DDM HOLDING AG

Corporate Registration Number: CHE-115906312

Q4 and full year report | 1 January – 31 December 2019

ddm

Strong growth in ERC following acquisitions

Highlights fourth quarter 2019

- Net collections amounted to EUR 15.7M (22.7)*
- Cash EBITDA amounted to EUR 11.9M (20.5)*
- Net profit for the period of EUR 1.5M (3.4)*
- Gross ERC at the end of December 2019 was EUR 328M (240)
- Sale of consumer portfolio previously acquired in Croatia

Highlights full year 2019

- Net collections amounted to EUR 65.4M (65.7)*
- Cash EBITDA amounted to EUR 52.7M (57.7)*
- Net loss for the year of EUR 1.5M (profit of 5.8)*
- Investments in Croatia and Greece, totaling approximately EUR 100M including an acquisition of a significant corporate secured portfolio in Croatia made through a 50/50 joint venture with B2Holding
- Financing finalized for part of the joint venture with B2Holding, at a lower cost of borrowing than the existing senior secured bond framework
- Secured super senior RCF of EUR 27M significantly lowering the cost of funding, undrawn at 31 December
- Successful refinancing issuing a new EUR 100M senior secured bond with a three-year term replacing the existing EUR 85M bond
- Refinanced EUR 12M senior secured bonds issued by DDM Finance AB, extending the maturity to June 2022 and issued a further EUR 6M of bonds that qualify as equity under the existing senior secured bond framework
- Strengthened management team to further increase focus on portfolio management and business development services
- Sale of portfolios in Russia resulted in EUR 2M operating gain

** Key financial highlights above include non-IFRS alternative performance measures that represent underlying business performance. Further details including a reconciliation to IFRS can be found on page 18.*

IFRS Consolidated Amounts in EUR '000s (unless specified otherwise)	**1 Oct – 31 Dec 2019****	**1 Oct – 31 Dec 2018****	**Full Year 2019****	**Full Year 2018**
Net collections	11,975	22,741	57,063	65,669
Revenue from management fees	147	290	570	1,233
Operating expenses	(4,015)	(2,530)	(13,219)	(9,246)
Cash EBITDA	8,107	20,501	44,414	57,656
Amortization, revaluation and impairment of invested assets	(5,660)	(15,089)	(35,716)	(37,425)
Share of net profits of joint venture	243	–	916	–
Operating profit	6,291	7,347	15,010	22,068
Net profit / (loss) for the period***	1,472	3,392	(4,120)	4,817
Selected key figures				
Total assets	204,456	194,534	204,456	194,534
Net debt	152,132	87,363	152,132	87,363
Equity ratio****	15.5%	18.4%	15.5%	18.4%
Cash flow from operating activities before working capital changes	5,634	16,989	31,021	43,685
Gross ERC 120 months (EUR M)	328	240	328	240
Earnings per share before and after dilution (EUR)	0.11	0.25	(0.30)	0.36
Total number of shares at the end of the period	13,560,447	13,560,447	13,560,447	13,560,447

** Unaudited

*** The bond refinancing in Q2 2019 resulted in total negative non-recurring items of approximately EUR 2.6M in 2019. The result for the full year 2018 was negatively impacted by EUR 1.0M of non-recurring items relating to deferred taxes and interests in associates.

**** Equity ratio for the DDM Debt Bond Group calculated according to the terms and conditions of the DDM Debt AB senior secured bonds is 21.1%.

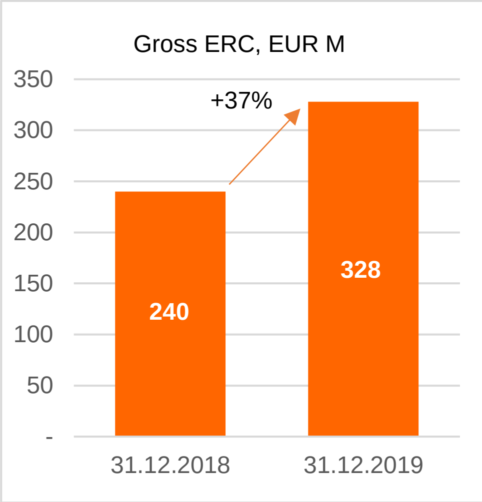
The information in this report requires DDM Holding AG to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 20 February 2020 at 08:00 CET.

DDM Holding AG is a specialized multinational investor and manager of distressed assets.

Comment by the CEO

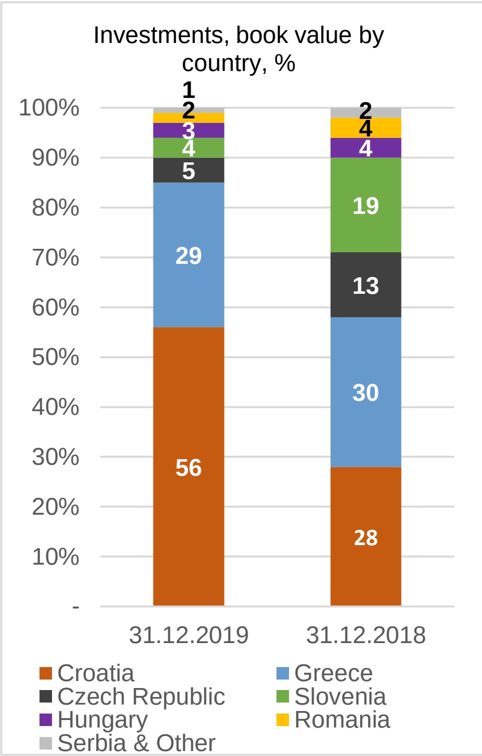
2019 has been a year of transformation for DDM, as we continue to deliver on our strategic growth plan as a specialized investor and manager in secured non-performing loans ("NPL"). In 2019, Estimated Remaining Collections ("ERC") has grown by 37% to EUR 328M following portfolio acquisitions of approximately EUR 100M across our core markets. A significant proportion was invested in secured portfolios.

Furthermore, we successfully refinanced our debt structure to improve flexibility, extending the maturity of our existing financing, which in combination with strong collections will support our future growth.



Strong net collections following recent acquisitions in core markets
During the fourth quarter we received adjusted net collections totaling EUR 15.7M, principally from the Balkans and Greece following recent acquisitions. DDM partially sold a portfolio recently acquired in Croatia containing consumer receivables.

Adjusted net collections for the full year 2019 amounted to EUR 65.4M, largely in line with record collections for the full year 2018 of EUR 65.7M. 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. This resulted in adjusted cash EBITDA of EUR 11.9M in the fourth quarter and EUR 52.7M for the full year 2019.



Significant acquisitions in secured portfolios during 2019
We have acquired significant distressed asset portfolios totaling approximately EUR 100M across our core markets during 2019. The proportion of secured portfolios has increased from 61% of ERC at December 2018 to 70% of ERC at December 2019, with the majority of collections expected to be received in the next three years.

Continued refinancing of debt structure supports future growth
In March, 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 350 basis points. 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 925 basis points. 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.

In July we 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. 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.

Development of servicing platform
During the year we launched a servicing platform for secured portfolios to increase the focus on portfolio management and business development services. Bernhard Engel 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.

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. DDM's rate of growth and financial results will continue to vary from quarter to quarter, as we invest further in portfolios that are impacted by the timing of investments and larger settlements.

Whilst the European NPL market is 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. During 2019 DDM 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 expect the amount of co-investment opportunities to grow in the future.

Baar, 20 February 2020
DDM Holding AG
Henrik Wennerholm, CEO

Financial calendar

DDM intends to publish financial information on the following dates:

Annual report 2019:	27 March 2020
Interim report for January – March 2020:	7 May 2020

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

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

Presentation of the report

The report and presentation material are available at www.ddm-group.ch on 20 February 2020, at 08:00 CET.

CEO Henrik Wennerholm and CFO Fredrik Olsson will comment on the DDM Group's results during a conference call on 20 February 2020, starting at 10:00 CET. The presentation can be followed live at www.ddm-group.ch and/or by telephone with dial-in numbers: SE: +46 8 505 583 52, CH: +41 225 675 632 or UK: +44 333 300 9260.

Financial results

Adjusted net collections totaled EUR 15.7M in the fourth quarter of 2019, with the majority of collections received from the Balkans and Greece including from the recently acquired joint venture in Croatia. DDM partially sold a portfolio previously acquired in Croatia containing consumer receivables. 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. As a result, adjusted cash EBITDA totaled EUR 11.9M in the fourth quarter and EUR 52.7M for the full year 2019.

Operating expenses were EUR 4.0M in the fourth quarter, EUR 1.5M higher than the corresponding period last year. This is due to EUR 1.1M of fees expensed for the period from 1 April under a brokerage contract with DDM Group Finance S.A. that was approved at the last AGM, start-up costs incurred to build-up the servicing platform and consultancy fees for business development services.

The operating profit margin of 68% in the fourth quarter is lower than the corresponding period last year. This is as a result of higher amortization on large, complex cases that were settled earlier on corporate secured portfolios in the Balkans and higher operating expenses. The quarter includes EUR 3.7M of impairment primarily relating to one-off write downs on portfolios in the Balkans partially offset by EUR 3.2M of revaluation gain following strong collection performance in Hungary. The change in composition of the portfolio towards primarily secured corporate portfolios is now making up the majority share of our overall portfolio of assets and will result in increased variability in our collections from quarter to quarter.

The net profit for the fourth quarter is EUR 1.5M including a EUR 1.1M gain on the sale of the servicing platform. Following the bond refinancing, the net loss for the full year 2019 of EUR 4.1M includes non-recurring items of approximately EUR 2.6M in 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 31.0M 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 in advance.

Estimated Remaining Collections

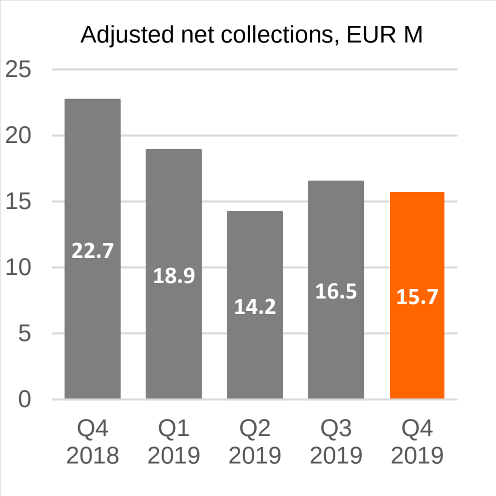
ERC at the end of the year stands at EUR 328M, corresponding to an increase of 37% compared to 31 December 2018. The proportion of secured portfolios has increased from 61% of ERC at 31 December 2018 to 70% of ERC at 31 December 2019. The majority of the collections are expected to be received in the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

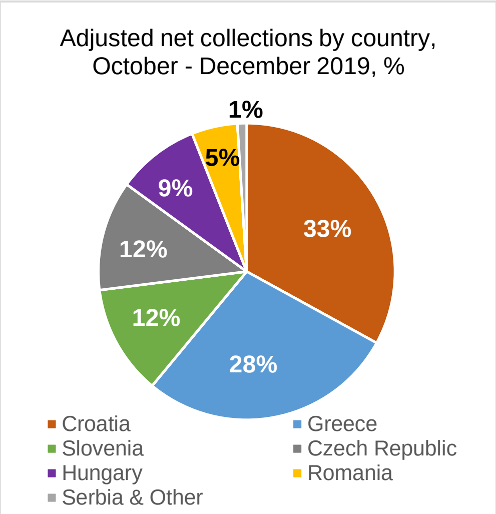
Share of net profits of joint venture

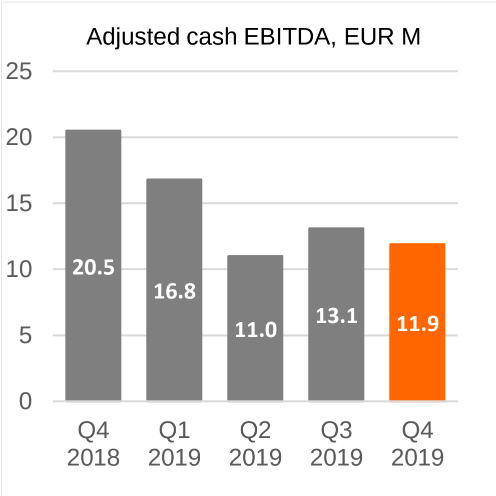
Following the acquisition that closed on 31 May of a significant corporate secured portfolio in Croatia made through a 50/50 Joint Venture structure together with B2Holding, the results for the fourth quarter and the full year 2019 include EUR 0.2M and EUR 0.9M respectively from the share of net profits of joint venture accounted for under the equity method in accordance with IFRS.

Significant events after the end of the year

On the 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 floating rate bonds.







Consolidated Income Statement

Amounts in EUR '000s	Notes	1 Oct – 31 Dec 2019*	1 Oct – 31 Dec 2018*	Full Year 2019*	Full Year 2018
Reconciliation of revenue on invested assets:					
Net collections		*11,975*	*22,741*	*57,063*	*65,669*
Amortization of invested assets		*(5,196)*	*(14,024)*	*(34,498)*	*(34,828)*
Interest income on invested assets	**9**	**6,779**	**8,717**	**22,565**	**30,841**
Net collections on sale of invested assets		*2,540*	–	*4,476*	–
Revaluation and impairment of invested assets		*(464)*	*(1,065)*	*(1,218)*	*(2,597)*
Revenue on invested assets	**9**	**8,855**	**7,652**	**25,823**	**28,244**
Share of net profits of joint venture	5, 9	243	–	916	–
Other operating income	9	1,142	1,967	1,142	1,967
Revenue from management fees	9	147	290	570	1,233
Personnel expenses		(1,274)	(1,442)	(5,398)	(4,816)
Consulting expenses		(2,193)	(446)	(5,497)	(2,443)
Other operating expenses		(548)	(642)	(2,324)	(1,987)
Amortization and depreciation of tangible and intangible assets		(81)	(32)	(222)	(130)
Operating profit		**6,291**	**7,347**	**15,010**	**22,068**
Financial income		115	–	178	–
Financial expenses**		(4,542)	(3,589)	(19,147)	(15,476)
Unrealized exchange (loss) / profit		(86)	106	(336)	(402)
Realized exchange loss		(4)	(17)	(217)	(261)
Net financial expenses		**(4,517)**	**(3,500)**	**(19,522)**	**(16,139)**
Profit / (loss) before income tax		**1,774**	**3,847**	**(4,512)**	**5,929**
Tax (expense) / income**		(302)	(455)	392	(1,112)
Net profit / (loss) for the period		**1,472**	**3,392**	**(4,120)**	**4,817**
Net profit / (loss) for the period attributable to:					
Owners of the Parent Company		1,557	3,392	(4,003)	4,817
Non-controlling interest		(85)	–	(117)	–
Earnings per share before and after dilution (EUR)		0.11	0.25	(0.30)	0.36
Average number of shares		13,560,447	13,560,447	13,560,447	13,560,447
Number of shares at the end of period		13,560,447	13,560,447	13,560,447	13,560,447

* Unaudited

** The bond refinancing in Q2 2019 resulted in total negative non-recurring items of approximately EUR 2.6M in 2019 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. The result for the full year 2018 was negatively impacted by EUR 1.0M of non-recurring items relating to deferred taxes and interests in associates.

Consolidated Statement of Comprehensive Income

Amounts in EUR '000s	1 Oct – 31 Dec 2019*	1 Oct – 31 Dec 2018*	Full Year 2019*	Full Year 2018
Net profit / (loss) for the period	**1,472**	**3,392**	**(4,120)**	**4,817**
Other comprehensive (loss) / income for the period				
Items that will not be reclassified to profit or loss:				
Actuarial (loss) / gain on post-employment benefit commitments	(77)	68	(77)	68
Deferred tax on post-employment benefit commitments	44	49	44	49
Items that may subsequently be reclassified to profit or loss:				
Currency translation differences	(13)	6	(7)	2
Other comprehensive (loss) / income for the period, net of tax	**(46)**	**123**	**(40)**	**119**
Total comprehensive income / (loss) for the period	**1,426**	**3,515**	**(4,160)**	**4,936**
Total comprehensive income / (loss) for the period attributable to:				
Owners of the Parent Company	1,511	3,515	(4,043)	4,936
Non-controlling interest	(85)	–	(117)	–

* Unaudited

Consolidated Balance Sheet

Amounts in EUR '000s	Notes	31 December 2019*	31 December 2018
ASSETS			
Non-current assets			
Goodwill	7	4,160	4,160
Intangible assets	7	1,303	1,415
Tangible assets	1,6	158	57
Interests in associates	1	–	13
Distressed asset portfolios	4	143,027	116,143
Other long-term receivables from investments	4	3,023	2,422
Investment in joint venture	5	29,952	–
Deferred tax assets	3	1,600	1,041
Other non-current assets	10	995	106
Total non-current assets		**184,218**	**125,357**
Current assets			
Accounts receivable		3,330	7,280
Tax assets		1,401	–
Other receivables		1,820	761
Prepaid expenses and accrued income		1,402	1,274
Cash and cash equivalents		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		11,780	11,780
Share premium		21,030	21,030
Other reserves		(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	8	114,913	133,225
Lease liabilities	1	61	–
Post-employment benefit commitments		1,156	966
Deferred tax liabilities	3	220	307
Total long-term liabilities		**116,350**	**134,498**
Current liabilities			
Loans	8	49,504	14,000
Accounts payable		1,308	1,400
Tax liabilities		240	2,370
Accrued interest		2,667	3,789
Accrued expenses and deferred income		2,648	2,627
Lease liabilities	1	49	–
Total current liabilities		**56,416**	**24,186**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**204,456**	**194,534**

* Unaudited

Consolidated Cash Flow Statement

Amounts in EUR '000s	1 Oct – 31 Dec 2019*	1 Oct – 31 Dec 2018*	Full Year 2019*	Full Year 2018
Cash flow from operating activities				
Operating profit	6,291	7,347	15,010	22,068
Incremental net distribution from joint venture	1,218	–	3,837	–
Adjustments for non-cash items:				
Amortization of invested assets	*5,196*	*14,024*	*34,498*	*34,828*
Revaluation and impairment of invested assets	*464*	*1,065*	*1,218*	*2,597*
Share of net profits of joint venture	*(243)*	–	*(916)*	–
Other operating income	*(1,142)*	*(1,967)*	*(1,142)*	*(1,967)*
Depreciation, amortization and impairment of tangible and intangible assets	*81*	*32*	*222*	*130*
Other items not affecting cash	*(511)*	*(420)*	*(5)*	*(256)*
Interest paid	(5,762)	(3,078)	(18,179)	(13,652)
Interest received	116	–	179	–
Tax paid	(74)	(14)	(3,701)	(63)
Cash flow from operating activities before working capital changes	**5,634**	**16,989**	**31,021**	**43,685**
Working capital adjustments				
(Increase) / decrease in accounts receivable	615	(4,521)	3,950	(2,286)
(Increase) / decrease in other receivables	508	257	(18)	(1,027)
Increase / (decrease) in accounts payable	8	200	(292)	542
Increase / (decrease) in other current liabilities	(796)	598	21	1,027
Net cash flow from operating activities	**5,969**	**13,523**	**34,682**	**41,943**
Cash flow from investing activities				
Purchases of distressed asset portfolios and other long-term receivables from investments	–	(6,127)	(66,342)	(42,313)
Purchases of investment of joint venture	–	–	(66,662)	–
Acquisition of subsidiary, net of cash acquired	–	410	–	410
Proceeds from divestment of distressed asset portfolios and joint venture	3,305	–	37,094	–
Purchases of non-current assets	(975)	–	(975)	–
Purchases of tangible and intangible assets	–	(21)	(36)	(22)
Net cash flow received / (used) in investing activities	**2,330**	**(5,738)**	**(96,921)**	**(41,925)**
Cash flow from financing activities				
Proceeds from issuance of loans	5,170	12,000	110,537	12,000
Repayment of loans	(12,000)	(10,000)	(95,700)	(10,000)
Net cash flow received / (used) in financing activities	**(6,830)**	**2,000**	**14,837**	**2,000**
Cash flow for the period	**1,469**	**9,785**	**(47,402)**	**2,016**
Cash and cash equivalents less bank overdrafts at beginning of the period	**10,820**	**50,143**	**59,862**	**58,118**
Foreign exchange gains / (losses) on cash and cash equivalents	(4)	(66)	(175)	(272)
Cash and cash equivalents less bank overdrafts at end of period	**12,285**	**(59,862)**	**12,285**	**59,862**

* Unaudited

Consolidated Statement of Changes in Equity

	Attributable to Parent Company's shareholders						
Amounts in EUR '000s	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings including 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 gain on defined benefit commitment	–	–	–	68	**68**	–	**68**
Currency translation differences	–	–	3	**(1)**	**2**	–	**2**
Deferred tax on post-employment benefit commitments	–	–	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 defined benefit commitment	–	–	–	(77)	**(77)**	–	**(77)**
Currency translation differences	–	–	(7)	–	**(7)**	–	**(7)**
Deferred tax on post-employment benefit commitments	–	–	44	–	**44**	–	**44**
Total comprehensive loss	–	–	**37**	**(4,080)**	**(4,043)**	**(117)**	**(4,160)**
Transactions with owners							
Disposal of subsidiary	–	–	–	(117)	**(117)**	117	**–**
Total transactions with owners	–	–	–	**(117)**	**(117)**	**117**	**–**
Balance at 31 December 2019*	**11,780**	**21,030**	**(451)**	**(669)**	**31,690**	–	**31,690**

* Unaudited

Notes

Note 1. Basis of preparation

These consolidated financial statements (the “financial statements”) of DDM Holding AG and its subsidiaries (together "DDM" or "the Company") have been prepared in accordance with IAS 34 Interim Financial Reporting, are unaudited, and should be read in conjunction with DDM’s last annual consolidated financial statements as of and for the year ended 31 December 2018. DDM’s principal accounting policies are set out in Note 3 to the consolidated financial statements in the Annual Report 2018 and conform with International Financial Reporting Standards (IFRS) as adopted by the EU.

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not be considered as a substitute for measures defined under IFRS. Please refer to page 18 for reconciliation of alternative performance measures including adjusted net collections, adjusted cash EBITDA and adjusted net profit / (loss) for the period.

DDM has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019. IFRS 16 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. 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. 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, of which EUR 768k related to the Swiss office lease that was terminated earlier than expected during the second quarter and therefore was released during 2019.

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

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

Subsidiaries	Consolidation method	Domicile	31 December 2019	31 December 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 Debt AB	Fully consolidated	Sweden	100%	100%
DDM Finance AB	Fully consolidated	Sweden	100%	100%
DDM Treasury Sweden AB	Fully consolidated	Sweden	100%	100%
DDM Facility Debt AB	Fully consolidated	Sweden	–	100%
DDM Facility Finance 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. 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”.

Note 1. Basis of preparation… *continued*

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

Joint Ventures	Consolidation method	Domicile	31 December 2019	31 December 2018
CE Partner S.à r.l.	Equity method	Luxembourg	50%	–
CE Holding Invest S.C.S	Equity method	Luxembourg	50%	–

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

Associates	Consolidation method	Domicile	31 December 2019	31 December 2018
CE Partner S.à r.l.	Equity method	Luxembourg	–	50%
CE Holding Invest S.C.S	Equity method	Luxembourg	–	50%

Post-employment benefit commitment
The post-employment benefit commitment is calculated on an annual basis. In 2018 and 2019 one quarter of the estimated annual post-employment benefit commitment has been recorded in the consolidated interim financial statements of DDM Holding AG per quarter, with an adjustment in fourth quarter of each respective year for the final actuarial valuation.

Note 2. Currency translation

All entities prepare their financial statements in their functional currency. At 31 December 2019 all fully consolidated group entities have EUR as their functional currency, except for DDM Debt Management d.o.o Beograd, which has Serbian Dinar (RSD) as its functional currency, DDM Debt Romania S.R.L, which has Romanian Leu (RON) as its functional currency and Finalp Zrt., which has Hungarian Forint (HUF) as its functional currency.

Note 3. Deferred taxes

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

Note 3. ***Deferred taxes…*** *continued*

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

Note 4. Distressed asset portfolios 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 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. The following investments are treated in this manner:

Entity	Domicile	31 December 2019	31 December 2018
Lombard Pénzügyi és Lízing Zrt.	Hungary	100%	100%
Lombard Ingatlan Lízing Zrt.	Hungary	100%	100%
Lombard Bérlet Kft.	Hungary	100%	100%

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. DDM 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, 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).

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

Cash flow projections are made at the portfolio / 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. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, and upside and downside scenarios. The estimation and application of this forward-looking information requires significant judgment and is subject to appropriate internal governance and scrutiny. Changes in cash flow forecasts are treated symmetrically i.e. both increases and decreases in forecast cash flows affect the portfolios’ book value and as a result “Revenue on invested assets”. If there is objective evidence that one or more events have taken place that will have a positive impact on the timing or amount of future cash flows, or a negative impact on the timing of future cash flows then this is recorded within the line “Revaluation of invested assets”.

On each reporting date, DDM assesses whether there is objective evidence that a portfolio / receivable is impaired. A portfolio / receivable is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”), and that loss event (or events) has an impact on the estimated 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, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated income statement (within the line “Impairment of invested assets”).

If DDM sells a portfolio / 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”).

Note 4. Distressed asset portfolios… continued

The carrying values of distressed asset portfolios and other long-term receivables from investments are distributed by currency as follows:

Distressed asset portfolios and other long-term receivables from investments by 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	5,774	4,622
RSD	1,385	2,116
RON	919	1,564
RUB	–	195
Total	**146,050**	**118,565**

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

Note 5. Investment in joint venture

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

On 15 July 2019, DDM secured third party financing together with B2Holding to partially fund the joint venture acquisition in Croatia at a lower cost of funding than the existing DDM Debt AB senior secured bonds in issue.

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

Investment in joint venture EUR '000s	**31 December 2019**	**31 December 2018**
Balance at beginning of the year	–	–
Additions	66,662	–
Share of net profits of joint venture	916	–
Proceeds from funding of joint venture	(33,789)	–
Incremental net distribution from the joint venture	(3,837)	–
Balance at end of the year	**29,952**	–

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

Note 6. Tangible assets

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

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

Furniture	5 years
Computer hardware	5 years

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

Note 7. Intangible assets

(i) Identifiable intangible assets

The Company's identifiable intangible assets are stated at cost less accumulated amortization and include the "FUSION" computer software that was developed in-house in cooperation with external IT consultancy firms that has a finite useful life. FUSION is the proprietary IT system which integrates investment data, case data, payment data and activity data into one effective and comprehensive IT system. This asset is capitalized and amortized on a straight-line basis in the income statement over its expected useful life of 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 company or the acquired parts of the business is recognized as goodwill in the balance sheet. Goodwill is tested annually for impairment or at any time if an indication of impairment exists.

Note 8. Loans and borrowings

The Group had the following borrowings outstanding during the periods ending 31 December 2019 and/or 31 December 2018:

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 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. DDM Debt complied with all bond covenants for the periods ending 31 December 2019 and 31 December 2018.

DDM Debt has pledged the shares in its direct subsidiaries as security under the terms and conditions. Certain bank accounts are also assigned to the bond agent and the bondholders as part of the bond terms. DDM Finance AB is a guarantor of the bonds. In addition, the investors receive a first ranking share pledge over the shares of DDM Debt. The terms and conditions of DDM Debt's senior secured bonds and revolving credit facility contain a number of restrictions, including relating to distributions, the nature of the business, financial indebtedness, disposals of assets, dealings with related parties, negative pledges, new market loans, mergers and demergers, local credits and intercompany loans. The terms and conditions of the senior secured bonds are available in their entirety on our website.

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.

Note 8. ***Loans and borrowings…*** *continued*

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.

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

Maturity profile and carrying value of borrowings:

EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 31 December 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**

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

Fair value of borrowings:

EUR '000s	IFRS 9 category	Fair value category	Fair value	Carrying value
at 31 December 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
Total			**170,635**	**164,417**
at 31 December 2018				
Senior secured notes	Financial liabilities at amortized cost	Level 2	12,000	12,000
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
Loans	Financial liabilities at amortized cost	Level 2	2,000	2,000
Total			**147,648**	**147,225**

The levels in the hierarchy are:

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

Note 9. Revenue recognition

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

Net collections is comprised of gross collections from the distressed asset portfolios and other long-term receivables held by DDM, minus commission and fees to third parties. The net amount of cash collected is recorded as “Net collections” within the line “Revenue on invested assets” in the consolidated income statement. 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 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.

EUR ‘000s	1 Oct – 31 Dec 2019	1 Oct – 31 Dec 2018	Full Year 2019	Full Year 2018
Net collections by country:				
Greece	4,401	5,450	12,111	13,962
Croatia	3,945	3,597	10,551	9,038
Slovenia	1,972	7,784	18,122	20,277
Czech Republic	1,887	3,265	9,418	12,576
Hungary	1,376	1,401	5,404	4,699
Romania	838	943	3,431	4,069
Serbia	63	262	481	699
Bosnia	27	–	23	70
Slovakia	6	16	45	193
Russia	–	23	1,953	86
Net collections*	**14,515**	**22,741**	**61,539**	**65,669**
Amortization of invested assets	(5,196)	(14,024)	(34,498)	(34,828)
Interest income on invested assets before revaluation and impairment	**9,319**	**8,717**	**27,041**	**30,841**
Revaluation of invested assets	3,196	285	4,562	(152)
Impairment of invested assets	(3,660)	(1,350)	(5,780)	(2,445)
Revenue on invested assets	**8,855**	**7,652**	**25,823**	**28,244**
Share of net profits of joint venture	243	–	916	–
Other operating income	1,142	1,967	1,142	1,967
Revenue from management fees	147	290	570	1,233

* Included within net collections is the gain on sale of invested assets

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 fourth quarter and full year 2019 results include EUR 0.2M and EUR 0.9M respectively from share of net profits of joint venture accounted for under the equity method in accordance with IFRS.

Net collections on sale of invested assets
On 29 March 2019, DDM sold its legacy portfolios in Russia for a total consideration of EUR 2.1M. The transaction resulted in a realized gain on sale of EUR 1.9M recognized in the income statement as net collections on sale of invested assets.

On 28 October 2019, DDM partially sold a consumer portfolio previously acquired in Croatia for a total consideration of EUR 5.8M. The transaction resulted in a realized gain on sale of EUR 2.5M recognized in the consolidated income statement as net collections on sale of invested assets.

Other operating income
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. 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 7 November 2018, DDM acquired the remaining share of the economic rights to a distressed asset portfolio located in Hungary, Finalp Zrt for a total consideration of EUR 1.2M, resulting in a gain on bargain purchase of EUR 2.0M recognized in the consolidated income statement as other operating income. Prior to the acquisition DDM owned the rights to 20% of the portfolio and 100% of the equity in Finalp Zrt, which was reclassified from other long-term receivables from investments to distressed asset portfolios.

Note 9. *Revenue recognition… continued*

Revenue from management fees

Revenue from management fees relates to revenue received from co-investors where DDM manages the operations of the assets, but does not own 100% of the portfolio. For Hungary these fees are calculated based on the performance of the portfolio, and for Greece these fees were calculated based on the time spent on portfolio management prior to the buy-out of the co-investor. The fees from Hungary are received on a monthly basis, one month in arrears.

Note 10. Related parties

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. 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. and recognized as a non-current asset receivable from DDM Group Finance S.A.

Note 11. Subsequent events

On the 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 floating rate bonds.

Alternative performance measures – reconciliation to IFRS:

EUR '000s	1 Oct – 31 Dec 2019	1 Oct – 31 Dec 2018	Full Year 2019	Full Year 2018
Net collections	**11,975**	**22,741**	**57,063**	**65,669**
Sale of invested assets	2,540	–	4,476	–
Incremental net distribution from joint venture	1,218	–	3,837	–
Adjusted net collections	**15,733**	**22,741**	**65,376**	**65,669**
Cash EBITDA	**8,107**	**20,501**	**44,414**	**57,656**
Sale of invested assets	2,540	–	4,476	–
Incremental net distribution from joint venture	1,218	–	3,837	–
Adjusted cash EBITDA	**11,865**	**20,501**	**52,727**	**57,656**
Net profit / (loss) for the period	**1,472**	**3,392**	**(4,120)**	**4,817**
Non-recurring items bond refinancing	–	–	2,631	–
Non-recurring items deferred taxes & interest in associates	–	–	–	963
Adjusted net profit / (loss) for the period	**1,472**	**3,392**	**(1,489)**	**5,780**

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

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

Definitions

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

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

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

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

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

Estimated Remaining Collections / ERC
Estimated Remaining Collections refers to the sum of all future projected cash collections before collection costs 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
The ratio of shareholders' equity to total assets at the end of the period.

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 investment in joint venture.

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.

About DDM

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 2.3 million receivables with a nominal value of over EUR 4 billion.

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 the Company'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.

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DDM Holding AG

Schochenmühlestrasse 4
CH-6340 Baar, Switzerland
+41 417 661 420
http://www.ddm-group.ch
investor@ddm-group.ch