DDM Holding AG
Baar

Report of the auditor to the Board of Directors on the consolidated financial statements for the year 2013

Report of the auditor
to the Board of Directors of
DDM Holding AG
Baar

On your instructions, we have audited the consolidated financial statements of DDM Holding AG ("the Company"), which comprise the balance sheet, income statement and notes, for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 comply with Swiss law.

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PricewaterhouseCoopers AG

Norbert Kühnis
Audit expert

Valentin Studer
Audit expert

Luzern, 26 June 2014

Enclosure:

- Consolidated financial statements (balance sheet, income statement and notes)

Consolidated balance sheet at December 31

		in EUR	in EUR
ASSETS		**2013**	**2012**
Current assets			
Cash		14 164 884	992 468
Trade accounts receivable		1 328 809	390 366
Other receivables		38 476	11 349
Prepayments and accrued income		714 788	887 379
Total current assets		***16 246 957***	***2 281 562***
Non-current assets			
Financial assets	Distressed debt portfolios	28 045 063	19 130 324
	Loans to investment	0	15 681
	Loans to shareholder	0	486 340
	Investment	344 615	344 615
Tangible fixed assets	Furniture	1 002	1 286
	Information Technology	34 496	59 358
Intangible fixed assets	Incorporation and organization costs	144 898	659 042
	Software ("Fusion")	2 095 416	1 406 798
	Goodwill	3 536 417	3 952 466
Total Non-current assets		***34 201 907***	***26 055 908***
TOTAL ASSETS		**50 448 864**	**28 337 470**

	2013	2012
LIABILITIES AND SHAREHOLDERS' EQUITY	**2013**	**2012**
Current liabilities		
Bank overdrafts	39 813	97 003
Trade accounts payable	511 027	840 816
Accruals and deferred income	1 758 432	1 764 924
Accrued interest	1 996 462	135 191
Total Current liabilities	***4 305 735***	***2 837 936***
Non-current liabilities		
Loans	44 789 111	21 335 683
Loans from Shareholders	231 769	129 000
Loans from investments	215 000	293 689
Total Non-current liabilities	***45 235 880***	***21 758 370***
Total Liabilities	***49 541 615***	***24 596 306***
Shareholders' equity		
Share capital	3 645 512	184 420
Retained earnings	3 373 267	744 839
Net income / (loss) for the period	(6 111 530)	2 811 905
	(2 738 263)	3 556 743
Total shareholders' equity	***907 249***	***3 741 164***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**50 448 864**	**28 337 470**

Consolidated statement of income for the period

	in EUR 01.01.13 - 31.12.13	in EUR 20.06.12 - 31.12.12
Revenue from collection	12 642 991	7 236 422
Collection costs	(3 034 095)	(2 254 349)
Amortisation costs	(6 082 076)	(3 041 141)
Revaluation distressed debt portfolios	858 650	2 479 781
Revaluation distressed debt portfolios	(1 968 728)	0
Uncollectible debt	0	(25 891)
Income of damage compensation	0	273 537
Net collection	**2 416 743**	**4 668 360**
Personnel expenses	(1 354 764)	(637 713)
Rent expenses	(115 717)	(46 038)
Leasing expenses	(28 729)	(10 258)
Administration expenses	(52 283)	(7 595)
Repair and maintenance expenses	(168 011)	(78 089)
Other operating expenses	(1 857 653)	(815 996)
Amortisation and depreciation	(584 096)	(741 377)
Operating profit before financial items and taxes	**(1 744 509)**	**2 331 295**
Financial income	14 286	880 118
Financial expense	(3 335 357)	(421 799)
Foreign exchange gain / (loss) unrealized	(792 505)	287 471
Foreign exchange gain / (loss) realized	2 003	1 418
Profit before tax	**(5 856 082)**	**3 078 503**
Taxes	(255 448)	(266 599)
Net income / (loss) for the period	**(6 111 530)**	**2 811 905**

Notes to the Consolidated Financial Statements

1. Basis of preparation

The consolidated financial statements of DDM Holding AG comply with the Swiss Code of Obligation (CO) and are prepared on a historical cost basis. The business year that forms the basis for the consolidated financial statements is equivalent to the calendar year.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The full consolidation method is applied to all subsidiaries included in the consolidation. Intercompany receivables, payables and transactions are eliminated for fully consolidated companies. Individual group companies' intercompany profits are also eliminated. Their assets, liabilities, income and expenses are incorporated in full, minority interests do not exist. Investments which are not consolidated are measured at cost less impairment.

The Group has applied the transitional provisions of the new accounting law. Therefore, these consolidated financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until 31 December 2012.

The consolidated financial statements include all subsidiaries controlled by DDM Holding AG (together the "Group"), except where the subsidiary's effect on the group's financial position and results of operations is immaterial. The balance sheet and results of subsidiaries are consolidated from the time that control was acquired (20.06.2012) until control ceases.

Entities included in the scope of consolidation:	Consolidation method:	2013	2012
DDM Group AG	Fully consolidated	**(100%) CH**	**(100%) CH**
DDM Invest I AG	Fully consolidated	**(100%) CH**	**(100%) CH**
DDM Invest II AG	Fully consolidated	**(100%) CH**	**(100%) CH**
DDM Invest III AG	Fully consolidated	**(100%) CH**	**(100%) CH**
LNH Financier AG	Fully consolidated	**(100%) CH**	**(100%) CH**
DDM Invest X AG	Fully consolidated	**(100%) CH**	**(100%) CH**
DDM Invest XX AG	Fully consolidated	**(100%) CH**	**-**
DDM Treasury AB	Fully consolidated	**(100%) SE**	**-**
Immaterial entities (not in the scope of consolidation):			
DDM Invest Ukraine LLC	Measured at cost	**(100%) UA**	**(100%) UA**

2. Goodwill

At the date of acquisition, the assets and liabilities of acquired subsidiaries or businesses are valued at net assets and in accordance with uniform group policies. The excess of the acquisition price over the revalued net assets of the acquired company or the acquired parts of the business is recognized as goodwill. Goodwill is recognized as an intangible asset and is amortized on a straight-line basis over 10 years. In addition, goodwill from acquisition of subsidiaries is tested anually for impairment.

3. Currency translation

All entities prepare their financial statements in their functional currency. For DDM Invest XX AG and DDM Treasury AB this is the Swedish Kroner (SEK). For all other entities the functional currency is the Euro (EUR). The annual financial statements of DDM Invest XX AG and DDM Treasury AB are translated into EUR using the current rate method. The balance sheet is translated using the spot rate at the balance sheet date, with the exception of equity balances, which are translated using historical rates. The income statement is translated using an average exchange rate for the reporting period. The resulting currency translation difference is recognised in retained earnings.

Exchange Rates:		2013	2012
Balance sheet (spot rate balance sheet date):	SEK/EUR	0.1121	n/a
Income statement (average rate):	SEK/EUR	0.1130	n/a

4. Deferred taxes

Income tax expense reported for the business year includes the income tax expense of consolidated subsidiaries (calculated from their taxable income with the tax rate applicable in the relevant country). Income tax expense also includes deferred taxes which have been recognised on the temporary differences arising from the distressed debt portfolios (difference between the reported book values for tax and accounting purposes).

5. Distressed debt portfolios

Distressed debt portfolios held as financial asset are measured at their acquisition costs, less amortization determined in relation to cash collected. Revenue from distressed debt portfolios is recognized in the income statement in revenue from collection at the collected amount. An impairment test is conducted at each reporting date.

Portfolio-asset details:	2013	2012
Portfolio 1	2'510'211	5'815'798
Portfolio 2	108'090	0
Portfolio 3	0	112'404
Portfolio 4	26'897	236'829
Portfolio 5	3'493	0
Portfolio 6	88'333	0
Portfolio 7	40'005	147'844
Portfolio 8	110'425	0
Portfolio 9	8'286	614'872
Portfolio 10	279'255	506'480
Portfolio 11	330'307	0
Portfolio 12	374'001	573'372
Portfolio 13	2'294'265	184'522
Portfolio 14	452	5'703
Portfolio 15	618'315	0
Portfolio 16	20'565	39'097
Portfolio 17	10'956'896	0
Portfolio 18	873'167	0
Portfolio 19	79'553	305'723
Portfolio 20	467'725	0
Portfolio 21	786'788	1'962'559
Portfolio 22	1'975'054	0
Portfolio 23	391'416	1'020'637
Portfolio 24	1'031'792	999'598
Portfolio 25	1'478'774	3'671'726
Portfolio 26	334'470	1'214'728
Portfolio 27	799'032	1'301'980
Portfolio 28	90'470	112'811
Portfolio 29	16'252	102'768
Portfolio 30	1'040'133	200'874
Portfolio 31	528'098	0
Portfolio 32	382'541	0
	28'045'063	**19'130'324**

6. Tangible fixed assets

The tangible fixed assets include furniture and IT-infrastucture and are measured at cost less amortisation (calculated on a straight-line basis) using the following useful lives:

Furniture	5 years
Information Technology	5 years

7. Intangible fixed assets

Intangible assets include incorporation, capital increase and organization costs, software (Fusion) and goodwill. "Fusion" is the proprietary IT system, which integrates investment data, case data, payment data and activity data into one effective and comprehensive IT system. Intangible assets are initially recognised at cost, and are subsequently amortized on a straight-line basis over their useful lives. The specific treatment of Goodwill is outlined under paragraph 2. The following useful lives are applied:

Incorporation and organization costs	5 years
Software ("Fusion")	20 years
Goodwill	10 years

8. The total amount of guarantees, indemnity liabilities and pledges in favour of third parties:

		2013	2012
Fx swap, fixed term	CHF / RUB 12.12.13-14.01.14, rate 0.026950 nom CHF 446'000 (RUB 16'549'165)	positive	n/a
Fx swap, fixed term	EUR / RUB 12.12.13-14.01.14, rate 45.2800 nom EUR 400'000 (RUB 18'112'000)	positive	n/a

9. The total amount of liabilities from operating leases contracts:

		2013	2012
Credit Suisse AG	Office equipement leasing 01.09.2011-31.08.2014	**6'720**	**34'109**

10. Outstanding bonds:

	2013	2012
Bond loan issued June 2013 Amount SEK 300'000'000 Interest 13% Maturity 26.06.2016	**33'630'000**	**0**
Bond loan issued September 2013 Amount SEK 31'000'000 Interest 18% Maturity 30.09.2016	**3'475'100**	**0**

11. Impact of release of hidden reserves on income (before tax)

	2013	2012
Former amortisation on distressed debt portfolios has been reversed and therefore hidden reserves released. The release is recognised as revaluation of portfolio in the statement of income.	**858'650**	**2'479'781**

12. Risk management

The Board of Directors held several meetings during 2013 where the risks which the company currently face were discussed. The Board of Directors has updated their risk assessment on a monthly basis, including an outline of short- and long-term actions to be taken depending on the specific risks identified.