DDM DEBT AB (publ)

Corporate Identity Number 559053-6230

ANNUAL REPORT

2019

MULTINATIONAL INVESTOR
AND MANAGER OF DISTRESSED ASSETS

**The DDM Debt AB (publ)
2019 Annual Report**

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

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

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

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

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

Production: DDM Debt.

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2019 Highlights

This is DDM Debt

Experienced specialist in an expanding sector

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

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

The DDM Debt Group 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.

The DDM Debt Group has developed state-of-the-art processes for analysis, pricing and management of the acquired portfolios through its deep industry experience. In 2019 the DDM Debt Group launched a servicing platform for secured corporate 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 the DDM Debt Group to be closer to the market. Consequently, the DDM Debt Group has developed a successful business model allowing for flexibility, automated processes and speed in decision-making.

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

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

STATEMENT BY THE CEO

Significant investments in core markets and successful refinancing

2019 has been a transformational year for the DDM Debt Group, as we have acquired significant portfolios across our core markets aligned with our strategic growth plan as a specialized investor in 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 support our future growth.

Henrik Wennerholm,
CEO of DDM Debt

"Invested assets have increased 49% to EUR 173M at the end of 2019, as part of our growth strategy"

Invested assets have grown by 49% to EUR 173M following portfolio acquisitions of approximately EUR 100M across our core markets, with a significant proportion invested in secured portfolios.

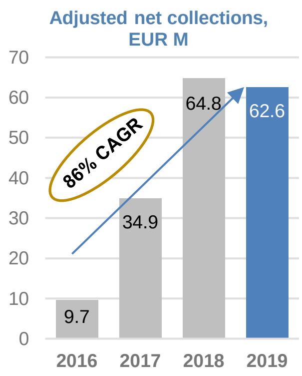
Investing activities

In 2019, we finalized significant acquisitions in Croatia and Greece which have increased the proportion of invested assets in 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

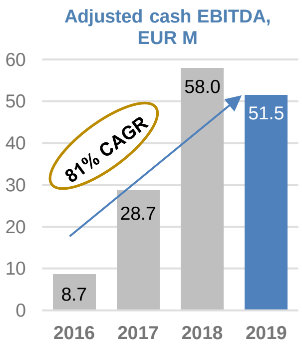
We secured a new Revolving Credit Facility ("RCF") of EUR 27M at a significantly lower cost of funding with an international bank, priced at Euribor plus a margin of 3.5%, which is available until March 2021. We then successfully refinanced the existing EUR 85M bond by issuing a new EUR 100M bond in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

DDM Debt's parent company, DDM Finance AB also issued EUR 6M of bonds gross of financing costs. Part of the net proceeds were used to provide a conditional shareholder contribution to DDM Debt, which thereby qualifies as equity under the current DDM Debt senior secured bond and RCF terms. This strengthens the opportunities for DDM Debt to support continued growth.



Strengthening our operations

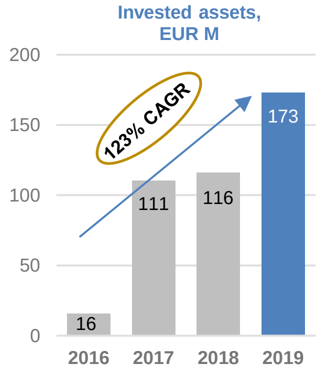
During the year we launched a servicing platform for secured portfolios to increase the focus on portfolio management and business development services. This will increase the focus on portfolio management and business development services, partially servicing the DDM Debt Group's own secured portfolios 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.

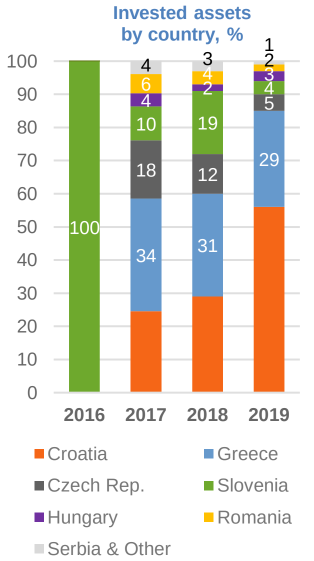


Earnings 2019

Adjusted net collections totaled EUR 62.6M for the full year 2019, only slight lower than record collections that totaled EUR 64.8M 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 May and collections in Greece following the buy-out of the co-investor in Greece in July.

During the year, the DDM Debt Group 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 51.5M for the full year 2019. Cash EBITDA is an important measure for the DDM Debt Group as this measures the cash available for servicing debt and guides the potential for growth based on current funding.





"In 2019 we made significant investments across our core markets and also successfully refinanced our existing debt structure to support our future growth"

Operating expenses were EUR 11.1M for the full year 2019, EUR 4.3M higher than in 2018. This is due to the strengthening of the management team and build-up of the servicing platform resulting in a higher management fee from DDM Group AG that is permitted under the current DDM Debt senior secured bond and RCF terms.

Impairments totaled EUR 5.8M for 2019 primarily relating to one-off write downs on portfolios in the Balkans, which were partially offset by EUR 2.9M 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 4.7M 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 30.7M compared to EUR 45.3M 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, higher operating expenses 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 approximately EUR 11M 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.

Significant events after the end of the year

On 18 February 2020 DDM Debt AB initiated a written procedure to request that certain amendments be made to the terms and conditions of its up to EUR 150M senior secured floating rate 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 the DDM Debt Group 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 the DDM Debt Group announced that it had bought out the majority share co-investor in a leasing company located in Hungary for approximately EUR 3M.

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 Debt 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.

Administration Report

The Board of Directors and the CEO of DDM Debt AB (publ) hereby submit the annual report and consolidated financial statements for the 2019 financial year.

Information regarding the operations
DDM Debt AB (publ) (corporate identity number 559053-6230) is domiciled in Stockholm, Sweden and is a limited liability company that conducts operations in accordance with the Swedish Companies Act. The Company was registered on 3 March 2016, and changed from a private limited liability company to a public limited liability company on 26 May 2016.

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

DDM Debt acts solely as an issuer of financial instruments and extends this funding intra-group, whereas DDM Group AG acts as the investment manager and makes all decisions regarding investments and allocation of resources.

Subsidiaries
In 2016 DDM Invest VII AG, Switzerland, and DDM Invest VII d.o.o., Slovenia, were wholly owned subsidiaries of DDM Debt. In connection with the bond refinancing in 2017, DDM Debt AB also acquired DDM Treasury Sweden AB's subsidiaries (DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG, DDM Invest X AG and DDM Invest XX AG) holding the NPL portfolios on 17 February 2017. They were wholly owned subsidiaries, therefore this acquisition was not considered as a business combination according to IFRS 3, as the transaction was done in the ordinary course of business among entities which were under common control of DDM Holding AG. A new subsidiary of DDM Debt AB, DDM Debt Management d.o.o Beograd, was incorporated in Serbia on 22 August 2017 and DDM Debt Romania S.R.L was incorporated in Romania on 31 July 2018. DDM Invest V d.o.o. (formerly Ahive d.o.o.) is a 100% indirectly held subsidiary through DDM Invest III AG (formerly DDM Invest I AG) that was incorporated in Slovenia on 22 October 2018.

aXs GmbH was registered in Austria on 29 May 2019, where 70% of the ownership was controlled by DDM. 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.

The following subsidiaries were merged into DDM Invest III AG on 14 June 2019 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 30 September 2019 DDM Treasury Sweden AB was contributed to DDM Debt by DDM Finance at book value, resulting in a EUR 45k capital contribution from DDM Finance.

On 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 Holding's AG 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 income statement under "Other operating income".

Joint ventures
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. The DDM Debt Group's joint arrangement with B2Holding closed on 31 May 2019 where each party holds 50% of the share capital and voting rights of CE Partner S.à r.l. and CE Holding Invest S.C.S (the "Joint Venture") and therefore was reclassified to joint ventures.

Facts and figures – The DDM Debt Group 2019
Consolidated revenue on invested assets during the year amounted to EUR 22,446k (2018: EUR 27,757k). Net collections during the year were EUR 54,272k (2018: EUR 64,759k). Net collections on sale of invested assets during the year amounted to EUR 4,476k (2018: EUR nil), following the sale of certain portfolios including a previously acquired portfolio in Croatia containing consumer receivables and all portfolios in Russia. Operating profit amounted to EUR 13,326k (2018: EUR 20,946k).

The net loss before tax for the year amounted to EUR 8,152k (2018: net profit before tax of EUR 3,081k) and the net loss for the year was EUR 7,287k (2018: net profit of EUR 2,144k).

Significant events during the financial year

In March DDM Debt secured a new Revolving Credit Facility (“RCF”) of EUR 27M with an international bank, priced at Euribor plus a margin of 3.5%, which is available until March 2021. DDM Debt 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%.

In May the DDM Debt Group 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 through a 50/50 joint venture with B2Holding. The DDM Debt Group secured third party financing in July to partially fund this transaction at a lower cost of borrowing than the existing senior secured bond frameworks.

In July the DDM Debt Group also bought out the co-investor in our Greek non-performing loan portfolio which was acquired by DDM in August 2017. DDM Debt’s parent company, DDM Finance AB also issued EUR 6M of bonds gross of financing costs. Part of the net proceeds were used to provide a conditional shareholder contribution to DDM Debt, which thereby qualifies as equity under the current DDM Debt senior secured bond and RCF terms.

In September the DDM Debt Group also finalized the acquisition of a significant distressed asset portfolio containing secured and unsecured consumer corporate receivables in Croatia with a gross collection value (face value) of about EUR 200M. Total investments for 2019 amounted to approximately EUR 100M, net of financing in the joint venture.

Geographical regions

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

Distressed asset portfolios and other long-term receivables from investments

The investment in Hungary is shown within other long-term receivables from investments. The receivables are against the local legal entities holding the leasing portfolios, in comparison to the distressed asset portfolios where the receivables are directly against the debtor. Distressed asset portfolios and other long-term receivables from investments, i.e. portfolios of overdue receivables, are acquired for significantly less than their nominal value after which the DDM Debt Group collects the receivables in cooperation with local debt collection agencies or the new servicing platform for secured portfolios. As such, revenue on invested assets represents 100% of the consolidated income.

Investment in joint venture

DDM’s joint arrangement with B2Holding that closed on 31 May 2019 where each party holds 50% of the share capital and voting rights of CE Partner S.à r.l. and CE Holding Invest S.C.S (the “Joint Venture”) is classified as a joint venture, as the DDM Debt Group is entitled to 50% of the net assets of the Joint Venture rather than having a direct entitlement to assets and responsibility for liabilities. The equity method is applied when accounting for the Joint Venture. Under the equity method of accounting the investment is recognised at cost and subsequently adjusted to DDM’s 50% share of the change in the net assets of the Joint Venture since the acquisition date. The DDM Debt Group’s share of earnings for the year amounted to EUR 916k (2018: nil), and this is reported under Share of net profits of joint venture in the consolidated income statement. The distributions received from the Joint Venture reduce the carrying value of the investment and includes EUR 2,654k (2018: nil) that has been received as a cash distribution during the year and EUR 1,183k (2018: nil) that has been reclassified to accounts receivable.

Expenses

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

Net financial expenses

In 2019 net financial expenses were EUR 21,478k (2018: EUR 17,865k). This includes non-recurring items of approximately EUR 2,631k following the bond refinancing in 2019 recognised under financial expenses. This is due to the call premium of EUR 2,023k that was paid in relation to the EUR 85M bond and the non-cash write off of EUR 608k for the remaining capitalized transaction costs.

Cash flow and investments

Cash flow from operating activities before working capital changes for the full year amounted to EUR 30,687k (2018: EUR 45,308k).

In 2019, the cash purchase price of invested assets (distressed asset portfolios, other long-term receivables from investments and investment in joint venture) amounted to EUR 99,215k, net of the proceeds from funding of joint venture (2018: EUR 42,313k).

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

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

At 31 December 2019 net debt, consisting of the EUR 100M and EUR 50M senior secured bonds and interest-bearing intercompany loans (excluding subordinated debt), less cash and cash equivalents, amounted to EUR 135,666k. Shareholders' equity according to the terms and conditions of the senior secured bonds amounted to EUR 41,928k.

At 31 December 2018 net debt, consisting of the EUR 85M and EUR 50M senior secured bonds and interest-bearing intercompany loans (excluding subordinated debt), less cash and cash equivalents, amounted to EUR 75,959k. Shareholders' equity according to the terms and conditions of the senior secured bonds amounted to EUR 40,036k.

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

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

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

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

Market outlook
The DDM Debt Group aims 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 its core markets across Southern, Central and Eastern Europe.

Whilst the European NPL market is in the process of consolidation, the DDM Debt Group 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 the DDM Debt Group 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.

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

Parent Company
The operations of the Parent Company at 31 December 2019 encompass ownership of the 100% owned subsidiaries: DDM Invest III AG, DDM Invest V d.o.o. (formerly Ahive d.o.o.), DDM Invest VII d.o.o., DDM Debt Management d.o.o Beograd and DDM Debt Romania S.R.L. and ownership of 50% of CE Partner S.à r.l. and CE Holding Invest S.C.S (the "Joint Venture"). In addition, the Parent Company provides funding for the subsidiaries' investments into distressed asset portfolios, other long-term receivables from investments and joint ventures. The funding is provided to subsidiaries through intercompany loans.

The Parent Company reported revenue of EUR 0k for the year (2018: EUR 0k), other operating income of EUR 1,142k (2018: EUR 0k) and a profit before tax of EUR 228k (2018: profit of EUR 42k).

The Parent Company had one employee (male) in 2019 (2018: 0 employees).

Events after the balance sheet date

On 11 February 2020 the merger of DDM Treasury Sweden AB into DDM Debt AB was concluded.

On 18 February 2020 DDM Debt AB initiated a written procedure to request that certain amendments be 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 the DDM Debt Group announced a strategic investment by entering into an agreement to acquire a 9.9% stake for approximately EUR 30M in Addiko bank. The investment also includes a call option to acquire an additional 10.1% stake, which is subject to regulatory approval.

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

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 Debt 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.

Financial summary

Key figures, EUR '000s (unless otherwise indicated)	**2019**	**2018**
Revenue on invested assets	22,446	27,757
Share of net profits of joint venture	916	–
Operating profit	13,326	20,946
Operating margin, %	57.0	75.5
Cash flow from operating activities before working capital changes	30,687	45,308
Equity ratio (including subordinated debt), %	21.1	21.7

Risk management and financial risks

Risk management is handled by employees and management of the DDM Debt Group who report to the Board on the basis of the policy adopted by the Board. The DDM Debt Group identifies, evaluates and mitigates financial risks relating to the operating activities of the DDM Debt Group. The Board determines and adopts an overall internal policy for risk management. 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 DDM Debt Group defines risk as all factors which could have a negative impact on the ability of the Group to achieve its business objectives. All business activity is associated with risk. In order to manage risk in a balanced way, it must first be identified and assessed. The DDM Debt Group's risk management is conducted by employees and management of the DDM Group, where risks are evaluated in a systematic manner.

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

Economic fluctuations

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

Changes in regulations

With regard to risks associated with changes in regulations in its markets, the DDM Debt Group continuously monitors the regulatory efforts to be able to indicate potentially negative effects and to work for favorable regulatory changes. Changes to the regulatory or political environments in which the DDM Debt Group operates, a failure to comply with applicable laws, regulations, licenses and codes of practice or failure of any employees to comply with internal policies and procedures may negatively affect the DDM Debt Group's business.

Market risks

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

In each country where the DDM Debt Group invests, revenue and collection costs are denominated in local currencies. Revenue and expenses in local currency are thereby hedged in a natural way, which limits transaction exposure. The DDM Debt Group is not using any hedging instruments.

As part of cash management, the DDM Debt Group is striving to maintain cash in the different currencies they are exposed to. For further information regarding currency exposure, see notes 16, 17, 19 and 20.

Interest rate risks relate primarily to DDM Debt's interest-bearing debt, which during 2019 consisted of senior secured bonds and a revolving credit facility. Borrowings issued using the floating reference rate Euribor expose DDM Debt to interest rate risk and borrowings issued at fixed rates expose DDM Debt to fair value interest rate risk.

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

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

A second source of credit risk arises in connection to funds collected during the ordinary course of business. Funds are either collected directly on the DDM Debt Group's bank accounts, or are paid in to client fund accounts held by the respective debt collection agencies to separate the DDM Debt Group's funds from the general funds of the agency. In the second instance 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, the DDM Debt Group makes efforts to control and monitor the financial standing of its partners and also to maintain a balance of the work allocated between agencies to minimize the potential risk of such a situation. Amounts expected to be recovered from a solvent counterparty are recognized as accounts receivable in the balance sheet.

Risks inherent of distressed assets
To minimize the risks in this business, caution is exercised in investment decisions. The DDM Debt Group 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. The DDM Debt Group has established relationships with sellers throughout the industry and as the DDM Debt Group is able to take on a leading position, we get repeat business as well as access to financial co-investors. Historically the DDM Debt Group has 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 the DDM Debt Group has acquired significant distressed asset portfolios in the Balkans and Croatia 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 the DDM Debt Group to grow and gain access to invest in larger NPL portfolios across the SCEE market, whilst sharing the risks and returns with the co-investment partner. The DDM Debt Group depends upon reputable and trustworthy co-investment partners.

Invested assets are usually purchased at prices significantly below the nominal value of the receivables, and the DDM Debt Group retains the entire amount it collects, including interest and fees, after deducting costs directly relating to the collection of the debt. The DDM Debt Group places return requirements on acquired invested assets. Before every acquisition, a careful assessment is made based on a projection of future cash flows (collected amounts) from the invested asset.

To facilitate the purchase of larger portfolios at attractive risk levels, the DDM Debt Group works in cooperation with other institutions and shares the equity investment and profits. Risks are further diversified by acquiring distressed assets from various sellers in different countries.

Financing risk
DDM Debt's financial instruments contain a number of financial covenants, including limits on certain financial indicators. The financial covenants according to the terms and conditions of the senior secured bonds 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 Debt's management carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded. DDM Debt AB complied with all bond covenants for the years ending 31 December 2019 and 31 December 2018. The terms and conditions are available in their entirety on our website.

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

The Board's committees

The overall responsibility of the Board of Directors cannot be delegated, however the Board may, within itself, set up committees which prepare, follow up on and evaluate issues within their respective spheres ahead of decisions by the Board.

Audit Committee

The audit committee prepares a number of issues for consideration by the Board and thereby supports the Board in its endeavors to fulfil its responsibilities within the areas of auditing and internal control and with assuring the quality of DDM Debt's financial reporting. The audit committee meets on a regular basis. The audit committee was comprised of Fredrik Waker (chair) and Torgny Hellström until the AGM on 18 June 2019, when Fredrik Waker was replaced by Joachim Cato. The EGM on 30 August 2019 elected Florian Nowotny (chair) and Joachim Cato became a member. The committee's meetings are also attended by Fredrik Olsson (CFO). The committee held two meetings in 2019 (2018: two meetings). Special attention was paid in 2019 and 2018 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.

Corporate Governance Report

DDM Debt AB has established a corporate governance report in accordance with the Swedish Annual Accounts Act 6 chapter 8§. The report is available at the company, and will be distributed upon request.

Employees

DDM Debt had one employee as of 31 December 2019 (2018: no employees), while the DDM Debt Group had seven employees (2018: seven employees). All other staff involved in the activities of DDM Debt are employed by DDM Group AG and are based in Baar, Switzerland. DDM Group AG charges the DDM Debt Group a management fee for this work.

Proposed appropriation of earnings

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

EUR	**2019**	**2018**
Retained earnings	5,251,981	5,207,909
Contribution agreement	44,615	–
Net earnings for the year	189,371	44,072
Total	**5,485,967**	**5,251,981**

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

EUR	**2019**	**2018**
Balance carried forward	**5,485,967**	**5,251,981**
Total	**5,485,967**	**5,251,981**

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

GROUP
CONSOLIDATED INCOME STATEMENT

For the year ended 31 December Amounts in EUR '000s	Notes	2019	2018
Revenue on invested assets	6	**22,446**	**27,757**
Share of net profits of joint venture	6,15	916	–
Other operating income	28	1,142	–
Personnel expenses	7	(1,187)	(144)
Consulting expenses	8	(9,563)	(6,304)
Other operating expenses	9	(347)	(361)
Depreciation expense	12, 13	(81)	(2)
Operating profit		**13,326**	**20,946**
Financial income	10	536	220
Financial expenses	10	(21,620)	(17,634)
Unrealized exchange loss	10	(264)	(328)
Realized exchange loss	10	(130)	(123)
Net financial expenses		**(21,478)**	**(17,865)**
(Loss) / profit before income tax		**(8,152)**	**3,081**
Tax income / (expense)	11	865	(937)
Net (loss) / profit for the year		**(7,287)**	**2,144**
Net (loss) / profit for the year attributable to:			
Owners of the Parent Company		**(7,170)**	**2,144**
Non-controlling interest	23	**(117)**	–
Earnings per share, EUR		**(132.78)**	**39.70**

GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December Amounts in EUR '000s	Notes	2019	2018
Net (loss) / profit for the year		**(7,287)**	**2,144**
Other comprehensive income / (loss) for the year			
Items that may subsequently be reclassified to profit or loss:			
Currency translation differences		9	(4)
Other comprehensive income / (loss) for the year, net of tax		**9**	**(4)**
Total comprehensive (loss) / income for the year		**(7,278)**	**2,140**
Total comprehensive (loss) / income for the year attributable to:			
Owners of the Parent Company		**(7,161)**	**2,140**
Non-controlling interest		**(117)**	–

GROUP
CONSOLIDATED BALANCE SHEET

As at 31 December Amounts in EUR '000s	Notes	2019	2018
ASSETS			
Non-current assets			
Tangible assets	12	29	9
Right-of-use assets	13	98	–
Interests in associates	14	–	13
Distressed asset portfolios	16	140,276	113,943
Other long-term receivables from investments	17	3,023	2,422
Investment in joint venture	15	29,952	–
Loans to other group companies	28	4,000	2,000
Accrued interest from other group companies	28	768	411
Deferred tax assets	18	1,375	436
Other non-current assets	19	270	107
Total non-current assets		**179,792**	**119,341**
Current assets			
Accounts receivable	20	3,330	7,279
Receivables from other group companies	20	103	422
Tax assets	20	1,397	–
Other receivables	20	1,449	374
Prepaid expenses and accrued income	20	1,171	37
Cash and cash equivalents	21	11,464	57,266
Total current assets		**18,914**	**65,378**
TOTAL ASSETS		**198,706**	**184,719**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	22	54	54
Other reserves		5	(4)
Retained earnings including net (loss) / profit for the year		4,283	8,811
Total shareholders' equity attributable to Parent Company's shareholders		**4,342**	**8,861**
Non-current liabilities			
Bonds loans and borrowings	25, 26	97,626	133,225
Lease liabilities	24	57	–
Payables to other group companies	28	1,389	1,433
Payables to other group companies, subordinated	28	1,775	1,775
Loans from other group companies, subordinated	28	35,811	19,400
Deferred tax liabilities	18	220	250
Total non-current liabilities		**136,878**	**156,083**
Current liabilities			
Bonds loans and borrowings	25, 26, 27	49,504	–
Accounts payable	27	578	448
Tax liabilities	27	102	2,190
Accrued interest	27, 28	5,178	5,165
Accrued expenses and deferred income	27	2,077	1,972
Lease liabilities	24, 27	47	–
Loans from other group companies, subordinated	27, 28	–	10,000
Total current liabilities		**57,486**	**19,775**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**198,706**	**184,719**

GROUP
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December **Amounts in EUR ‘000s**	**Notes**	**2019**	**2018**
Cash flow from operating activities			
Operating profit		13,326	20,946
Cash distribution from joint venture	15	2,654	–
Adjustments for non-cash items:			
Amortization of invested assets	*16, 17*	*33,458*	*34,405*
Revaluation and impairment of invested assets	*16, 17*	*2,844*	*2,597*
Share of net profits of joint venture	*15*	*(916)*	*–*
Other operating income	*28*	*(1,142)*	*–*
Depreciation expense	*12, 13*	*81*	*2*
Other items not affecting cash		*295*	*(184)*
Interest paid		(16,544)	(12,395)
Interest received		179	–
Tax paid		(3,548)	(63)
Cash flow from operating activities before working capital changes		**30,687**	**45,308**
Working capital adjustments			
(Increase) / decrease in accounts receivable		5,132	(2,285)
(Increase) / decrease in other receivables		(2,437)	40
Increase / (decrease) in accounts payable		(70)	150
Increase / (decrease) in other current liabilities		2,584	(1,183)
Net cash flow from operating activities		**35,896**	**42,030**
Cash flow from investing activities			
Purchases of distressed asset portfolios and other long-term receivables from investments	16, 17	(66,342)	(42,313)
Acquisition of joint venture	15	(66,662)	–
Proceeds from divestment of distressed asset portfolios and joint venture	15, 16	37,094	–
Purchases of non-current assets	19	(250)	–
Purchases of tangible assets	12	(22)	(4)
Net cash flow received / (used) in investing activities		**(96,182)**	**(42,317)**
Cash flow from financing activities			
Proceeds from issuance of loans	25, 26	105,329	–
Proceeds from loans from group companies	28	4,950	–
Repayment of loans	25, 26	(93,700)	–
Loans to other group companies	28	(2,000)	–
Net cash flow received / (used) in financing activities		**14,579**	–
Cash flow for the year		**(45,707)**	**(287)**
Cash and cash equivalents less bank overdrafts at beginning of the year		**57,266**	**57,697**
Foreign exchange gains / (losses) on cash and cash equivalents		(95)	(144)
Cash and cash equivalents less bank overdrafts at end of the year	21	**11,464**	**57,266**

GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Parent Company's shareholders					
Amounts in EUR '000s	**Share capital**	**Other reserves**	**Retained earnings incl. net (loss)/ profit for the year**	**Total equity**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2018	**54**	**–**	**6,667**	**6,721**	**–**	**6,721**
Comprehensive income						
Net profit for the year	–	–	2,144	**2,144**	–	**2,144**
Other comprehensive income						
Currency translation differences	–	(4)	–	**(4)**	–	**(4)**
Total comprehensive income	**–**	**(4)**	**2,144**	**2,140**	**–**	**2,140**
Transactions with owners						
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2018	**54**	**(4)**	**8,811**	**8,861**	**–**	**8,861**
Balance at 1 January 2019	**54**	**(4)**	**8,811**	**8,861**	**–**	**8,861**
Comprehensive loss						
Net loss for the year	–	–	(7,170)	**(7,170)**	(117)	**(7,287)**
Other comprehensive income						
Currency translation differences	–	9	–	**9**	–	**9**
Total comprehensive loss	**–**	**9**	**(7,170)**	**(7,161)**	**(117)**	**(7,278)**
Transactions with owners						
Received capital contribution	–	–	2,714	**2,714**	–	**2,714**
Contribution agreement	–	–	45	**45**	–	**45**
Disposal of subsidiary	–	–	(117)	**(117)**	117	–
Total transactions with owners	**–**	**–**	**2,642**	2,642	117	2,759
Balance at 31 December 2019	**54**	**5**	**4,283**	**4,342**	–	**4,342**

PARENT COMPANY – INCOME STATEMENT

For the year ended 31 December Amounts in EUR '000s	**Notes**	**2019**	**2018**
Revenue		–	–
Other operating income	28	1,142	–
Personnel expenses	7	(554)	(24)
Consulting expenses	8	(182)	(172)
Other operating expenses	9	(137)	(92)
Depreciation of tangible assets		(1)	–
Operating profit / (loss)		**268**	**(288)**
Financial income	10, 28	15,491	14,973
Financial expenses	10, 28	(15,546)	(14,641)
Unrealized exchange profit / (loss)	10	7	(2)
Realized exchange profit	10	8	–
Net financial (expenses) / income		**(40)**	**330**
Profit before income tax		**228**	**42**
Tax (expense) / income	11	(39)	2
Net profit for the year		**189**	**44**

PARENT COMPANY – STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December Amounts in EUR '000s	**2019**	**2018**
Net profit for the year	**189**	**44**
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss	–	–
Items that may subsequently be reclassified to profit or loss	–	–
Total other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	**189**	**44**

PARENT COMPANY – BALANCE SHEET

As at 31 December Amounts in EUR '000s	Notes	2019	2018
ASSETS			
Non-current assets			
Tangible assets		4	–
Participations in other group companies	29	9,523	9,478
Loans to other group companies	28	150,503	150,123
Accrued interest from other group companies	28	631	411
Other non-current assets	19	279	–
Total non-current assets		**160,940**	**160,012**
Current assets			
Other receivables	20	1,374	16
Prepaid expenses and accrued interest income	20	9,447	6,030
Cash and cash equivalents	21	3,234	707
Total current assets		**14,055**	**6,753**
TOTAL ASSETS		**174,995**	**166,765**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	22	54	54
Retained earnings including net profit for the year	30	5,486	5,252
Total shareholders' equity		**5,540**	**5,306**
Non-current liabilities			
Bond loans and borrowings	25	97,626	133,225
Payables to other group companies	28	1,431	5,316
Loans from other group companies	28	–	7,000
Loans from other group companies, subordinated	28	14,950	–
Accrued interest	28	2,795	–
Total non-current liabilities		**116,802**	**145,541**
Current liabilities			
Bond loans and borrowings	25, 27	49,504	–
Accounts payable	27	392	102
Tax liabilities	27	46	13
Accrued interest	27	2,383	5,734
Accrued expenses and deferred income	27	328	69
Loans from other group companies, subordinated	27, 28	–	10,000
Total current liabilities		**52,653**	**15,918**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**174,995**	**166,765**

PARENT COMPANY – CASH FLOW STATEMENT

For the year ended 31 December Amounts in EUR '000s	Notes	2019	2018
Cash flow from operating activities			
Operating profit / (loss)		268	(288)
Adjustments for non-cash items:			
Other operating income		*(1,142)*	–
Depreciation of tangible assets		*1*	–
Other items not affecting cash		*35*	*(116)*
Interest paid		(16,544)	(12,395)
Interest received		10,624	11,924
Tax paid		(6)	–
Cash flow from operating activities before working capital changes		**(6,764)**	**(875)**
Working capital adjustments			
(Increase) / decrease in other receivables		(189)	800
Increase / (decrease) in accounts payable		90	95
Increase / (decrease) in other current liabilities		1,522	(173)
Net cash flow from operating activities		**(5,341)**	**(153)**
Cash flow from investing activities			
Loans to group companies		(60,750)	(59,500)
Repayment of loans to group companies		52,300	8,696
Dividends received		–	2,500
Purchases of non-current assets		(250)	–
Purchases of subsidiaries		–	(106)
Purchase of shares in subsidiaries		(24)	(88)
Net cash flow received / (used) in investing activities		**(8,724)**	**(48,498)**
Cash flow from financing activities			
Proceeds from issuance of loans	25, 26	105,329	–
Proceeds from loans from group companies	28	4,950	–
Proceeds from payables to other group companies	28	–	600
Repayment of loans	25, 26	(93,700)	–
Net cash flow received / (used) in financing activities		**16,579**	**600**
Cash flow for the year		**2,514**	**(48,051)**
Cash and cash equivalents less bank overdrafts at beginning of the year		**707**	**48,753**
Foreign exchange gains / (losses) on cash and cash equivalents		13	5
Cash and cash equivalents less bank overdrafts at end of the year		**3,234**	**707**

PARENT COMPANY – STATEMENT OF CHANGES IN EQUITY

Amounts in EUR '000s	Share capital	Retained earnings incl. net profit for the year	Total equity
Balance at 1 January 2018	**54**	**5,208**	**5,262**
Comprehensive income			
Net profit for the year	–	44	**44**
Other comprehensive income			
Total comprehensive income	**–**	**44**	**44**
Transactions with owners			
Total transactions with owners	**–**	**–**	**–**
Balance at 31 December 2018	**54**	**5,252**	**5,306**
Balance at 1 January 2019	**54**	**5,252**	**5,306**
Comprehensive income			
Net profit for the year	–	189	**189**
Other comprehensive income	–	–	–
Total comprehensive income	**–**	**189**	**189**
Transactions with owners			
Contribution agreement	–	45	**45**
Total transactions with owners	–	**45**	**45**
Balance at 31 December 2019	**54**	**5,486**	**5,540**

At 31 December 2019 and 31 December 2018 the number of outstanding shares in DDM Debt AB amounts to 54,000 shares, with a quota of 1 per share.

NOTE 1. GENERAL INFORMATION

DDM Debt AB (publ) ("DDM Debt" or "the Company") and its subsidiaries (together the "DDM Debt Group" or "the Group") provide liquidity to lenders in certain markets by acquiring distressed debt, enabling the lenders to continue providing loans to companies and individuals. The DDM Debt Group then assists the debtors to restructure their overdue debt.

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

DDM Debt acts solely as an issuer of funding and extends this funding intra-group whereas DDM Group AG acts as the investment manager and take all decisions regarding investments and allocation of resources.

The ultimate parent company DDM Holding AG prepares consolidated financial statements under IFRS and is listed on Nasdaq First North Growth Market, Stockholm since September 2014, under the ticker DDM.

Subsidiaries
In 2016 DDM Invest VII AG, Switzerland, and DDM Invest VII d.o.o., Slovenia, were wholly owned subsidiaries of DDM Debt. In connection with the bond refinancing in 2017, DDM Debt AB also acquired DDM Treasury Sweden AB's subsidiaries (DDM Invest I AG, DDM Invest II AG, DDM Invest III AG, DDM Invest IV AG, DDM Invest X AG and DDM Invest XX AG) holding the NPL portfolios on 17 February 2017. They were wholly owned subsidiaries, therefore this acquisition was not considered as a business combination according to IFRS 3, as the transaction was done in the ordinary course of business among entities which were under common control of DDM Holding AG. A new subsidiary of DDM Debt AB, DDM Debt Management d.o.o Beograd, was incorporated in Serbia on 22 August 2017 and DDM Debt Romania S.R.L was incorporated in Romania on 31 July 2018. DDM Invest V d.o.o. (formerly Ahive d.o.o.) is a 100% indirectly held subsidiary through DDM Invest III AG (formerly held through DDM Invest I AG until the merger on 14 June 2019) that was incorporated in Slovenia on 22 October 2018.

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 Debt. 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 income statement under "Other operating income".

The following subsidiaries were merged into DDM Invest III AG on 14 June 2019 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 poslovne storitve d.o.o. were 70% indirectly held subsidiaries through aXs GmbH that were sold on 23 December 2019 to AxFina.

On 30 September 2019 DDM Treasury Sweden AB was contributed to DDM Debt by DDM Finance at book value, resulting in a EUR 45k capital contribution from DDM Finance.

Joint venture
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 of CE Partner S.à r.l. and CE Holding Invest S.C.S (the "Joint Venture") and therefore was reclassified to joint ventures.

The Parent Company, DDM Debt AB (publ) is a limited liability company with registered offices in Stockholm, Sweden and its Swedish Corporate ID No. is 559053-6230. The address of the main office and postal address is Humlegårdsgatan 4, 1 tr, 114 46 Stockholm, Sweden.

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

On 26 March 2020, the Board of Directors approved the financial statements for publication.

NOTE 2. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the basis of historical cost modified with the revaluation of financial assets and financial liabilities at fair value through profit or loss. Distressed asset portfolios, 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 applied in these consolidated financial statements are presented as follows:

The preparation of financial statements in conjunction with IFRS requires the application of certain important estimates for accounting purposes. Furthermore, it is required that management undertakes a number of

NOTE 3. SUMMARY OF SIGNIFICANT… continued

assessments as regards to the application of the Group's accounting policies. Areas involving a high degree of assessment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are referred to in note 5.

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

Consolidation

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

Subsidiaries

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

The following entities are included in the scope of consolidation:

Entities included in the scope of consolidation	Consolidation method	Domicile	31 Dec 2019	31 Dec 2018
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%	–
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%

Joint venture

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

Distributions received from the Joint Venture are not recognised in the income statement and instead reduce the carrying value of the investment. The equity method is applied from the date joint control arises until the time it ceases, or if the Joint Venture becomes a subsidiary. Upon loss of joint control over the Joint Venture, and as such the equity method ceases, the DDM Debt Group measures and recognises any difference between the carrying amount of the investment in the Joint Venture with the fair value of the remaining investment and/or proceeds from disposal which is recognised as gain or loss directly in the income statement. The financial statements of the Joint Venture are prepared for the same reporting period as the DDM Debt Group.

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

Associates

Associates are all entities over which the DDM Debt Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method. The carrying amount (including goodwill) of equity accounted investments is tested for impairment in accordance with the policy described in note 3. The DDM Debt Group'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.a.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.

NOTE 3. SUMMARY OF SIGNIFICANT… continued

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.

The DDM Debt Group 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 DDM Debt Group 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 DDM Debt Group has elected to use the following practical expedients permitted by the standard:

b) applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
c) 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;
d) 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;
e) 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;
f) excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
a) 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 did not result in any right-of-use asset or corresponding lease liability being recognised on the balance sheet, as the DDM Debt Group's leases as of 1 January 2019 were short term leases of office buildings with a lease term of 12 months or less. In applying IFRS 16 for the first time, the DDM Debt Group has elected to use the practical expedient permitted by the standard allowing exemption of accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases. Please see notes 13 and 24.

There was nil net impact on retained earnings on 1 January 2019.

EUR '000s	2019
Operating lease commitments disclosed as at 31 December 2018	38
Discounted using the lessee's incremental borrowing rate at the date of initial application	–
(Less): short-term leases not recognized as a liability	(38)
Lease liability recognized as at 1 January 2019	–
Of which are:	
Current: lease liabilities	–
Non-current: lease liabilities	–

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

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

Foreign currency translation
(i) Functional and presentation currency
Items included in the financial statements of each of the DDM Debt Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of DDM Debt AB is Euro ("EUR"). The consolidated financial statements are presented in thousands of Euros, ("EUR k"), unless stated otherwise, which is the Group's presentation currency. Rounding differences may occur. The financial statements of entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities at the closing rate on the balance sheet date, equity at historical rates and income and expenses at the average rate for the period (as this is considered a reasonable approximation of the actual rates prevailing on the dates of the individual transactions). All resulting consolidation adjustments are recognized in other comprehensive income as cumulative

NOTE 3. SUMMARY OF SIGNIFICANT… continued

translation adjustments. All of the entities in the DDM Debt Group have EUR as their functional currency except for DDM Debt Management doo Beograd which has Serbian Dinar (RSD) as its functional currency and DDM Debt Romania S.R.L, which has Romanian leu (RON) as its functional currency.

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

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

Exchange rates		31 Dec 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 21.

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

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

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

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

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

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

	Valuation under IFRS 9
Assets	
Account receivables	Amortised cost
Other receivables	Amortised cost
Distressed asset portfolios	Amortised cost
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 DDM Debt Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the DDM Debt Group has, for all intents and purposes, transferred all of the risks and rewards of ownership. Financial liabilities are derecognized when the contractual commitment is discharged, cancelled or expires.

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

Financial assets carried at amortized cost
Financial assets carried at amortized cost are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. The DDM Debt Group's financial assets carried at amortized cost comprise distressed asset portfolios, 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.

NOTE 3. SUMMARY OF SIGNIFICANT… continued

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

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

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

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

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

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

Accounts receivable
Accounts receivable are reported initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. For accounts receivables, the Company applies the simplified approach permitted under IFRS 9, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. A provision of EUR 2k was made for impairment of accounts receivables as of 31 December 2019 (31 December 2018: EUR 2k), under the simplified approach permitted under IFRS 9.

Distressed asset portfolios and other long-term receivables from investments
The DDM Debt Group 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 Group AG owns 100% of the shares in the local legal entities holding the leasing portfolios. However, the economic substance of the investments are the underlying portfolios of loans, which the DDM Debt Group owns together with a co-investor. As a result, the underlying assets which represent other long-term receivables from investments are recognized in the DDM Debt Group 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 Dec 2019	31 Dec 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
The recognition of the acquisition of distressed asset portfolios and other long-term receivables from investments is based on the DDM Debt Group's forecast of future cash flows from acquired portfolios / receivables. Distressed asset portfolios and other long-term receivables from investments consist mainly of portfolios of non-performing consumer debts purchased at prices significantly below their principal value. Such assets are classified as non-current assets. Reporting follows the effective interest method, where the carrying value of each portfolio / receivable corresponds to the present value of all projected future cash flows discounted by an initial effective interest rate determined on the date the portfolio / receivable was acquired, based on the relation between cost and the projected future cash flows on the acquisition date. Changes in the carrying value of the portfolios / receivables are reported as amortization, revaluation and impairment for the period, as well as changes to the estimated projected future cash flows, and are recognized in the income statement under "Revenue on invested assets".

If the fair value of the investment at the acquisition date exceeds the purchase price, the difference results in a "gain on bargain purchase" in the income statement within the line "net collections". The gain on bargain purchase relates to the fair value measurement of the investment (purchase price allocation). Please see note 6 for further information.

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

NOTE 3. SUMMARY OF SIGNIFICANT… continued

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 DDM Debt Group 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 income statement (within the line "Net collections on sale of invested assets").

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

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

Furniture	5 years
Computer hardware	5 years

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

Tangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units or "CGUs"). Impairment and gains and losses recognized in connection with disposals of tangible assets are included among administration expenses (within the line "other operating expenses").

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

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

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

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

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

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

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

NOTE 3. SUMMARY OF SIGNIFICANT… continued

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

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

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

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

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

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

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

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

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

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

No dividends will be proposed to the 2020 annual general meeting regarding the operations for 2019.

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.

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 the DDM Debt Group. These standards are not expected to have a material impact on the DDM Debt Group in the current or future reporting periods.

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

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

NOTE 3. SUMMARY OF SIGNIFICANT… *continued*

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

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

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

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

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

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

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

NOTE 4. FINANCIAL RISK MANAGEMENT

The DDM Debt Group's activities expose it to a variety of financial and non-financial risks: market risks (currency risk and interest rate risk), credit risk, liquidity risk/financing risk and risk relating to the purchase of invested assets (distressed asset portfolios, other long-term receivables from investments and investment in joint venture).

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

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

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

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

Changes in regulations
With regard to risks associated with changes in regulations in its markets, the Company continuously monitors the regulatory efforts to be able to indicate potentially negative effects and to work for favorable regulatory changes. Changes to the regulatory or political environments in which the DDM Debt Group operates, a failure to comply with applicable laws, regulations, licenses and codes of practice or failure of any employees to comply with internal policies and procedures may negatively affect the DDM Debt Group's business.

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

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

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

In terms of currency risk, the DDM Debt Group's operations are characterized by collections and collection costs mainly performed in local currency in the respective countries. The DDM Debt Group does not use any hedging instruments. As part of cash management the DDM Debt Group is striving to maintain cash in the different currencies they are exposed to. See also notes 16, 17, 19 and 20 regarding currencies and foreign exchange risks.

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

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

Credit risks inherent of distressed assets

The credit risk is considered upon the acquisition of a financial asset by assessing the expected return. The DDM Debt Group manages this risk by monitoring the performance of the financial asset throughout its economic life. Cash collections are continually monitored, and the carrying value of the asset is impaired where it is deemed that, based on collections profiles, the asset is underperforming compared to the initial expected return determined at the acquisition date. The financial assets subjected to credit risk are cash and cash equivalents, accounts receivable, 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 DDM Debt Group's intention to recover the debt if possible, rather than the collateral. This collateral is considered when determining the recoverability and carrying amount of the portfolio / receivable. Any collateral received during the life of the portfolio is disposed on an on-going basis to limit the amount of collateral held. The maximum credit exposure for each class of financial assets therefore corresponds to the carrying amount, which is shown in the following tables:

Group EUR '000s	At 31 December 2019
Cash and cash equivalents	11,464
Accounts receivable	3,330
Distressed asset portfolios	140,276
Other long-term receivables from investments	3,023
Total	**158,093**

Group EUR '000s	At 31 December 2018
Cash and cash equivalents	57,266
Accounts receivable	7,279
Distressed asset portfolios	113,943
Other long-term receivables from investments	2,422
Total	**180,910**

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

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).

Other credit risk

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

Another source of credit risk arises in connection to funds collected during the ordinary course of business. Funds are either collected directly on the DDM Debt Group's bank accounts, or are paid in to client fund accounts held by the respective debt collection agencies to separate the DDM Debt Group's funds from the general funds of the agency. In the second instance 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 the DDM Debt Group makes efforts to control and monitor the financial standing of its partners and also to maintain a balance of the work allocated between agencies to minimize the potential risk of such a situation. Amounts expected to be recovered from a solvent counterparty are recognized as accounts receivable in the balance sheet.

Liquidity risk / Financing risk

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

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

Group EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
At 31 December 2019				
Borrowings	63,746	9,463	104,676	–
Lease liabilities	49	66	–	–
Loans from other group companies, subordinated	–	–	29,611	20,861
Payables to other group companies	–	1,389	–	–
Payables to other group companies, subordinated	–	–	–	1,775
Accounts payable	578	–	–	–
Tax liabilities	102	–	–	–
Accrued expenses	2,077	–	–	–
Total	**66,552**	**10,918**	**134,287**	**22,636**

NOTE 4. FINANCIAL RISK… *continued*

Parent Company EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
At 31 December 2019				
Borrowings	63,746	9,463	104,676	–
Lease liabilities	15	41	–	–
Loans from other group companies, subordinated	–	–	29,611	–
Payables to other group companies	–	1,431	–	–
Accounts payable	392	–	–	–
Tax liabilities	46	–	–	–
Accrued expenses	341	–	–	–
Total	**64,540**	**10,935**	**134,287**	**–**

Group EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
At 31 December 2018				
Borrowings	12,075	143,038	–	–
Loans from other group companies, subordinated	–	–	–	31,900
Payables to other group companies	–	–	–	1,775
Accounts payable	448	–	–	–
Tax liabilities	2,190	–	–	–
Accrued expenses	1,972	–	–	–
Loan from other group companies, subordinated	12,578	–	–	–
Total	**29,263**	**143,038**	–	**33,675**

Parent Company EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years
At 31 December 2018				
Borrowings	12,075	143,038	–	–
Loans from other group companies	–	–	–	10,938
Payables to other group companies	–	–	–	5,316
Accounts payable	102	–	–	–
Tax liabilities	13	–	–	–
Accrued expenses	69	–	–	–
Loan from other group companies, subordinated	12,578	–	–	–
Total	**24,837**	**143,038**	–	**16,254**

Financial instruments by category

Group EUR '000s	Financial assets held at amortized cost
At 31 December 2019	
Assets as per balance sheet	
Distressed asset portfolios	140,276
Other long-term receivables from investments	3,023
Loans to and accrued interest from other group companies	4,768
Other non-current assets	270
Trade and other receivables	4,779
Receivables from other group companies	103
Prepaid expenses and accrued income	1,171
Cash and cash equivalents	11,464
Total	**165,854**

Group EUR '000s	Other financial liabilities
At 31 December 2019	
Liabilities as per balance sheet	
Bond loans	147,130
Lease liabilities	104
Payables to other group companies	1,389
Payables to other group companies, subordinated	1,775
Loans from other group companies, subordinated	35,811
Accounts payable	578
Accrued interest	5,178
Accrued expenses and deferred income	2,077
Total	**194,042**

Group EUR '000s	Financial assets held at amortized cost
At 31 December 2018	
Assets as per balance sheet	
Distressed asset portfolios	113,943
Other long-term receivables from investments	2,422
Loans to and accrued interest from other group companies	2,411
Other non-current assets	107
Trade and other receivables	7,653
Receivables from other group companies	422
Prepaid expenses and accrued income	37
Cash and cash equivalents	57,266
Total	**184,261**

NOTE 4. FINANCIAL RISK... *continued*

Group EUR '000s	Other financial liabilities
At 31 December 2018	
Liabilities as per balance sheet	
Bond loans	133,225
Payables to other group companies	1,433
Payables to other group companies, subordinated	1,775
Loans from other group companies, subordinated	29,400
Accounts payable	448
Accrued interest	5,165
Accrued expenses and deferred income	1,972
Total	**173,418**

Fair values

The DDM Debt Group considers there to be no material differences between the financial asset values in the consolidated balance sheet and their fair value. Invested assets are classified as financial assets held at amortized cost and recognized at amortized cost according to the effective interest rate method. The DDM Debt Group determines the carrying value by calculating the present value of estimated future cash flows at the invested assets' original effective interest rate. Adjustments are recognized in the income statement.

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

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

Group EUR '000s	IFRS 9 category	Fair value category	31 Dec 2019
Assets	**Fair value and carrying value of financial instruments**		
Accounts receivable	Financial assets held at amortized cost	Level 2	3,330
Other receivables	Financial assets held at amortized cost	Level 2	1,449
Distressed asset portfolios	Financial assets held at amortized cost	Level 3	140,276
Other long-term receivables from investments	Financial assets held at amortized cost	Level 3	3,023
Liabilities	**Fair value and carrying value of financial instruments**		
Accounts payable	Financial liabilities held at amortized cost	Level 2	578
Other payables	Financial liabilities held at amortized cost	Level 2	8,746
Lease liabilities	Financial liabilities held at amortized cost	Level 3	104

Group EUR '000s	IFRS 9 category	Fair value category	31 Dec 2018
Assets	**Fair value and carrying value of financial instruments**		
Accounts receivable	Financial assets held at amortized cost	Level 2	7,279
Other receivables	Financial assets held at amortized cost	Level 2	374
Distressed asset portfolios	Financial assets held at amortized cost	Level 3	113,943
Other long-term receivables from investments	Financial assets held at amortized cost	Level 3	2,422
Liabilities	**Fair value and carrying value of financial instruments**		
Accounts payable	Financial liabilities held at amortized cost	Level 2	448
Other payables	Financial liabilities held at amortized cost	Level 2	10,760

Group EUR '000s	IFRS 9 category	Fair value category	Fair value	Carrying value
At 31 December 2019				
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 appropriate level is determined based on the lowest level of input that is essential for valuation at fair value.
The valuation technique for invested assets, as well as valuation sensitivity for changes in material data are described in the accounting principles and in note 5.

Management of capital risk

Similar to other companies in the industry, DDM Debt Group assesses its capital requirements on the basis of its equity / total assets ratio. For the purpose of calculating compliance with the covenant of the senior secured bonds and RCF, this ratio is calculated as adjusted equity divided by total assets. Adjusted equity includes subordinated debt (defined in IAS 32 as an instrument without a contractual obligation to deliver cash or other assets) and retained earnings.

NOTE 4. FINANCIAL RISK*… continued*

EUR '000s	31 December 2019	31 December 2018
Total assets	**198,756**	**184,719**
Shareholder's equity	4,342	8,861
Shareholder debt (subordinated)	37,586	31,175
Adjusted equity	**41,928**	**40,036**
Adjusted equity / total assets ratio	**21.1%**	**21.7%**

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

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

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

Critical accounting estimates and judgements

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

Revenue recognition and measurement of acquired portfolios 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 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 exactly 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 / receivable. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy.

If the fair value of the investment at the acquisition date exceeds the purchase price, as in some cases DDM Debt Group owns the economic benefit of net collections from the cut-off date, the difference results in a "gain on bargain purchase" in the income statement within the line "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 portfolios/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 DDM Debt Group estimates that a continuous decrease of net collections by 10% would result in a 10% decrease of the net present value, or book value, assuming that the forecasted collection curves remain unchanged. If collections consistently would exceed the originally forecasted amounts by 10%, the net present value, or book value, would be expected to increase by 10%. In addition, if collections would start later than originally forecasted, the net present value, and book value, are expected to be negatively impacted while be positively impacted should collections start earlier than originally forecasted.

See notes 16 and 17 for the carrying value of distressed asset portfolios and other long-term receivables from investments.

Joint venture

As stated in note 15, on 31 May 2019, 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. Under IFRS 11, the joint arrangement is determined for reporting purposes to be a joint venture and thereby 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 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.

NOTE 6. RECONCILIATION OF REVENUE ON INVESTED ASSETS

Revenue on invested assets is the net amount of the cash collections (net of third party commission and collection costs), amortization, revaluation and impairment of invested assets. Net collections includes management fees received from co-investors, as the DDM Debt Group manages the operations of these assets. These fees are considered to be immaterial and have therefore not been disclosed separately.

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

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.

Net collections by country

EUR '000s	1 Jan – 31 Dec 2019
Slovenia	18,122
Greece	12,111
Croatia	10,566
Czech Republic	9,418
Romania	3,434
Hungary	2,595
Russia	1,953
Serbia	481
Slovakia	45
Bosnia	23
Net collections*	**58,748**
Amortization of invested assets	(33,458)
Interest income on invested assets before revaluation and impairment	**25,290**
Revaluation of invested assets	2,936
Impairment of invested assets	(5,780)
Revenue on invested assets	**22,446**

Share of net profits of joint venture

EUR '000s	1 Jan – 31 Dec 2019
Croatia	916

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

Net collections by country

EUR '000s	1 Jan – 31 Dec 2018
Slovenia	20,277
Greece	13,962
Czech Republic	12,576
Croatia	9,038
Romania	4,069
Hungary	3,789
Serbia	699
Slovakia	193
Russia	86
Bosnia	70
Net collections	**64,759**
Amortization of invested assets	(34,405)
Interest income on invested assets before revaluation and impairment	**30,354**
Revaluation of invested assets	(152)
Impairment of invested assets	(2,445)
Revenue on invested assets	**27,757**

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

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

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

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

Impairment of invested assets by country

EUR '000s	2019	2018
Croatia	5,092	1,788
Slovenia	688	664
Russia	–	(7)
Impairment of invested assets	**5,780**	**2,445**

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

EUR '000s	31 December 2019	31 December 2018
Croatia	98,668	33,761
Greece	51,390	35,626
Czech Republic	8,618	14,878
Slovenia	6,323	22,085
Hungary	3,023	2,423
Romania	2,827	4,399
Serbia	1,385	2,116
Bosnia	1,004	834
Slovakia	13	48
Russia	–	195
Total	**173,251**	**116,365**

NOTE 7. PERSONNEL EXPENSES

The Parent Company and its subsidiaries had seven employees at 31 December 2019 (2018: seven employees). Personnel expenses for the Group were EUR 1,187k (2018: EUR 144k) and for the Parent Company were EUR 554k (2018: EUR 24k). The gender distribution at 31 December 2019 for the Group was 86% male, 14% female (2018: 71% male, 29% female) and for the Parent Company was 100% male, 0% female (2018: N/A). The average age of the employees for the Group is 37 years (2018: 36) and for the Parent Company is 44 years (2018: N/A).

Gender distribution of board members and other senior executives

The Board of Directors consists of four members (male) (2018: three (male)). DDM Debt AB has one managing director (male) (2018: one (male)).

The Board of Directors and managing director are also board members and executives of DDM Debt AB's ultimate parent company, DDM Holding AG. Their remuneration for their services provided to the DDM Holding Group is paid by entities outside of the DDM Debt Group. The DDM Debt Group is charged a management fee for these services, in line with the terms and conditions of DDM Debt AB's senior secured bonds and RCF.

NOTE 8. CONSULTING EXPENSES

Group EUR '000s	2019	2018
Consultancy fees	404	104
PwC		
Audit assignments	153	200
Other audit related assignments	5	–
DDM Group management fees	9,000	6,000
Total	**9,563**	**6,304**

Parent Company EUR '000s	2019	2018
Consultancy fees	117	70
Öhrlings PwC		
Audit assignments	65	102
Total	**182**	**172**

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

NOTE 9. OTHER OPERATING EXPENSES

Group EUR '000s	2019	2018
Non-deductible VAT	104	234
Other office costs	96	27
Other operating expenses	52	13
Business travel expenses	51	13
Rental expenses	44	74
Total	**347**	**361**

Parent Company EUR '000s	2019	2018
Non-deductible VAT	51	43
Rental expenses	30	36
Business travel expenses	28	–
Other operating expenses	28	13
Total	**137**	**92**

NOTE 10. NET FINANCIAL EXPENSES

Group EUR '000s	2019	2018
Financial income		
Interest income	358	220
Other financial income	178	–
Total financial income	**536**	**220**
Financial expenses		
Interest expense	(17,396)	(15,949)
Amortization of transaction costs	(2,078)	(1,133)
Call premium EUR 85M senior secured bonds	(2,023)	–
Bank charges	(93)	(72)
Other financial expenses	(30)	–
Impairment of interest in associates	–	(480)
Unrealized exchange losses	(264)	(328)
Realized exchange losses	(130)	(123)
Total financial expenses	**(22,014)**	**(18,085)**
Net financial expenses	**(21,478)**	**(17,865)**

The increase in interest expense compared to 2018 is explained further in note 25.

NOTE 10. NET FINANCIAL EXPENSES… *continued*

Parent EUR '000s	2019	2018
Financial income		
Interest income	15,313	14,973
Other financial income	178	–
Unrealized exchange gains	7	–
Realized exchange gains	8	–
Total financial income	**15,506**	**14,973**
Financial expenses		
Interest expense	(15,407)	(14,609)
Amortization of transaction costs	(138)	(27)
Bank charges	(1)	(4)
Other financial expenses	–	(1)
Unrealized exchange losses	–	(2)
Total financial expenses	**(15,546)**	**(14,643)**
Net financial expenses	**(40)**	**330**

NOTE 11. INCOME TAX

Group EUR '000s	2019	2018
Current tax expense for the year	104	776
Movement in deferred tax assets	(939)	401
Movement in deferred tax liabilities	(30)	(240)
Total tax (income) / expense	**(865)**	**937**

Parent Company EUR	2019	2018
Current tax expense / (income) for the year	39	(2)
Total tax expense / (income)	**39**	**(2)**

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

Group EUR '000s	2019	2018
(Loss) / profit before tax	(8,152)	3,081
Tax calculated at 12.2% (Swiss) tax rate (prior year 12.2%)	(995)	376
Movement in deferred tax assets	(108)	712
Movement in deferred tax liabilities	(30)	(375)
Effects of foreign tax rates	(40)	45
Adjustments for previous years and other	308	179
Total tax (income) / expense	**(865)**	**937**

Parent Company EUR '000s	2019	2018
Profit before tax	228	42
Tax calculated at 21.4% (Swedish) tax rate (prior year 22.0%)	49	9
Adjustment for previous year and other	(10)	(11)
Total tax expense / (income)	**39**	**(2)**

The Group's effective tax rate was 10.6% at 31 December 2019 (30.4% 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.

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

NOTE 12. TANGIBLE ASSETS

Group EUR '000s	Furniture	Computer hardware	Total
Year ended 31 December 2019			
At 1 January 2019	**4**	**5**	**9**
Additions	1	42	43
Disposals	–	–	–
Depreciation	(1)	(22)	(23)
Impairment	–	–	–
At 31 December 2019	**4**	**25**	**29**
At cost	**6**	**48**	**54**
Accumulated depreciation	(2)	(23)	(25)
Net book value at 31 December 2019	**4**	**25**	**29**
Year ended 31 December 2018			
At 1 January 2018	**1**	**6**	**7**
Additions	4	–	4
Disposals	–	–	–
Depreciation	(1)	(1)	(2)
Impairment	–	–	–
At 31 December 2018	**4**	**5**	**9**
At cost	5	6	11
Accumulated depreciation	(1)	(1)	(2)
Net book value at 31 December 2018	**4**	**5**	**9**

NOTE 13. RIGHT-OF-USE ASSETS

Group EUR '000s	Office premises	Motor vehicles	Total
Year ended 31 December 2019			
At 1 January 2019	**–**	**–**	**–**
Additions	339	57	396
Disposals	(240)	–	(240)
Depreciation	(40)	(18)	(58)
Impairment	–	–	–
At 31 December 2019	**59**	**39**	**98**
At cost	99	57	156
Accumulated depreciation	(40)	(18)	(58)
Net book value at 31 December 2019	**59**	**39**	**98**

Based on the volume of in-force non-cancellable operating leases as of 1 January 2019, the impact of IFRS 16 did not result in any right-of-use asset being recognised on the balance sheet, as the DDM Debt Group's leases as of 1 January 2019 which had previously been classified as "operating leases" under the principles of IAS 17 Leases were short term leases of office buildings. During 2019, the Slovenian office lease was renewed terminating in August 2021 and a motor vehicle lease was entered into terminating in November 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. and therefore the corresponding right-of-use assets were derecognized. Right-of-use assets are measured at cost with an initial measurement amount equal to the lease liability see note 24. 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 14. INTERESTS IN ASSOCIATES

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

Interests in associates are as follows:

Name of entity	Corporate identity number	Domicile	% of ownership interest 2019	% of ownership interest 2018	Nature of relationship
CE Partner S.a.r.l.	B230176	Luxembourg	–	50%	Associate
CE Holding Invest S.C.S	B230358	Luxembourg	–	50%	Associate

Name of entity	Measurement method	Carrying amount (EUR '000s) 2019	Carrying amount (EUR '000s) 2018
CE Partner S.a.r.l.	Equity method	–	6
CE Holding Invest S.C.S	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 Debt Group'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 15. INVESTMENT IN JOINT VENTURE

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

Name of entity	Corporate identity number	Domicile	% of ownership interest 2019	% of ownership interest 2018	Nature of relationship
CE Partner S.a.r.l.	B230176	Luxembourg	50%	–	Joint Venture
CE Holding Invest S.C.S	B230358	Luxembourg	50%	–	Joint Venture

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 Dec 2019	31 Dec 2018
Opening net book value	–	–
Additions	66,662	–
Share of net profits of joint venture	916	–
Proceeds from divestment of joint venture*	(33,789)	–
Net incremental distribution from joint venture**	(3,837)	–
Closing net book value	**29,952**	–

*On 15 July 2019, the Joint Venture secured total gross third party of EUR 75M. The net proceeds were used to partially fund the joint venture acquisition in Croatia by the DDM Debt Group 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 the DDM Debt Group 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 on the next page.

NOTE 15. INVESTMENT IN JOINT… *continued*

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 Dec 2019	31 Dec 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 and equity	**59,672**	**–**

EUR '000s	31 Dec 2019	31 Dec 2018
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 16. DISTRESSED ASSET PORTFOLIOS

EUR '000s	31 Dec 2019	31 Dec 2018
Opening accumulated acquisition cost	**222,733**	**181,219**
Acquisitions	66,696	43,100
Disposals	(3,305)	–
Revaluation, including forex differences	849	(1,586)
Closing accumulated acquisition cost	**286,973**	**222,733**
Opening accumulated amortization, revaluation and impairment	**(108,790)**	**(75,672)**
Amortization, including forex differences	(32,127)	(30,673)
Impairment	(5,780)	(2,445)
Closing accumulated amortization, revaluation and impairment	**(146,697)**	**(108,790)**
Closing net book value	**140,276**	**113,943**

According to the DDM Debt Group'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.

During 2019 and 2018, the Group has not reclassified any of its financial non-current assets, which have been valued at amortized cost, to assets valued at fair value.

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

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

EUR '000s	31 December 2019	31 December 2018
EUR	65,797	70,620
HRK	63,557	24,570
CZK	8,618	14,878
RSD	1,385	2,116
RON	919	1,564
RUB	–	195
Total	**140,276**	**113,943**

An appreciation of the euro of 10% as at 31 December 2019 against the Croatian kuna would have resulted in an additional unrealized foreign exchange loss of EUR 6.4M (31 December 2018: loss of EUR 2.2M) and against the Czech koruna loss of EUR 0.8M (31 December 2018: loss of EUR 1.4M). Consequently, a depreciation of the euro of 10% at 31 December 2019 and 31 December 2018 would have resulted in an additional unrealized foreign exchange gain of the same amount.

NOTE 17. OTHER LONG-TERM RECEIVABLES FROM INVESTMENTS

EUR '000s	31 December 2019	31 December 2018
Opening accumulated acquisition cost	**18,767**	**19,523**
Revaluations, including forex differences	2,082	(756)
Closing accumulated acquisition cost	**20,849**	**18,767**
Opening accumulated amortization and impairment	**(16,345)**	**(14,560)**
Amortization, including forex differences	(1,481)	(1,785)
Closing accumulated amortization and impairment	**(17,826)**	**(16,345)**
Closing net book value	**3,023**	**2,422**

NOTE 17. OTHER LONG-TERM… *continued*

In 2015, DDM Group AG acquired 100% of the shares in Lombard Pénzügyi és Lízing Zrt. and its subsidiaries Lombard Ingatlan Lízing Zrt. and Lombard Bérlet Kft (together "Lombard"), a Hungarian leasing company (see note 3). The fair value of 100% of the equity of Lombard is immaterial, with the economic substance of the investment being the underlying portfolios of loans, which are held by DDM Invest III AG (formerly held by DDM Invest XX AG until the merger with DDM Invest III AG on 14 June 2019).

The fair value of the loans are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, adjusted for revaluation and impairment.

During 2019 and 2018, the DDM Debt Group has not reclassified any of its financial non-current assets, which have been valued at amortized cost, to assets valued at fair value.

The DDM Debt Group invests in portfolios/receivables that are denominated in local currencies as well as portfolios/receivables denominated in EUR. Therefore, fluctuations in the EUR exchange rate against these currencies affects collections from distressed asset portfolios and other long-term receivables from investments and the operating earnings of the DDM Debt Group.

The carrying values of the other long-term receivables from investments owned by the DDM Debt Group are distributed by currency as follows:

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

An appreciation of the euro of 10% as at 31 December 2019 against the Hungarian Forint would have resulted in an additional unrealized foreign exchange loss of EUR 0.3M (31 December 2018: loss of EUR 0.2M). Consequently, a depreciation of the euro of 10% at 31 December 2019 and 31 December 2018 would have resulted in an additional unrealized foreign exchange gain of the same amount.

NOTE 18. DEFERRED TAX

DTA - Group EUR '000s	Opening balance	Income statement (charge) / credit	FX	Closing balance
2019				
Tax losses carried forward	436	939	–	**1,375**
Total	**436**	**939**	–	**1,375**
2018				
Tax losses carried forward	837	(401)	–	**436**
Total	**837**	**(401)**	**–**	**436**

DTL - Group EUR '000s	Opening Balance	Income statement (charge) / credit	FX	Closing balance
2019				
Invested assets	(250)	30	–	**(220)**
Total	**(250)**	**30**	–	**(220)**
2018				
Invested assets	(490)	240	–	**(250)**
Total	**(490)**	**240**	**–**	**(250)**

The Group's deferred tax assets have been recognized in accordance with IAS 12 as, based on historical performance and future budgets, the Board of Directors believe that it is probable that there will be sufficient taxable profits against which the assets will be reversed.

NOTE 19. OTHER NON-CURRENT ASSETS

The majority of the other non-current assets at 31 December 2019 related to EUR 250k due from aXs GmbH. See related parties note 28 for further details.

The majority of the other non-current assets at 31 December 2018 related to a long-term receivable due from the DDM Debt Group's investment in Lombard, as a result of collections held in the legal entity.

Other non-current assets by currency:

Group EUR '000s	31 December 2019	31 December 2018
EUR	259	4
SEK	7	–
HUF	4	103
Total	**270**	**107**

Other non-current assets by currency:

Parent EUR '000s	31 December 2019	31 December 2018
EUR	272	–
SEK	7	–
Total	**279**	**–**

NOTE 20. CURRENT RECEIVABLES

Group EUR '000s	31 Dec 2019	31 Dec 2018
Accounts receivable	3,330	7,279
Receivables from other group companies	103	422
Tax assets	1,397	–
Other receivables	1,449	374
Prepaid expenses and accrued income	1,171	37
Total	**7,450**	**8,112**

Group EUR '000s	31 Dec 2019	31 Dec 2018
Accounts receivable < 30 days	3,233	7,017
Accounts receivable 31-60 days	84	239
Accounts receivable 61-90 days	10	1
Accounts receivable > 91 days	3	22
Total	**3,330**	**7,279**

A provision of EUR 2k was made for impairment of accounts receivables as of 31 December 2019 (31 December 2018: EUR 2k), under the simplified approach permitted under IFRS 9.

Accounts receivable by currency:

Group EUR '000s	31 Dec 2019	31 Dec 2018
EUR	2,997	6,450
RON	173	132
CZK	137	182
HRK	23	–
HUF	–	504
RUB	–	11
Total	**3,330**	**7,279**

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

Parent EUR '000s	31 Dec 2019	31 Dec 2018
Other receivables	1,374	16
Prepaid expenses and accrued income	9,447	6,030
Total	**10,821**	**6,046**

Other receivables in 2019 includes EUR 1,367k deferred consideration receivable from Ax Financial Holding S.A. ("AxFina") see note 28 for further details.

Prepaid and accrued income includes EUR 9,236k (2018: EUR 6,014k) of accrued interest income on loans to group companies see note 28 for further details.

NOTE 21. CASH AND CASH EQUIVALENTS

Group EUR '000s	31 Dec 2019	31 Dec 2018
Cash and cash equivalents	11,464	57,266
Total	**11,464**	**57,266**

Parent Company EUR '000s	31 Dec 2019	31 Dec 2018
Cash and cash equivalents	3,234	707
Total	**3,234**	**707**

At 31 December 2019 the majority of the DDM Debt Group's bank accounts were held with banks with credit ratings ranging from AA- to BB- as rated by Standard & Poor's. At 31 December 2018 the majority of the DDM Debt Group's bank accounts were held with banks with credit ratings ranging from AA- to BB as rated by Standard & Poor's.

NOTE 22. SHARE CAPITAL

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

NOTE 23. 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"). The effect on the equity attributable to the non-controlling interest of DDM during the year is summarised as follows:

EUR '000s	31 Dec 2019	31 Dec 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 24. LEASE LIABILITIES

Group EUR '000s	Current	Non-current	Total
Year ended 31 December 2019			
At 1 January 2019	**–**	**–**	**–**
Additions	110	286	**396**
Disposals	(50)	(204)	**(254)**
Cash flow	(15)	(36)	**(51)**
Interest expense	2	11	**13**
At 31 December 2019	**47**	**57**	**104**

Based on the volume of in-force non-cancellable operating leases as of 1 January 2019, the impact of IFRS 16 did not result in any lease liability being recognised on the balance sheet, as the DDM Debt Group's leases as of 1 January 2019 which had previously been classified as "operating leases" under the principles of IAS 17 Leases were short term leases of office buildings. During 2019, the Slovenian office lease was renewed terminating in August 2021 and a motor vehicle lease entered into terminating in November 2021. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. 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") and therefore the corresponding lease liabilities were derecognized.

NOTE 24. LEASE LIABILITIES… continued

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 25. BOND LOANS AND BORROWINGS

The DDM Debt Group had the following borrowings at the balance sheet dates of 31 December 2019 and 31 December 2018. See note 4 for a description of contractual undiscounted cash flows.

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.

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 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 and local credits. 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 ("RCF") of EUR 27M with an international bank. The RCF is available to finance investments and for general corporate purposes. The facility is available until 15 March 2021 and priced at Euribor plus a margin of 350 basis points.

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.

Maturity profile of borrowings:

Group & Parent EUR '000s	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
at 31 December 2019						
Bond loan, 8%	49,504	–	–	–	–	**49,504**
Bond loan, 9.25%	–	–	97,626	–	–	**97,626**
Total	**49,504**	**–**	**97,626**	**–**	**–**	**147,130**
at 31 December 2018						
Bond loan, 8%	–	49,006	–	–	–	**49,006**
Bond loan, 9.5%	–	84,219	–	–	–	**84,219**
Total	**–**	**133,225**	**–**	**–**	**–**	**133,225**

NOTE 25. BOND LOANS… *continued*

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

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

NOTE 26. CASH FLOW AND NET DEBT

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

Amounts in EUR ‘000s	Cash and cash equivalents	Current borrowings	Non-current borrowings	Total
At 1 January 2019	**57,266**	**–**	**(133,225)**	**(75,959)**
Cash flow	(45,707)	–	(11,629)	**(57,336)**
Reallocation from current borrowings to non-current borrowings	–	(49,504)	49,504	**–**
Amortization of transaction costs (non-cash)	–	–	(2,078)	**(2,078)**
Other non-cash movements	–	–	(198)	**(198)**
Exchange movements	(95)	–	–	**(95)**
At 31 December 2019	**11,464**	**(49,504)**	**(97,626)**	**(135,666)**

Amounts in EUR ‘000s	Cash and cash equivalents	Current borrowings	Non-current borrowings	Total
At 1 January 2018	**57,697**	**–**	**(132,166)**	**(74,469)**
Cash flow	(287)	–	–	**(287)**
Amortization of transaction costs (non-cash)	–	–	(1,133)	**(1,133)**
Other non-cash movements	–	–	74	**74**
Exchange movements	(144)	–	–	**(144)**
At 31 December 2018	**57,266**	**–**	**(133,225)**	**(75,959)**

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	(45,707)	(287)
Increase in external borrowings	(105,329)	–
Repayment of external borrowings	93,700	–
Change in net debt resulting from cash flows	(57,336)	(287)
Amortization of transaction costs (non-cash)	(2,078)	(1,133)
Other non-cash movements	(198)	74
Exchange movements	(95)	(144)
Movement in net debt during the year	(59,707)	(1,490)
Opening net debt	**(75,959)**	**(74,469)**
Closing net debt	**(135,666)**	**(75,959)**

NOTE 27. CURRENT LIABILITIES

Group EUR '000s	Less than 3 months	3 – 12 months	Total
At 31 December 2019			
Loans	–	49,504	**49,504**
Accounts payable	578	–	**578**
Tax liabilities	–	102	**102**
Accrued interest	2,172	3,006	**5,178**
Accrued expenses and deferred income	1,930	147	**2,077**
Lease liabilities	12	35	**47**
Total current liabilities	**4,692**	**52,794**	**57,486**
At 31 December 2018			
Accounts payable	448	–	**448**
Tax liabilities	–	2,190	**2,190**
Accrued interest	3,365	1,800	**5,165**
Accrued expenses and deferred income	722	1,250	**1,972**
Loans from other group companies, subordinated	–	10,000	**10,000**
Total current liabilities	**4,535**	**15,240**	**19,775**

Parent Company EUR '000s	Less than 3 months	3 – 12 months	Total
At 31 December 2019			
Loans	–	49,504	**49,504**
Accounts payable	392	–	**392**
Tax liabilities	–	46	**46**
Accrued interest	2,172	211	**2,383**
Accrued expenses and deferred income	328	–	**328**
Total current liabilities	**2,892**	**49,761**	**52,653**
At 31 December 2018			
Accounts payable	102	–	**102**
Tax liabilities	–	13	**13**
Accrued interest	3,365	2,369	**5,734**
Accrued expenses and deferred income	69	–	**69**
Loans from other group companies, subordinated	–	10,000	**10,000**
Total current liabilities	**3,536**	**12,382**	**15,918**

NOTE 28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Compensation (to) / from related parties

Group EUR '000s	Management fee	Other operating income	Interest expense	Interest income	Total
2019					
DDM Group AG	(9,000)	–	–	358	**(8,642)**
DDM Holding AG	–	–	(2,453)	–	**(2,453)**
DDM Finance AB	–	–	(1,494)	–	**(1,494)**
Ax Financial Holding S.A.	–	1,142	–	–	**1,142**
Total	**(9,000)**	**1,142**	**(3,947)**	**358**	**(11,447)**

Receivables, payables and debts – related parties

Group EUR '000s	Current	Non-current	Total
at 31 December 2019			
Receivables from Ax Financial Holding S.A.	1,367	–	**1,367**
Loan to aXs GmbH	–	250	**250**
Loan to DDM Group AG	–	4,000	**4,000**
Interest receivable from DDM Group AG	–	768	**768**
Receivables from DDM Finance AB	–	103	**103**
Payables to DDM Group AG	–	(1,389)	**(1,389)**
Payables to DDM Group AG, subordinated	–	(1,775)	**(1,775)**
Loan payable to DDM Finance AB, subordinated	–	(14,950)	**(14,950)**
Loan payable to DDM Holding AG, subordinated	–	(20,861)	**(20,861)**
Total	**1,367**	**(33,854)**	**(32,487)**

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

Compensation (to) / from related parties

Parent Company EUR '000s	Other operating income	Interest expense	Interest income	Total
2019				
Ax Financial Holding S.A.	1,142	–	–	**1,142**
DDM Group AG	–	–	220	**220**
DDM Invest III AG	–	–	15,278	**15,278**
DDM Invest VII d.o.o.	–	–	76	**76**
aXs GmbH	–	–	6	**6**
DDM Finance AB	–	(1,494)	–	**(1,494)**
DDM Invest III AG	–	(449)	–	**(449)**
DDM Debt Management d.o.o. Beograd	–	(267)	–	**(267)**
Total	**1,142**	**(2,210)**	**15,580**	**14,512**

Receivables, payables and debts – related parties

Parent Company EUR '000s	Current	Non-current	Total
at 31 December 2019			
Receivables from Ax Financial Holding S.A.	1,367	–	**1,367**
Loan to aXs GmbH	–	250	**250**
Loan to DDM Group AG	–	2,000	**2,000**
Loan to DDM Invest III AG	–	144,906	**144,906**
Loan to DDM Invest VII d.o.o.	–	760	**760**
Loan to DDM Debt Management d.o.o. Beograd	–	1,500	**1,500**
Loan to DDM Finance AB	–	96	**96**
Loan to DDM Treasury Sweden AB	–	7	**7**
Loan to DDM Invest III AG, subordinated	–	1,235	**1,235**
Accrued interest on loan to DDM Invest III AG	9,037	–	**9,037**
Accrued interest on loan to DDM Invest VII d.o.o	191	–	**191**
Accrued interest on loan to DDM Debt Management d.o.o. Beograd	8	–	**8**
Accrued interest income from DDM Group AG	–	631	**631**
Accrued interest income from aXs GmbH	–	6	**6**
Payables to DDM Group AG	–	(1,431)	**(1,431)**
Loan payable to DDM Finance AB	–	(14,950)	**(14,950)**
Accrued interest payable to DDM Finance AB	–	(2,795)	**(2,795)**
Total	**10,603**	**132,215**	**142,820**

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

Compensation (to) / from related parties

Group EUR '000s	Management fee	Interest expense	Interest income	Total
2018				
DDM Group AG	(6,000)	–	200	**(5,780)**
DDM Holding AG	–	(2,260)	–	**(2,260)**
DDM Finance AB	–	(1,136)	–	**(1,136)**
Total	**(6,000)**	**(3,396)**	**200**	**(9,176)**

Receivables, payables and debts – related parties

Group EUR '000s	Current	Non-current	Total
at 31 December 2018			
Loan to DDM Group AG	–	2,000	**2,000**
Interest receivable from DDM Group AG	–	411	**411**
Receivables from DDM Group AG	422	–	**422**
Payables to DDM Group AG, subordinated	–	(1,775)	**(1,775)**
Loan payable to DDM Holding AG, subordinated	–	(19,400)	**(19,400)**
Loan payable to DDM Finance AB, subordinated	(10,000)	–	**(10,000)**
Interest payable to DDM Holding AG	(289)	(1,433)	**(1,722)**
Interest payable to DDM Finance AB	(1,301)	–	**(1,301)**
Accrued management fees payable to DDM Group AG	(1,250)	–	**(1,250)**
Total	**(12,418)**	**(20,197)**	**(32,615)**

Compensation (to) / from related parties

Parent Company EUR '000s	Total
2018	
Interest income from DDM Group AG	220
Interest income from DDM Invest I AG	4,129
Interest income from DDM Invest II AG	5,225
Interest income from DDM Invest III AG	1,881
Interest income from DDM Invest VII d.o.o.	76
Interest income from DDM Invest X AG	1,980
Interest income from DDM Invest XX AG	798
Interest income from DDM Debt Management d.o.o. Beograd	275
Accrued interest income from DDM Invest XX AG	389
Interest expense to DDM Finance AB	(1,136)
Interest expense to DDM Invest II AG	(770)
Interest expense to DDM Invest VII AG	(150)
Total	**12,917**

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

Receivables, payables and debts – related parties

Parent Company EUR '000s	Current	Non-current	Total
at 31 December 2018			
Loan to DDM Group AG	–	2,000	**2,000**
Loan to DDM Invest I AG	–	39,804	**39,804**
Loan to DDM Invest II AG	–	47,500	**47,500**
Loan to DDM Invest III AG	–	27,700	**27,700**
Loan to DDM Invest VII d.o.o.	–	760	**760**
Loan to DDM Invest X AG	–	18,000	**18,000**
Loan to DDM Invest XX AG	–	7,253	**7,253**
Loan to DDM Debt Management d.o.o. Beograd	–	2,500	**2,500**
Loan receivables from DDM Invest II AG	–	45	**45**
Loan receivables from DDM Invest III AG	–	6	**6**
Loan receivables from DDM Invest XX AG	–	3,320	**3,320**
Loan to DDM Invest II AG, subordinated	–	670	**670**
Loan to DDM Invest IV AG, subordinated	–	565	**565**
Accrued interest receivable from DDM Group AG	–	411	**411**
Accrued interest income from DDM Invest I AG	354	–	**354**
Accrued interest income from DDM Invest II AG	2,613	–	**2,613**
Accrued interest income from DDM Invest III AG	1,268	–	**1,268**
Accrued interest income from DDM Invest VII d.o.o.	115	–	**115**
Accrued interest income from DDM Invest X AG	990	–	**990**
Accrued interest income from DDM Invest XX AG	399	–	**399**
Accrued interest income from DDM Debt Management d.o.o. Beograd	275	–	**275**
Payables to DDM Group AG	–	(181)	**(181)**
Payables to DDM Invest I AG	–	(1,235)	**(1,235)**
Payables to DDM Invest VII AG	–	(3,900)	**(3,900)**
Payables to DDM Invest II AG	–	(7,000)	**(7,000)**
Accrued interest payable to DDM Finance AB	(1,301)	–	**(1,301)**
Accrued interest payable to DDM Invest II AG	(858)	–	**(858)**
Loan from DDM Finance AB, subordinated	(10,000)	–	**(10,000)**
Total	**(6,145)**	**138,218**	**132,073**

The Company has defined the Company's management, the Board of Directors in the Parent Company, DDM Debt AB (publ), the owners of DDM Debt AB (publ) and all subsidiaries included in the Group as related parties.

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

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

In 2017 the DDM Debt Group undertook an investment in a Greek NPL transaction which was executed by making a structured investment of a net amount of EUR 36,430k 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, major shareholders in DDM Debt AB's ultimate parent company, DDM Holding AG. In 2019 the DDM Debt Group further bought out the co-investor, with a total investment amounting to approximately EUR 20M. Transactions between DDM Debt Group companies (fully consolidated) and Artemis Finance Holding (and its subsidiaries) were as follows:

Group EUR '000s		1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Income Statement	Net collections	12,111	13,962
	Amortization net of revaluation	(4,319)	(2,085)
Income Statement, Total		**7,792**	**11,877**

Group EUR '000s		31 December 2019	31 December 2018
Balance sheet	Distressed asset portfolios	51,390	35,626
	Accounts receivable	1,326	4,556
Balance sheet, Total		**52,716**	**40,182**

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 income statement under "Other operating income".

NOTE 29. PARTICIPATIONS IN GROUP COMPANIES

Parent Company EUR '000s	31 December 2019	31 December 2018
Investment	9,523	9,478
Total	**9,523**	**9,478**

Parent Company EUR '000s	Investment
At 1 January 2018	**9,284**
Acquisitions	194
At 31 December 2018	**9,478**
At 1 January 2019	**9,478**
Acquisitions	45
At 31 December 2019	**9,523**

The Parent Company holds shares in the following subsidiaries:

EUR '000s Company	Corporate identity number	Domicile	Proportion of equity 31 Dec 2019	Proportion of equity 31 Dec 2018	Net book value 31 Dec 2019	Net book value 31 Dec 2018
DDM Invest I AG	CHE 113.863.850	Switzerland	–	100%	–	1,393
DDM Invest II AG*	CHE 115.038.302	Switzerland	–	100%	–	–
DDM Invest III AG	CHE 115.238.947	Switzerland	100%	100%	9,364	635
DDM Invest IV AG*	CHE 317.413.116	Switzerland	–	100%	–	–
DDM Invest V d.o.o.** (formerly Ahive d.o.o.)	8297355000	Slovenia	100%	100%	–	–
DDM Invest VII AG	CHE 153.128.633	Switzerland	–	100%	–	90
DDM Invest VII d.o.o.	7109806000	Slovenia	100%	100%	8	8
DDM Invest X AG	CHE 130.419.930	Switzerland	–	100%	–	1,465
DDM Invest XX AG	CHE 349.886.186	Switzerland	–	100%	–	5,781
DDM Debt Management d.o.o Beograd***	21313963	Serbia	100%	100%	–	–
DDM Treasury Sweden AB	556910-3053	Sweden	100%	–	45	–
DDM Debt Romania S.R.L	39689815	Romania	99%	99%	106	106
Total					**9,523**	**9,478**

* The net book value of the investments in DDM Invest II AG and DDM Invest IV AG amounted to EUR 1 each as of 31 December 2018.

** DDM Invest V d.o.o. (formerly Ahive d.o.o.) is a 100% indirectly held subsidiary through DDM Invest III AG.

*** The net book value of the investment in DDM Debt Management d.o.o Beograd amounts to EUR 1 as of 31 December 2019 and 31 December 2018.

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.

aXs GmbH was registered on 29 May 2019, where 70% of the ownership was controlled by DDM Debt. 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. 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 Holding AG'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 income statement under "Other operating income".

On 30 September 2019 DDM Treasury Sweden AB was contributed to DDM Debt by DDM Finance at book value, resulting in a EUR 45k capital contribution from DDM Finance.

NOTE 30. PROPOSED APPROPRIATION OF EARNINGS

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

EUR	2019	2018
Retained earnings	5,251,981	5,207,909
Contribution agreement	44,615	–
Net earnings for the year	189,371	44,072
Total	**5,485,967**	**5,251,981**

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

EUR	2019	2018
Balance carried forward	**5,485,967**	**5,251,981**
Total	**5,485,967**	**5,251,981**

NOTE 31. PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

The Parent Company has pledged the shares in its subsidiaries (DDM Invest III AG, DDM Invest VII d.o.o, DDM Debt Management d.o.o Beograd and DDM Debt Romania S.R.L) as security under the terms and conditions of the senior secured bonds. In addition, the investors receive a first ranking share pledge over the shares of DDM Debt AB and any downstream loans to DDM Debt AB's subsidiaries are pledged to the investors as intercompany loans. Certain bank accounts are also assigned to the bond agent as part of the bond terms. The following subsidiaries were merged into DDM Invest III AG on 14 June 2019 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.

The Parent Company's pledged collateral in the form of shares held in the subsidiaries amounted to EUR 971k at 31 December 2019 (EUR 834k at 31 December 2018). Bank accounts of the Group totaling EUR 0k, were assigned to the bond agent at 31 December 2019 (EUR 16k at 31 December 2018). In addition, the Parent Company had a bank guarantee of EUR 5k at 31 December 2019 (EUR 5k at 31 December 2018). Neither the DDM Debt Group nor the Parent Company has any other pledged assets, contingent liabilities or other items to report.

The DDM Debt Group has office rental lease contracts in Slovenia and Sweden. From 1 January 2019, the group has recognised right-of-use assets and lease liabilities for these leases, except for short term and low-value leases, see notes 21 and 27 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 the earliest termination date for the office lease agreement in Slovenia was 31 August 2019 and in Sweden this was 31 March 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	55	66	–	**121**
At 31 December 2018	38	–	–	**38**

NOTE 32. EVENTS AFTER THE BALANCE SHEET DATE

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 the DDM Debt Group 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 the DDM Debt Group 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 Debt 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.

Reconciliation tables, non-IFRS measures

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

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

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

Net collections:

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

Amortization, revaluation and impairment of invested assets:

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

Operating expenses and Cash EBITDA:

Amounts in EUR '000s	**1 Jan – 31 Dec 2019**	**1 Jan – 31 Dec 2018**
Net collections*	62,585	64,759
Personnel expenses	(1,187)	(144)
Consulting expenses	(9,563)	(6,304)
Other operating expenses	(347)	(361)
Operating expenses	(11,097)	(6,809)
Cash EBITDA	51,488	57,950

** Net collections includes the gain on sale of invested assets and the incremental net distribution from joint venture. See page 51 Alternative performance measures*

Net debt:		
Bond loan, 8%	49,504	49,006
Bond loan, 9.25%	97,626	–
Bond loan, 9.5%	–	84,219
Less: Cash and cash equivalents	(11,464)	(57,266)
Net debt	135,666	75,959

Reconciliation tables, non-IFRS measures, continued

Equity ratio:

Amounts in EUR '000s	31 December 2019	31 December 2018
Shareholder's equity	4,342	8,861
Shareholder debt (subordinated)	37,586	31,175
Total equity according to the senior secured bond and revolving credit facility terms	41,928	40,036
Total assets	198,756	184,719
Equity ratio	21.1%	21.7%

Alternative performance measures

Alternative performance measures – reconciliation to IFRS:

Amounts in EUR '000s	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Net collections	**54,272**	**64,759**
Sale of invested assets	4,476	–
Incremental net distribution from joint venture	3,837	–
Adjusted net collections	**62,585**	**64,759**
Cash EBITDA	**43,175**	**57,950**
Sale of invested assets	4,476	–
Incremental net distribution from joint venture	3,837	–
Adjusted cash EBITDA	**51,488**	**57,950**
Net (loss) / profit for the year	**(7,287)**	**2,144**
Non-recurring items bond refinancing	2,631	–
Non-recurring items deferred taxes & interest in associates	–	963
Adjusted net (loss) / profit for the year	**(4,656)**	**3,107**

The financial statements of the DDM Debt Group have been prepared in accordance with accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as adopted by the EU. In addition, the Company presents alternative performance measures ("APMs").

Adjusted key figures for net collections, cash EBITDA and net (loss) / profit for the year provide a better understanding of the underlying business performance and enhance comparability from year to year, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include one-time costs not affecting the DDM Debt Group's run rate cost level, significant earnings effects from acquisitions and disposals and incremental net distributions from joint venture.

These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies. The APMs are regularly reviewed by Management and their aim is to enhance stakeholders' understanding of the Company's performance and to enhance comparability between financial years. The APMs are reported in addition to but are not substitutes for the financial statements prepared in accordance with IFRS. The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of Management, distort the evaluation of the performance of our operations. The APMs also provide measures commonly reported and widely used by investors as an indicator of the Company's operating performance and as a valuation metric of debt purchasing companies. Furthermore, APMs are also relevant when assessing our ability to incur and service debt. APMs are defined consistently over time and are based on the financial data presented in accordance with IFRS.

GLOSSARY

AGM
Annual General Meeting

BN
Billion

CHF
Swiss franc, the currency of Switzerland

CZK
Czech koruna, the currency of the Czech Republic

DCA
Debt collection agency

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

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

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

HRK
Croatian kuna, the currency of Croatia

HUF
Hungarian forint, the currency of Hungary

M
Million

NPL
Non-performing loans

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

RON
Romanian leu, the currency of Romania

RSD
Serbian Dinar, the currency of Serbia

SEK
Swedish krona, the currency of Sweden

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

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

FINANCIAL DEFINITIONS

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

Cash EBITDA
Net collections, less operating expenses

EBIT
Earnings before interest and taxes

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

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

Equity
Shareholders’ equity 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
The DDM Debt Group’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 third party loans, interest-bearing intercompany loans (excluding subordinated debt) and liabilities to credit institutions (bank overdrafts) less cash and cash equivalents

Non-recurring items
One-time costs not affecting the DDM Debt Group’s run rate cost level

Operating expenses
Personnel, consulting and other operating expenses.

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

SIGNATURES

The Group's income statement and balance sheet will be presented for adoption at the Annual General Meeting on 23 June 2020.

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

This information was submitted to the market for publication on 27 March 2020.

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

Stockholm, 26 March 2020

Jörgen Durban
Chairman of the board

Joachim Cato
Board member

Erik Fällström
Board member

Florian Nowotny
Board member

Henrik Wennerholm
CEO

Our Audit Report was presented on 26 March 2020

Öhrlings PricewaterhouseCoopers AB

Sussanne Sundvall
Authorized Public Accountant

Auditor's report *(Translation)*

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of DDM Debt AB (publ) for year 2019. The annual accounts and consolidated accounts of the company are included on pages 6-53 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on our best knowledge and belief, no prohibited services referred to in Article 5 (1) of the Auditors Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or its controlled company in the EU.

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

Our audit approach

The focus and scope of the audit

DDM Debt AB's ("DDM") purpose is to finance the DDM Group's subsidiaries through issuing bonds in the Swedish market. The DDM Group is an international corporate group investing in and managing matured receivables in the Eastern-, Central- and Southern European markets.

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

We designed our audit by determining the materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective assumptions and considered future events that are inherently uncertain. The area that is inherently uncertain as such is as critical accounting estimates in the valuation of distressed asset portfolios, which have been made based on assumptions and projections about future events. Such forecasts are by nature always uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

Materiality

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

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

Key audit matters

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

Key audit matter	***How our audit addressed the Key audit matter***
Valuation of Distressed asset portfolios and Other long-term receivables from investments. As DDM is a multinational investor and manager of distressed assets, invested assets comprise the most significant position in the financial statements. Invested assets also represent the ability of the company to generate cash flow and further profits in forthcoming periods. Invested assets is considered to comprise a key audit matter due to the size of the balance (EUR 173 million, corresponding to 87% of total assets) as well as due to the fact that the valuation of these assets involves significant judgments and assumptions on behalf of management as regards estimated future cash flows. DDM had invested in distressed asset portfolios, where the receivables are held directly with the debtor, in other long-term receivables from investments, where the receivables are against local legal entities holding the loan portfolios and investment in joint venture, where the investment is accounted under the equity method (together “invested assets”). The valuation of these invested assets is based on the expected future cash flow (ERC, estimated future recovery). The process for determining the ERC is stated in Note 5 Significant assessments and estimates when applying the Group's accounting principles. The reported Revenue on invested assets represents the economical profit of the invested assets for the period, applying the amortized cost method for investments in distressed asset portfolios and other long-term receivables from investments, and applying the equity method of accounting for the investment in joint venture also including the reassessment of future cash flows. We focused 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.	Our audit approach included, among others, an assessment of the company’s assumptions and sample testing of the valuation of the invested assets. This includes, mainly, the following procedures: • We checked the initial recognition by reviewing the contractual basis for the initial measurement. We obtained supporting documents from the due diligence process and challenged the management assumptions of the expected future cash flows. • We checked the initial recognition by reviewing the contractual basis for the initial measurement. We obtained supporting documents from the due diligence process and challenged the management assumptions of the expected future cash flows. In addition, we assessed whether the accounting memorandums created by the management are in compliance with IFRS 9. • We considered the appropriateness of the estimates and assumptions management applies in the valuation models. This includes checking the expected future cash flows and internal rate of return (IRR) applied in the model with the initially approved figures. We also challenged the reasonableness of the assumptions made by management regarding market data and industry available data. • We have evaluated and validated the precision of the company’s own historical forecasts as regards cash flows and have compared deviations in the forecasts with actual outcome. • We have, based on available data for similar transactions and portfolios, performed an assessment of the reasonability of the maturity structure of future estimated cash flows. • We found that the book values of the debt portfolios were within the scope of our independent valuation and our testing of the company's processes and methods demonstrated.

We have focused this area on the basis of its size and that significant assessments are used to determine future cash flows. Net income amounts to EUR 59 million and income from debt portfolios EUR 25 million.

Debt collection is partially outsourced to local collection companies, selected by DDM and adaptation for each type of claim. With a focus on collection and 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.
- We performed testing on the control which ensures that the collection reports issued by the collection agencies is agreed between the collection agencies and DDM's collection managers and the cash settlement occurs according to the collection report.
- We performed testing on the monitoring of the collection agencies by considering the initial and continuous due diligence on collection agencies. We checked, if the collection agencies are periodically (re)assessed and DDM's collection managers perform audits on site.
- We tested substantively a sample of collections occurred to validate that collections are correctly recognised.
- We tested substantively on a sample basis to validate that cash settlements were in accordance with collection reports.
- We tested, substantively, a sample selection of actual cash flows and validated their correct reporting.
- We performed testing of the IT environment. We focused on IT general controls, especially for the asset management system Fusion. We also tested the application controls within the system Fusion for the acceptance protocols with the collection agencies. (ITGC and application controls).

Based on our audit of the invested assets is our assessment that the assumptions used are in the acceptable range of valuation. We have as a result of our audit not reported any significant findings to the Audit Committee.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-5. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

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

The Board of Director's Audit Committee, without impacting the responsibilities or duties of the Board in general, and amongst other things, shall monitor the company's financial reporting.

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditor's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of DDM Debt AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditor's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Öhrlings PricewaterhouseCoopers AB were appointed to serve as auditors of DDM Debt AB (publ) by the annual meeting of shareholders held in 2016 and Sussanne Sundvall has been Auditor-in-Charge since 12 September 2019.

Stockholm, 26 March 2020

Öhrlings PricewaterhouseCoopers AB

Sussanne Sundvall
Authorized Public Accountant

DDM DEBT AB (publ)

A MULTINATIONAL INVESTOR AND MANAGER OF DISTRESSED ASSETS

ddm

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