61% at 31 December 2018 to 70% of ERC at 31 December 2019. The majority of the collections are expected to be received in the first three years, thereby accelerating the overall collections profile.

Significant events after the end of the year

On 18 February 2020 DDM Debt AB initiated a written procedure to request that certain amendments are made to the terms and conditions of its up to EUR 150M senior secured bonds. The written procedure ended on 16 March 2020, with the amendment effective as of that date. A consent fee amounting to EUR 250 per bond was paid by DDM Debt to the eligible Bondholders.

On 21 February 2020 DDM announced a strategic investment by entering into an agreement to acquire a 9.9% stake in Addiko Bank AG for approximately EUR 30M. The investment also includes a call option to acquire an additional 10.1% stake, which is subject to regulatory approval.

On 27 February 2020 DDM announced that it had bought out the majority share co-investor in a leasing company located in Hungary for approximately EUR 3M.

DDM Holding AG is in a phase in which exploring identified opportunities for growth is prioritized. Consequently, the Board of Directors proposes that no dividend be paid for the financial year 2019.

The COVID-19 pandemic, and the actions being taken to contain it on an increasingly global basis, have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. The DDM Holding Group is closely monitoring developments and the impact of the spread of infection and global responses on, for example, economic support from governments, lending activities from banks to corporates and customers, as well as on its own operations, foremost its workforce and liquidity management.

Market outlook

We aim to deliver sizeable and profitable growth by actively networking with vendors and work out specialists to further identify profitable business opportunities to invest across the NPL market in our core markets across Southern, Central and Eastern Europe.

As part of the outlook we target to increase ERC, as we seek to invest in future acquisitions. The majority of collections are expected to be received in the next three years following the recent acquisitions in Croatia and Greece.

Whilst the European NPL market is maturing and in the process of consolidation, DDM is adapting to new opportunities in the market by both teaming up with co-investors through joint venture acquisitions and seeking out opportunities in new geographies. We expect the amount of co-investment opportunities to grow in the future.

Incentives for sellers to use DDM

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

Incentive 1

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

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

Incentive 2

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

Incentive 3

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

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

BUSINESS MODEL

Capabilities to manage assets

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

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

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

DDM acquires distressed assets mainly consisting of non-performing loans with an investment value of EUR 5–100M. Sellers are primarily financial institutions, typically international banks with presence in several countries in Southern, Central and Eastern Europe. We have established relationships with sellers throughout the industry and as DDM is able to take on a leading position, we get repeat business as well as access to financial co-investors. Historically DDM primarily acquired portfolios of unsecured assets, and primarily consumer receivables. However since 2015 significant portfolio acquisitions have been made containing secured assets in addition to corporate receivables. In 2018 and 2019, DDM has acquired significant distressed asset portfolios in the Balkans and Greece containing secured corporate and consumer receivables. This has accelerated the collection profile with the majority of collections expected to be received in the first three years of investment. Co-investment structures with third parties are opportunities for DDM to grow and gain access to invest in larger NPL portfolios across the SCEE market, whilst sharing the risks and returns with the co-investment partner.

DDM key market segments, performing and non-performing assets

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

Our business model is supporting sellers and debtors

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

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

BUSINESS MODEL

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

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

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

Business drivers

Key drivers and trends

The industry is influenced by the general state of the economy in Europe, and regulatory changes of bank capital requirements. In particular, the major trends observed are:

- Asset quality reviews and equity need for NPL's
- Markets in Financial Instruments Directive (MiFID) framework
- Introduction of Basel III accord and future Basel IV standards developments

The first trend observed is that banks continue to strengthen their balance sheets, by deleveraging and cutting costs, in order to improve their capital adequacy ratios and cash positions. The European wide bank stress test results released in November 2018 revealed that although significant progress had been made improving the capital positions of the major European banks, still more could be done on strengthening their capital buffers. In June 2019, the European Banking Authority published the 2020 EU-wide stress test methodology for discussion. This is expected to further increase the number of transactions in the NPL market in particular across Southern, Central and Eastern where the NPL ratio remains higher than the European average.

Furthermore, there are several benefits that banks can capture through loan portfolio sales, which promote further adoption by enabling them to focus on their core business, reducing reputational risks and ensuring correct treatment of customers through professional debt collection.

Competition overview

Although the scenario varies somewhat between the different countries, the Southern, Central and Eastern European NPL markets offer substantial opportunities for growth as they remain less developed than their Western counterparts, while lending operations increasingly resemble those in more developed markets.

DDM operates in a different way than most other competitors on the market. The biggest difference is our proprietary IT system Fusion, an essential tool in both originating and managing asset portfolios. In addition, we launched a servicing platform lead by Bernhard Engel (COO) to increase the focus on portfolio management and business development services. Access to this platform for servicing secured portfolios will complement our existing large network of trusted debt collection agencies that collect the assets on behalf of DDM. Together with a highly skilled experienced organization and a strong relationship with selling banks that view DDM as a trusted and reputable partner makes us unique. Other competitors on the markets include local investors, such as Kruk Group in Poland and Romania, international investors in NPLs, including Intrum, B2Holding and EOS Group; as well as larger international financial institutions, such as Deutsche Bank and AnaCap Financial Partners, who have been known to invest in portfolios in some of the markets where we operate on a more opportunistic basis.

BUSINESS MODEL

The value chain

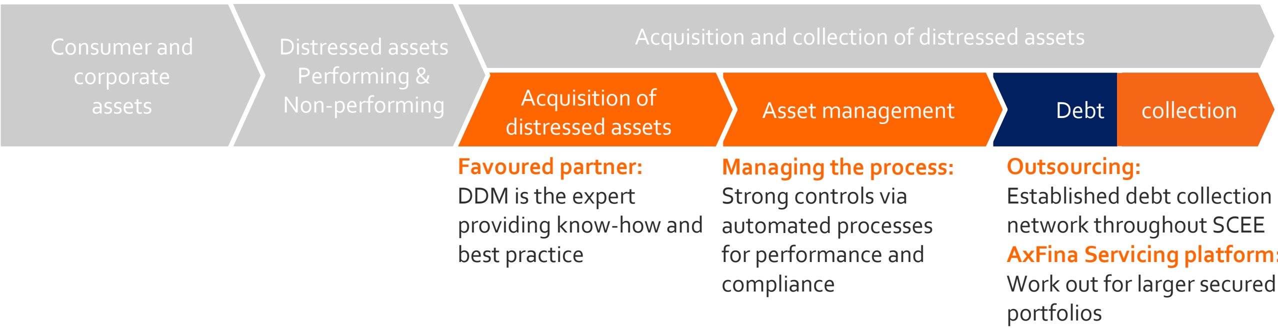
DDM focuses on the most profitable part of the distressed asset value chain – the acquisition and recovery management of assets mainly sold by financial institutions in Southern, Central and Eastern Europe.

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

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

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

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



Acquisition of distressed assets

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

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

Asset management

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

Our processes

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

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

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

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

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

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

BUSINESS MODEL

Asset acquisition process

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

Open tender

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

Direct sales

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

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

Forward-flow transactions

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

Portfolio management process

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

Referral

As DDM partially outsources the collections process it can select a collection agency suitable for collection of a particular asset. Servicing the collection for larger corporate secured receivables in-house, whilst also gradually providing third party work out servicing and adjacent professional services will enable DDM to actively network with vendors and work out specialists. Stemming from its geographic focus on Southern, Central and Eastern Europe and early presence in some of these markets, DDM has strong relationships with top collectors in its markets and knows their relative strengths. Examples of selection criteria of a debt collector include size, age, type and geography of the acquired asset portfolio.

Monitoring

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

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

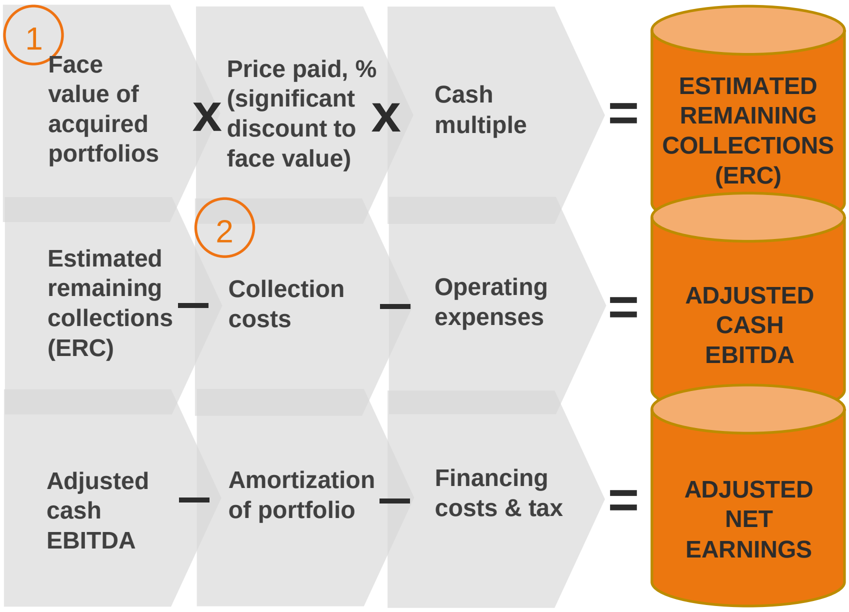
As an ordinary practice, DDM collects various data and information from the agencies. It is a complex and multifaceted process, including daily debtor payments, agency commission and fees, actions taken and much more.

BUSINESS MODEL

Illustrative economics

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

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



1. The starting point is the face (nominal) value of the acquired asset portfolios times the price paid as a percentage of the nominal value, which typically is at a significant discount to the face value. Multiplying the purchase price with the assumed gross cash multiple results in the anticipated future cash flows which equals the gross Estimated Remaining Collections ("ERC"). The gross ERC is the sum of future, undiscounted projected cash collections before commission & fees.

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

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

MARKET

Distressed assets in Southern, Central and Eastern Europe

Market overview

Whilst the volume of European NPL transactions has declined slightly in 2019 compared to 2018's peak, Southern, Central and Eastern Europe continued to be a key focus area of active portfolio management by banking industry players. 2019 resulted in a strong supply of new corporate NPL portfolios as European banks continued to consolidate and deleverage their balance sheets to reduce their NPL ratios towards pre-crisis levels. Macro-economic growth over recent years, supported by positive price development in real estate across the SCEE regions will continue to support our development.

Whilst the European NPL market is maturing and in the process of consolidation, as banks have gradually decreased their NPL ratios towards pre-crisis levels, market activity for non-performing loans in Southern, Central and Eastern Europe ("SCEE") has intensified.

The SCEE region has benefited from continued economic growth in recent years, supported by positive price development of real estate markets and a low interest rate environment. This has resulted in increased lending activity notably in the Balkans and Greece. We expect further investment opportunities across our core markets, as financial institutions across the SCEE regions are compelled by financial regulators to deleverage non-core NPL assets to further reduce their NPL ratios.

DDM is adapting to new opportunities in the market by both teaming up with co-investors through joint venture acquisitions and seeking out opportunities in new geographies. We expect the amount of co-investment opportunities to grow in the future.

"DDM is adapting to new opportunities in the market by both teaming up with co-investors through joint venture acquisitions and seeking out opportunities in new geographies"

European loan sales

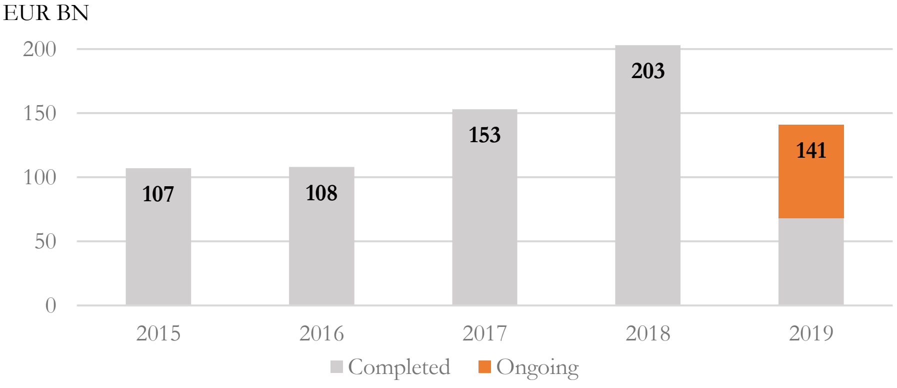
The sale of non-performing assets in the European Union reached a record-high in 2018 with over EUR 200 billion of disposals. NPL sales are continuing among the banking industry players, particularly in the SCEE region, and supply of new corporate NPL portfolios has been supported by a number of large transactions notably in Greece and Italy. Regulators in many geographies developed measures to ensure financial institutions dispose distressed assets.

European loan sales in 2019 are expected to have slowed compared with 2018, and 15% of deals were completed in Greece and CEE. This development further supports the DDM view that the region remains poised for solid growth going forward, though it is often overlooked by investors due to its perception of being immature. The result is that the region is dominated by investors who have accumulated specialized knowledge of operating in the region, and DDM is among them.

Greece

In 2018, following the end of Greece's third successive bailout program, all four major Greek banks closed sizable sales and started disposing portfolios of loans secured with real estate, with nine transactions closed totaling approximately EUR 16 billion. In 2019, following a general election, Greek banks had more than EUR 20 billion of transactions either completed or ongoing. Greece had Europe's highest average NPL ratio of 39% in 2019, thirteen times higher than the European average. Deal volumes are expected to increase further as Greek banks face tougher regulatory pressure from the Bank of Greece and European Central Bank ("ECB") to accelerate the sale of non-performing loans from their balance sheets. DDM was a primary early entrant in the market having completed its acquisition of EUR 1.3 billion of NPLs from Attica Bank, and we expect further investment opportunities in Greece.

European loan sales by year (EUR billion)

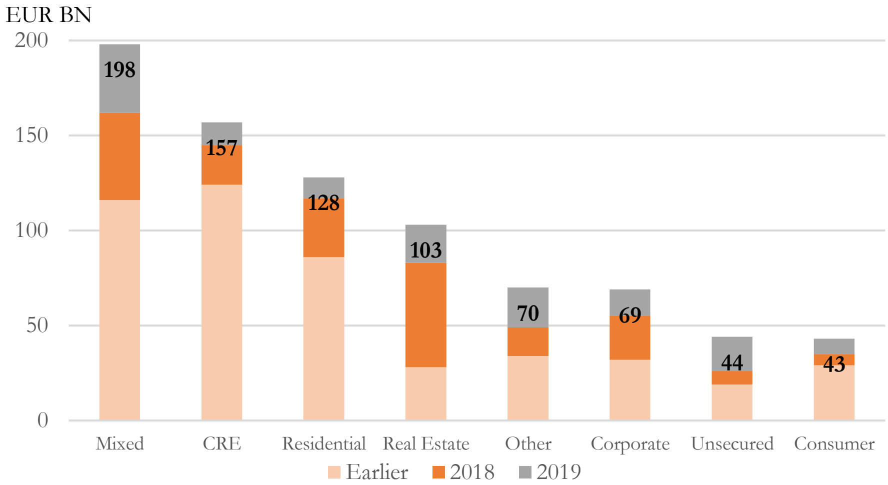


Sources:
Debtwire, "European NPLs – 3Q19"
Deloitte Financial Advisory Services, "Deleveraging Europe, October 2019"

MARKET

The volume of NPL disposals over recent years has been steadily declining the stock of NPLs held by banks across Europe. The ECB estimates that the average NPL ratio currently stands at 3%, down from 5% in 2015, however this still equates to more than EUR 600 billion of non-performing loans and advances, with approximately EUR 75 billion in Greece alone. European banks have been divesting across all sectors including corporate secured, retail mortgages, consumer credits and real estate owned assets acquired through the working out of non-performing loans. Visibility on further transactions from such sellers is robust across the region.

European asset sales by asset class since 2014 (EUR billion)



Source:
Deloitte Financial Advisory Services, "Deleveraging Europe, October 2019"

Note: The above graph shows the loan transactions by asset class that have occurred across Europe.

Key trends and drivers

Growing investor demand, regulation and the general state of the economy in Europe is driving change in loan portfolio markets in SCEE. In addition, the following major industry trends are observed:

Compression of yields and tighter pricing

Investor interest in the region has grown significantly such that in certain countries pricing is beginning to approach levels seen in more mature markets. Factors such as more streamlined and transparent sale processes, strong real estate and fixed asset markets across the region, and the successful experiences of key investors have given comfort to a wider group of investors to pursue the generally higher yields in SCEE.

European Regulation

In March 2018, the European Commission announced measures to accelerate the reduction of non-performing loans in the banking sector that included four key elements, namely; ensuring sufficient loss coverage for NPLs, enabling accelerated out-of-court enforcement of loans secured by collateral, further developing secondary markets for NPLs and a technical blueprint for how to set up national Asset Management Companies ("AMCs"). The ECB issued a communication in August 2019 that it considers of the utmost importance that European banks divest themselves further of NPL portfolios, whilst economic conditions are still favourable.

Local judiciary systems

The judiciary systems in many jurisdictions lack the skills required to process actions against non-performing borrowers. Furthermore, strict licensing requirements needed for non-banking institutions to acquire and manage NPLs creates barriers to entry for new investors. However, changes in such areas are improving steadily across the region, with governments and regulators coming to terms with the fact that such impediments make the cleansing of local financial systems difficult, which impedes economic growth. Advances in Greece, Croatia and Slovenia, as examples, have led to strong growth in NPL sales. DDM believes this trend will continue which should vastly improve the market for NPLs across SCEE.

Sustainable economy

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

CORPORATE AND SOCIAL RESPONSIBILITY

DDM's stakeholders

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

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

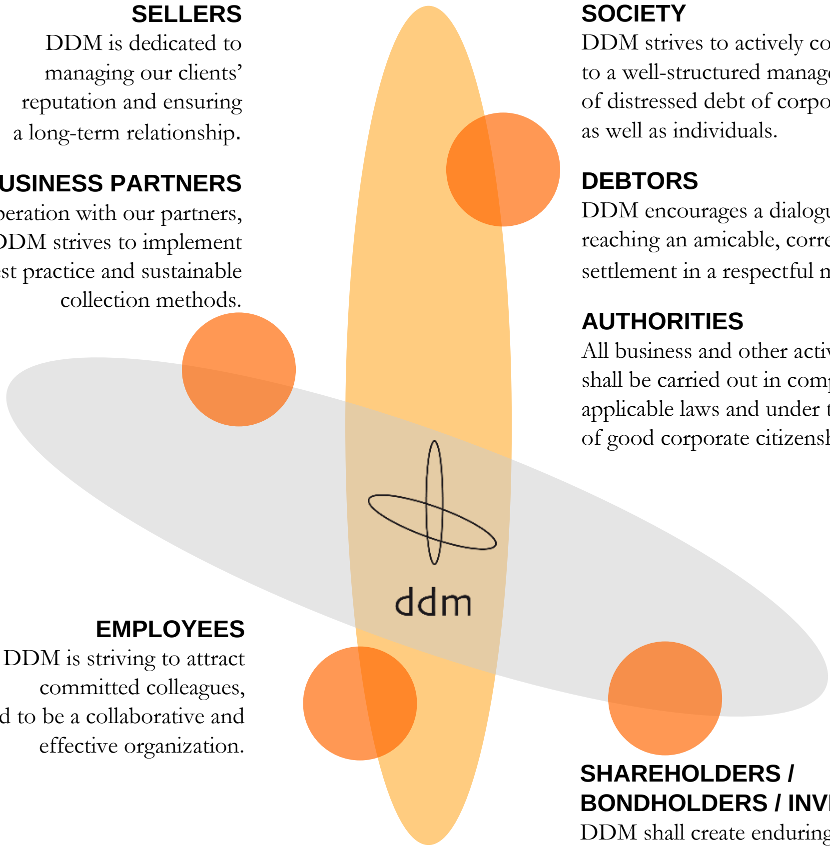
SELLERS
DDM is dedicated to managing our clients' reputation and ensuring a long-term relationship.

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

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

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

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



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

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

Our approach to Corporate Responsibility

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

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

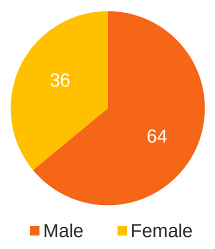
We select partner collection agencies carefully, making sure they apply professional, respectful and ethical methods. We work closely with them to determine which agencies are appropriate for collection on certain assets and what measures are appropriate.

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

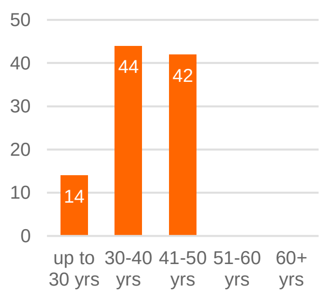
CORPORATE AND SOCIAL RESPONSIBILITY

Investing in Corporate and Social Responsibility

Employees by gender, %



Employees by age;%



Human resources

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

At the end of 2019, DDM employed 22 people (2018: 33). 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 37 years (2018: 38).

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

Code of Conduct

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

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

The Environment

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

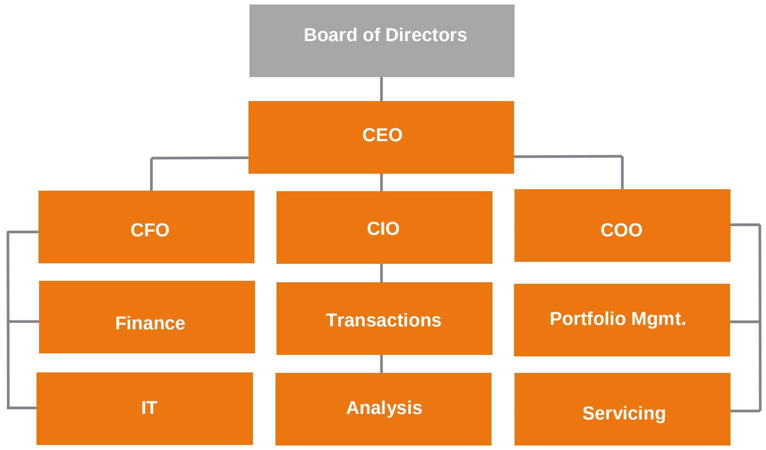
Anti-corruption

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

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

GROUP FUNCTIONS

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



BOARD OF DIRECTORS

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

ERIK FÄLLSTRÖM • Board member since 2017 • Chairman of the investment committee • Chairman of the remuneration committee
Born: 1961 • **Nationality:** Swedish
Education: Stockholm School of Economics
Other assignments: Chairman of Aldridge EDC Specialty Finance Ltd., and Executive Chairman of EDC Advisors Ltd. Member of the boards of directors of CST Global Ltd, European Digital Capital Ltd., Polaris International S.A. (previously Hoist Investments S.A), Sivers IMA AB and Tornado Investments S.A. (previously Hoist Group S.A.)
Previous assignments (last five years): Member of the boards of directors of Hoist Kredit AB, Olympus S.A., Calor S.A. and Calor GmbH
Dependence: Dependent in relation to the company and its principal owners as a major shareholder
Shareholding*: 12,090,717 shares**

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

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

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

EXECUTIVE MANAGEMENT COMMITTEE

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

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

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

BERNHARD ENGEL • Chief Operating Officer
Born: 1976 • **Nationality:** Austrian
Employed: 2019
Education: Master's degree in law from the University of Vienna and master's degree in business administration from IMADEC University
Other assignments: CEO of AxFina
Previous assignments (last five years): PwC Austria's Financial Services and Deals Leader, part of the Management Board and member of PwC Europe's Financial Services and Deals Leadership Team, PwC Europe's Financial Services Deals Leader
Shareholding:** 0 shares

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

Share data

Market place: Nasdaq First North Growth Market, Stockholm

Date of listing: 5 August 2014

Ticker symbol: DDM

ISIN code: CH0246292343

Currency: SEK

Key data per share

EUR	2019	2018
Earnings per share	(0.30)	0.36
Proposed dividend / Dividend	0.00	0.00
Number of shares at the end of year	13,560,447	13,560,447
Average number of shares during the year	13,560,447	13,560,447

Certified Adviser

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

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

DDM share and shareholders

Share capital

On 31 December 2019, DDM Holding AG's share capital amounted to CHF 13,560,447 distributed among 13,560,447 shares with a nominal value per share of CHF 1. Each share entitles the holder to one vote and an equal share in the Company's assets and earnings.

DEVELOPMENT OF THE SHARE CAPITAL IN DDM HOLDING AG

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

Shareholders

At the end of 2019 DDM had approximately 139 shareholders. At 31 December 2019, DDM Group Finance S.A.* (formerly Demeter Finance Sarl) was the Company's largest shareholder with a holding representing 89.2% of votes and share capital. The four members of the Executive Management Committee held a combined 217,607 shares in DDM at the end of 2019. DDM held 0 treasury shares at the end of 2019.

On 17 December 2018, DDM Group Finance S.A. (formerly Demeter Finance Sarl) announced a public cash offer to the shareholders of DDM Holding AG to acquire all outstanding shares in DDM Holding AG at a price of SEK 40.00 per share. At the end of the extended acceptance period on 3 May 2019, shareholders representing a total of 3,977,864 shares corresponding to approximately 29.33% of the shares in DDM Holding AG had accepted the offer.

SHAREHOLDER STRUCTURE PER 31 DECEMBER 2019

Name	Total number of shares (thousands)	Percentage of capital and votes
DDM Group Finance S.A. (formerly Demeter Finance Sarl)*	12,091	89.2
Ålandsbanken AB	404	3.0
Förvaltnings AB Hummelbosholm	224	1.7
Investment AB Öresund	126	0.9
Nordnet Pensionsförsäkring AB**	112	0.8
Olsson, Fredrik	105	0.8
Sjöblom, Harry	75	0.5
Försäkringsaktiebolaget, Avanza Pension	53	0.4
Mare Invest AB	50	0.4
Söderberg, Jakob	35	0.2
Total; largest owners	**13,275**	**97.9**
Summary others	285	2.1
Total	**13,560**	**100.0**

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

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

DISTRIBUTION OF SHARES PER 31 DECEMBER 2019

Number of shares	Number of shareholders	Percentage of total number of shares, %
1 – 1,000	94	0.2
1,001 – 5,000	17	0.3
5,001 – 10,000	11	0.6
10,001 – 50,000	9	1.6
50,001 – 100,000	2	0.9
100,001 – 500,000	5	7.2
500,001 –	1	89.2
Total	**139**	**100.0**

DDM SHARE AND SHAREHOLDERS

Financial calendar

Interim report January–March 2020:
7 May 2020

Annual General Meeting 2020:
23 June 2020

Interim report January–June 2020:
30 July 2020

Interim report January–September 2020:
5 November 2020

Q4 and full year report 2020:
18 February 2021

Annual report 2020:
26 March 2021

Stock option program

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

Dividend policy and dividend for 2019

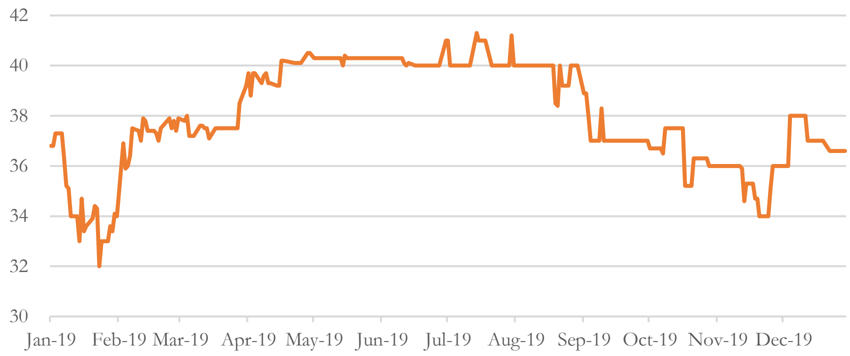
Decisions relating to dividend proposals take into account DDM's future revenues, financial position, capital requirements and the situation in general. The Company is in a phase in which exploiting identified opportunities for growth is prioritized. Consequently, shareholders should not expect to receive dividends in the next few years. The Board of Directors proposes that no dividend be paid for the 2019 financial year.

Share price and trading

DDM Holding AG's share has been listed on Nasdaq First North Growth Market, Stockholm, since 5 August 2014. Opening price on the first day of trading was SEK 50.00. During the period from 1 January to 31 December 2019, 2,880,879 shares were traded, on average 11,524 shares per trading day.

The highest closing price during the period from 1 January to 31 December 2019 was SEK 41.30 on 15 July and the lowest was SEK 32.00 on 24 January. The share price on 31 December 2019 was SEK 36.60 (last price paid). During the period from 1 January to 31 December 2019, DDM's share price decreased by 0.5%.

SHARE PRICE DEVELOPMENT, 1 JANUARY 2019 – 31 DECEMBER 2019, SEK



>> Source: Nasdaq First North Growth Market

Quiet periods

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

General Framework

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

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

The information contained in this report for the financial year 2019 is valid as at 31 December 2019, unless stated otherwise. The principles and rules on corporate governance in DDM Holding AG are laid down in the articles of association (the "Articles"), the Business Rules for the Board of Directors (the "Board Rules"), the regulations of the Board of Directors' committees and the internal corporate governance policies.

Corporate Governance

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

Implementation of the Ordinance Against Excessive Compensation at Listed Companies

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

The Swedish Code of Corporate Governance

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

The EU Market Abuse Regulation

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

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

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

Governance of the DDM Group

DDM Holding AG (CHE-115906312) is a company incorporated under Swiss law on 16 August 2010, with its legal seat in Baar, canton Zug, Switzerland. DDM has sixteen subsidiaries as of 31 December 2019 (2018: twenty-four), all of which are wholly-owned except for CE Partner S.à.r.l. and CE Holding S.C.S which are partially-owned. DDM Debt AB (publ) is the issuer of the senior secured bonds issued in December 2017 and April 2019.

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

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

Articles of Association

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

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

Shareholders' Meetings

General

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

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

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

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

Right to attend shareholders' meetings

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

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

Notice of shareholders' meetings and shareholder initiatives

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

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

The Annual General Meeting 2019

At the end of 2019, DDM had approximately 139 shareholders (end of 2018: approximately 392) and DDM Group Finance S.A. (formerly Demeter Finance Sarl) was the Company's largest shareholder with a holding representing 89.2% of the votes and share capital. For further information on the DDM shareholder structure, see page 19 of the Annual Report and DDM's website >>.

The AGM resolved:

- To approve the 2018 annual report, the statutory financial statements and the consolidated financial statements
- To appropriate DDM's available earnings in accordance with the Board of Directors' proposal in the 2018 Annual Report
- To discharge the Board of Directors and the Executive Management Committee from liability
- To re-elect Torgny Hellström and Erik Fällström as members of the Board of Directors
- To elect Joachim Cato as a new member of the Board of Directors
- To re-elect Torgny Hellström as Chairman of the Board of Directors
- To re-elect Torgny Hellström and Erik Fällström as members of the remuneration committee

- To elect Bratschi AG as independent proxy
- To re-elect PricewaterhouseCoopers AG, Luzern, as the Company's statutory auditors for the business year 2019
- To approve the compensation report 2018, on a consultative basis and as proposed by the board of directors
- To approve the compensation of the members of the Board of Directors for the period until the end of the 2020 annual general meeting, the variable compensation of the members of the executive management for the business year 2019 and the fixed compensation of the members of the executive management for the business year 2020
- To approve the compensation of AEDC for business development services provided by AEDC to the Company during the business year 2018 as proposed by the board of directors
- To approve the compensation of DDM Group Finance S.A. (formerly Demeter Finance Sarl) for services for the period between 1 April 2019 until the end of the 2020 annual general meeting under an asset management contract as proposed by the shareholder
- To amend the authorized share capital

The Extraordinary General Meeting held on 30 August 2019
The Meeting resolved:
- To elect Jörgen Durban and Florian Nowotny as new members of the Board of Directors following the resignation of Törgny Hellstrom
- To elect Jörgen Durban as Chairman of the Board of Directors
- To elect Jörgen Durban as a new member of remuneration committee

The 2020 Annual General Meeting will be held on 23 June in Zurich, Switzerland.

The Board of Directors

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

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

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

The composition of the Board of Directors is set out in section "Board of Directors" on page 17 in this Annual Report and the members of the Board were elected by the Shareholders' Meetings for a term of office expiring at the Annual General Meeting 2020.

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

The Board of Directors held 12 meetings in 2019.

Board of Directors attendance

	Attendance 2019				
	Board meetings	Audit Committee	Remuneration Committee	Investment Committee	Nomination Committee
Jörgen Durban*	5/12	–	1/2	0/6	0/2
Florian Nowotny**	5/12	1/2	–	–	–
Erik Fällström	8/12	–	2/2	5/6	–
Joachim Cato	7/12	1/2	–	–	2/2
Torgny Hellström***	7/12	1/2	1/2	6/6	1/2
Fredrik Waker****	5/12	1/2	–	–	–

* Chairman of the Board and member of the remuneration, investment and nomination committees from 30 August 2019

** Board member and Chairman of the audit committee from 30 August 2019

*** Chairman of the Board and member of the remuneration, investment and nomination committees until 30 August 2019

**** Board member and member of the audit committee until 18 June 2019

The Board's committees

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

Audit Committee

The audit committee prepares a number of issues for consideration by the Board and thereby supports the Board in its endeavors to fulfil its responsibilities within the areas of auditing and internal control and with assuring the quality of DDM's financial reporting. The audit committee meets on a regular basis. The audit committee was comprised of Fredrik Waker (chair) and Torgny Hellström until the AGM on the 18 June 2019, after when Fredrik Waker was replaced by Joachim Cato. The EGM on the 30 August 2019 elected Florian Nowotny (chair) and Joachim Cato became a member. The committee's meetings are also attended by DDM's CFO. The committee held two meetings during the year. Special attention was paid in 2019 to the auditors' reviews, internal controls, the acquisitions in the year and financing.

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

Remuneration Committee

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

The remuneration committee works on the basis of a set of "Instructions for the remuneration committee" adopted every year by the Board of Directors and reports back to the Board on the results of its work. The remuneration committee was comprised of Torgny Hellström (chair) and Erik Fällström until the EGM on 30 August 2019, after when Torgny Hellström was replaced by Jörgen Durban as a member of the Remuneration Committee, and Erik Fällström became Chairman. The committee held two meetings during the year.

Investment Committee

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

The investment committee works on the basis of a set of "Instructions for the investment committee" adopted every year by the Board of Directors and reports back to the Board on the results of its work. The investment committee was comprised of Erik Fällström (chair), Torgny Hellström and Alessandro Pappalardo until the EGM on 30 August 2019, when Torgny Hellström was replaced by Jörgen Durban. The committee held six meetings during the year.

Nomination Committee

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

The nomination committee works on the basis of a set of "Instructions for the nomination committee" adopted every year by the Board of Directors and reports back to the Board on the results of its work. The nomination committee consisted of Joachim Cato (chair), and Torgny Hellström until the EGM on 30 August 2019, when Torgny Hellström was replaced by Jörgen Durban. The committee held two meetings during the year.

Internal governance systems

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

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

Individuals with an insider position

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

External auditor

The Annual General Meeting 2019 appointed PricewaterhouseCoopers AG (Werftestrasse 3, CH-6002 Luzern, Switzerland) as the independent auditor until the Annual General Meeting 2020.

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

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

For the year ended 31 December EUR '000s	**2019**	**2018**
Audit		
Audit assignments	396	368
Total audit expenses	**396**	**368**

For the year ended 31 December EUR '000s	**2019**	**2018**
Non-audit		
Tax assignments	183	128
Other assignments	402	25
Total non-audit expenses	**586**	**153**

RISK FACTORS

Investment in DDM is associated with a number of risks

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

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

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

Market, financial and business related risks

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

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

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

The asset acquisition industry is competitive

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

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

DDM is exposed to regulatory risks

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

RISK FACTORS

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

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

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

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

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

DDM is dependent on key business relationships and third parties

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

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

RISK FACTORS

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

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

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

Majority owner

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

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

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

Risks related to investments in SPVs

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

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

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

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

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

Macroeconomic factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DDM is exposed to refinancing risk

DDM's business is as of the date hereof to a large extent funded by outstanding bond loans with final maturity in December 2020, April 2022 and June 2022, and a super senior revolving credit facility maturing in March 2021. The outstanding bonds and/or the RCF may under certain circumstances set out in its respective terms and conditions, be redeemed or prepaid by DDM or accelerated by the bondholders prior to such final maturity date. There is a risk that there will be no correlation in time between collecting on sufficient assets under DDM's portfolios and the maturity of DDM's funding. Therefore, DDM is dependent on the ability to refinance borrowings upon their maturity and there is a risk that DDM will not be able to successfully refinance the bond loans and/or the RCF upon their maturity or only succeeds in securing funding at substantially increased costs, which could have a material adverse effect on DDM's business, results of operations or financial condition.

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

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

Potential risks relating to a Transfer event or a Domicile Event

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

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

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

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

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

DDM is exposed to counterparty risk

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

DDM is dependent on future financing on attractive terms

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

Risk of limited access to capital

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

DDM may not have adequate insurance coverage

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

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

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

Risks associated with expanding the business of DDM

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

Dependency on key employees

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

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

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

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

Risk connected with related party transactions

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

DDM IN FIGURES

FINANCIAL STATEMENTS AND NOTES

DDM HOLDING GROUP

DDM HOLDING AG

DDM HOLDING GROUP

Consolidated Financial Statements

THE BOARD OF DIRECTORS OF DDM HOLDING AG IS PLEASED TO PRESENT THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2019

This report is dated 27 March 2020 and is signed on behalf of the Board of DDM Holding AG by

Jörgen Durban	Henrik Wennerholm
Chairman	*Chief Executive Officer*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December Amounts in EUR '000s	Notes	2019	2018
Reconciliation of revenue on invested assets:			
Net collections		*57,063*	*65,669*
Amortization of invested assets		*(34,498)*	*(34,828)*
Interest income on invested assets		**22,565**	**30,841**
Net collections on sale of invested assets		*4,476*	*–*
Revaluation and impairment of invested assets		*(1,218)*	*(2,597)*
Revenue on invested assets	6, 7	**25,823**	**28,244**
Share of net profits of joint venture	17	916	–
Other operating income	34, 36	1,142	1,967
Revenue from management fees	6, 7	570	1,233
Personnel expenses	8	(5,398)	(4,816)
Consulting expenses	9	(5,497)	(2,443)
Other operating expenses	10	(2,324)	(1,987)
Amortization and depreciation of tangible and intangible assets	20, 21, 23	(222)	(130)
Operating profit		**15,010**	**22,068**
Financial income	11	178	–
Financial expenses	11	(19,147)	(15,476)
Unrealized exchange loss	11	(336)	(402)
Realized exchange loss	11	(217)	(261)
Net financial expenses		**(19,522)**	**(16,139)**
(Loss) / profit before income tax		**(4,512)**	**5,929**
Tax income / (expense)	12	392	(1,112)
Net (loss) / profit for the year		**(4,120)**	**4,817**
Net (loss) / profit for the year attributable to:			
Owners of the Parent Company		(4,003)	4,817
Non-controlling interest	33	(117)	–
Earnings per share before and after dilution (EUR)	13	(0.30)	0.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December Amounts in EUR '000s	2019	2018
Net (loss) / profit for the year	**(4,120)**	**4,817**
Other comprehensive (loss) / income for the year		
Items that will not be reclassified to profit or loss:		
Actuarial (loss) / gain on post-employment benefit commitments	(77)	68
Deferred tax on post-employment benefit commitments	44	49
Items that may subsequently be reclassified to profit or loss:		
Currency translation differences	(7)	2
Other comprehensive (loss) / income for the year, net of tax	**(40)**	**119**
Total comprehensive (loss) / income for the year	**(4,160)**	**4,936**
Total comprehensive (loss) / income for the year attributable to:		
Owners of the Parent Company	**(4,043)**	**4,936**
Non-controlling interest	**(117)**	**–**

The notes on pages 45 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December Amounts in EUR '000s	Notes	2019	2018
ASSETS			
Non-current assets			
Goodwill	22	4,160	4,160
Intangible assets	23	1,303	1,415
Tangible assets	20	54	57
Right-of-use assets	21	104	–
Interests in associates	16	–	13
Distressed asset portfolios	18	143,027	116,143
Other long-term receivables from investments	19	3,023	2,422
Investment in joint venture	17	29,952	–
Deferred tax assets	30	1,600	1,041
Other non-current assets	24	995	106
Total non-current assets		**184,218**	**125,357**
Current assets			
Accounts receivable	15	3,330	7,280
Tax assets	15	1,401	–
Other receivables	15	1,820	761
Prepaid expenses and accrued income	15	1,402	1,274
Cash and cash equivalents	14	12,285	59,862
Total current assets		**20,238**	**69,177**
TOTAL ASSETS		**204,456**	**194,534**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	32	11,780	11,780
Share premium	32	21,030	21,030
Other reserves	32	(451)	(488)
Retained earnings including net (loss) / profit for the year		(669)	3,528
Total shareholders' equity		**31,690**	**35,850**
Long-term liabilities			
Loans	27, 28	114,913	133,225
Lease liabilities	26	61	–
Post-employment benefit commitments	29	1,156	966
Deferred tax liabilities	30	220	307
Total long-term liabilities		**116,350**	**134,498**
Current liabilities			
Accounts payable	25	1,308	1,400
Tax liabilities	25	240	2,370
Accrued interest	25	2,667	3,789
Accrued expenses and deferred income	25	2,648	2,627
Lease liabilities	26	49	–
Loans	25, 27, 28	49,504	14,000
Total current liabilities		**56,416**	**24,186**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**204,456**	**194,534**

The notes on pages 45 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December Amounts in EUR '000s	Notes	2019	2018
Cash flow from operating activities			
Operating profit		15,010	22,068
Cash distribution from joint venture	17	2,654	–
Adjustments for non-cash items:			
Amortization of invested assets	18, 19	*34,498*	*34,828*
Revaluation and impairment of invested assets	18, 19	*1,218*	*2,597*
Share of net profits of joint venture	17	*(916)*	–
Other operating income	34, 36	*(1,142)*	*(1,967)*
Depreciation, amortization and impairment of tangible and intangible assets	20, 21, 23	*222*	*130*
Other items not affecting cash		*(5)*	*(256)*
Interest paid		(18,179)	(13,652)
Interest received		179	–
Tax paid		(3,701)	(63)
Cash flow from operating activities before working capital changes		**29,838**	**43,685**
Working capital adjustments			
(Increase) / decrease in accounts receivable		5,133	(2,286)
(Increase) / decrease in other receivables		(18)	(1,027)
Increase / (decrease) in accounts payable		(292)	542
Increase / (decrease) in other current liabilities		21	1,027
Net cash flow from operating activities		**34,682**	**41,941**
Cash flow from investing activities			
Purchases of distressed asset portfolios and other long-term receivables from investments	18, 19	(66,342)	(42,313)
Purchases of investment of joint venture	17	(66,662)	–
Acquisition of subsidiary, net of cash acquired	36	–	410
Proceeds from divestment of distressed asset portfolios and joint venture	17, 18	37,094	–
Purchases of non-current assets	24, 34	(975)	–
Purchases of tangible assets	20	(36)	(22)
Net cash flow received / (used) in investing activities		**(96,921)**	**(41,925)**
Cash flow from financing activities			
Proceeds from issuance of loans	27, 28	110,537	12,000
Repayment of loans	27, 28	(95,700)	(10,000)
Net cash flow received / (used) in financing activities		**14,837**	**2,000**
Cash flow for the year		**(47,402)**	**2,016**
Cash and cash equivalents less bank overdrafts at beginning of the year		**59,862**	**58,118**
Foreign exchange gains / (losses) on cash and cash equivalents		(175)	(272)
Cash and cash equivalents less bank overdrafts at end of the year	**14**	**12,285**	**59,862**

The notes on pages 45 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Parent Company's shareholders						
Amounts in EUR '000s	Notes	Share capital	Share premium	Other reserves	Retained earnings incl. net (loss) / profit for the year	Total equity	Non-controlling interest	Total equity
Balance at 1 January 2018		**11,780**	**21,030**	**(540)**	**(1,356)**	**30,914**	–	**30,914**
Net profit for the year		–	–	–	4,817	**4,817**	–	**4,817**
Other comprehensive income								
Actuarial loss on post-employment benefit commitments	29	–	–	–	68	**68**	–	**68**
Currency translation differences		–	–	3	(1)	**2**	–	**2**
Deferred tax on post-employment benefit commitments	30	–	–	49	–	**49**	–	**49**
Total comprehensive income		**–**	**–**	**52**	**4,884**	**4,936**	**–**	**4,936**
Transactions with owners								
Total transactions with owners		–	–	–	–	–	–	–
Balance at 31 December 2018		**11,780**	**21,030**	**(488)**	**3,528**	**35,850**	–	**35,850**
Balance at 1 January 2019		**11,780**	**21,030**	**(488)**	**3,528**	**35,850**	–	**35,850**
Net loss for the year		–	–	–	(4,003)	**(4,003)**	(117)	**(4,120)**
Other comprehensive loss								
Actuarial loss on post-employment benefit commitments	29	–	–	–	(77)	**(77)**	–	**(77)**
Currency translation differences		–	–	(7)	–	**(7)**	–	**(7)**
Deferred tax on post-employment benefit commitments	30	–	–	44	–	**44**	–	**44**
Total comprehensive loss		**–**	**–**	**37**	**(4,080)**	**(4,043)**	**(117)**	**(4,160)**
Transactions with owners								
Disposal of subsidiary		–	–	–	(117)	**(117)**	117	**–**
Total transactions with owners		–	–	–	(117)	**(117)**	**117**	**–**
Balance at 31 December 2019		**11,780**	**21,030**	**(451)**	**(669)**	**31,690**	–	**31,690**

At 31 December 2019 the number of outstanding shares in DDM Holding AG amounted to 13,560,447 shares and at 31 December 2018 the number of outstanding shares amounted to 13,560,447 shares.

NOTE 1. GENERAL INFORMATION

DDM Holding AG and its subsidiaries (together "DDM" or the "Company") is a multinational investor in and manager of distressed assets. DDM primarily buys portfolios from financial institutions and international banks with lending operations in Southern, Central and Eastern Europe, and the majority of the assets in which DDM has invested originate in Croatia, Greece, the Czech Republic, Slovenia, Romania, Hungary and Serbia. The Company is based in the canton of Zug in Switzerland where the majority of its staff is located. The address of DDM's registered office is Schochenmühlestrasse 4, 6340 Baar, Switzerland. The Company was founded in 2007 and is listed on Nasdaq First North Growth Market, Stockholm since September 2014, under the ticker DDM.

These financial statements were authorized for publication by the Board of Directors on 27 March 2020.

NOTE 2. BASIS OF PREPARATION

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

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Entities included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2019	31 Dec 2018
DDM Group AG	Fully consolidated	Switzerland	100%	100%
DDM Invest I AG	Fully consolidated	Switzerland	–	100%
DDM Invest II AG	Fully consolidated	Switzerland	–	100%
DDM Invest III AG	Fully consolidated	Switzerland	100%	100%
DDM Invest IV AG	Fully consolidated	Switzerland	–	100%
DDM Invest VII AG	Fully consolidated	Switzerland	–	100%
DDM Invest X AG	Fully consolidated	Switzerland	–	100%
DDM Invest XX AG	Fully consolidated	Switzerland	–	100%
DDM Treasury Sweden AB	Fully consolidated	Sweden	100%	100%
DDM Finance AB	Fully consolidated	Sweden	100%	100%
DDM Debt AB	Fully consolidated	Sweden	100%	100%
DDM Facility Finance AB	Fully consolidated	Sweden	–	100%
DDM Facility Debt AB	Fully consolidated	Sweden	–	100%
DDM Invest V d.o.o.	Fully consolidated	Slovenia	100%	100%
DDM Invest VII d.o.o	Fully consolidated	Slovenia	100%	100%
DDM Debt Management d.o.o Beograd	Fully consolidated	Serbia	100%	100%
DDM Debt Romania S.R.L	Fully consolidated	Romania	100%	100%
Finalp Zrt.	Fully consolidated	Hungary	100%	100%

On 29 May 2019 aXs GmbH was registered following the partnership that was launched with the company 720 Restructuring & Advisory, where 70% of the ownership was controlled by DDM. On 23 December 2019 a further 12% of the shares of aXs GmbH were acquired for a total consideration of EUR 200k. Subsequently 82% of the shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. (DDM's largest shareholder) for a total deferred consideration of EUR 1,367k on 23 December payable within one year. This transaction resulted in a gain on sale of shares of EUR 1,142k which has been recognized in the consolidated income statement under "Other operating income".

On 14 June 2019, the following subsidiaries were merged into DDM Invest III AG to simplify the existing DDM Group structure: DDM Invest I AG, DDM Invest II AG, DDM Invest IV AG, DDM Invest VII AG, DDM Invest X AG and DDM Invest XX AG. DDM Invest III AG has assumed all rights, liabilities and obligations from the merged subsidiaries.

On 25 July 2019, aXs Croatia d.o.o. (formerly Silverton720 debt solutions d.o.o) and on 19 August 2019 aXs, poslovne storitve d.o.o. were fully acquired by aXs GmbH. aXs Croatia d.o.o. and aXs, poslovne storitve d.o.o. were 70% indirectly held subsidiaries through aXs GmbH that were sold on 23 December 2019 to AxFina.

In September 2019, the following dormant subsidiaries were sold in order to simplify the existing DDM Group structure: DDM Facility Finance AB and DDM Facility Debt AB.

Joint venture
The Company applies IFRS 11 Joint Arrangements, where DDM, together with one or several parties have joint control over an arrangement in accordance with a shareholder agreement. DDM's joint arrangement with B2Holding where each party holds 50% of the share capital and voting rights of CE Partner S.à r.l. and CE Holding Invest S.C.S (the "Joint Venture") is classified as a joint venture, as DDM is entitled to 50% of the net assets of the Joint Venture rather than having a direct entitlement to assets and responsibility for liabilities. The equity method is applied when accounting for the Joint Venture. Under the equity method of accounting the investment is recognised at cost and subsequently adjusted to DDM's 50% share of the change in the net assets of the Joint Venture since the acquisition date. The consolidated income statement includes DDM's share of earnings, and this is reported under Share of net profits of joint venture. Distributions received from the joint venture are not recognised in the income statement and instead reduce the carrying value of the investment. The equity method is applied from the date joint control arises until the time it ceases, or if the joint venture becomes a subsidiary. Upon loss of joint control over the joint venture, and as such the equity method ceases, the Company measures and recognises any difference between the carrying amount of the investment in the joint venture with the fair value of the remaining investment and/or proceeds from disposal which is recognised as gain or loss directly in the income statement. The financial statements of the Joint Venture are prepared for the same reporting period as the Company.

Entities not included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2019	31 Dec 2018
CE Partner S.à r.l.	Equity accounted	Luxembourg	50%	–
CE Holding Invest S.C.S	Equity accounted	Luxembourg	50%	–

Associates
Associates are all entities over which DDM Holding AG has significant influence but do not control or jointly control. This is generally the case where the group holds between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method. The carrying amount (including goodwill) of equity accounted investments is tested for impairment in accordance with the policy described in note 3. CE Partner S.à r.l. and CE Holding Invest S.C.S were incorporated on 4 December 2018 in Luxembourg and the equity investment was recognised as an associate. DDM's joint arrangement with B2Holding closed on 31 May 2019, and a shareholder loan agreement was signed together with B2Holding that changed the contractual terms to a joint arrangement where each party holds 50% of the share capital and voting rights of the Joint Venture and therefore was reclassified to joint ventures.

Entities not included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2019	31 Dec 2018
CE Partner S.à r.l.	Equity accounted	Luxembourg	–	50%
CE Holding Invest S.C.S	Equity accounted	Luxembourg	–	50%

New standards adoped by the Company
The following new standards have been adopted by the Company as of 1 January 2019:

IFRS 16 Leases
IFRS 16 Leases removes the current distinction between operating and financing leases and 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 were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

DDM has adopted IFRS 16 Leases using the modified retrospective approach from 1 January 2019, and therefore has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The right-of-use asset is measured at an amount equal to the lease liability adjusted by the amount of any previously recognized prepaid or accrued lease payments. Consequently, equity as of 1 January 2019 was not impacted by the implementation of IFRS 16.

Lease liabilities
On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. 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.

In applying IFRS 16 for the first time, the Company has elected to use the following practical expedients permitted by the standard:

a) applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
b) exemption accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases and for which the underlying asset is low value;
c) not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease;
d) relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
e) excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
f) using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The main changes upon adoption of IFRS 16:
Based on the volume of in-force non-cancellable operating leases as of 1 January 2019, the impact of IFRS 16 resulted in the recognition of EUR 835k right-of-use assets and a corresponding lease liability on the balance sheet. The majority of the Company's leases are leases of office buildings, of which EUR 768k related to the Swiss office lease that was terminated earlier than expected during the second quarter and therefore released during 2019. Please see notes 21 and 26 for further details.

There was no net impact on retained earnings on 1 January 2019.

EUR'000	2019
Operating lease commitments disclosed as at 31 December 2018	1,308
Discounted using the lessee's incremental borrowing rate at the date of initial application	912
(Less): short-term leases not recognized as a liability	(77)
Lease liability recognized as at 1 January 2019	**835**
Of which are:	
Current: lease liabilities	104
Non-Current: lease liabilities	731

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

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

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

Exchange rates		31 Dec 2019	31 Dec 2018
Balance sheet	EUR/CHF	1.0854	1.1269
Income statement	EUR/CHF	1.1156	1.1580
Balance sheet	EUR/CZK	25.408	25.724
Income statement	EUR/CZK	25.697	25.625
Balance sheet	EUR/HRK	7.4395	7.4125
Income statement	EUR/HRK	7.4154	7.4290
Balance sheet	EUR/HUF	330.58	321.03
Income statement	EUR/HUF	324.51	317.92
Balance sheet	EUR/RON	4.7830	4.6635
Income statement	EUR/RON	4.7350	4.6529
Balance sheet	EUR/RSD	117.550	118.175
Income statement	EUR/RSD	117.911	118.312
Balance sheet	EUR/SEK	10.4468	10.2548
Income statement	EUR/SEK	10.5655	10.2259

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Distressed asset portfolios and other long-term receivables from investments
DDM invests in distressed asset portfolios, where the receivables are directly against the debtor, and in other long-term receivables from investments, where the receivables are against the local legal entities holding the portfolios of loans.

Other long-term receivables from investments
DDM owns 100% of the shares in the local legal entities holding the leasing portfolios. However, for each investment there is a co-investor holding a majority stake in the leasing portfolio, and therefore DDM does not control the investment as the co-investor has significant rights which if exercised could block decisions related to relevant activities to collect the portfolios.

The economic substance of the investments are the underlying portfolios of loans. As a result, the underlying assets which represent other long-term receivables from investments are recognized in proportion to DDM's share of the rights to the leasing portfolio in the financial statements. The receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, adjusted for revaluation and impairment. The fair value of 100% of the equity is immaterial, and therefore equity accounting is not carried out.

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

If the fair value of the investment at the acquisition date exceeds the purchase price for a distressed asset portfolio not acquired as part of a business combination, the difference results in a "gain on bargain purchase" in the income statement within the line "net collections". The gain on bargain purchase relates to the fair value measurement of the investment (purchase price allocation). Please see note 5 for further information.

Cash flow projections are made at the portfolio / receivable level since each portfolio / receivable consists of a large number of homogeneous amounts 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. Changes in cash flow forecasts are treated symmetrically i.e. both increases and decreases in forecast cash flows affect the portfolios' book value and as a result "revenue on invested assets". If there is a significant change in the credit risk estimated in relation to the amount of future cash flows of the portfolio / receivable and 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 Company sells a portfolio / receivable for a higher or lower amount than its carrying value, the resulting gain or loss on disposal is recognized in the consolidated income statement (within the line "Net collections on sale of invested assets").

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

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

Furniture	5 years
Computer hardware	5 years

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

Intangible assets
(i) Identifiable intangible assets
The Company's identifiable intangible assets are stated at cost less accumulated amortization and include the "FUSION" computer software that was developed in-house in cooperation with external IT consultancy firms, and that has a finite useful life. "FUSION" is the proprietary IT system that integrates investment data, case data, payment data and activity data

into one effective and comprehensive IT system. This asset is capitalized and amortized in the income statement on a straight-line basis over its expected useful life of 20 years.

(ii) Goodwill
On the date of acquisition, the assets and liabilities of acquired subsidiaries or businesses are valued at fair value and in accordance with uniform group policies. The excess of the acquisition price over the revalued net assets of the acquired subsidiaries, businesses or parts of the business is recognized as goodwill in the balance sheet.

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

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

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

Acquisition-related costs are expensed as incurred.

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

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the income statement as a bargain purchase within the line "other operating income".

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New standards and interpretations not yet adopted in 2019
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by DDM. These standards are not expected to have a material impact on DDM in the current or future reporting periods.

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

NOTE 4. FINANCIAL RISK MANAGEMENT

Risk management is handled by employees and the Executive Management Committee who report to the Board on the basis of the policy adopted by the Board. The Company identifies, evaluates and mitigates financial risks relating to the operating activities of the Company. The Board determines and adopts an overall internal policy for risk management. This policy is divided into different sections addressing specific areas such as currency risk, interest rate risk, credit risk, liquidity risk, invested assets risk and financing risk. The Company reports to the Board on compliance with and status of the risk policy in terms of the different financial risks.

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

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

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

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

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

(iii) Market risks
Market risks consist of risks related to changes in exchange rates and interest rate levels. The Company's financing and financial risks are managed 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 to the headquarters in Switzerland to achieve efficiencies when pricing financial transactions.

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

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

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

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

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

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

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

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

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

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

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

(vii) Financing risk
DDM's borrowings contain a number of financial covenants, including limits on certain financial indicators. The Company's management carefully monitors these key financial indicators so that it can quickly take measures if there is a risk that one or more limits may be exceeded.

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

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

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

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

Revenue recognition and measurement of acquired portfolios and other long-term receivables from investments
Distressed asset portfolios and other long-term receivables from investments are financial instruments that are accounted for under IFRS 9 and are measured at amortized cost using the effective interest rate method ("EIR"). The effective interest rate method is a method of calculating the amortized cost of a distressed asset portfolio/receivable and of allocating interest income over the expressed life of the portfolio/receivable; the allocated interest income is recorded within revenue on invested assets, in the financial statements. The EIR is the rate that discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio/receivable. The EIR is determined at the time of purchase of the portfolio. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy.

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

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

The portfolio / receivables are assessed on a forward looking basis for the expected credit losses associated with its collection estimates for financial assets held at amortised cost in accordance with IFRS 9. An expected credit loss for a portfolio / receivable is recognised if there is a significant change in the credit risk estimated in relation to the amount of future cash flows of the portfolio / receivable and can be estimated reliably, an adjustment is recorded to the carrying value. If the forecasted collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value and is included in revenue on invested assets. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy. Estimates of cash flows that determine the EIR are established for each purchased portfolio / receivable and are based on actual collection information, planned collection actions as well as macroeconomic scenarios and the specific features of the assets concerned. Revaluations of portfolios / receivables are based on the rolling 120-month ERC ("Estimated remaining collections") at the revaluation date. The ERC is updated quarterly using a proprietary model. ERC represents an estimate of the undiscounted cash flows from the distressed asset portfolios and other long-term receivables from investments at a point in time.

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

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

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

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

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

Collection costs are comprised of all third party expenses directly attributable to the collection of distressed asset portfolios and other long-term receivables from investments, such as collection fees, commission, transaction costs, non-recoverable VAT on amounts collected and Swiss VAT where applicable. The collection costs differ from portfolio to portfolio depending on the country/jurisdiction and the specific features of the assets concerned.

For the year ended 31 December EUR '000s	2019	2018
Net collections	57,063	65,669
Amortization of invested assets	(34,498)	(34,828)
Interest income on invested assets before revaluation and impairment	**22,565**	**30,841**
Net collections on sale of invested assets	4,476	–
Revaluation of invested assets	4,562	(152)
Impairment of invested assets	(5,780)	(2,445)
Revenue on invested assets	**25,823**	**28,244**

For the year ended 31 December EUR '000s	2019	2018
Revenue from management fees	570	1,233

NOTE 7. SEGMENT INFORMATION

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

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

For the year ended 31 December EUR '000s		2019	2018
Bosnia	Revenue on invested assets	193	(152)
Croatia	Revenue on invested assets	2,205	2,917
Croatia	Revenue from management fees	14	–
Czech Republic	Revenue on invested assets	3,046	4,476
Greece	Revenue on invested assets	7,792	11,876
Greece	Revenue from management fees	105	420
Hungary	Revenue on invested assets	6,652	1,872
Hungary	Revenue from management fees	447	808
Romania	Revenue on invested assets	1,891	2,013
Romania	Revenue from management fees	4	5
Russia	Revenue on invested assets	1,937	(12)
Serbia	Revenue on invested assets	(262)	397
Slovakia	Revenue on invested assets	10	(80)
Slovenia	Revenue on invested assets	2,359	4,937
Total revenue on invested assets and revenue from management fees		**26,393**	**29,477**

For the year ended 31 December EUR '000s		2019	2018
Croatia	Share of net profits of joint venture	916	–
Total share of net profits of joint venture		**916**	–

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

For the year ended 31 December EUR '000s		2019	2018
Croatia	Impairment of invested assets	5,092	1,788
Slovenia	Impairment of invested assets	688	664
Russia	Impairment of invested assets	–	(7)
Total impairment of invested assets		**5,780**	**2,445**

Impairments relate to one-off write downs on portfolios previously acquired in the Balkans.

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

NOTE 7. *SEGMENT INFORMATION… continued*

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

EUR '000s	31 December 2019	31 December 2018
Croatia	98,668	33,760
Greece	51,390	35,626
Czech Republic	8,618	14,879
Slovenia	6,323	22,085
Hungary	5,774	4,623
Romania	2,827	4,399
Serbia	1,385	2,116
Bosnia	1,004	834
Slovakia	13	48
Russia	–	195
Total invested assets	**176,002**	**118,565**

NOTE 8. PERSONNEL EXPENSES

For the year ended 31 December EUR '000s	2019	2018
Salary	4,421	4,052
Social security expenses and other employment expenses	864	644
Expenses related to post-employment benefit commitments	113	120
Total personnel expenses	**5,398**	**4,816**

Compensation (including personnel and consulting expenses) for the Board of Directors amounted to EUR 297k in 2019 (EUR 590k in 2018). Personnel expenses (including accrued variable compensation) for the Executive Management Committee amounted to EUR 1,893k in 2019 (EUR 2,226k in 2018).

At the end of 2019, DDM employed 22 people (2018: 33). The average number of employees during 2019 was 33 people (2018: 24), including 10 employees that were employed by Finalp Zrt. that was acquired during 2018. All of our staff are permanently employed. The gender distribution in 2019 was 64% male, 36% female (2018: 45% male, 55% female). The average age of DDM employees is 37 years (2018: 38). The age distribution of employees is shown below:

For the year ended 31 December	2019	2018
Up to 30 years	14%	9%
30 – 40 years	44%	51%
41 – 50 years	42%	34%
51 – 60 years	–	6%
60+ years	–	–

NOTE 9. CONSULTING EXPENSES

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

For the year ended 31 December EUR '000s	2019	2018
Consultancy / Service fees	4,554	1,325
Tax and legal services	620	750
Audit fees	323	368
Total consulting expenses	**5,497**	**2,443**

Consultancy / Service fees includes EUR 1,075k (2018: nil) for services expensed under a brokerage contract with DDM Group Finance S.A. and EUR 757k (2018: 135k) business development services from AEDC to DDM during the year ended 31 December 2019 refer to note 34 for further details.

NOTE 10. OTHER OPERATING EXPENSES

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

For the year ended 31 December EUR '000s	2019	2018
Administrative expenses	840	361
Non-deductible VAT	544	526
Business travel expenses	333	312
IT expenses	290	304
Rental expenses	179	207
Recruitment expenses	110	213
Other operating expenses	28	64
Total other operating expenses	**2,324**	**1,987**

NOTE 11. NET FINANCIAL EXPENSES

For the year ended 31 December EUR '000s	2019	2018
Interest expense	14,817	13,783
Amortization of transaction costs	2,155	1,133
Call premium EUR 85M senior secured bonds	2,023	–
Unrealized exchange loss	336	402
Realized exchange loss	217	261
Bank charges	99	79
Other financial expenses	53	1
Impairment of interest in associates	–	480
Total financial expenses	**19,700**	**16,139**

For the year ended 31 December EUR '000s	2019	2018
Other financial income	178	–
Total financial income	**178**	–

For the year ended 31 December EUR '000s	2019	2018
Total financial expenses	19,700	16,139
Total financial income	(178)	–
Net financial expenses	**19,522**	**16,139**

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

For the year ended 31 December EUR '000s	2019	2018
Interest on senior secured bonds 9.25% (8 Apr 2019 – 8 Apr 2022)	6,396	–
Interest on senior secured bonds 8% (11 Dec 2017 – 11 Dec 2020)	4,000	4,000
Interest on senior secured bonds 9.5% (30 Jan 2017 – 2 May 2019)	2,716	8,075
Interest on senior secured notes (7 Nov 2018 – 30 Jun 2022)	1,314	124
Revolving credit facility	323	478
Interest on other loans	68	1,106
Total interest expense	**14,817**	**13,783**

NOTE 12. TAX EXPENSE

For the year ended 31 December EUR '000s	2019	2018
Current tax		
Current tax on profit for the year	(198)	(1,117)
Adjustment in respect of prior years	(12)	229
Total current tax	**(210)**	**(888)**
Deferred tax		
Origination and reversal of temporary differences	99	196
Adjustment in deferred tax assets relating to tax losses carried forward	503	(420)
Total deferred tax	**602**	**(224)**
Tax income / (expense) in income statement	**392**	**(1,112)**

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

For the year ended 31 December EUR '000s	2019	2018
(Loss) / profit before tax	(4,512)	5,929
Tax calculated at 12.2% (Swiss) tax rate (prior year 12.2%)	550	(723)
Tax effects of:		
Effect of different tax rates	(8)	15
Adjustments for tax losses carried forward	(436)	(712)
Deferred income tax assets recognized relating to tax losses carried forward	108	375
Adjustments for previous years and other	178	(67)
Tax income / (expense) in income statement	**392**	**(1,112)**

The Group's effective tax rate was 8.7% at 31 December 2019 (18.8% at 31 December 2018). The decrease in the Group's effective tax rate in 2019 is primarily due to the combined effects of the loss for the year at consolidated level and the adjustments to the existing temporary differences on individual entity level. Furthermore, in 2018 a significant adjustment was recognized for tax losses carried forward in certain Swiss companies, following changes in international tax regulations.

NOTE 13. EARNINGS PER SHARE

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

For the year ended 31 December EUR '000s	2019	2018
Net (loss) / profit from continuing operations attributable to owners of the Parent Company	(4,003)	4,817
Total	**(4,003)**	**4,817**
Weighted average number of ordinary shares	13,560,447	13,560,447
Earnings per share before dilution (EUR)	(0.30)	0.36
Total potential dilutive shares	–	–
Weighted average number of shares outstanding – fully diluted	13,560,447	13,560,447
Diluted earnings per share (EUR)	(0.30)	0.36

The Board of Directors proposes that no dividend be paid for the 2019 financial year (2018: nil).

NOTE 14. CASH AND CASH EQUIVALENTS

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

EUR '000s	31 December 2019	31 December 2018
Cash and cash equivalents	12,285	59,862
Total	**12,285**	**59,862**

There was no restricted cash at 31 December 2019. The Company's cash and cash equivalents balance at 31 December 2018 included EUR 181k of restricted cash payable to third parties following the acquisition of Finalp Zrt in November 2018.

NOTE 15. CURRENT RECEIVABLES

EUR '000s	31 December 2019	31 December 2018
Accounts receivable	3,330	7,280
Tax assets	1,401	–
Other receivables	1,820	761
Prepaid expenses and accrued income	1,402	1,274
Total current receivables	**7,953**	**9,315**

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

EUR '000s	31 December 2019	31 December 2018
Accounts receivable < 30 days	3,233	7,018
Accounts receivable 31-60 days	84	239
Accounts receivable 61-90 days	10	1
Accounts receivable > 91 days	3	22
Total accounts receivable	**3,330**	**7,280**

A provision of EUR 2k was made for impairment of accounts receivables in 2019 (2018: 2k), under the simplified approach permitted under IFRS 9.

Trade and other receivables are presented in the following currencies:

EUR '000s	Currency	31 December 2019	31 December 2018
Accounts receivable	EUR	2,997	6,451
	RON	173	132
	CZK	137	182
	HUF	–	504
	Other (HRK, RUB)	23	11
Total accounts receivable		**3,330**	**7,280**
Tax assets	EUR	1,392	–
	SEK	9	–
Total tax assets		**1,401**	–
Other receivables	EUR	1,807	255
	HRK	12	285
	SEK	–	163
	CHF	1	58
Total other receivables		**1,820**	**761**
Prepaid expenses and accrued income	EUR	702	1,090
	HUF	514	–
	CHF	173	117
	SEK	–	59
	Other (CZK, USD, RUB)	13	8
Total prepaid expenses and accrued income		**1,402**	**1,274**
Total current receivables		**7,953**	**9,315**

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

NOTE 16. INTERESTS IN ASSOCIATES

Set out below are the associates of DDM as at 31 December 2019 and as at 31 December 2018. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

		% of ownership interest		Nature of	Measurement	Carrying amount (EUR'000)	
Name of entity	Domicile	2019	2018	relationship	method	2019	2018
CE Partner S.à r.l.	Luxembourg	–	50%	Associate	Equity method	–	6
CE Holding Invest S.C.S	Luxembourg	–	50%	Associate	Equity method	–	7

CE Partner S.à r.l. and CE Holding Invest S.C.S were incorporated on 4 December 2018 in Luxembourg and the equity investment was recognised as an associate. DDM's joint arrangement with B2Holding closed on 31 May 2019 where each party holds 50% of the share capital and voting rights and therefore was reclassified to joint ventures.

NOTE 17. INVESTMENT IN JOINT VENTURE

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

		% of ownership interest		Nature of	Measurement	Carrying amount (EUR'000)	
Name of entity	Domicile	2019	2018	relationship	method	2019	2018
CE Partner S.à r.l.	Luxembourg	50%	–	Joint Venture	Equity method	6	–
CE Holding Invest S.C.S	Luxembourg	50%	–	Joint Venture	Equity method	29,946	–

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

EUR '000s	31 December 2019	31 December 2018
Opening net book value	–	–
Additions	66,662	–
Share of net profits of joint venture	916	–
Proceeds from divestment of joint venture*	(33,789)	–
Incremental net distribution from joint venture**	(3,837)	–
Closing net book value	**29,952**	–

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

**The incremental net distribution from the joint venture includes EUR 2.6M (2018: nil) that has been received as a cash distribution during the year and EUR 1.2M (2018: nil) that has been reclassified to accounts receivable.

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

EUR '000s	31 December 2019	31 December 2018
Summarised balance sheet		
Non-current assets		
Portfolio investments	58,554	–
Current assets		
Cash and cash equivalents	–	–
Other current assets	1,118	–
Total assets	**59,672**	–
Current liabilities		
Other current liabilities	101	–
Total liabilities	**101**	–
Equity	**59,571**	–
Total liabilities & equity	**59,672**	–
Summarised income statement		
Interest income	2,638	–
Operating expenses	(36)	–
Operating profit	**2,602**	–
Financial expenses	–	–
Profit before tax	2,602	–
Taxation	–	–
Profit for the year	**2,602**	–

NOTE 18. DISTRESSED ASSET PORTFOLIOS

EUR '000s	31 December 2019	31 December 2018
Opening accumulated acquisition cost	**224,978**	**181,219**
Acquisitions	66,696	45,495
Disposals	(3,310)	–
Revaluation (including forex differences)	2,480	(1,736)
Closing accumulated acquisition cost	**290,844**	**224,978**
Opening accumulated amortization and impairment	**(108,835)**	**(75,672)**
Amortization for the year (including forex differences)	(33,202)	(30,718)
Impairment	(5,780)	(2,445)
Closing accumulated amortization and impairment	**(147,817)**	**(108,835)**
Closing net book value	**143,027**	**116,143**

According to the Company's strategic plan, significant investments were made in Croatia and Greece during 2019 and in the Balkans during 2018, resulting in a substantial increase to distressed asset portfolios.

Distressed asset portfolios by currency:

Currency EUR '000s	31 December 2019	31 December 2018
EUR	65,797	70,620
HRK	63,557	24,570
CZK	8,618	14,878
HUF	2,751	2,200
RSD	1,385	2,116
RON	919	1,564
RUB	–	195
Total	**143,027**	**116,143**

Included within distressed asset portfolios are EUR 1.3M (2018: 0.5M) of real estate assets which have been repossessed as part of the management of secured non-performing loan portfolios. This collateral relating to real estate is considered when determining the recoverability and carrying amount of the portfolio / receivable held at amortised cost. Any collateral received during the life of the portfolio is disposed of on an on-going basis to limit the amount of collateral held.

NOTE 19. OTHER LONG-TERM RECEIVABLES FROM INVESTMENTS

DDM owns 100% of the shares in certain legal entities holding leasing portfolios (see note 3). The fair value of 100% of the equity is immaterial, with the economic substance of the investments being the underlying portfolios of loans. As a result, the underlying assets which represent other long-term receivables from investments are recognized in the financial statements.

EUR '000s	31 December 2019	31 December 2018
Opening accumulated acquisition cost	**21,127**	**22,578**
Reclassification to distressed asset portfolios	–	(662)
Revaluation (including forex differences)	2,082	(789)
Closing accumulated acquisition cost	**23,209**	**21,127**
Opening accumulated amortization and impairment	**(18,705)**	**(16,713)**
Amortization for the year (including forex differences)	(1,481)	(1,992)
Closing accumulated amortization and impairment	**(20,186)**	**(18,705)**
Closing net book value	**3,023**	**2,422**

Other long-term receivables from investments by currency:

Currency EUR '000s	31 December 2019	31 December 2018
HUF	3,023	2,422
Total	**3,023**	**2,422**

NOTE 20. TANGIBLE ASSETS

EUR '000s	Furniture	Computer hardware	Total
Year ended 31 December 2019			
at 1 January 2019	**18**	**39**	**57**
Additions	26	10	36
Disposals	–	–	–
Depreciation	(14)	(25)	(39)
Impairment	–	–	–
at 31 December 2019	**30**	**24**	**54**
At cost	60	237	297
Accumulated depreciation	(30)	(213)	(243)
Net book value at 31 December 2019	**30**	**24**	**54**
Year ended 31 December 2018			
at 1 January 2018	**20**	**34**	**54**
Additions	3	19	22
Disposals	–	–	–
Depreciation	(5)	(14)	(19)
Impairment	–	–	–
at 31 December 2018	**18**	**39**	**57**
At cost	34	227	261
Accumulated depreciation	(16)	(188)	(204)
Net book value at 31 December 2018	**18**	**39**	**57**

NOTE 21. RIGHT-OF-USE ASSETS

EUR '000s	Office premises	Motor vehicles	Office equipment	Total
Year ended 31 December 2019				
at 1 January 2019	**768**	**60**	**7**	**835**
Additions	339	–	–	339
Disposals	(999)	–	–	(999)
Depreciation	(42)	(27)	(2)	(71)
Impairment	–	–	–	–
at 31 December 2019	**66**	**33**	**5**	**104**
At cost	108	60	7	175
Accumulated depreciation	(42)	(27)	(2)	(71)
Net book value at 31 December 2019	**66**	**33**	**5**	**104**

Based on the volume of in-force non-cancellable operating leases as of 1 January 2019, the impact of IFRS 16 resulted in EUR 835k of right-of-use assets being recognised on the balance sheet. The majority of the underlying right-of-use assets in the Company's operating leases are office buildings, of which EUR 768k related to the Swiss office lease that was terminated earlier than expected during the second quarter and therefore released during 2019. Right-of-use assets are measured at cost with an initial measurement amount equal to the lease liability see note 26. During 2019, the Slovenian office lease was renewed terminating in August 2021. On 1 October 2019, aXs GmbH and aXs Croatia d.o.o. entered into lease agreements for office premises located in Austria and Croatia respectively. Subsequently 82% of the shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. (DDM's largest shareholder) and therefore the corresponding right-of-use assets were derecognized. At 31 December 2019 in Sweden the earliest termination date for the office lease agreement was 31 March 2020, and therefore no right-of-use asset has been recognized.

NOTE 22. GOODWILL

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

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

The key assumptions for the value in use calculations are those regarding terminal growth rate, gross collections minus commissions, fees and operating expenses. The expected amounts of gross collections minus commissions and fees are determined based on management's past experience along with external sources of information. The pre-tax rate used to discount the forecast cash flows from this CGU is 11% (prior year 15%). A terminal growth rate of 3% (prior year 3%) has been applied.

In projected net cash flow collections, the recoverable amount calculated based on value in use exceeded the carrying value in 2019 (prior year exceeded the carrying value in 2018). The goodwill impairment assessment is highly sensitive to changes in estimates. An adverse change in projected net cash flows of more than 5% (prior year 43%), or a decrease in the assumed terminal growth rate by more than 1% (prior year 6%), would, all changes taken in isolation, result in an impairment as the recoverable amount would be less than the carrying amount.

NOTE 22. ***GOODWILL…*** *continued*

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

EUR '000s	Goodwill
Year ended 31 December 2019	
at 1 January 2019	**4,160**
Additions	–
Disposals	–
Impairment	–
at 31 December 2019	**4,160**
At cost	4,160
Accumulated impairment	–
Net book value at 31 December 2019	**4,160**
Year ended 31 December 2018	
at 1 January 2018	**4,160**
Additions	–
Disposals	–
Impairment	–
at 31 December 2018	**4,160**
At cost	4,160
Accumulated impairment	–
Net book value at 31 December 2018	**4,160**

NOTE 23. INTANGIBLE ASSETS

EUR '000s	IT software "FUSION"
Year ended 31 December 2019	
at 1 January 2019	**1,415**
Additions	–
Disposals	–
Amortization	(112)
Impairment	–
at 31 December 2019	**1,303**
At cost	2,225
Accumulated amortization	(922)
Net book value at 31 December 2019	**1,303**
Year ended 31 December 2018	
At 1 January 2018	**1,526**
Additions	–
Disposals	–
Amortization	(111)
Impairment	–
at 31 December 2018	**1,415**
At cost	2,225
Accumulated amortization	(810)
Net book value at 31 December 2018	**1,415**

Each significant addition to the FUSION system is amortized in the income statement on a straight-line basis over its expected useful life of 20 years. The average remaining amortization period of the FUSION software at 31 December 2019 is 12 years.

NOTE 24. OTHER NON-CURRENT ASSETS

The majority of the other non-current assets in 2019 relate to EUR 725k paid from DDM to Omnione S.A. and EUR 250k due from aXs GmbH. See related parties note 34 for further details.

The majority of the other non-current assets in 2018 related to a long-term receivable due from DDM's investment in Lombard, as a result of collections held in the legal entity.

Other non-current assets by currency:

EUR '000s	31 December 2019	31 December 2018
EUR	984	4
SEK	7	–
HUF	4	102
Total	**995**	**106**

NOTE 25. CURRENT LIABILITIES

EUR '000s	Less than 3 months	3 - 12 months	Total
at 31 December 2019			
Accounts payable	1,308	–	**1,308**
Tax liabilities	–	240	**240**
Accrued interest	2,172	495	**2,667**
Accrued expenses and deferred income	1,253	1,395	**2,648**
Lease liabilities	12	37	**49**
Loans	–	49,504	**49,504**
Total current liabilities	**4,745**	**51,671**	**56,416**
at 31 December 2018			
Accounts payable	1,400	–	**1,400**
Tax liabilities	–	2,370	**2,370**
Accrued interest	3,455	334	**3,789**
Accrued expenses and deferred income	2,535	92	**2,627**
Loans	–	14,000	**14,000**
Total current liabilities	**7,390**	**16,796**	**24,186**

Current liabilities are presented in the following currencies:

EUR '000s	Currency	31 December 2019	31 December 2018
Accounts payable	CHF	720	722
	EUR	542	585
	CZK	35	7
	Other (RON, HRK, SEK)	11	86
Total accounts payable		**1,308**	**1,400**
Tax liabilities	CHF	138	1,724
	EUR	–	576
	Other (SEK, RSD)	102	70
Total tax liabilities		**240**	**2,370**
Accrued interest	EUR	2,667	3,789
Total accrued interest		**2,667**	**3,789**
Accrued expenses and deferred income	CHF	1,486	1,394
	EUR	747	934
	SEK	199	280
	Other (HRK, USD, CZK)	217	19
Total accrued expenses and deferred income		**2,648**	**2,627**
Lease liabilities	EUR	34	–
	SEK	13	
	CHF	2	–
Total lease liabilities		**49**	–
Loans	EUR	49,504	14,000
Total loans		**49,504**	**14,000**
Total current liabilities		**56,416**	**24,186**

NOTE 26. LEASE LIABILITIES

Amounts in EUR '000s	Current lease liabilities	Non-current lease liabilities	Total
Year ended 31 December 2019			
At 1 January 2019	**104**	**731**	**835**
Additions	83	256	**339**
Disposals	(128)	(894)	**(1,022)**
Cash flow	(15)	(43)	**(58)**
Interest expense	5	11	**16**
At 31 December 2019	**49**	**61**	**110**

Based on the volume of in-force non-cancellable operating leases as of 1 January 2019, the impact of IFRS 16 resulted in EUR 835k of lease liability being recognised on the balance sheet. The majority of the Company's operating leases are leases of office buildings, of which EUR 768k related to the Swiss office lease that was terminated earlier than expected during the second quarter and therefore released during 2019. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. During 2019, the Slovenian office lease was renewed terminating in August 2021. On 1 October 2019, aXs GmbH and aXs Croatia d.o.o. entered into lease agreements for office premises located in Austria and Croatia respectively. Subsequently 82% of the shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. (DDM's largest shareholder) and therefore the corresponding lease liabilities were derecognized. At 31 December 2019 in Sweden the earliest termination date for the office lease agreement was 31 March 2020, and therefore no lease liability has been recognized.

NOTE 27. LOANS AND BORROWINGS

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 31 December 2019						
Senior secured notes	–	–	17,287	–	–	**17,287**
Bond loan, 8%	49,504	–	–	–	–	**49,504**
Bond loan, 9.25%	–	–	97,626	–	–	**97,626**
Total	**49,504**	**–**	**114,913**	**–**	**–**	**164,417**
at 31 December 2018						
Senior secured notes	12,000	–	–	–	–	**12,000**
Bond loan, 8%	–	49,006	–	–	–	**49,006**
Bond loan, 9.5%	–	84,219	–	–	–	**84,219**
Loans	2,000	–	–	–	–	**2,000**
Total	**14,000**	**133,225**	–	–	–	**147,225**

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

DDM Debt's financial instruments contain a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds and the revolving credit facility are: an equity ratio of at least 15.00%, net interest bearing debt to cash EBITDA below 4:1, and net interest bearing debt to ERC below 75.00%. DDM's management carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded. Please also refer to the financial statements of DDM Debt AB. DDM Debt AB complied with all bond covenants for the years ending 31 December 2019 and 31 December 2018.

Revolving credit facility EUR 27M
On 15 March 2019, DDM Debt agreed a super senior revolving credit facility of EUR 27M with an international bank. The revolving credit facility is available to finance investments and for general corporate purposes. The facility is available until 15 March 2021 and priced at three month Euribor plus a margin of 350 basis points.

Senior secured notes EUR 18M
DDM Finance AB ("DDM Finance") raised EUR 10M in a bridge financing transaction in early November 2017. DDM Finance used the net proceeds from the bridge financing to provide a shareholder loan to DDM Debt. 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.

In November 2018, the Company refinanced its subsidiary DDM Finance's EUR 10M senior secured notes by issuing EUR 12M of senior secured notes, and on 23 July 2019 the Company refinanced the EUR 12M senior secured notes. Certain amendments were made to the Terms and Conditions, including extending the maturity date to 30 June 2022. At the same time, DDM Finance also issued EUR 6M of additional bonds under the same framework. Part of the net proceeds were used to provide a shareholder loan to DDM Finance's wholly owned subsidiary DDM Debt, which thereby qualifies as equity under the current DDM Debt senior secured bond terms.

Bond loan EUR 50M
On 11 December 2017, DDM Debt issued EUR 50M of senior secured bonds at 8% within a total framework amount of EUR 160M. The bonds with ISIN number SE0010636746 have a final maturity date of 11 December 2020 and are listed on the Corporate Bond list at Nasdaq Stockholm. The bonds contain a number of financial covenants. Please refer to the "Bond loan EUR 100M" section above for further details. The net proceeds were for acquiring additional debt portfolios.

Bond loan EUR 85M
EUR 50M of senior secured bonds at 9.5% were issued by DDM Debt on 30 January 2017, within a total framework amount of EUR 85M. The bonds with ISIN number SE0009548332 had a final maturity date of 30 January 2020 and were listed on the Corporate Bond list at Nasdaq Stockholm. In April 2017, DDM Debt successfully completed a EUR 35M tap issue under the EUR 85M senior secured bond framework. The bond tap issue was placed at a price of 101.5%, representing a yield to maturity of c. 9%.

On 2 May 2019, DDM Debt redeemed in advance its EUR 85M senior secured bonds with ISIN SE0009548332, in accordance with Clause 9.3 (Voluntary total redemption (call option)) of the terms and conditions of the bonds. The bonds were redeemed each at the applicable call option (being 102.38 per cent. of the outstanding nominal amount) totaling EUR 2.0M, plus accrued but unpaid interest. In addition, the remaining capitalized transaction costs of approximately EUR 0.6M were expensed to the income statement as a non-cash write off in relation to the existing EUR 85M bond. The redemption amount was paid to the bondholders holding bonds on the relevant record date, being 24 April 2019. The bonds were de-listed from the corporate bond list of Nasdaq Stockholm in connection with the redemption date and the last day of trading occurred on 18 April 2019.

At 31 December 2019 bank accounts totaling EUR 0k were assigned to the bond agent and the bondholders under the terms and conditions of the senior secured bonds (31 December 2018: EUR 16k). In addition, DDM Debt AB had a bank guarantee of EUR 5k at 31 December 2019 (31 December 2018: EUR 5k). DDM Debt has pledged the shares in its subsidiaries as security under the terms and conditions. DDM Finance is a guarantor of the bonds. In addition, the investors receive a first ranking share pledge over the shares of DDM Debt and any downstream loans to DDM Debt's subsidiaries are pledged to the investors as intercompany loans. The terms and conditions of DDM Debt's senior secured bonds and revolving credit facility contain a number of restrictions, including relating to distributions, the nature of the business, financial indebtedness, disposals of assets, dealings with related parties, negative pledges, new market loans, mergers and demergers, local credits and intercompany loans. The terms and conditions of the senior secured bonds are available in their entirety on our website.

Other loans
DDM had an outstanding EUR 2M loan that was repaid in full during 2019.

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

NOTE 28. CASH FLOW AND NET DEBT

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

Amounts in EUR '000s	Cash and cash equivalents	Current borrowings	Non-current borrowings	Total
Year ended 31 December 2019				
At 1 January 2019	**59,862**	**(14,000)**	**(133,225)**	**(87,363)**
Cash flow	(47,402)	2,000	(16,837)	**(62,239)**
Reallocation from current borrowings to non-current borrowings	–	(37,504)	37,504	**–**
Amortization of transaction costs (non-cash)	–	–	(2,155)	**(2,155)**
Other non-cash movements	–	–	(200)	**(200)**
Exchange movements	(175)	–	–	**(175)**
At 31 December 2019	**12,285**	**(49,504)**	**(114,913)**	**(152,132)**
Year ended 31 December 2018				
At 1 January 2018	**58,118**	**(10,000)**	**(134,166)**	**(86,048)**
Cash flow	2,016	(2,000)	–	**16**
Amortization of transaction costs (non-cash)	–	–	(1,133)	**(1,133)**
Other non-cash movements	–	(2,000)	2,074	**74**
Exchange movements	(272)	–	–	**(272)**
At 31 December 2018	**59,862**	**(14,000)**	**(133,225)**	**(87,363)**

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

Amounts in EUR '000s	2019	2018
Increase / (decrease) in cash and cash equivalents	(47,402)	2,016
Increase in external borrowings	(110,537)	(12,000)
Repayment of external borrowings	95,700	10,000
Change in net debt resulting from cash flows	(62,239)	16
Amortization of transaction costs (non-cash)	(2,155)	(1,133)
Other non-cash movements	(200)	74
Exchange movements	(175)	(272)
Movement in net debt during the year	(64,769)	(1,315)
Opening net debt	**(87,363)**	**(86,048)**
Closing net debt	**(152,132)**	**(87,363)**

NOTE 29. POST-EMPLOYMENT BENEFIT COMMITMENTS

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

In 2019, 20 employees and in 2018, 21 employees participated in the defined benefit plans. Employees are insured for death, disability and for retirement benefits. The table below provides where the Company's post-employment benefit amounts and activity are included in the financial statements.

EUR '000s	31 December 2019	31 December 2018
Balance sheet commitments for:		
– Post-employment benefit commitments	(1,156)	(966)
Income statement charge for:		
– Post-employment benefit commitments	(113)	(120)

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

EUR '000s	31 December 2019	31 December 2018
Defined benefit obligation	(2,048)	(1,711)
Fair value of plan assets	892	745
Deficit of funded plans	**(1,156)**	**(966)**
Post-employment benefit commitments	**(1,156)**	**(966)**

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

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

EUR '000s	Defined benefit obligation	Fair value of plan assets	Total
at 1 January 2019	**(1,711)**	**745**	**(966)**
Current service cost	(261)	–	**(261)**
Past service cost - plan amendments	54	–	**54**
Interest (expense) / income	(18)	9	**(9)**
	(225)	**9**	**(216)**
Re-measurements:			
– Return on plan assets greater / (less) than the discount rate	–	10	**10**
– Gain / (loss) from change in demographic assumptions	93	–	**93**
– Gain / (loss) from change in financial assumptions	(306)	–	**(306)**
– Experience gains / (losses)	205	–	**205**
	(8)	**10**	**2**
Contributions:			
– Employer	–	103	**103**
– Plan participants	(103)	103	**–**
Payments from plans:			
– Benefit payments	138	(138)	**–**
Translation differences	(139)	60	**(79)**
at 31 December 2019	**(2,048)**	**892**	**(1,156)**
at 1 January 2018	**(1,817)**	**905**	**(913)**
Current service cost	(198)	–	**(198)**
Past service cost - plan amendments	–	–	–
Interest (expense) / income	(13)	7	**(6)**
	(211)	**7**	**(204)**
Re-measurements:			
– Return on plan assets greater / (less) than the discount rate	–	(24)	**(24)**
– Gain / (loss) from change in financial assumptions	79	–	**79**
– Experience gains / (losses)	13	–	**13**
	92	**(24)**	**68**
Contributions:			
– Employer	–	84	**84**
– Plan participants	(84)	84	**–**
Payments from plans:			
– Benefit payments	313	(313)	**–**
Translation differences	(4)	2	**(2)**
at 31 December 2018	**(1,711)**	**745**	**(966)**

Methods and Assumptions Used in Sensitivity Analysis

The discount rate sensitivity includes a corresponding change in the interest crediting rate as well as the BVG minimum interest crediting rate assumptions.

The following significant actuarial assumptions were used at 31 December 2019:

		Sensitivity analysis	Effect on DBO, EUR '000s
Discount rate	0.25%	0.25% increase	(119)
Discount rate	0.25%	0.25% decrease	130
Mortality	BVG 2015 Generational tables	Increase of 1 year in expected lifetime of plan participants at age 65	23
Mortality	BVG 2015 Generational tables	Decrease of 1 year in expected lifetime of plan participants at age 65	(22)

Mortality

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

Age	Males	Females
65	22.72	24.76
65 in 15 years	24.11	26.14

Retirement

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

The significant actuarial assumptions were as follows:

	2019	2018
Discount rate	0.25%	1.00%
Price inflation	1.25%	1.25%
Salary increases	3.00%	3.25%
Future increases in social security	1.25%	1.50%
Assumed pension increases	0.00%	0.00%

Description of pension plan characteristics and associated risks

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

Companies within the Swiss regulatory environment have substantial freedom to define their pension plan design (e.g. with regards to the salary covered, level of retirement credits, or even overall plan design) provided the benefits are always at least equal to the minimum requirements as defined by the law (second pillar mandatory minimum benefits). Most employers provide higher benefits than those required by law. The minimum level of retirement benefit is expressed by a cash balance formula with age-related contribution rates (or "retirement credits") on an insured salary defined by law and a required interest crediting rate, which is set by the government (1.00% in 2019).

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

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

- Investment risk: there is a guaranteed return on account balances of at least 0% per annum on the total account balance as well as the rate set by the government (1.00% in 2019) on the mandatory minimum benefits.
- Pensioner longevity and investment risk: the pension plan offers a lifelong pension in lieu of the cash balance lump sum upon retirement. The plan has defined rates for converting the lump sum to a pension and there is the risk that the members live longer than implied by these conversion rates and that the pension assets fail to achieve the investment return implied by these conversion rates.

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

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

The expected contributions for the year ending 31 December 2020 are:
1) Employer EUR 98k
2) Plan participants EUR 98k

The weighted average duration of post-employment benefit commitments is 24.3 years.

Maturity profile of post-employment benefit commitments:

Expected benefit payments during the fiscal year ending:	**EUR '000s**
31 December 2020	74
31 December 2021	78
31 December 2022	82
31 December 2023	86
31 December 2024	90
31 December 2025 through 31 December 2029	479

Analysis of post-employment benefit commitments by participant category:
1) Active participants: EUR 2,048k
2) Deferred participants: EUR 0
3) Pensioners: EUR 0

Plan asset information:

	Allocation percentage 31 December 2019	**Allocation percentage 31 December 2018**
Equity securities	29.56%	29.59%
Debt securities	34.11%	32.86%
Real estate-property	13.43%	12.80%
Cash and cash equivalents	0.54%	0.98%
Derivatives	1.99%	0.00%
Other	20.37%	23.77%
Total	**100.00%**	**100.00%**

NOTE 30. DEFERRED TAXES

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

Deferred tax assets EUR '000s	**Loss carried forward**	**Post-employment benefit**	**Software amortization**	**Total**
at 1 January 2019	**875**	**140**	**26**	**1,041**
(Charged) / credited to the Income statement	503	–	12	**515**
(Charged) / credited to Other comprehensive income	–	44	–	**44**
at 31 December 2019	**1,378**	**184**	**38**	**1,600**
at 1 January 2018	**1,295**	**91**	**16**	**1,403**
(Charged) / credited to the Income statement	(420)	–	10	**(411)**
(Charged) / credited to Other comprehensive income	–	49	–	**49**
at 31 December 2018	**875**	**140**	**26**	**1,041**

Deferred tax liabilities EUR '000s	**Invested assets**	**Total**
at 1 January 2019	**(307)**	**(307)**
(Charged) / credited to the Income statement	87	**87**
(Charged) / credited to Other comprehensive income	–	**–**
Foreign exchange differences	–	**–**
at 31 December 2019	**(220)**	**(220)**
at 1 January 2018	**(490)**	**(490)**
(Charged) / credited to the Income statement	183	**183**
(Charged) / credited to Other comprehensive income	–	–
Foreign exchange differences	–	–
at 31 December 2018	**(307)**	**(307)**

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

NOTE 31. FINANCIAL INSTRUMENTS

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

Fair values

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

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

EUR '000s	IFRS 9 category	Fair value category	31 December 2019	31 December 2018
Assets	**Fair value and carrying value of financial instruments**			
Accounts receivable	Financial assets at amortized cost	Level 2	3,330	7,280
Other receivables	Financial assets at amortized cost	Level 2	1,820	761
Distressed asset portfolios	Financial assets at amortized cost	Level 3	143,027	116,143
Other long-term receivables from investments	Financial assets at amortized cost	Level 3	3,023	2,422
Liabilities	**Fair value and carrying value of financial instruments**			
Accounts payable	Financial liabilities at amortized cost	Level 2	1,308	1,400
Other payables	Financial liabilities at amortized cost	Level 2	5,555	8,786
Lease liabilities	Financial liabilities at amortized cost	Level 2	110	–
Short-term loans (excluding bonds)	Financial liabilities at amortized cost	Level 2	–	14,000
Long-term loans (excluding bonds)	Financial liabilities at amortized cost	Level 2	–	–

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

EUR '000s	IFRS 9 category	Fair value category	Fair value	Carrying value
At 31 December 2019				
Senior secured notes	Financial liabilities at amortized cost	Level 2	18,000	17,287
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	51,012	49,504
Bond loan, 9.25%	Financial liabilities at amortized cost	Level 2	101,623	97,626
At 31 December 2018				
Bond loan, 8%	Financial liabilities at amortized cost	Level 2	49,490	49,006
Bond loan, 9.5%	Financial liabilities at amortized cost	Level 2	84,158	84,219

The levels in the hierarchy are:

- Level 1 – Quoted prices on active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (such as prices) or indirectly (such as derived from prices). The fair value of the senior secured bonds is calculated based on the bid price for a trade occurring close to the balance sheet date.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).
  The valuation technique for invested assets, as well as valuation sensitivity for changes in material data are described in the accounting principles and in note 5.

Credit risk

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

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

EUR '000s	31 December 2019	31 December 2018
Cash and cash equivalents	12,285	59,862
Accounts receivable	3,330	7,280
Distressed asset portfolios	143,027	116,143
Other long-term receivables from investments	3,023	2,422
Total	**161,665**	**185,707**

At 31 December 2019 the majority of the DDM group bank accounts were held with banks with credit ratings ranging from AA- to BB- (at 31 December 2018: AA- to BB+) as rated by Standard and Poor's. No credit ratings are available for the other financial assets held by DDM.

Liquidity risk / Financing risk

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

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

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years	Total
At 31 December 2019	63,745	9,463	128,155	–	–	**201,363**
At 31 December 2018	27,217	143,038	–	–	–	**170,255**

NOTE 31. ***FINANCIAL INSTRUMENTS…*** *continued*

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

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

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

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

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

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

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

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

		31 December 2019			**31 December 2018**		
Currency	**EUR '000s**	Actual Amount	10% appreciation	10% depreciation	Actual Amount	10% appreciation	10% depreciation
	Assets	3,318	(332)	332	2,576	(258)	258
CHF	Liabilities	(3,835)	384	(384)	(5,757)	576	(576)
	Net	**(517)**	**52**	**(52)**	**(3,182)**	**318**	**(318)**
	Assets	9,056	(906)	906	17,354	(1,735)	1,735
CZK	Liabilities	(35)	4	(4)	(16)	2	(2)
	Net	**9,021**	**(902)**	**902**	**17,337**	**(1,733)**	**1,733**
	Assets	–	–	–	–	–	–
GBP	Liabilities	(159)	16	(16)	–	–	–
	Net	**(159)**	**16**	**(16)**	–	–	–
	Assets	64,249	(6,425)	6,425	26,921	(2,692)	2,692
HRK	Liabilities	(51)	5	(5)	(54)	5	(5)
	Net	**64,198**	**(6,420)**	**6,420**	**26,867**	**(2,687)**	**2,687**
	Assets	6,578	(658)	658	7,283	(728)	728
HUF	Liabilities	–	–	–	–	–	–
	Net	**6,578**	**(658)**	**658**	**7,283**	**(728)**	**728**
	Assets	1,334	(133)	133	3,583	(359)	359
RON	Liabilities	(9)	1	(1)	(11)	1	(1)
	Net	**1,325**	**(132)**	**132**	**3,582**	**(358)**	**358**
	Assets	1,656	(166)	166	2,946	(295)	295
RSD	Liabilities	–	–	–	(18)	2	(2)
	Net	**1,656**	**(166)**	**166**	**2,928**	**(293)**	**293**
	Assets	10	(1)	1	354	(35)	35
RUB	Liabilities	–	–	–	(7)	1	(1)
	Net	**10**	**(1)**	**1**	**347**	**(34)**	**34**
	Assets	51	(5)	5	296	(29)	29
SEK	Liabilities	(199)	20	(20)	(284)	28	(28)
	Net	**(148)**	**15**	**(15)**	**12**	**(1)**	**1**
	Assets	19	(2)	2	–	–	–
USD	Liabilities	(10)	1	(1)	–	–	–
	Net	**9**	**(1)**	**1**	–	–	–

NOTE 32. EQUITY

EUR '000s	Number of shares (quantity)	Share capital	Share premium	Total
at 1 January 2018	**13,560,447**	**11,780**	**21,030**	**32,810**
Issue of additional shares	–	–	–	–
at 31 December 2018	**13,560,447**	**11,780**	**21,030**	**32,810**
Issue of additional shares	–	–	–	–
at 31 December 2019	**13,560,447**	**11,780**	**21,030**	**32,810**

All shares have been issued and fully paid.

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

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

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

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

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

Other reserves comprise exchange differences arising through translation of foreign operations and deferred tax on post-employment benefit commitments.

NOTE 33. NON-CONTROLLING INTEREST

On 29 May 2019, aXs GmbH was registered following the partnership that was launched with the company 720 Restructuring & Advisory, where 70% of the issued shares in aXs GmbH were controlled by DDM. On 23 December 2019, a further 12% of the shares of aXs GmbH were acquired and subsequently the 82% of shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. (DDM's largest shareholder). The effect on the equity attributable to the non-controlling interest of DDM during the year is summarised as follows:

EUR '000s	31 December 2019	31 December 2018
Opening accumulated non-controlling interest	–	–
Net loss for the year attributable to non-controlling interest	(117)	–
Disposal of subsidiary	117	
Closing accumulated non-controlling interest	–	–

NOTE 34. RELATED PARTIES

The Company has defined its Executive Management Committee, Board of Directors and owners of the Company, including the companies associated with them, as related parties.

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

For the year ended 31 December EUR '000s	Type of transaction	Name	2019	2018
Income Statement	Other operating income	Erik Fällström and Andreas Tuczka (and owned companies)	1,142	–
	Consulting expenses	Erik Fällström and Andreas Tuczka (and owned companies)	(1,832)	(135)
		Fredrik Waker (and owned companies)	(29)	(16)
		Joachim Cato (and owned companies)	(17)	–
		Kent Hansson (and owned companies)*	–	(303)
		Manuel Vogel (and owned companies)*	–	(108)
		Torgny Hellström (and owned companies)	–	(72)
	Office rent expense	Manuel Vogel	–	(117)
		Andreas Tuczka	–	(30)
	Financial expenses	Erik Fällström and Andreas Tuczka (and owned companies)	(316)	–
Income Statement, Total			**(1,052)**	**(598)**

* Board member until the AGM held on 23 May 2018

In 2018 Aldridge EDC Speciality Finance Ltd (AEDC), a company related to DDM Group Finance S.A. (formerly Demeter Finance Sarl) being the largest shareholder in DDM, whose shares are ultimately held by trusts attributable to Erik Fällström and Andreas Tuczka, entered into an agreement with DDM where AEDC provides business development services for identified projects. Business development services from AEDC to DDM Group during the year ended 31 December 2019 amounted to EUR 757k (2018: 503k), which is subject to the approval of the shareholder at the 2020 Annual General Meeting. In relation to this total amount, EUR 757k (2018: 135k) has been recognized in consultancy expenses in 2019 and at 31 December 2019 nil (at 31 December 2018: 368k) has been capitalized as prepayments as part of ongoing transactions.

In 2019 DDM Group Finance S.A. entered into an agreement with DDM where DDM Group Finance S.A. provides services under a brokerage contract. The compensation to DDM Group Finance S.A. under the brokerage contract during the year ended 31 December 2019 amounted to EUR 2,685k (2018: nil), which is subject to the approval of the shareholder at the 2020 Annual General Meeting. In relation to this total amount in 2019, EUR 1,075k (2018: nil) was recognized in consultancy expenses and EUR 1,610k in 2019 (2018: nil) was capitalized as transaction costs as part of bond refinancing, resulting in EUR 316k of amortized transaction costs that were recognized within financial expenses during the year ended 31 December 2019.

On 29 May 2019, aXs GmbH was registered following the partnership that was launched with the company 720 Restructuring & Advisory, where 70% of the ownership was controlled by DDM. On 23 December 2019, a further 12% of the shares of aXs GmbH were acquired for a total consideration of EUR 200k. Subsequently 82% of the shares held in aXs GmbH were sold to Ax Financial Holding S.A. ("AxFina"), which is 100% owned and controlled by DDM Group Finance S.A. for a total deferred consideration of EUR 1,367k on 23 December payable within one year. This transaction resulted in a gain on sale of shares of EUR 1,142k which has been recognized in the consolidated income statement under "Other operating income".

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

The Company has an office rental lease contract in Switzerland. The contract was with Manuel Vogel in 2018 and in 2019 was terminated earlier than expected during the second quarter and therefore released during 2019. The undiscounted cash flows arising from the contractually bound leasing commitments to related parties, 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 2019	–	–	–	–
At 31 December 2018	143	570	416	**1,129**

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

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

At 31 December 2018, the major shareholders were Demeter Finance Sarl (part of the Aldridge EDC Specialty Finance Group), which was co-founded by Erik Fällström and Andreas Tuczka, who held 6,764,783 shares (49.9% participation), Kent Hansson, who held 584,027 shares (4.3% participation) and Dr. Manuel Vogel, who held 469,070 shares (3.5% participation).

NOTE 34. RELATED PARTIES… *continued*

In 2017 DDM undertook an investment in a Greek NPL transaction which was executed by making a structured investment of a net amount of EUR 36,430k 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 million. Transactions between DDM Group companies (fully consolidated) and Artemis Finance Holding (and its subsidiaries) were as follows:

EUR '000s		31 December 2019	31 December 2018
Income Statement	Net collections	12,111	13,961
	Revenue from management fees	105	420
	Amortization net of revaluation	(4,319)	(2,085)
Income Statement, Total		**7,897**	**12,296**

EUR '000s		31 December 2019	31 December 2018
Balance sheet	Distressed asset portfolios	51,390	35,626
	Accounts receivable	1,326	4,556
	Other receivables	–	226
Balance sheet, Total		**52,716**	**40,408**

NOTE 35. CONTINGENT LIABILITIES AND COMMITMENTS

The Company has entered into operational leases for office premises, motor vehicles and office equipment in Switzerland, Sweden, Slovenia and Hungary. 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 notes 21 and 26 for further information. At 31 December 2019 in Sweden the earliest termination date for the office lease agreement was 31 March 2020, and therefore no right-of-use asset or lease liability has been recognized.

At 31 December 2018 in Switzerland the term of the lease agreement was due to end in November 2026 and was thereafter subject to a six month termination notice period. During 2019 this office lease agreement was terminated earlier than expected during the second quarter. In Slovenia the earliest termination date for the office lease agreement was 31 August 2019, in Sweden the earliest termination date for the office lease agreement was 31 March 2019 and in Hungary the earliest termination date for the office lease agreement was 22 December 2019. 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 2019	87	70	–	**157**
At 31 December 2018	256	636	416	**1,308**

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

There were no commitments related to capital expenditure as of 31 December 2019 and 31 December 2018.

NOTE 36. BUSINESS COMBINATIONS

As at 7 November 2018, DDM acquired the remaining 80 percent share of the economic rights to a distressed asset portfolio located in Hungary, Finalp Zrt for a total consideration of EUR 1.2M. This resulted for the year ended 31 December 2018 in a gain on bargain purchase of EUR 2.0M recognized in the consolidated income statement as other operating income. Prior to acquisition DDM owned the rights to 20 percent of the portfolio and 100 percent of the equity in Finalp Zrt, which was reclassified from other long term receivables from investment to distressed asset portfolios.

Acquired net assets	EUR '000s
Distressed asset portfolios	2,395
Cash and cash equivalents	915
Acquired assets	**3,310**
Provisions	(179)
Assumed liabilities	**(179)**
Acquired net assets	**3,131**
Total purchase price	(1,164)
Gain on bargain purchase 2018	**1,967**

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

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

Purchase consideration
The purchase price for Finalp Zrt amounted to EUR 1.2M as at 7 November 2018. This sum includes a cash consideration of EUR 0.5M and the fair value of the existing 20 percent of the portfolio amounting to EUR 0.7M previously acquired. The costs relating to the acquisition amounted to EUR 6k were recognised directly in the income statement under consulting expenses.

Revenue and profit contribution
If the business combination had occurred as at 1 January 2018, Finalp Zrt would have contributed a further EUR 1.7M to net collections and EUR 0.8M to net profit for the year ended 31 December 2018.

NOTE 37. SUBSEQUENT EVENTS

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

On 18 February 2020 DDM Debt AB initiated a written procedure to request that certain amendments are made to the terms and conditions of its up to EUR 150M senior secured bonds.

On 21 February 2020 DDM announced a strategic investment by entering into an agreement to acquire a 9.9% stake for approximately EUR 30M in Addiko Bank AG. The investment also includes a call option to acquire an additional 10.1% stake, which is subject to regulatory approval.

On 27 February 2020 DDM announced that it had bought out the majority share co-investor in a leasing company located in Hungary for approximately EUR 3M.

On 16 March 2020 DDM Debt AB announced the successful completion of its written procedure regarding certain amendments to the terms and conditions of its up to EUR 150M senior secured bonds.

The COVID-19 pandemic, and the actions being taken to contain it on an increasingly global basis, have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. The DDM Holding Group is closely monitoring developments and the impact of the spread of infection and global responses on, for example, economic support from governments, lending activities from banks to corporates and customers, as well as on its own operations, foremost its workforce and liquidity management.

Report of the statutory auditor

to the General Meeting of DDM Holding AG, Baar

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of DDM Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 41 to 69) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

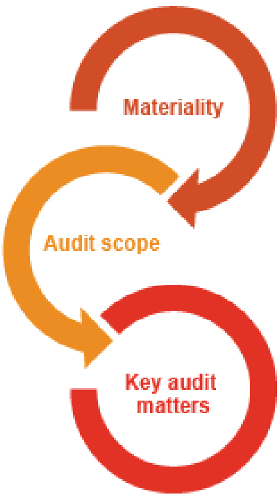
Basis for opinion

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

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

Our audit approach

Overview



Overall Group materiality: EUR 2'040'000

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 concluded full scope audit work at four reporting units in two countries. Other units within the Group are considered according to their statutory audit requirements. In addition, specified procedures were performed on invested assets and revenue on invested assets through all material units of the Group.

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

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

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Materiality

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

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

Overall Group materiality	EUR 2'040'000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, the invested assets are a relevant metric used by the readers of the consolidated financial statements. Profit before tax is a more commonly applied benchmark, however, in our view, this would not have been an appropriate benchmark given that DDM is in a state of growth and that the volatility observed in the income statements in recent years.

We agreed with the Audit Committee that we would report to them misstatements above EUR 204'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

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.

Key audit matters

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

Valuation of invested assets and recognition of revenue on invested assets

Key audit matter	How our audit addressed the key audit matter
As DDM is a multinational investor and manager of distressed assets, the invested assets are the most significant position in the financial statements. The invested assets also represent the ability of the company to generate cash flows and further profits in the coming periods. The invested assets are considered as a key audit matter due to the size of the balance (EUR 146 Mio, representing 71% of the total assets) as well as considerable judgement with respect to the assumptions about the future cash flow forecasts.	Our audit approach included, among others, an assessment of the company's assumptions for the valuation of the invested assets (distressed asset portfolios and other long-term receivables from investments). 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

DDM invests in distressed asset portfolios, where the receivables are directly from the debtor, and in other long-term receivables from investments, where the receivables are from non- consolidated entities holding the portfolios of loans (together "invested assets"). The valuation of these invested 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 invested assets for the period, applying the amortized cost method, including also the reassessment of future cash flows.

We focussed on this area due to the size of the balances and the fact that there is judgement involved in assessing the expected future cash flows. The net collections and the revenue on invested assets amount to EUR 57 Mio and EUR 26 Mio respectively.

and challenged the management assumptions of the expected future cash flows.

- We verified the calculations of the internal rates of return related to the expected future cash flows and the initial purchase price (underwriting). We also challenged the appropriateness and reasonableness of the assumptions made by the management with market data.
- We performed back-testing analysis to validate that the cause of observed deviations of actual collections from previous forecasts are understood by management, and that forecasts have been appropriately revised in consideration of new knowledge.

Based on our testing of the process and the method as well as the range of valuation we independently performed, we found management's assessment of the carrying amount of invested assets acceptable.

The collection process is mostly outsourced to local collection agencies, selected by DDM and suitable for the collection of a particular class of asset. 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 the invested assets based on the methodology as set out in the notes 3 Summary of significant accounting policies and 6 Reconciliation of revenue on invested assets and revenue from management fees.
- We performed testing on the control which ensures that the collection reports issued by the collection agencies were agreed between the collection agencies and DDM's collection managers.
- We tested a sample of collections received to validate that collections are correctly recognized.
- We tested on a sample basis that cash settlements were in accordance with collection reports.
- We performed testing of the IT environment. We focused on IT general controls, especially for the asset management system Fusion. (ITGC and application controls).

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

Other information in the annual report

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Peter Eberli	Valentin Studer
Audit expert Auditor in charge	Audit expert

Luzern, 27 March 2020

DDM HOLDING AG, BAAR

Standalone Financial Statements

INCOME STATEMENT

DDM HOLDING AG, BAAR

For the year ended 31 December Amounts in '000s	2019 EUR	2019 CHF	2018 EUR	2018 CHF
Operating income	**650**	**725**	**650**	**753**
Consulting expenses	(1,523)	(1,699)	(621)	(719)
Personnel expenses	(316)	(353)	(375)	(434)
Other operating expenses	(136)	(152)	(354)	(410)
Operating result	**(1,325)**	**(1,479)**	**(700)**	**(810)**
Financial income	49	55	49	57
Financial income from group companies	2,453	2,737	2,260	2,617
Financial expenses	(86)	(96)	(83)	(97)
Profit before taxes	**1,091**	**1,217**	**1,526**	**1,767**
Direct taxes	(52)	(58)	(108)	(125)
Net profit for the year	**1,039**	**1,159**	**1,418**	**1,642**

BALANCE SHEET

DDM HOLDING AG, BAAR

As at 31 December Amounts in '000s	2019 EUR	2019 CHF	2018 EUR	2018 CHF
ASSETS				
Current assets				
Cash and cash equivalents	301	327	84	94
Receivables from direct / indirect investments	144	156	621	700
Other current receivables	–	–	158	179
Accrued income and prepaid expenses				
due from direct / indirect investments	–	–	289	325
Total current assets	**445**	**483**	**1,152**	**1,298**
Non-current assets				
Accrued interest income				
due from direct / indirect investments	–	–	1,433	1,615
Financial assets				
Loans to direct / indirect investments	2,984	3,239	3,917	4,414
Loans to direct / indirect investments (subordinated)	26,128	28,888	24,668	27,258
Investments	6,812	8,448	4,097	5,502
Total non-current assets	**35,924**	**40,575**	**34,115**	**38,789**
TOTAL ASSETS	**36,369**	**41,058**	**35,267**	**40,087**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Short-term liabilities				
Trade payables	71	77	51	56
Accrued expenses and deferred income				
due to third parties	267	287	383	432
due to direct/indirect participants	159	173	–	–
Total short-term liabilities	**497**	**537**	**434**	**488**
Total liabilities	**497**	**537**	**434**	**488**
Shareholders' equity				
Share capital	11,780	13,560	11,780	13,560
Legal reserves				
Reserves from capital contribution	20,993	24,171	20,993	24,171
Statutory retained earnings	115	133	44	51
Exchange variation reserve	–	(755)	–	(518)
Profit brought forward	1,945	2,253	598	693
Profit for the year	1,039	1,159	1,418	1,642
Total shareholders' equity	**35,872**	**40,521**	**34,833**	**39,599**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**36,369**	**41,058**	**35,267**	**40,087**

NOTE 1. CORPORATE INFORMATION

DDM Holding AG is incorporated and domiciled in Switzerland. Its registered office is at Schochenmühlestrasse 4, CH-6340 Baar, Switzerland. DDM Holding AG operates under the Swiss Code of Obligations ("CO") as a stock corporation (Aktiengesellschaft). DDM Holding AG's shares are admitted to trading on a multilateral trading facility, the Nasdaq First North Growth Market in Stockholm, Sweden. The purpose of the corporation is to acquire, hold, administrate, finance and sell participations in enterprises in Switzerland and abroad. The DDM group operates as a multinational investor in, and manager of, distressed asset portfolios.

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

The DDM Holding AG standalone financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since 1 January 2013). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

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

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

The following exchange rates were applied:

Exchange rates		**31 December 2019**	**31 December 2018**
Balance sheet (spot rate balance sheet date)	EUR/CHF	1.0854	1.1269
Income statement (average rate)	EUR/CHF	1.1156	1.1580

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

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

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

NOTE 3. INVESTMENTS IN EQUITY PARTICIPATIONS

Directly held equity participations as of 31 December:

Company	**Corporate identity number**	**Registered office**	**Primary business**	**2019** Share capital (CHF '000s)	**2019** Interest	**2018** Share capital (CHF '000s)	**2018** Interest
DDM Group AG	CHE 115.278.533	Baar (CH)	Business operation	232	100%	232	100%

NOTE 3. INVESTMENTS IN EQUITY PARTICIPATIONS… continued

Indirectly held equity participations as of 31 December:

Company	Corporate identity number	Registered office	Primary business	2019 Share capital (CHF '000s)	2019 Interest	2018 Share capital (CHF '000s)	2018 Interest
DDM Invest I AG	CHE 113.863.850	Baar (CH)	Investment activities	–	–	232	100%
DDM Invest II AG	CHE 115.038.302	Baar (CH)	Investment activities	–	–	100	100%
DDM Invest III AG	CHE 115.238.947	Baar (CH)	Investment activities	150	100%	150	100%
DDM Invest IV AG	CHE 317.413.116	Baar (CH)	Investment activities	–	–	100	100%
DDM Invest VII AG	CHE 153.128.633	Baar (CH)	Investment activities	–	–	100	100%
DDM Invest X AG	CHE 130.419.930	Baar (CH)	Investment activities	–	–	100	100%
DDM Invest XX AG	CHE 349.886.186	Baar (CH)	Investment activities	–	–	150	100%
DDM Treasury Sweden AB 1)	556910-3053	Stockholm (SE)	Provision of funding	71	100%	71	100%
DDM Finance AB 2)	559053-6214	Stockholm (SE)	Holding company	6	100%	6	100%
DDM Debt AB 3)	559053-6230	Stockholm (SE)	Provision of funding	59	100%	59	100%
DDM Facility Finance AB 4)	559121-4779	Stockholm (SE)	Holding company	–	–	6	100%
DDM Facility Debt AB 5)	559121-3276	Stockholm (SE)	Provision of funding	–	–	6	100%
DDM Invest V d.o.o. 6) (formerly Ahive d.o.o.)	8297355000	Ljubljana (SL)	Investment activities	8	100%	8	100%
DDM Invest VII d.o.o. 7)	7109806000	Ljubljana (SL)	Investment activities	8	100%	8	100%
DDM Debt Management d.o.o Beograd 8)	21313963	Belgrade (RS)	Investment activities	–	100%	–	100%
DDM Debt Romania S.R.L 9)	39689815	Bucharest (RO)	Investment activities	123	100%	123	100%
CE Partner S.a.r.l. 10)	B230176	Luxembourg (LUX)	Investment activities	14	50%	14	50%
CE Holding Invest S.C.S 11)	B230358	Luxembourg (LUX)	Investment activities	61,001	49.99%	14	49.99%
Finalp Zrt. 12)	06-10-000554	Szeged (HU)	Leasing activities	355	100%	355	100%

1) The share capital of DDM Treasury Sweden AB is EUR 52k.
2) The share capital of DDM Finance AB is EUR 6k.
3) The share capital of DDM Debt AB is EUR 54k.
4) The share capital of DDM Facility Finance AB was EUR 6k.
5) The share capital of DDM Facility Debt AB was EUR 6k.
6) The share capital of DDM Invest V d.o.o. is EUR 8k.
7) The share capital of DDM Invest VII d.o.o. is EUR 8k.
8) The share capital of DDM Debt Management d.o.o Beograd is RSD 100.
9) The share capital of DDM Debt Romania S.R.L is RON 500k.
10) The share capital of CE Partner S.a.r.l. is EUR 12k
11) The share capital of CE Holding Invest S.C.S is EUR 56,202k (2018: 12k) following the acquisition that closed on the 31 May 2019 of a distressed asset portfolio containing secured corporate receivables in Croatia through a 50/50 joint venture with B2Holding
12) The share capital of Finalp Zrt. is HUF 101,000k.

On 14 June 2019, the following subsidiaries were merged into DDM Invest III AG to simplify the existing DDM Group structure: DDM Invest I AG, DDM Invest II AG, DDM Invest IV AG, DDM Invest VII AG, DDM Invest X AG and DDM Invest XX AG. DDM Invest III AG has assumed all rights, liabilities and obligations from the merged subsidiaries.

In September 2019, the following dormant subsidiaries were sold in order to simplify the existing DDM Group structure: DDM Facility Finance AB and DDM Facility Debt AB.

NOTE 4. PERSONNEL

DDM Holding AG had no employees as of and during the year ended 31 December 2019 (31 December 2018: 0). All employees of the consolidated DDM group were employed by subsidiaries of DDM Holding AG.

NOTE 5. CONTINGENT LIABLITIES

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

NOTE 6. SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

PROPOSED APPROPRIATION OF THE AVAILABLE EARNINGS

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

	2019		2018	
Amounts in '000s	**EUR**	**CHF**	**EUR**	**CHF**
Net profit for the year	1,039	1,159	1,418	1,642
Retained profit carried forward	1,945	2,253	598	693
Amount at the disposal of the shareholders	**2,984**	**3,412**	**2,016**	**2,335**
Proposal				
Allocation to statutory retained earnings	52	58	71	82
To be carried forward	**2,932**	**3,354**	**1,945**	**2,253**

DDM Holding AG is in a phase in which exploring identified opportunities for growth is prioritized. Consequently, the Board of Directors proposes that no dividend be paid for the financial year 2019.

Report of the statutory auditor

to the General Meeting of DDM Holding AG, Baar

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DDM Holding AG, which comprise the balance sheet as at 31 December 2019, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 75 to 79) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

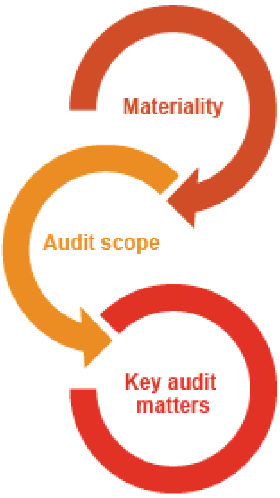
Basis for opinion

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

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

Our audit approach

Overview



Overall materiality: EUR 325'000

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

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

Valuation of the investments, including loans

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Materiality

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

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

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

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

Audit scope

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

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

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

Valuation of the investments, including loans

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

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

Due to the size and the applied managements' judgement, the investments including the loans are considered a key audit matter as the amount of EUR 35.9 Mio represents 97% of the total assets.

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

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Peter Eberli	Valentin Studer
Audit expert Auditor in charge	Audit expert

Luzern, 27 March 2020

THREE-YEAR OVERVIEW

For the year ended 31 December Amounts in EUR '000s	2019	2018	2017
Consolidated income statement summary			
Adjusted net collections*	65,376	65,669	37,434
Other operating income	1,142	1,967	–
Revenue from management fees	570	1,233	1,876
Operating expenses**	(13,219)	(9,246)	(7,039)
Adjusted cash EBITDA*	52,727	57,656	32,271
Amortization, revaluation and impairment of invested assets	(35,716)	(37,425)	(18,959)
Operating profit	15,010	22,068	13,169
Net (loss) / profit for the year***	(4,120)	4,817	664
Adjusted net (loss) / profit for the year***	(1,489)	5,780	3,776
Earnings per share before and after dilution (EUR)	(0.30)	0.36	0.05
Consolidated balance sheet summary			
Total assets	204,456	194,534	183,577
Net debt	152,132	87,363	86,048
Selected key ratios			
Cash flow from operating activities before working capital changes	29,838	43,685	21,639
Cash investments net of financing in invested assets	99,215	42,313	95,579
Gross ERC 120 months, EUR M	328	240	250
Number of shares outstanding at end of the year	13,560,447	13,560,447	13,560,447
Number of employees at end of the year	22	33	25

* Adjusted net collections and adjusted cash EBITDA include the sale of invested assets and incremental net distribution from joint venture. See alternative performance measures on page 84.
** Operating expenses do not include depreciation and amortization of tangible and intangible assets.
*** The bond refinancing in 2019 resulted in total negative non-recurring items of approximately EUR 2.6M. The results for 2018 were negatively impacted by EUR 1.0M of non-recurring items relating to deferred taxes and interests in associates. See alternative performance measures on page 84. The bond refinancing in 2017 resulted in total negative non-recurring items of approximately EUR 3.1M.

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures – reconciliation to IFRS:

For the year ended 31 December Amounts in EUR '000s	2019	2018
Net collections	**57,063**	**65,669**
Sale of invested assets	4,476	–
Incremental net distribution from joint venture	3,837	–
Adjusted net collections	**65,376**	**65,669**
Cash EBITDA	**44,414**	**57,656**
Sale of invested assets	4,476	–
Incremental net distribution from joint venture	3,837	–
Adjusted cash EBITDA	**52,727**	**57,656**
Net (loss) / profit for the year	**(4,120)**	**4,817**
Non-recurring items bond refinancing	2,631	–
Non-recurring items deferred taxes & interest in associates	–	963
Adjusted net (loss) / profit for the year	**(1,489)**	**5,780**

The financial statements of DDM have been prepared in accordance with accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as adopted by the EU. In addition, DDM presents alternative performance measures ("APMs"). Adjusted key figures for net collections, cash EBITDA and net profit / (loss) for the year provide a better understanding of the underlying business performance and enhance comparability from year to year, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include one-time costs not affecting the Company's run rate cost level, significant earnings effects from acquisitions and disposals of invested assets and incremental net distributions from joint ventures.

These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies. The APMs are regularly reviewed by Management and their aim is to enhance stakeholders' understanding of the Company's performance and to enhance comparability between financial years. The APMs are reported in addition to but are not substitutes for the financial statements prepared in accordance with IFRS. The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of Management, distort the evaluation of the performance of our operations.

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

GLOSSARY

AGM
Annual General Meeting

BN
Billion

CAGR
Compound annual growth rate

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

CHF
Swiss franc, the currency of Switzerland

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

CZK
Czech koruna, the currency of the Czech Republic

DCA
Debt collection agency

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

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

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

First North Growth Market
Nasdaq First North Growth Market, Stockholm

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

HRK
Croatian Kuna, the currency of Croatia

HUF
Hungarian forint, the currency of Hungary

M
Million

NPL
Non-performing loans

PARENT COMPANY
DDM Holding AG, CHE-115906312

RON
Romanian leu, the currency of Romania

RSD
Serbian dinar, the currency of Serbia

SEK
Swedish krona, the currency of Sweden

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

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

FINANCIAL DEFINITIONS

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

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

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

EBIT
Earnings before interest and taxes

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

EBIT margin
EBIT as a percentage of revenue on invested assets, revenue from management fees and share of net profits of joint venture

Estimated Remaining Collections / ERC
The sum of all undiscounted future projected cash collections from acquired portfolios. ERC is not a balance sheet item, however it is provided for informational purposes

Equity
Shareholders' equity at the end of the period

Equity ratio
Equity as a percentage of total assets

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

Invested assets
DDM's invested assets consist of purchases of distressed asset portfolios, other long-term receivables from investments and investments in joint ventures

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

Net debt
Long-term and short-term loans, liabilities to credit institutions (bank overdrafts) less cash and cash equivalents

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

Operating expenses
Personnel, consulting and other operating expenses

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

MULTINATIONAL INVESTOR AND MANAGER OF DISTRESSED ASSETS

DDM Holding AG (First North Growth Market: DDM) is a multinational investor in and manager of distressed assets, offering the prospect of attractive returns from the expanding Southern, Central and Eastern European market. Since 2007, the DDM Group has built a successful platform in Southern, Central and Eastern Europe, and has acquired 2.3M receivables with a nominal value of over EUR 4BN.

For sellers (banks and financial institutions), management of portfolios of distressed assets is a sensitive issue as it concerns the relationship with their customers. For these sellers it is therefore critical that the acquirer handles the underlying individual debtors professionally, ethically and with respect. DDM has longstanding relations with sellers of distressed assets, based on trust and DDM's status as a credible acquirer.

The banking sector in Southern, Central and Eastern Europe is subject to increasingly stricter capital ratio requirements resulting in distressed assets being more expensive for banks to keep on their balance sheets. As a result, banks are increasingly looking to divest portfolios of distressed and other non-core assets.

DDM Holding AG, the Parent Company, is a Company incorporated and domiciled in Baar, Switzerland and listed on Nasdaq First North Growth Market in Stockholm, Sweden, since August 2014.

ddm

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