ddm

MULTINATIONAL INVESTOR
AND MANAGER OF
DISTRESSED ASSETS

DDM HOLDING AG

# 2014 ANNUAL REPORT

*DDM Holding AG was listed on Nasdaq First North in Stockholm, Sweden, on 5 August 2014.*

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## The DDM Holding AG 2014 Annual Report

DDM Holding AG ("DDM" or the "Company") is a Swiss company headquartered in Baar. Corporate registration number CHE-115906312. Values are expressed in euro (EUR), thousands of euros as EUR 000s and millions of euros as EUR M. Unless otherwise stated, figures in parentheses relate to the preceding financial year, 2013.

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

Pareto Securities AB is DDM Holding AG's Certified Adviser.

DDM's annual and interim reports are available in English from the Company's website. Any questions regarding financial data published by DDM may be submitted to: DDM's Investor Relations, tel. +46 8 4080 9030 or email: investor@ddm-group.ch

Production: DDM in cooperation with RHR Corporate Communication. Photos: Nasdaq *(p. 2 and 10)*, Jacqueline Fellmann *(p. 6, 9 and 29-31), DDM (p. 5 and 8)* iStockphoto *(p. 1, 18, 26, 41 and 76)*. Illustrations: Idéfolket.

Cover illustration: DDM secures your ultimate business ambitions.

# EXPERIENCED SPECIALIST IN EXPANDING SECTOR

DDM is a key acquirer and manager of distressed assets, offering the prospect of attractive returns from the expanding Eastern European market for distressed assets and non-performing loans. Formed in 2007 by individuals who had previously been successful in building similar businesses, DDM is today a multinational investor in, and management of, distressed asset portfolios.

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. DDM has longstanding relations with sellers of distressed assets, based on trust and the Company's status as a credible acquirer.

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

This trend is an important growth factor for DDM and its ambitions to maximize shareholder value.

## 2014

### Q1

DDM adopted the strategic objective of expanding into additional countries across Eastern Europe.

### Q2

JUNE: DDM announced its decision to evaluate a possible equity raising and listing of its shares on the Nasdaq OMX First North Stockholm exchange.
JUNE: Completion of DDM's first acquisition in Slovenia.

### Q3

JULY: New issue raised approximately EUR 14M gross. Total number of shares increased to 7,100,000.
AUGUST: DDM's share was listed on the Nasdaq OMX First North Stockholm exchange.
SEPTEMBER: DDM re-entered the Czech Republic.
SEPTEMBER: The expansion continued with an initial acquisition in Poland.

### Q4

NOVEMBER: Two new board members appointed at the Extraordinary Shareholders' Meeting.
DECEMBER: In line with DDM's strategy to reinvest in the identified opportunities for growth, no dividend for the 2014 financial year is proposed.

## 2015

FEBRUARY: After the balance sheet date, DDM acquired a regulated Hungarian financial services company which owns a portfolio of consumer debts. One of the world's largest financial institutions provided financing as a co-investor in connection with this acquisition, while entrusting management of the company and the collections services to DDM.

# SPECIALIZED MULTINATIONAL INVESTOR IN DISTRESSED ASSETS

At DDM, we apply our considerable knowledge and experience in performing careful analyses when acquiring portfolios of distressed assets that offer attractive returns.

Based on large amount of data, our highly advanced IT platform pools receivables on an individual basis and allows for determination of the best management and collection approach for each debtor and the assigning of the most suitable collection agency. This is an eternally evolving process where DDM's quant models and processes are constantly improved.

DDM offers greater efficiency by focusing on a particular section of the value chain, avoiding costs of maintaining operations in areas where others can provide specific local experience and expertise. For example, we do not maintain collection operations of our own but carefully select specialist companies in our various markets. Our proprietary IT system, FUSION, ensures efficient matching of distressed assets with collection measures with the objective of optimizing returns. FUSION allows us a scalable and flexible system, not withstanding country and/or language.

DDM has a committed and experienced team, with a strong track record in its industry. Our opportunities for continued growth derive from our focus on emerging markets, such as the rapidly growing Eastern European market and by being early among experienced western players to enter this region. We further enhance returns by operating efficiently, pooling and processing data by means of up-to-date IT processes and by outsourcing collection activities to specialists.

As a credible buyer of distressed assets, we intend to grow the value of DDM and its shares by continuing to carefully identify and invest in portfolios and continue our geographical expansion, in combination with further penetration in existing markets. Through well-considered and systematic management of the acquired portfolios, we seek to enhance future returns on those portfolios. In the shorter term, we aim to continue building confidence in the company and its potential by providing clear and timely information on the progress of our efforts and their results.

**13**
DDM acquired 13 portfolios in 2014.

**EUR 34.2M**
At the end of the year, the book value of the total portfolio was EUR 34.2M.

**~60**
Collaboration with about 60 leading collection agencies.

**7,100,000**
At the end of the year, there were 7,100,000 shares issued in the Company.

**HUNGARY**
Currently DDM has investments in Romania, Russia, Poland, Slovenia, the Czech Republic and Slovakia with Hungary as the most recent.

**53%**
increase in net collections.

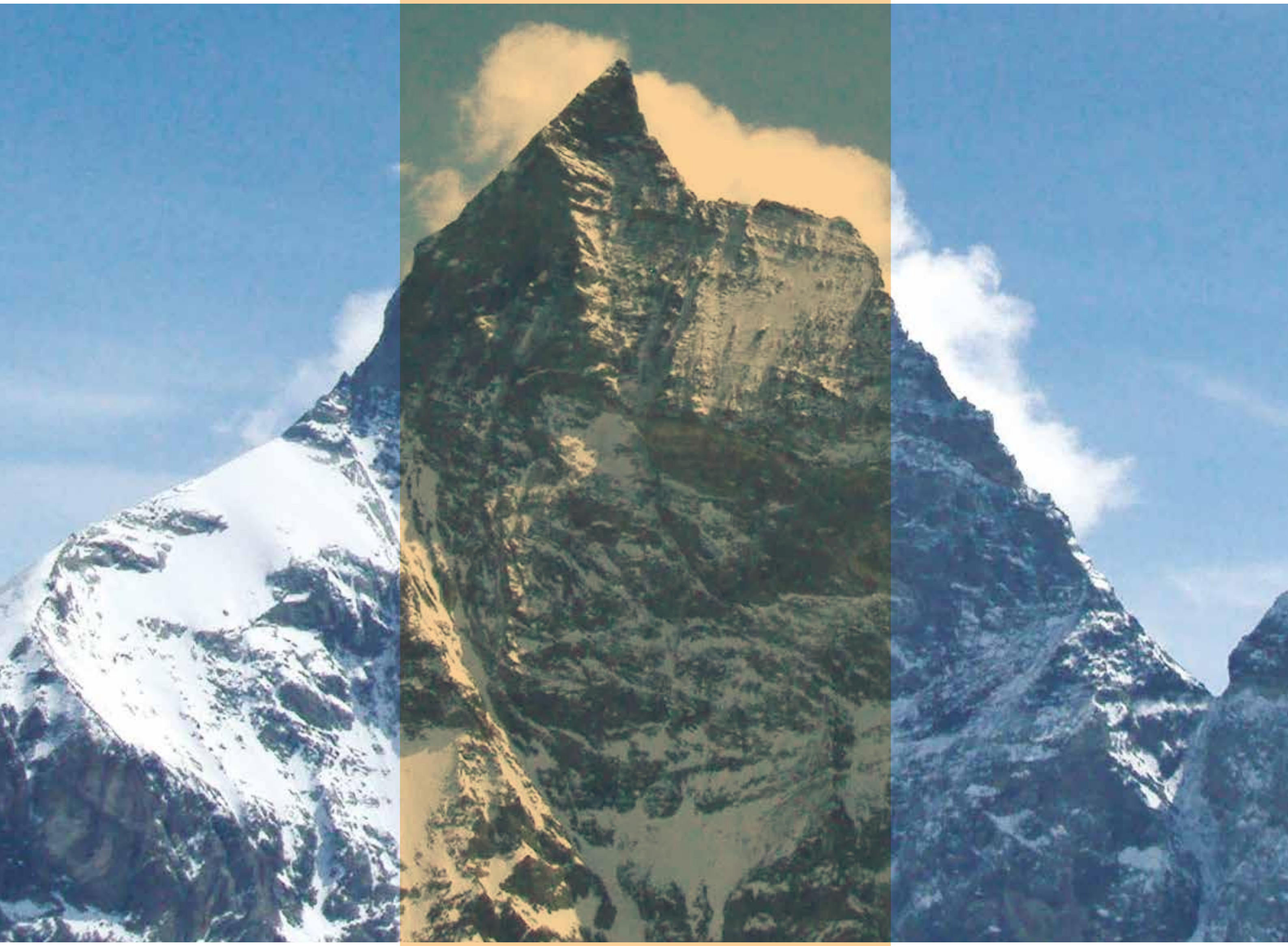
**80%**
increase in Cash EBITDA.

**EUR 60.4M**
Estimated Remaining Collections ("ERC") for 120 months amounted to EUR 60.4M at the end of 2014.

## FINANCIAL OVERVIEW

| EUR M | 2014 | 2013 | %, change |
|---|---|---|---|
| Net collections | 14.7 | 9.6 | 53 |
| Cash EBITDA | 9.9 | 5.5 | 80 |
| Operating earnings (EBIT) | 1.8 | (2.0) | 92 |
| Profit / (loss) for the period | (6.4) | (6.4) | 0 |
| Net cash flow from operating activities | 6.0 | 4.5 | 33 |
| Investments in distressed asset portfolios | 15.6 | 16.1 | n.a.* |
| Total assets | 54.0 | 50.3 | 7 |
| Net debt | 28.3 | 30.9 | -10 |
| Earnings per share, EUR | (1.14) | (6.74) | n.a. |
| Number of shares outstanding at end of period | 7,100,000 | 4,500,000 | n.a. |
| Proposed dividend/dividend per share, EUR | 0.00 | 0.00 | n.a. |
| Average number of employees | 22 | 13 | n.a. |

*The comparison figures for 2013 are recalculated according to IFRS. Please refer to Note 29 for details. For definitions, see page 77.*
*(*One larger acquisition distorting comparisons, approximately EUR 12M in 2013).*



A KEY PARTNER IN MANAGEMENT OF DISTRESSED ASSETS

# A YEAR DEMONSTRATING THE STRENGTH OF DDM'S FLEXIBLE BUSINESS MODEL

"DDM is currently in a phase of building and growth, following a proven business model. We acquire portfolios of distressed assets, set up an intelligent collection strategy and then work together with our collection partners to ensure that the strategy is implemented efficiently and the results are achieved."

*Gustav Hultgren CEO at DDM.*

Since August 2014, DDM Holding AG's shares have been listed on the Nasdaq First North exchange in Stockholm. Although DDM is a relatively new name on the stock market, the operations behind the name are well established.

For nearly a decade, our expertise in the management of portfolios of distressed assets, combined with our relations in Eastern Europe has laid the foundation for the company and I am convinced that these factors will continue to represent the most important prerequisites for our continued growth.

We have invested for growth, partly by acquiring distressed assets that provide strong cash flows in a portfolio with an estimated recovery value of EUR 60.4M (120-month ERC), and partly through a strong organization that enables us to continue making the right investments and managing collection optimally.

## Arrears weaken the economy

Doubtful debt and non-performing loans impact the financial performance of both individual companies and entire nations. There are a number of companies with broad service platforms that play facilitating roles in the various phases of credit management. DDM are specialist in this sector and we differ in certain significant regards from most companies through our sole focus on purchasing and managing distressed assets through our in-house capacity for pricing and managing each individual case.

Unlike most companies in our industry, DDM has no in-house collection activities. In this part of the business chain we collaborate with some 60 collection companies who are specialists in different stages of the collection cycle and who are knowledgeable regarding local legislation, regulations and traditions to implement collection according to the high ethical standards that we impose. This business model also allows us to focus on our core processes and minimizes fixed costs while retaining our flexibility to decide what markets and what type of portfolios to invest in.

## A year of investment

Following the rights issue completed in August 2014, we have increased our portfolio investments and over the past twelve months, we have established a market presence in the Czech Republic, Slovenia, Poland and Hungary. In Hungary, our investment includes the company Summit Zrt. whose license provides a platform for continued investment in Hungarian portfolios since such investments require licensing. For us, this transaction was also important since it is a joint investment between DDM and one of the world's largest banks. I believe we can find a number of attractive investments in Hungary and that the country could become one of DDM's key markets in the coming years.

In addition to investments in portfolios of distressed assets, DDM has strengthened its expertise by recruiting new members to its management team, including a CFO with experience from listed companies and a Head of Collection – a dedicated function that manages our partner network of collection agencies.

## Financial flexibility

The stock market listing afforded us the financial conditions to make significant investments during 2014 and we perceive favorable and growing opportunities to continue making significant investments with attractive returns.

To finance the large portfolios sometimes offered, DDM must have a high level of financial preparedness. In addition to equity, we issued a corporate bond of SEK 300M in 2013. We continue to work on our capital structure and will seek to raise more funding and grow our equity position to facilitate further growth in investments.

## Earnings 2014

In 2014, we invested EUR 15.6M in 13 portfolios, corresponding to a nominal value of EUR 356M. On 31 December 2014, we managed distressed assets with a total nominal value of more than EUR 1.7Bn spread across 2.2 million cases.

Net collections at year-end amounted to EUR 14.7M, an increase of 53 percent compared with 2013. Cash EBITDA, that is, amounts collected less commissions and fees, less operating expenses, amounted to EUR 9.9M, an improvement of 65 percent over the previous year. Cash EBITDA is an important measure for DDM as this measures the cash available for servicing debt and guides the potential for growth based on current funding.

As the Russian rouble had a very challenging year, particularly in the fourth quarter, both the full-year and the fourth quarter results were affected by these movements as the rouble dominated collections and the book value of the rouble dominated assets on the balance sheet shrank when expressed in euro.

Investments in personnel and IT systems have provided us with the prerequisites to further support our growth strategy. In my assessment, we have a cost base that can support our growth targets and support further optimization, with increased collections and cash flows, from existing portfolios.

### Market outlook

I am glad that DDM has a strong infrastructure in place, with stable IT systems for pricing and analysis, supported by strong relations within the industry. The strategy of maintaining a high level of preparedness for participating in bidding processes, but also for establishing strong relationships with sellers of portfolios is crucial and we will continue to develop these areas. This opportunistic business model has benefited DDM and we will continue to assess and develop our methods and information systems to ensure correct pricing and collection procedures.

Sellers of asset portfolios are usually banks and financial institutions seeking to strengthen their balance sheets. As in mature markets, more rigorous banking regulations act as a driving force for increased portfolio sales in our markets, particularly in EU member countries. DDM has its sights set on taking part in this growth and intends to secure financial capacity to invest more than EUR 100M annually.

Our current geographic presence has continued good growth potential and we continuously work to deepen DDM's existing relationships with sellers and co-investors. In parallel with this, and to further balance our operations, we are monitoring opportunities in additional countries.

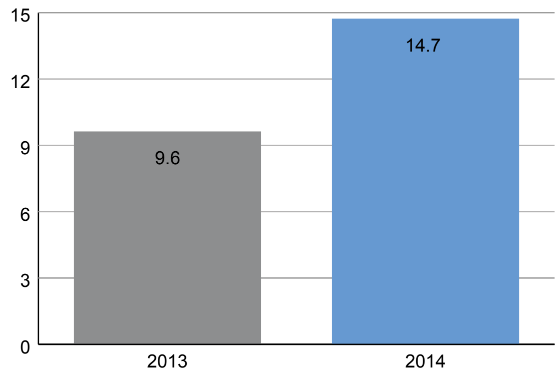
These relationships, our talented employees and our industry experience are what instill me with confidence when we address on-going volatile developments in certain countries.

### Thank you for a good year

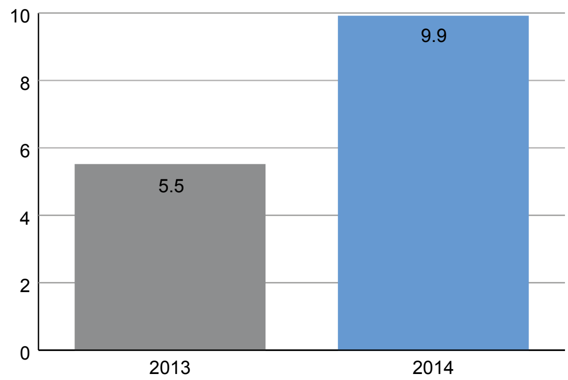
As I summarize DDM's initial time as a listed company, I am proud of what we have achieved – in part in the work involved in building up a company and preparing it for listing and, in part, the financial results we have achieved in a short time.

With my colleagues and our strong business model, I am confident that we will continue to be a reliable partner for European financial institutions seeking to build long-lasting and profitable relationships, allowing us to deliver value to our investors and other stakeholders.

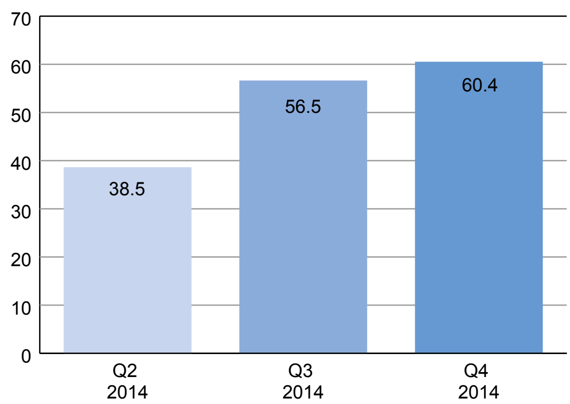
NET COLLECTIONS, EUR M



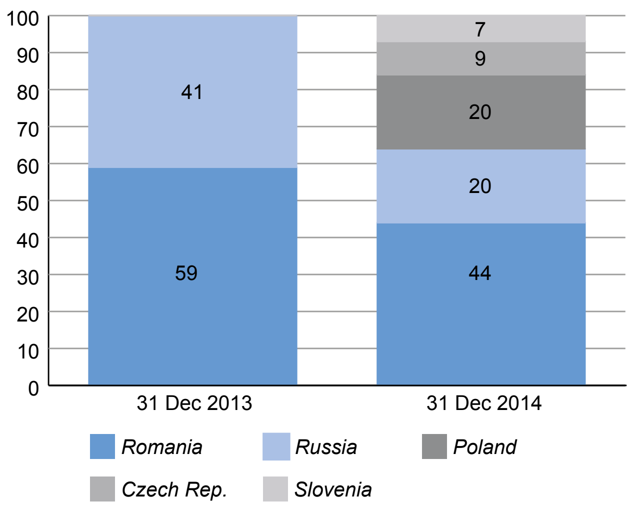

CASH EBITDA, EUR M

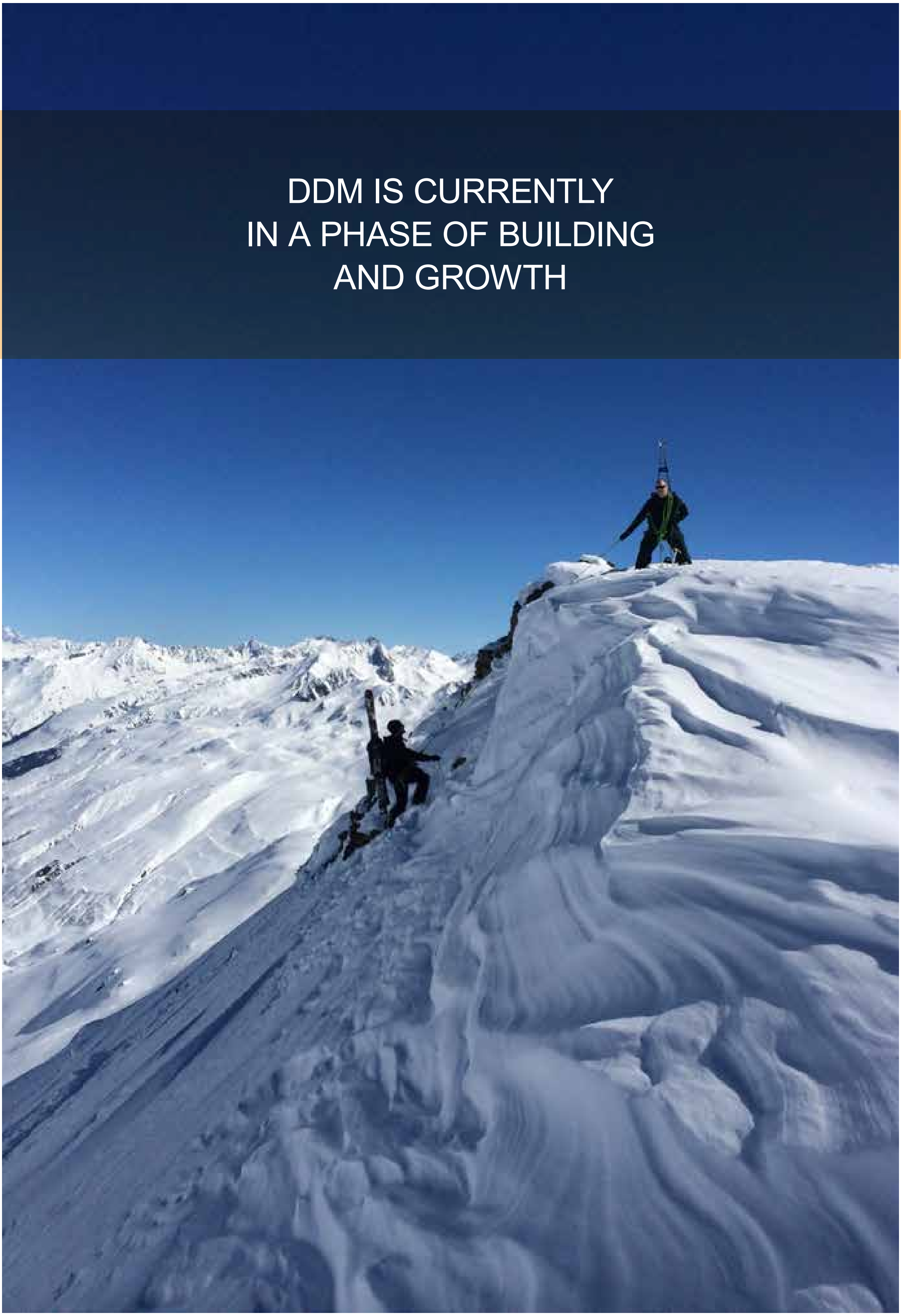



GROSS ERC 120 MONTHS BY QUARTER, EUR M




BOOK VALUE BY COUNTRY, %





# DDM IS CURRENTLY IN A PHASE OF BUILDING AND GROWTH

# LETTER FROM THE CHAIRMAN

*Kent Hansson Chairman of the DDM Board.*

## Dear Shareholders!

DDM's role is to play an active role in meeting the challenges facing society's financial systems. We strive to be a trusted partner in the global process of deleveraging that lies ahead. In this endeavour, DDM's systems and understanding of creditors' requirements are optimum and are paired with respect for debtors and their integrity.

The company was established in 2007 as a specialist manager of distressed assets and was subsequently listed on the Nasdaq First North exchange in 2014. As founder and Chairman these have been seven highly challenging and inspiring years that have built a foundation for sustainable growth. I look forward eagerly to shaping the next phase of our journey – rapid growth and sustainable net earnings – together with our new shareholders.

Our company builds on more than 50 years of experience in the management of distressed assets across the European continent. We maintain a close dialogue with numerous financial institutions that face a significant restructuring of their balance sheets, driven by regulations such as Basel III. In this process, DDM is a reliable partner that is willing and competent to acquire and manage distressed assets from these institutions.

Ever since its inception, DDM has proven its ability to grow and adapt its operations to current market conditions. Political, financial and operational challenges have been handled in a systematic and structured way by our competent and motivated team.

Our business rests on competence in, and respect for, the laws and regulations governing financial services. The framework of EU regulations, combined with national legislation, is necessary in building a foundation for a well-functioning credit industry and in safeguarding the positions of all parties involved.

Today, DDM is a well-respected participant in our industry and we have a clear business plan with the aim of being a leading investor in, and manager of, distressed assets.

Since the company's inception my ambitions have been high in creating a specialist acquirer and manager of distressed assets that assumes a leading position in the industry. These ambitions include not only quantitative measures, such as assets under management and profitability, but also the integration of qualitative standards, such as CSR and Corporate Governance as building blocks for sustainable growth. The Board's aim is to continuously develop the decision-making framework through which the owners, directly or indirectly, govern the direction that DDM takes.

DDM's business model requires strong relations with all parties with whom we interact, where confidence in our abilities is the key component. Internal policies and instructions are crucial since they elucidate roles, responsibilities and authority in each specific area – including information security, compliance and risk management. The Board will continue to prioritize Corporate Governance and ensure that this is an integrated part of the daily work of everyone involved in DDM. Continuing to strengthen our corporate culture encourages individual responsibility and our understanding of the rules and regulations that governs the industry. More information on our efforts in corporate governance can be found on pages 32-33.

In November 2014 we had the pleasure of welcoming two new members to our Board, Mr Torgny Hellström and Mr Savvas Liasis. Through their experience from board assignments and executive positions, as well as their extensive business networks, they will contribute to DDM's continued success.

DDM's Board will continue to focus on sustainable growth and the strong corporate culture that forms an intrinsic part in realizing the Company's vision. During 2015 we established an audit committee that, apart from overseeing audit matters, will also be assigned responsibility for risk management. Furthermore, a remuneration committee to supervise executive remuneration and succession planning has been put in place. We will also be evaluating the Board's work in line with previously established routines.

DDM looks forward to taking an active role in advancing the process of deleveraging the financial industry and the management of distressed assets. To ensure it provides the best guidance and support in these important efforts, DDM's Board must address a number of opportunities and challenges. The current Board has a strong understanding of our industry's drivers and how to ensure successful growth. Moving forward, I see opportunities to broaden our skills by attracting talented individuals who reflect the demands on DDM as an established multinational investor in Europe.

The listing on the Nasdaq First North exchange was a starting point for DDM in many respects. This affords us access to new sources of funding and increases awareness about us and our business. We are very pleased with the positive feedback received from a number of qualified investors. Today, DDM has more than 150 shareholders and I am looking forward to broadening our shareholder base as new investors join us on our journey to build shareholder value over time.

I would like to take this opportunity to thank all shareholders, management and members of the DDM team for your continued enthusiasm and commitment in developing our company.

# DDM ON NASDAQ FIRST NORTH


*Gustav Hultgren, CEO of DDM, tolling the opening bell on 5 August 2014.*

DDM Holding AG's share has been listed on Nasdaq First North, Stockholm, since 5 August 2014. The share is traded under the ticker symbol DDM with ISIN code CH 0246292343.

## Share capital

During 2014, DDM issued 2,600,000 new shares. On 31 December 2014, DDM Holding AG's share capital amounted to CHF 7,100,000 distributed among 7,100,000 shares with a nominal value per share of CHF 1. Each share entitles the holder to one vote and an equal share in the Company's assets and earnings.

## Shareholders

At the end of 2014 DDM had 141 shareholders. At 31 December 2014, Kent Hansson, founder and chairman of DDM, was the company's largest shareholder with a holding representing 32.3 per cent of votes and share capital. The seven members of the Management Team held a combined 466,086 shares in DDM at the end of 2014. DDM held 0 treasury shares at the end of 2014.

## Stock option program

DDM has no outstanding stock option program, convertible debentures, warrants or other financial instruments, which would imply a dilutive effect for the holders of shares in the Company.

## Dividend policy and dividend for 2014

Decisions relating to dividend proposals take into account DDM's future revenues, financial position, capital requirements and the situation in general. DDM is at a phase in which exploiting identified opportunities for growth is prioritized. Consequently, shareholders should not expect to receive dividends in the next few years. The Board of Directors proposes that no dividend be paid for the 2014 financial year.

> "The listing on First North is a natural step in developing DDM into one of Europe's leading companies in our sector, as it creates more awareness of our brand and business. It will also strengthen our relationships with sellers and strategic partners."
>
> *– CEO Gustav Hultgren*

## KEY DATA PER SHARE

| EUR (unless specified otherwise) | 2014 | 2013 |
|---|---|---|
| Earnings before and after dilution | -1.14 | -6.74 |
| Proposed dividend/Dividend | 0.00 | 0.00 |
| Number of shares at the year-end | 7,100,000 | 4,500,000 |
| Average number of shares - fully diluted | 5,583,333 | 943,333 |

## DISTRIBUTION OF SHARES AS OF 31 DECEMBER 2014

| Number of shares | Number of shareholders | Percentage of total number of shares, % |
|---|---|---|
| 1 – 1,000 | 70 | 0.4 |
| 1,001 – 5,000 | 29 | 1.2 |
| 5,001 – 10,000 | 9 | 1.1 |
| 10,001 – 100,000 | 24 | 14.0 |
| 100,001 – | 9 | 83.3 |
| **Total** | **141** | **100.0** |

*Source: Euroclear, SIX and DDM Holding*

## SHAREHOLDER STRUCTURE PER 31 DECEMBER 2014

| Name | Total number of shares | Percentage of capital and votes |
|---|---|---|
| Hansson, Kent | 2,293,824 | 32.3 |
| Vogel, Manuel | 1,691,490 | 23.8 |
| Landsdowne | 555,000 | 7.8 |
| Praktikertjänst | 530,000 | 7.5 |
| Alpen Invest | 402,500 | 5.7 |
| Hultgren, Gustav | 225,000 | 3.2 |
| Element Capital Partners | 115,700 | 1.6 |
| Jones, Colin | 100,388 | 1.4 |
| Strategic Investments | 100,000 | 1.4 |
| Olsson, Fredrik | 90,000 | 1.3 |
| **Total; top ten largest owners** | **6,103,902** | **86.0** |
| Summary others | 996,098 | 14.0 |
| **Total** | **7,100,000** | **100.0** |

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

## DEVELOPMENT OF THE SHARE CAPITAL IN DDM HOLDING AG

*The table below sets forth the changes in the share capital of DDM since the incorporation of the Company.*

| Date | Description | Change in the number of shares | Change in share capital | Total number of shares | Total share capital (CHF) | Nominal value (CHF) |
|---|---|---|---|---|---|---|
| 16 August 2010 | Incorporation | 100,000 | 100,000 | 100,000 | 100,000 | 1 |
| 25 July 2012 | Ordinary capital increase | 132,000 | 132,000 | 232,000 | 232,000 | 1 |
| 10 October 2013 | Ordinary capital increase | 4,268,000 | 4,268,000 | 4,500,000 | 4,500,000 | 1 |
| 5 August 2014 | Ordinary capital increase | 2,600,000 | 2,600,000 | 7,100,000 | 7,100,000 | 1 |

### Share price and trading

DDM's share has been listed on Nasdaq First North Stockholm, since 5 August 2014. Opening price on the first day of trading: SEK 50.00. During the period from 5 August to 31 December 2014, 452,724 shares were traded, in average 6,036 shares per day.

The highest trading price during the period from 5 August to 31 December 2014 was SEK 56.75 on 12 August and the lowest was SEK 34.60 on 29 December. The share price on 31 December 2014 was SEK 34.60 (last price paid). During the period from 5 August to 31 December 2014, DDM's share price decreased by 39 percent.

### Certified Adviser

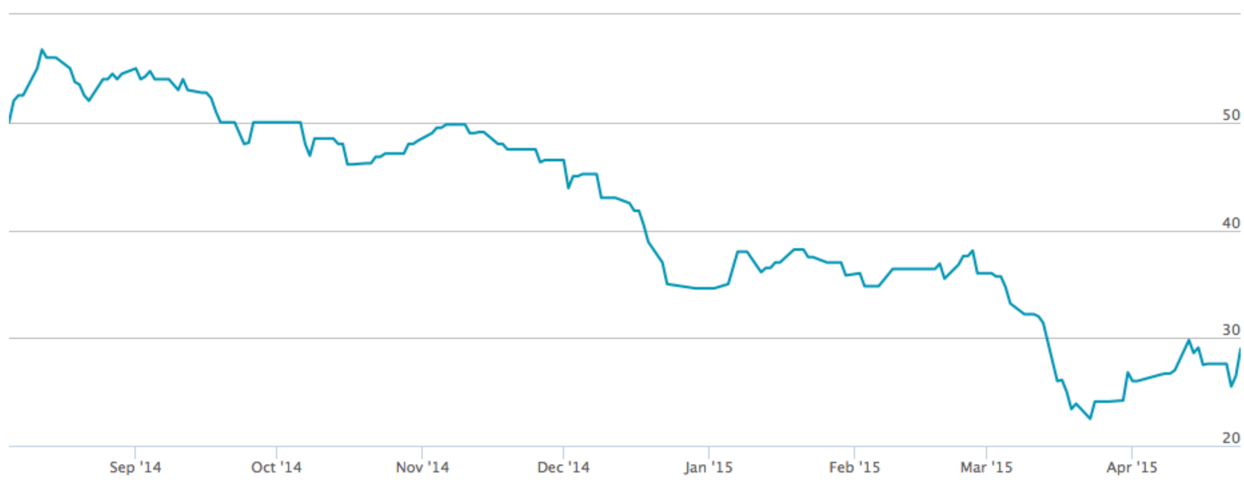
DDM Holding AG's Certified Adviser on Nasdaq First North is Pareto Securities AB, P.O. Box 7415, SE-103 91 Stockholm, Sweden. Telephone: +46 8 402 50 00.

### Communication policy

DDM's communications aims to comply with the laws and regulations applicable in the countries where the company operates and those from which it is managed and in which its shares are traded. Our communications shall be timely, transparent, accurate and fair. Continuity shall be maintained in the manner in which information is published and confidentiality is maintained until such time that an official disclosure is made.

Further information is available to our employees and other concerned parties of the rules and regulations applicable to the dissemination of information by DDM and the special requirements imposed on persons who are active in a listed company with regards to, e.g. price-sensitive information. In this context, DDM has also established routines for handling the dissemination of information yet to be made public (commonly referred to as a logbook). More details available on the corporate website, www.ddm-group.ch.

## SHARE PRICE, SEK




>> Source: Nasdaq First North

# DDM's role in business and society

Over the centuries, credit has grown to play a key role in society. It enables people and organizations with capacity for development over time to gain access to larger sums more quickly than by simply earning those funds. In many cases, this enables individuals, companies and authorities to make investments that would not otherwise have been possible and thus to achieve greater development and thus greater capacity to generate earnings.

Credit is a matter of trust – in fact the very word derives from the Latin "credere" meaning "to believe". In finance, a lender or "creditor" lends money to a borrower or "debtor" who the lender trusts will pay back that money in accordance with certain agreed terms. The lender earns on the transaction by charging interest on the loan. Consequently, interest is also sometimes referred to as "the cost of money". The more reliable a borrower is considered to be in repaying loans, the lower the interest charged.

For some loans, the lender reduces its risk by requiring that it be entitled to certain property, "collateral", belonging to the borrower if

# INCENTIVES FOR SELLERS TO USE DDM

Banks in Eastern Europe are generally subject to the same driving forces as Western European banks when it comes to selling their distressed assets. These include their need to focus on their core operations and to improve their capital adequacy ratios and cash positions. The main difference is that selling distressed assets is still a relatively recent feature in Eastern Europe.

1

INCENTIVE 1 In many cases, removing distressed assets from their balance sheets helps banks meet regulatory requirements. We acquire portfolios of distressed assets outright, removing them from our clients' balance sheets and providing immediate liquidity and freeing up reserves. Generally, selling to us enables clients to recover capital much faster than through a traditional debt collection company.

2

INCENTIVE 2 Selling distressed assets allows banks to focus on their core activities as distressed asset management can be difficult and divert management focus and other scarce resources.

3

INCENTIVE 3 By selling distressed assets to respected debt purchaser such as DDM, banks reduce their reputational risk. Banks and financial institutions seeking to sell portfolios of distressed assets often work directly with us. This is attributable to our track-record, experience in closing transactions and our method of both managing the performance of our portfolios, and of carefully selecting our collection partners.

repayment is not made. Such loans are said to be secured, while loans for which no collateral is required are referred to as unsecured loans. Typically, a loan enabling a major purchase, such as a home, is secured by the purchased item being posted as collateral.

We have seen that when credit processes fail – when risks are not assessed accurately or are ignored for speculative reasons, the consequences can be disastrous. Perhaps the most prominent example in recent times was the subprime mortgage crisis in the US, which began in 2007 and that was ultimately a major contributing factor behind the global financial crisis of 2008/2009.

Subsequent enhancements in the regulatory environment have sought to prevent such broad-scale loss of confidence in credit markets by tightening requirements on banks' capital adequacy and imposing more stringent rules in approving credit.

## Increasing credit-based consumption

For retailers around the world, being able to provide credit at the point of sale is an increasingly important competitive advantage. Technological advances have made it possible for those selling goods and services to quickly ascertain the creditworthiness of a customer and on-line collaboration with credit institutions means that attractive payment terms can be approved on the spot thus ensuring that the sale is made.

## Credit benefits consumers and retailers alike

For the consumer this means being able to buy that new bike, TV or sofa without having to save up over a period of months or years – by which time the desired model has been replaced by a newer, more expensive one. For the retailer, rapid credit services means not losing sales with potential customers leaving the shop to apply for bank loans or arrange other forms of financing.

In Western Europe and North America, such services have been around for some time, developing over the years as supporting technologies advance. Other regions, such as the former planned economies of Eastern Europe, are catching up fast. With western brands and retail chains growing in popularity and local players adopting similar business practices, consumer credit is growing steadily.

## When and why problems arise

The processes through which consumer credit is approved and provided have emerged over several decades and generally work well. For various reasons and often through no fault of their own, some consumers experience difficulties in meeting payments. As the use of consumer credit grows, sending reminders and monitoring and collecting late or missed payments imposes an increasing burden on retailers who often lack the resources to manage such cases.

## Portfolios of distressed assets

Whether financing is provided internally by a retailer or through an external credit institution, over time portfolios of distressed assets are amassed. These consist of receivables where the end-customer, the consumer, has been unable to pay in part or in full. Generally, such receivables are not written off – financially there is more to be gained from pursuing special efforts such as debt consolidation, refinancing or ultimately legal measures, whereby some of the value of the receivable is recovered, even if this is less than original amount.

## Decision to sell distressed assets

Following a period of collection activities, there will be a certain amount of cases still to be settled. The owners of such cases, typically financial institutions, will at some point decide whether to divest these to secure any remaining value and to focus on their core business.
Regulatory measures, such as the Basel III directives also encourage financial institutions to sell their distressed assets.

Previously, by holding onto non-performing loans and simply extending their maturity, banks could pretend that the loans might still be repaid at their nominal value. This practice, known as "extend and pretend" enabled them to maintain artificially inflated balance sheets, underpinning the banks' own credit ratings but resulting in misleading capital adequacy figures. New rules prevent this behaviour and many banks may find they have no other option than to sell their portfolios on non-performing loans to shore up their capital adequacy and prevent future impairment losses.

## Selecting a trusted partner

Banks and other financial institutions will sell their portfolios to a partner they know will be able to manage the underlying cases in an ethical and correct manner. Having approved the initial credits, or having assumed responsibility for them from retailers, the institutions remain connected to the portfolios by association. If receivables are managed poorly and if, for example, threatening collection measures are employed, the reputation of the financial institution could be harmed.

## How DDM provides a solution

We acquire portfolios of distressed assets and apply our technology to manage the receivables profitably. We pool the receivables in the portfolios and match debtors (consumers) with appropriate collection agencies and methods. We systematically monitor payments and collection measures over time to maximize the amount collected and thus the return relative to the price paid for each portfolio.

We do not perform collection operations ourselves but enlist reputable specialist agencies that are skilled at performing certain types of measures in specific markets. This further enhances efficiency as it means we do not need to maintain our own collection agency and only need pay for the specific services we use.

## How this adds value and for whom

By investing in and managing portfolios of distressed assets, DDM aids the functioning of the consumer credit market – consumers get help to structure and reduce their debt, credit institutions reduce losses and secure faster payment. At the same time, by applying our specialist expertise, we maximize the return on our investment by securing as much payment as possible on the past-due receivables.

## Other driving trends

As a consequence of other developments in the credit market, such as increasing consumer credit and factoring services for businesses, backlogs of non-performing loans and other types of distressed assets are growing. This increases the motivation among financial institutions to find attractive and efficient alternatives for selling assets that have been written down or that would otherwise be written off.

## Well established relations with sellers

The principal sellers of NPL portfolios are banks and financial institutions. At DDM, we have a long history of cooperating with major sellers of loan portfolios, including some of the largest banking groups in Europe. DDM is well-established and maintains local relations with all top-tier collection agencies and banks.

We currently have relationships with leading banks and non-banking institutions selling distressed asset portfolios in Eastern Europe. This provides us with a fairly well-diversified deal flow, although management constantly seeks to enhance the diversification in the sourcing of our transactions.

# WHAT MATTERS TO YOU MATTERS TO US

DDM is active in the distressed assets industry, with a focus on Non-Performing Loans (”NPLs”). The business consists primarily of the acquisition of loan portfolios from financial institutions and collection of the debt outstanding. In general, the market players can be divided into two strategic groups by the business models prevalent, namely: debt collection through in-house or external collection agencies.

Revenues in the industry stem from the margin created by acquiring loan portfolios at a discount and then collecting the outstanding debt. There are two main categories of distressed debt. One can be called Business-to-Business (“B2B”) and is made up of distressed obligations held by one company against another. In this segment it is quite common that the holder sells portfolios of debt to professional third parties. Some of the major international investment banks (Goldman Sachs, Morgan Stanley, etc.) are active as acquirers of this type of portfolios.

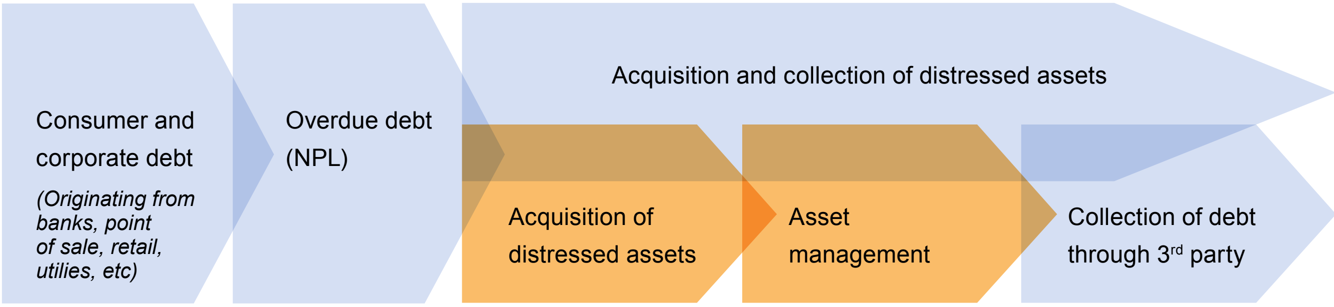
The second category is distressed consumer debt, i.e. debt held against consumers that for some reason is not fully and/or promptly served. The traditional way for a company that holds such debt has been to give an assignment to a collection company. The collection company would then, acting as an agent,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

## Our view of the future

Economies in general and the financial sector in particular are progressing towards increased integration, specialization and globalization. In the meantime, as new situations are encountered and problems are addressed, laws and regulations seek to safeguard stability, transparency and fairness in markets.

The handling of distressed assets is now an integrated part of any business activity. However, for the past decade there has been a development in the European market, which was previously seen in the US during the 1990’s. Banks are increasingly looking for alternatives to the lengthy processing of keeping their distressed assets on their balance sheets while outsourcing the collection activity and outright divestment of their distressed asset portfolios is viewed as an attractive alternative.

## OVERVIEW OF THE VALUE CHAIN




*DDM's activities are marked in orange.*

DDM focuses on the most profitable part of the distressed asset value chain – the acquisition and recovery management of large pools of assets mainly sold by banks in Eastern Europe – and has set up a business model to overcome the inefficiencies mentioned above. First of all, DDM has developed state-of-the-art processes for analysis, pricing and management of the acquired portfolios based on the team's deep industry experience.

Secondly, a strategy on how to partner up with a multitude of outsourced collection agencies in each local market has been introduced, in order to optimize collections from each portfolio. These processes are built into DDM's proprietary IT system FUSION, either as business rules or as an automated process. As a result of DDM outsourcing the collection process, the Company can select the best-suited collection agency.

### Key drivers and trends

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

- Increased adoption of selling loan portfolios
- Introduction of the third Basel accord (Basel III)
- Implementation of regulations ("Vienna" initiative and Comprehensive assessment by the ECB)
- Improved portfolio pricing
- Creation of "bad banks"

The first trend observed is that banks continue to strengthen their balance sheets, by deleveraging and cutting costs, in order to improve their capital adequacy ratios and cash positions. Until now, banks have chosen to issue shares or convert lower-quality capital to equity, with very few transactions in the NPL market. Although the NPL market is still quite small and still in its infancy, the increased amount of transactions depict an apparent trend that the market is developing. Furthermore, there are several benefits that banks can capture through loan portfolio sales, which promote further adoption: by enabling them to focus on their core business, reducing reputational risks and ensuring correct treatment of customers through professional debt collection. The attractiveness for investors has also increased as banks have started to show a willingness to work with small and medium sized enterprises by dividing and selling their portfolios in smaller pieces.

### Barriers to entry

The industry places high standard requirements on new market entrants. Subsequently, there are three major barriers to entry:

- Acquisition of loan portfolios/distressed assets
- Asset management (knowledge, resources and systems to manage the acquired assets)
- Access to efficient and solution-oriented collection

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

As a reference on the cost and size of portfolios, DDM typically targets portfolios with an investment value of EUR 1–25 M.
In addition to having access to capital, enterprises engaged in loan portfolio transactions need to have knowledge and resources to evaluate potential prospects to be successful. This holds especially true during the turmoil associated with recessions, where increase in NPLs drive portfolio prices down, while at the same time increasing the risks of not being able to collect the outstanding debt. To address this issue, advanced integrated systems are used to evaluate loan portfolio attractiveness.

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

DDM has a strong network of well-reputed collection agencies in all countries where DDM operates.

# ORIGINATION

## Asset acquisition processes

DDM deals directly with the selling financial institutions and analyzes the distressed asset portfolios in order to evaluate the recovery potential. Part of our expertise lies in the ability to analyze large portfolios in a relatively short time frame and to evaluate the recovery value of a portfolio. Once this calculation has been completed, we enter the negotiation or bidding process.

Having spent seven years building relationships with all of the major sellers of distressed assets in the markets where DDM is active, we are today regarded as a credible acquirer among the top 50 banks in the region. We maintain and strengthen these relations through frequent visits to all of the major sellers and through extensive contacts in which our entire management team is involved. DDM is also retaining strong relationships with the consulting companies that are managing large transactions in some countries. By attending all major industry events, DDM is building a network consisting of brokers and advisors in the transaction market.

## Data collection and data analysis

1

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

- Nominal value per debtor and in total, previous monthly payment history per case
- Information on collectable fees and actual collection costs
- Debtor personal identification code or birth date
- Number of debtors
- Previous collection expenses
- Effectiveness of prior collection activities by the seller
- Number of ongoing instalment programs
- Number of “active” cases prior to acquisition
- Up to date debtor information

2

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

- Checking all of the data, searching for and reconciling inconsistencies
- Stratifying the data into meaningful batches (based on specific qualities of each individual)
- Considering the key factors affecting success in collection; – the age and scale of the assets, collateral, bailiff procedures, availability of phone numbers and address, and opportunities for legal and amicable collection
- Analyzing the reported recovery rates, looking for trends and inconsistencies
- Considering what collection strategy has been applied, and for how long
- Taking all ”full payments” into account and how they have been reported

3

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

- Eliminating peaks and troughs in the collection forecast achieve a smoother development
- Looking for seasonality, i.e. a predictable change in a time series that recurs or repeats over a one-year period, and applying these in the forecast
- Capturing recurring patterns that could affect the performance of the portfolio (holidays, additional monthly salary/bonuses, tax refunds)
- Conducting scenario analysis (i.e. best case, worst case) Notional decay rates in the value of a portfolio, based on collection history and/or internal and external benchmarks

# ACQUISITION AND MANAGEMENT PROCESSES

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

## Open tender
In an open tender, DDM bids on a particular portfolio offered. Approximately 40 percent of DDM's portfolio acquisitions have been conducted as open tenders (based on acquired nominal value).

## Direct sales
In a direct sales process, DDM engages with the seller bilaterally and negotiates tailored terms. Direct sales transactions are generally beneficial for DDM as price transparency and price pressure are generally low, and as they give DDM a greater influence over the final composition of the portfolio and thereby the possibility to tailoring it to fit the prevailing investment appetite. These types of transactions typically involve greater information sharing, which in turn mitigates uncertainties related to the portfolio and the transaction.

For some sellers of portfolios, the sales process is highly sensitive from a marketing perspective and therefore the seller sometimes prefers to perform sales on a bilateral basis rather than through an open tender. DDM has made a significant part of its past historical investments from such bilateral transactions, something that highlights its deep and extensive contact-network and deal-making capability in its core markets. Approximately 50 percent of DDM's portfolio acquisitions have been conducted as direct sales (based on acquired nominal value).

## Forward-flow transactions
In forward-flow transactions, an agreement is made for purchases of portfolios of cases that fill certain criteria on an on-going, regular basis. As a part of the long-term building of relationships, DDM also engages in these forward-flow transactions, which deepen the relationships with sellers but also greatly reduce transaction costs and assists DDM's financial planning. Forward-flow transactions have made up approximately 10 percent of DDM's acquisitions.

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

## Referral
As DDM outsources the collections process it can select a collection agency suitable for collection of a particular asset. Stemming from its geographic focus on Eastern Europe and early presence in some of these markets, DDM has strong relationships with top collectors in its markets and knows their relative strengths. Examples of selection criteria of a debt collector include size, age, type and geography of the acquired asset portfolio.

## Monitoring
After a portfolio has been placed with a collection agency, DDM monitors the collection performance on a daily basis, in order to optimize the conversion level within the required cost budget and time frame.

A daily data file with actions taken is delivered to DDM, which could trigger an immediate action from DDM's side if there is a deviation from the plan. In most cases a biweekly call with the agency allows for a more in-depth analysis of collections and comparison of the agency's, as well as DDM's, estimates and progress. Lastly, conference calls and presentations are held monthly to compare actual and forecasted collection projections, as well as a quarterly outlook focusing on collected and outstanding payments.

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

As an ordinary practice, DDM collects various data and information from the agencies. It is a complex and multifaceted process, including a thorough description of daily debtor payments, an in depth description of agency commission, samples of standard process documentation and much more.

# STRONG RELATIONSHIPS WITH LOCAL TOP-TIER COLLECTION AGENCIES

Outsourced collection allows for flexibility and optimized performance. While most large-scale actors maintain proprietary collection functions, we outsource them. We take an active role in managing the collection agencies, generating advantages both for them and for us:

- DDM can employ and manage the most effective collection agency for each individual asset portfolio at each point in time. The collection practices best suited to different regions and portfolio characteristics vary as do the capabilities of the agencies. Larger competitors must often apply "one-size-fits-all" methods.
- Referrals from DCA's could initiate stand-alone investments and/or joint partner investments.
- Co-operation with financial partners.
- Individual cases that fail to perform as expected can promptly be reassigned to new collection partners to optimize performance.
- Opportunistic investment approach. For competitors with large in-house collection departments, a constant transaction flow is required to cover the associated overhead costs. This may entail a certain pressure to acquire portfolios offering relatively low internal rates of return (IRR). This often enables us at DDM to act more flexible than larger competitors when acquiring portfolios. Management anticipates that this will generate a higher overall IRR.
- The business model offers enhanced scalability and upside potential, since growing and maintaining an in-house collection department requires more resources than increasing outsourcing activity. This is also an advantage when entering new markets – we simply develop relations with suitable collection agencies and avoid having to establish proprietary operations.
- More cost-efficient collection.

DDM has established relationships with approximately 60 collection agencies in Eastern Europe including most of the local top-tier collection agencies in the markets where we operate. These relationships grant us the option of selecting the most suitable local collection agency for each asset portfolio. In turn, this gives us a favorable position when negotiating fees and commission rates. It also allows us to be flexible and to switch agencies if performance is inadequate.

## Selecting the right collection partner

Depending on the type of assets, sellers' requirements and how DDM defines relevant characteristics of potential collection partners, we select either one or a limited number of partner agencies. They range from small to large corporations with over 4,000 employees.

For DDM the key factors when selecting a partner to manage the collection processes are:

- Easy to communicate with and capabilities to provide regular reports on their activity.
- Ownership/shareholder structure of the company.
- Quality of agency network and other relationships.
- What methodology is used preparing a business offer, including collection forecast, action planning? What is the timeframe of preparing such document?
- Knowledge and understanding of different collection methods.
- Number of call centers, number and experience and qualification of the staff.
- IT infrastructure, production system, call-center application.
- Experience with various bank products.
- How do they hiring employees?
- What kind of skip tracing techniques are used and with what success?

Depending on complexity and priority, on-site due diligence on the possible collection agent's operation and IT infrastructure might be performed.

### A selection of DDM collection partners

APS ROMANIA FINANCIAL SERVICES

*One of the leading manager & servicer of NPL investments in the Czech Republic and Romania.*
*Around 238 employees in five countries.*

coface FOR SAFER TRADE

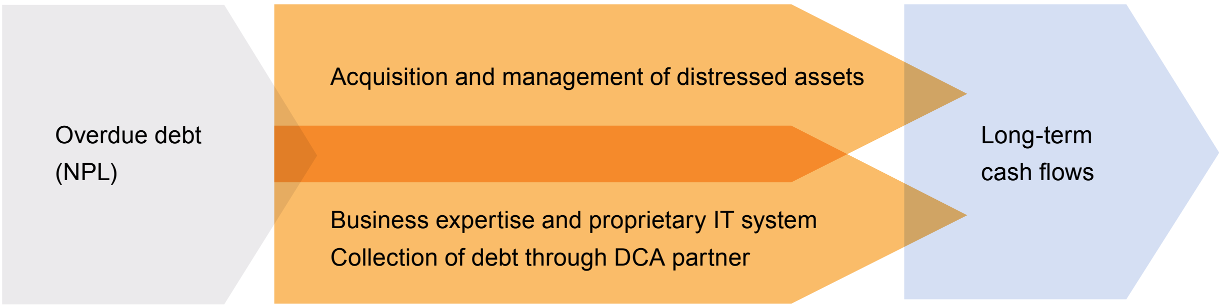
*Coface Romania, founded in 1996, is a member of Coface Central Europe Holding based in Austria. With 18 years experience nationwide, Coface is the only provider of integrated credit risk management services in Romania, providing a unique approach that allows a broad market openness and flexibility in terms of how it responds to its clients' needs. As each of its business lines feeds into the other, whatever the service needed, you will benefit from Coface expertise in all the other business lines.*

NATIONAL RECOVERY SERVICE

*Formed in 2005, international ownership.*
*72 branches in Russia and Ukraine and four call centres in Moscow, Novosibirsk, Volgograd and Kiev.*
*500+ employees.*
*Large debtor database.*
*3 million calls/month, 16 million text messages/month.*

# LEVERAGING DATA AND FOCUSED OPERATIONS

## OVERVIEW OF THE VALUE CHAIN



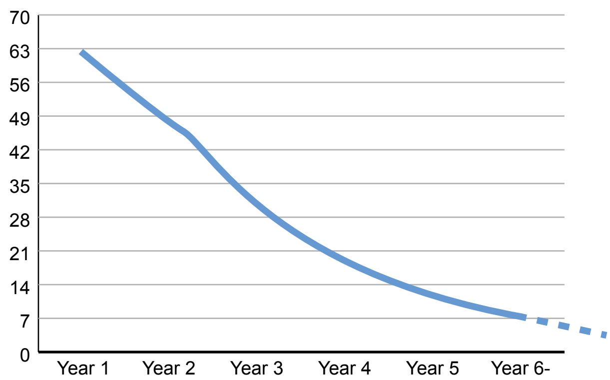

The highest returns on acquired assets have always been achieved in less efficient markets (emerging markets or special opportunities). Success in these markets requires organizational flexibility, speedy decision making and an ability to deploy resources in new territories. Such features are not necessarily present among our larger-scale, competitors who generally apply an integrated business model with proprietary collection departments.

At DDM, we focus on the most profitable part of the distressed asset value chain – the acquisition and recovery management of large pools of assets sold mainly by banks and has established a business model that overcomes the inefficiencies of our integrated business model where a company acquires distressed assets that then are collected through in-house activities.

Collections on distressed assets are typically forecasted over a 10-year period. The forecasts are based on a number of factors e.g. whether the acquired receivables are securitized or non-securitized, country of origination, age, gender, time since the last payment and prior payment history of the debtor. Combining this information in our IT system FUSION results in an investment curve.

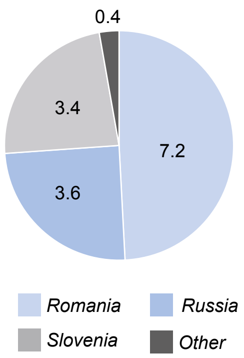
The Company provided guidance in connections to its fourth quarter 2014 earnings presentation to increase transparency for the investment community. The collection curve, displayed on the right, is a composite curve which represents a typical collection curve. It represents the anticipated collection curve on distressed asset portfolios acquired in the future.

## COLLECTION CURVE, %

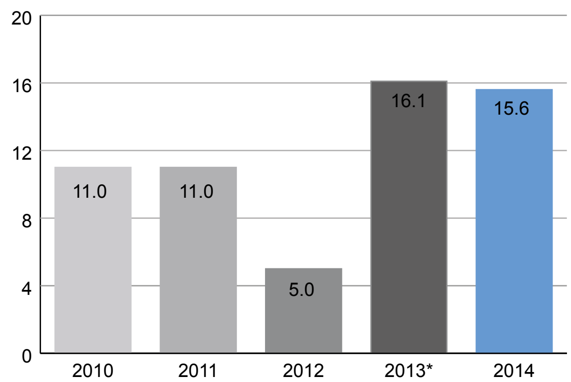



*Gross cash multiple (120 months): 2.06x   Gross break-even (months): 23*

## NET COLLECTIONS BY COUNTRY, ON 31 DEC 2014, EUR M




## INVESTMENTS, EUR M

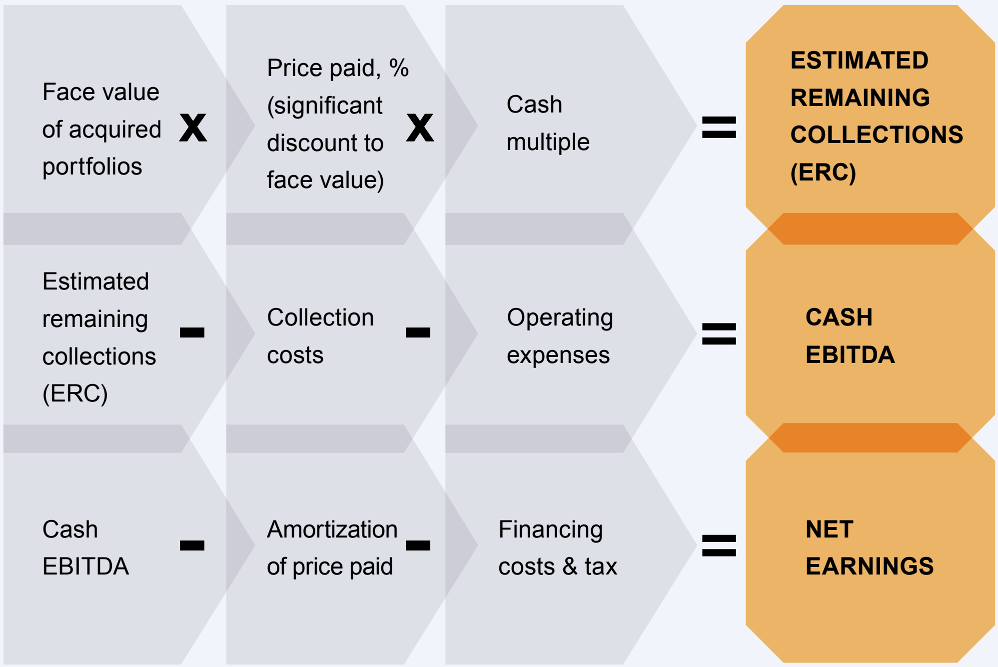



**One larger acquisition distorting comparisons, approximately EUR 12M in 2013.*

## ILLUSTRATIVE ECONOMICS

Collections start to generate cash flow after a few weeks and cash flows typically peak in the first twelve months of recovery. On average, the acquisition price is recouped within 23 months, pre-commissions. The rate of collections varies with variables such as year of origination, average age, average amount of case, type of underlying product and previous treatment.

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




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

2. If deducting the collection costs (commission & fees) and operating expenses from the gross ERC it results in the Cash EBITDA (net collections less opex in short). Cash EBITDA could also be described as the remaining amount the company has available to pay interest on its debt, if excluding potential impact of foreign exchange.

   If in addition, deducting amortization on the portfolios, financing costs and tax from Cash EBITDA it results in Net earnings.

| Long-term targets | Strategies and activities | Main activities to execute on our strategies 2014-2015 |
|---|---|---|
| OPPORTUNISTIC DEAL SEARCH AND BROADENING OF INVESTMENT SCOPE<br>DDM's long-term target is to generate shareholder returns, well above industry average, based on an opportunistic deal sourcing of distressed asset portfolios from the core market by acquiring quality portfolios of distressed assets that offer an attractive return over time.<br><br>In turn, revenues are to be optimized through careful matching of debtors and collection agencies and systematic follow-up. | INVESTMENT SCOPE<br>• Geographic diversification<br>DDM is striving for a well-balanced operation in the Eastern European countries to reduce market and currency risk.<br><br>• Funding<br>DDM's growth is partly funded by own cash flow and external capital, such as debt and equity.<br><br>• Hedging<br>As DDM's income from its portfolios is denominated in different currencies, we seek to protect the financial position by hedging. | Close relations with existing partners and an opportunistic deal sourcing are a key value drivers. During 2014 we have entered two markets, Poland and Slovenia, and re-entered the Czech Republic. In February 2015 we made our first investment in Hungary and we expect to continue to enter new markets as our established model will create competitive advantages.<br><br>Evaluate the best funding opportunities available to DDM. In combination with our bond issue in 2013, the issue of new shares was an important step to reach out to the European capital markets.<br><br>Income from our portfolios is denominated mainly in leu, roubles and euro while we report our financial results in euro. In addition, DDM is funded by notes issued in Swedish krona. Hence the Board has approved a FX hedging policy to be implemented during the early part of 2015. |
| STRENGHTENED RELATIONSHIPS<br>To maintain and grow its returns, the company must acquire new portfolios of distressed debts as these become available. However, such acquisitions are entirely dependent on portfolios being available for purchase and on DDM being able to acquire portfolios that it considers attractive at reasonable prices.<br><br>DDM aims to grow its business whilst maintaining rigorous underwriting discipline. | STRONG RELATIONS WITH SELLERS AND COLLECTION AGENCIES<br>• Origination channels<br>DDM operates in a fragmented and highly competitive industry. Strong relations with sellers and collection partners are key. We have established strong relationships with banks and financial institutions to acquire distressed assets. We believe that our recent listing on Nasdaq First North will further strengthen our credibility.<br><br>• Managing and supporting DCA's and business partners DDM is striving to raise the standards of the amicable settlement process, i.a. by implementing realistic repayment plans.<br><br>• Increase our knowledge and understanding about the credit markets DDM supports sustainable credit markets by using our broad experience to fine-tune collections methods as well as implement best-practice of the industry. | DDM has during 7 years established strong relationships with banks and financial institutions to acquire distressed assets. Recent listing on Nasdaq First North has further strengthened our credibility. DDM has strong relations with sellers of distressed asset and we aim to expand our reach during 2015. During 2014 we discussed with around 100 international financial institutions and analyzed 165 portfolios with a combined face value of EUR 9.6Bn.<br><br>DDM's outsourcing to multiple collection agencies allows scale and flexibility compared to collection in-house.<br><br>DDM improves agency performance through best-practice implementation and management of its selected agencies through its state-of-the-art FUSION IT system. In addition, DDM is constantly monitoring its reputation amongst debtors, as well as the perception of the collection industry. |
| INTERNAL DEVELOPMENT<br>The funds needed to make our investments can be raised in a number of ways, including by issuing corporate bonds, external loans, issue of shares or cooperation with financial partners.<br><br>Although over time, we intend to finance our portfolio acquisitions through reinvestment of revenues generated from existing portfolios. | DEVELOPMENT OF OUR CAPABILITIES<br>• Employees / organization<br>DDM is dependent on the skills, experience and commitment of its employees.<br><br>• IT system<br>Important in order to create and maintain the analytical models to identify changes that originators make in the quality of the asset portfolios that they sell. DDM strives to pay the correct price, reflecting the value of acquired assets and cash flows from operations.<br><br>• Data management<br>Database optimization to manage business growth and in the process, enabling reduction of database license fees. | To manage a growing company the executives need to have the experience from operations as well as other important areas, such as the regulatory environment. During 2014, DDM continued to recruit highly experienced and committed co-workers.<br><br>Implementation of distributed system solutions, to support business growth in new and existing markets. Enhanced automation for the provision and acceptance of business partner data, via secure and dedicated data and document partner portal.<br><br>Concentration is on optimizing current databases, as well as utilizing available and relevant technologies for new data mapping and matching techniques. |


*Company headquarters in Switzerland* *Markets were DDM is currently operating*

# EASTERN EUROPE – AN EMERGING MARKET FOR DISTRESSED ASSETS

As of now, Eastern Europe constitutes a small portion of the total European market for sales of loan portfolios. In 2012, six of the largest Western European countries had total NPLs of approximately EUR 900bn out of EUR 1,200Bn in total, leaving a rather small amount split among the rest[1)].

This is in line with DDM's view that Eastern Europe is an immature, where flexibility, speed in decision-making, and reputation while maintaining standardized processes are key success factors. As a result, Eastern Europe presents an untapped potential, as the adoption of selling loan portfolios is a relatively new feature.

## Historical background

Since the end of the Cold War and the demise of the planned economies of the former Soviet block from the late 1980s onwards, the economies of Eastern Europe have developed in somewhat different directions. This diversity is attributable not only to the preconditions of the countries in terms of their natural resources, industrial traditions and business acumen, but also to the speed and energy with which governments have introduced reforms, and the initiative of the financial sector in with regard to innovation and modernization.

While some of the countries have developed to a level that in many respects resembles that of their western neighbors, others have found it more challenging to achieve progress. At the same time, Greece, which never was part of the Soviet bloc and enjoyed the benefits of EU membership from an earlier stage, has suffered from overinvestment and misguided management of public funds, and has been forced to adopt considerable austerity measures to avoid slipping to levels associated more with its eastern neighbors.

Hungary, the Czech Republic, Poland, Slovakia and Slovenia all became members of the EU in 2004. Slovakia and Slovenia also have the euro as their currency. The five countries have made fairly good progress in their integration into the union and have enjoyed relatively high levels of growth. While they generally have some way to go before achieving the levels of income and standards of living of their western partners in the union, membership of the EU has

[1)] PwC European Portfolio Group, Market Update 2013.

brought greater political stability and greater general prosperity than in the Eastern European economies that have not joined the union. In Romania, which joined the EU in 2007, growth was initially strong but the country suffered severe setbacks in connection with the financial crisis. Greece joined the EU in 1981 and adopted the euro in 2001. Subsequent analysis has shown that the figures submitted in connection with Greece's entry into the euro zone were overstated. This became all the more tangible in connection with the financial crisis, with the other members of the euro zone having to underwrite sizeable loans to Greece to shore up the economy and avoid a severe economic collapse.

As a previous superpower and the power base of the former Soviet bloc, Russia's economic and political interests are not always aligned with those of the European Union or the West in general. Recently, tensions over Ukraine, in particular have resulted in decreased international confidence in the Russian economy and substantial erosion of refinancing opportunities for businesses and authorities in Russia. At the same time, Europe is largely reliant on energy exports from Russia, although falling oil prices have further weakened the rouble. While this has led to rising consumer prices in Russia, it has also, to some extent, supported industrial exports, which have grown cheaper for foreign buyers.

## Macroeconomic situation in Eastern Europe

The inflation level appears to be higher in Russia than the Eastern European average, while Romania is more in line with it. However, he trend suggests that both countries appear to be converging towards the Eastern European average.

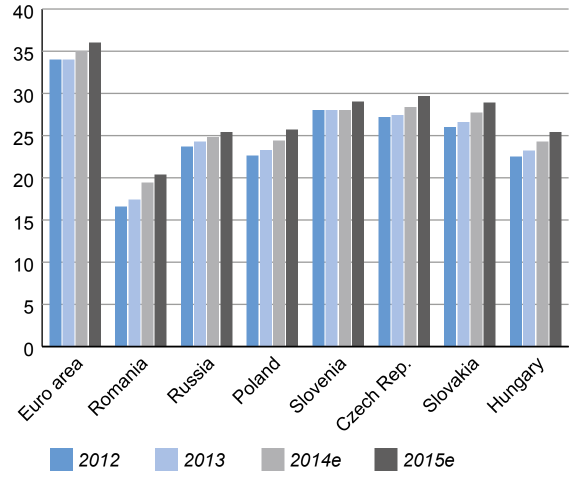
## Banking sector

The Polish banks are mainly domestic players and were therefore partly insulated from the turmoil on foreign markets during and following the financial crisis. The system is also bolstered by committed foreign shareholders. The Czech Republic has a well-developed, profitable banking sector with a strong core customer deposit base, which reduces funding risks. However, the weakened creditworthiness of banks' foreign owners has a negative influence on the risk profile of the banking sector.

The Hungarian banking sector is considered to be recovering profitability only slowly. Over the past decade, the proportion of loans issued by Hungarian banks in foreign currencies rose to almost 65 percent. This, in turn, causes a contraction of the banks' balance sheets and makes it harder for them to provide credit to the domestic market. Most Slovakian banks are members of international banking groups. Despite its stability and strong capitalization, the outlook for the Slovak banking sector is somewhat negative due to fears that weaknesses in the euro zone will have a negative impact. Following the Slovenian accession to the EU in 2004, banks borrowed excessively from foreign funders and lacked caution in their lending to local customers. More recently, the banking system has stabilized thanks to gradually improving macro conditions.

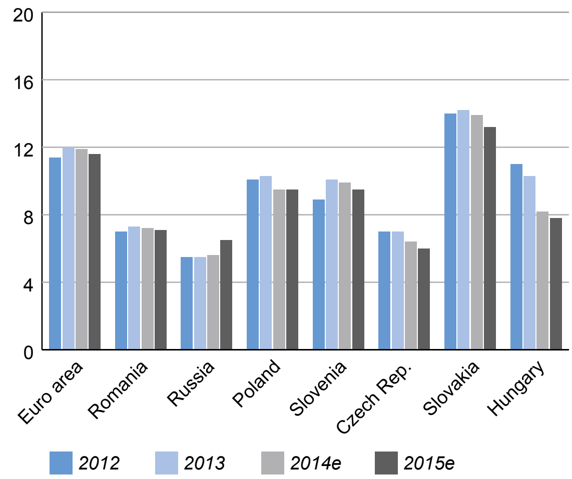
Prior to the financial crisis, the Romanian banking sector was relatively well funded and the government had successfully implemented many of the reforms required for harmonization with the EU. However the financial crisis had a substantial impact and there are fears that, as the recession continues, the country's banks risk becoming underfunded.

### GROSS DOMESTIC PRODUCT PER PERSON, THOUSANDS OF CURRENT INTERNATIONAL DOLLARS, PPP



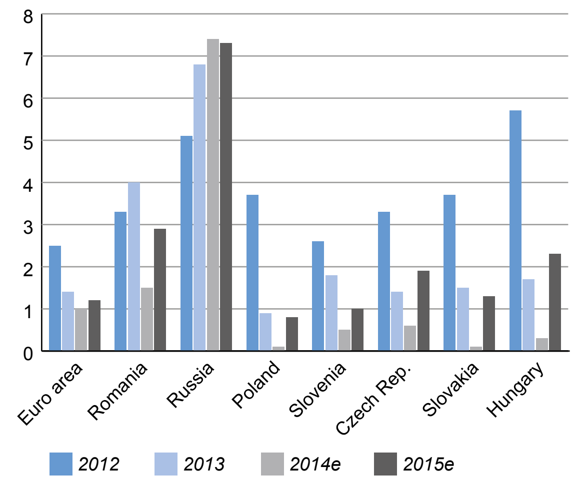

*Source: IMF, World Economic Outlook Database, Oct 2014*

### UNEMPLOYMENT RATE, % OF TOTAL LABOUR FORCE




*Source: IMF, World Economic Outlook Database, Oct 2014*

### INFLATION, AVERAGE CONSUMER PRICES, %




*Source: IMF, World Economic Outlook Database, Oct 2014*

For several years, Russia has continuously been outpacing other CEE (Central and Eastern Europe) countries in terms of banking assets and loan growth rates. This growth slowed somewhat in 2014, although it remained at a solid level. In 2014, the total value of loans issued rose by 28 percent year-on-year, amounting to roughly EUR 755Bn.

## Non-performing loans market

In the Eastern European markets that joined the EU in 2004, the non-performing loans market, while not being as mature as in Western Europe, is more developed than in Russia, Romania and other countries of the former Soviet bloc.

In Poland, NPLs accounted for approximately 5 percent of the total loan market in 2014, in line with the levels of 2013. The availability of distressed asset portfolios is improving with banks perceiving the advantages of passing on responsibility for management of distressed assets. In the Czech Republic, NPLs accounted for 5.7 percent of the total loan market in 2014. Over time, NPLs are decreasing as credit approval measures improve. In Hungary, NPLs accounted for 16.6 percent of the total loan market in 2014. Over time, NPLs are increasing due to growth in credit-based consumption. In Slovakia, NPLs accounted for 5.2 percent of the total loan market in 2014. NPLs are increasing due to collection difficulties among banks. In Slovenia, NPLs accounted for 14.6 percent of the total loan market. Certain NPL portfolios taken over by state-owned BAMC to bolster banks – in time, BAMC could divest portfolios, thereby increasing availability. In all of these countries (Poland, the Czech Republic, Hungary, Slovakia and Slovenia), the availability of distressed asset portfolios is improving as banks seek to improve their balance sheets to meet sharpened regulations.

Despite rising NPL rates in Romania, lending has not been severely affected. The NPL rate stood at 22.3 percent of total loans in 2014. Although overall lending has slowed, it remains at a solid level, supported by economic growth.

In 2014, the share of non-performing loans in Russia was about 6.5 percent, equalling roughly EUR 29Bn. It is thought that this share will increase depending on the overall slowdown of the Russian economy and its risk exposure related to the Ukraine crisis and other factors, such as sanctions imposed by the EU and US and the slump in oil price. Following new rules regarding provisions for NPLs introduced by the Russian central bank in 2013 and 2014, retail banks are expected to significantly increase the frequency of their NPL portfolio tenders and the amounts these involve.

## Competition

Although the scenario varies somewhat between the different countries, the Eastern European NPL markets offer substantial opportunities for growth as they remain less developed than their western counterparts, while lending operations increasingly resemble those in more developed markets. Competitors include local players, such as Kruk Group in Poland and Romania and Svea Ekonomi in Hungary, international players in NPLs, including Intrum Justitia, Lindorff and EOS Group; as well as larger international financial institutions, such as B2Holding/Ultimo, Deutsche Bank and AnaCap Financial Partners, who have been known to invest in portfolios on a more opportunistic basis. In contrast to most local and international NPL players, DDM, maintains no proprietary collection operations, but outsources these to specialist local agencies.

# SUSTAINABLE ECONOMY

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

A sound economy is one that supports development and quality of life in a sustainable manner. In this context, sustainability entails not only the long-term physical viability of systems and methods but also their socio-economic viability, that is, their ability to achieve growth and prosperity while avoiding speculative bubbles or sudden crashes that can have consequences far beyond specific markets. While much can be done, and is being done, in terms of regulations to safeguard sound and sustainable financial practices, it is fundamentally important that players in the financial markets realize that more is to be gained in the long-term from transparent approaches that are respectful of all stakeholders.

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

## Ethical

When credits are approved, assessed and deemed to represent an acceptable risk. Naturally, anybody's circumstances can change unexpectedly, or the initial assessment may have been flawed and the actual level of risk proves to be greater than originally envisaged. Similarly, if granted the right circumstances, debtors may improve their capacity to pay and the vast majority do genuinely want to clear their debts. Consequently, respectful and ethical treatment of debtors is central to our efforts and the banks who sell their portfolios to us pay considerable attention to correct treatment of their customers. Over the years, we have demonstrated an ability to actively control the measures and processes implemented by the collection agencies.

## Seeking change and initiate opportunity

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

## How DDM converts assets to ideas

We select partner collection agencies carefully, making sure they apply professional, respectful and ethical methods. We work closely with them to determine which agencies are appropriate for collection on certain assets and what measures are appropriate. The collection agencies send us daily data on what measures have been undertaken and what payments have been received. This data is automatically imported into the FUSION system and enables us to systematically monitor the collection agencies' performance. If an agency's performance is inadequate for a particular subset of receivables or a particular portfolio, DDM can quickly transfer the relevant assets to another agency.

Our knowledge of the area, which is continuously expanding, in part due to the data being fed into FUSION, enables us to help agencies determine the most efficient collection methods for different cases, thus enhancing the agencies' productivity and profitability.

# DDM'S STAKEHOLDERS

DDM's primary stakeholders are sellers of distressed assets, employees, debtors, shareholders, investors, business partners, authorities and the local community. These groups are important for our long-term success.
DDM promotes openness and transparency, as well as continuous dialogue with its stakeholders.

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

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

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

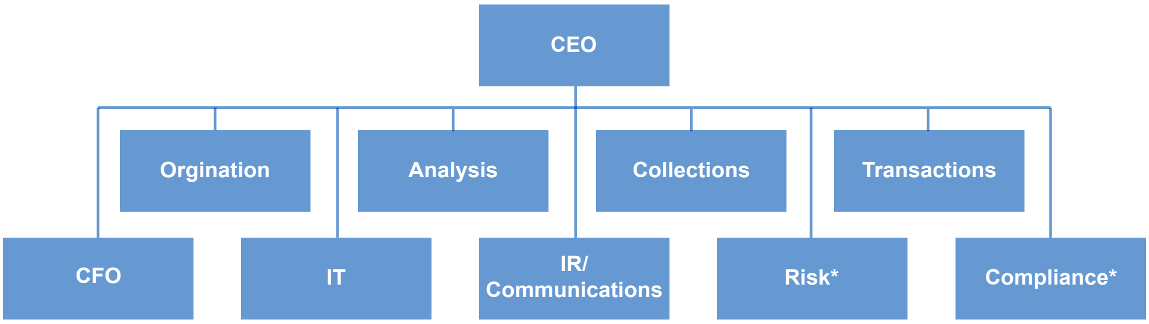
DEBTORS:
DDM encourages a dialogue aimed at reaching an amicable, correct and quick settlement respectful manner.

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

SELLERS:
DDM is dedicated to manage our clients' reputation and ensure a long-term relationship.

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

# A FLAT AND EFFECTIVE ORGANIZATION




* *Entity reporting to the Board of Directors*

## Human resources

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

At the end of 2014, DDM employed 22 people. All of our staff are permanently employed. A majority of our employees have an university-level degree or higher. The average age of DDM employees is 32 years.

As there is still only a small number of women in executive roles within DDM, we have a clear policy underlining its approach to hiring the best possible talent and embracing diversity in the management team, as well as the Board of DDM.

## Code of Conduct

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

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

## The Environment

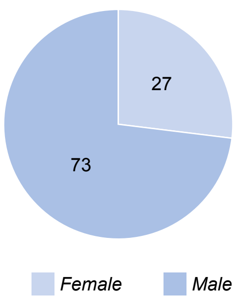
Due to the nature of business activities, DDM's most significant impact on the environment is through business travel and production of material. An environmental policy is in place to increase employee awareness of environmental issues and complies with relevant regulatory requirements.

## Anti-corruption

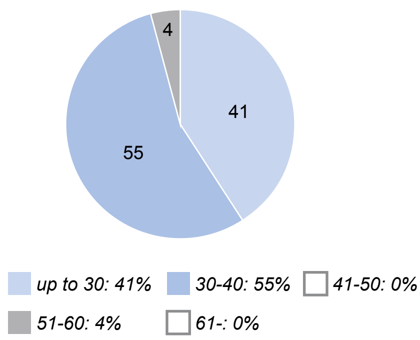
No DDM company or any of its employees may, directly or indirectly, promise, offer, pay, solicit, or accept bribes or kickbacks of any kind, including money, benefits, services or anything of value. Such payments and favors may be considered bribery, which violates local legislation and internationally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

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

## EMPLOYEES BY GENDER, %




## EMPLOYEES BY AGE, %



# BOARD OF DIRECTORS

**KENT HANSSON** *Chairman of the Board of Directors since 2013, Board member since 2010*
**Born:** 1966
**Nationality:** Swedish
**Education:** MBA, Copenhagen Business School
**Other current assignments:** Chairman of several DDM subsidiaries, Form Health & Design AB (Chairman since 2007)
**Previous relevant experience:** DDM (Founder and CEO, 2007–2013). Active in Intrum Justitia between 1990–2007, holding several senior positions and responsible for setting up and running Pan-European Purchased Debt subsidiary. Intrum Justitia Debt Finance AG Managing Director, (2004–2007)
**Dependence:** Dependent in relation to the Company and its principal owners as a major shareholder
**Shareholding (own and related party holdings) on 31 December 2014:** 2,293,824 shares, of which 225,000 via a wholly-owned company

**TORGNY HELLSTRÖM** *Board member since 2014*
**Born:** 1958
**Nationality:** Swedish
**Education:** Master of Law from Stockholm University and IBM Executive Education with Thunderbird (University of Phoenix)
**Other current assignments:** Founder and senior management consultant at Ruddex International AB, chairman of the Board of Precise Biometrics
**Previous relevant experience:** Executive positions with Ericsson and IBM. CEO and other management positions at Anoto Group
**Dependence:** Independent in relation to the Company and its principal owners
**Shareholding (own and related party holdings) on 31 December 2014:** 0 shares

**SAVVAS LIASIS** *Board member since 2014*
**Born:** 1975
**Nationality:** British
**Education:** Bachelor of arts (Hons) in Politics with Economics and studied for an MSc from City University Business School, London
**Other current assignments:** Managing Partner and a member of the Elements Capital Investment Committee. Mr. Liasis also holds the position of chairman of the Board of Directors for Alpen Invest management company
**Previous relevant experience:** Founder and CEO of Easybroker International Ltd
**Dependence:** Dependent in relation to the Company and its principal owners as a Board member of a major shareholder
**Shareholding (own and related party holdings) on 31 December 2014:** 115,700 shares

**MANUEL VOGEL** *Board member since 2010*
**Born:** 1969
**Nationality:** Swiss
**Education:** Master degree in economics, University of St Gallen, Ph D in international VAT-Law, Dr. oec., University of St Gallen and certified tax expert.
**Other current assignments:** Board member of several DDM subsidiaries, Board member in several Swiss companies, including but not limited to, IVMP AG and Data JCE AG, owner of Accta Accounting & Tax AG
**Previous relevant experience:** Previously *CFO of DDM.* Have had several prior assignments, including responsible for tax and accounting for the Pan-European Purchased Debt Operation at Intrum Justitia (2004–2008) and Partner at a medium-sized fiduciary company, member of the Board of Directors of several Swiss companies
**Dependence:** Dependent in relation to the Company and its principal owners as a major shareholder
**Shareholding (own and related party holdings) on 31 December 2014:** 1,692,490 shares

**FREDRIK WAKER** *Board member since 2013*
**Born:** 1966
**Nationality:** Swedish
**Education:** Master of Science in Business and Economics, Stockholm University
**Other current assignments:** Founder, owner and CEO of Wakers Consulting AB. Non-executive Director in private companies and in the Swedish industry association for accounting consultants
**Previous relevant experience:** A number of assignments as CFO in private as well as listed companies
**Dependence:** Dependent in relation to the Company and its principal owners as an owner of a related party*
**Shareholding (own and related party holdings) on 31 December 2014:** 0 shares

** Contract terminated per 31 December 2014.*

## AUDITOR

PricewaterhouseCoopers AG (Werftestrasse 3, CH-6002 Lucerne, Switzerland) is DDM Holding AG's auditor since its incorporation in 2010. Norbert Kühnis, born 1971, is the auditor in charge. Mr. Kühnis is a certified accountant and member of the Swiss Institute of Certified Accountants and Tax Experts.

# MANAGEMENT TEAM

**GUSTAV HULTGREN** *CEO of DDM*
**Born:** 1974
**Employed:** *2013*
**Nationality:** *Swedish*
**Education:** BA (Hons) International Business Administration, European Business School (EBS), London
**Other current assignments:** CEO of several DDM subsidiaries including DDM Treasury Sweden AB (publ)
**Prior assignments (last five years):** Creditexpress Ukraine LLC (CEO, 2006–2010), Gutrade LLC (CEO, 2011–2013)
**Shareholding (own and related party holdings) on 31 December 2014:** 225,000 shares

**FREDRIK OLSSON** *Chief Financial Officer*
**Born:** 1980
**Employed:** *2014*
**Nationality:** *Swedish*
**Education:** Bachelor's degree with major in accounting and finance from University of Lund, Sweden
**Other current assignments:** CFO of several DDM subsidiaries
**Prior assignments (last five years):** Finance Manager at LyondellBasell Industries NV, Head of Investor Relations and other management positions at Petroplus Marketing AG
**Shareholding (own and related party holdings) on 31 December 2014:** 90,000 shares

**KONSTANTINS BATRAKOVS** *Vice President, Head of Transactions*
**Born:** 1983
**Employed:** *2012*
**Nationality:** Latvian
**Education:** BSc in Business and Economics, Stockholm School of Economics in Riga, Latvia
**Other current assignments:** –
**Prior assignments (last five years):** Previously with Big 4 and regional private equity firms were working with financial, strategic and valuation advice to industry leading companies and financial institutions
**Shareholding (own and related party holdings) on 31 December 2014:** 0 shares

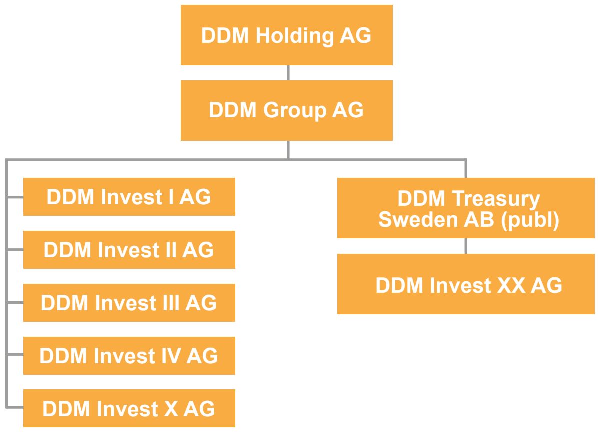
**COLIN JONES** *Vice President, Head of IT/Compliance*
**Born:** 1961
**Employed:** 2009
**Nationality:** British
**Education:** O-level (GCSE), Warlingham Secondary School
**Other current assignments:** –
**Prior assignments (last five years):** IT Director at Intrum Justitia Debt Finance
**Shareholding (own and related party holdings) on 31 December 2014:** 100,388 shares

**CSABA MONOKI** *Vice President, Head of Collections*
**Born:** 1975
**Employed:** 2014
**Nationality:** Hungarian
**Education:** Engineer in Economics, Szent Istvan University of Gyöngyös, Hungary
**Other current assignments:** –
**Prior assignments (last five years):** COO at Creditexpress Russia
**Shareholding (own and related party holdings) on 31 December 2014:** 0 shares

**DMITRY ZADVORNOV** *Vice President, Head of Origination*
**Born:** 1975
**Employed:** 2011
**Nationality:** Russian
**Education:** Legal (Chelyabinsk State University, 1997) and Financial (Plekhanov Russian Academy of Economics, 2001)
**Other current assignments:** –
**Prior assignments (last five years):** Business Development Director at EOS Russia, Head of Corporate Sales at Renaissance Credit bank
**Shareholding (own and related party holdings) on 31 December 2014:** 19,198 shares

**ALEXANDER ZWINGER** *Vice President, Head of Operations*
**Born:** 1974
**Employed:** 2009
**Nationality:** German
**Education:** Diploma in Economics with focus on Statistics & Empirical Analysis, University of Bielefeld, Germany
**Other current assignments:** –
**Prior assignments (last five years):** Portfolio Analyst at Aktiv Kapital GmbH.
**Shareholding (own and related party holdings) on 31 December 2014:** 31,500 shares

# CORPORATE GOVERNANCE




DDM Holding AG ("DDM" or the "Company") is a Swiss Company whose shares (the "DDM Shares") are admitted to trading on a multilateral trading facility, the Nasdaq First North in Stockholm, Sweden. Thus, the corporate governance of DDM is in line with the Swiss and the Swedish rules and regulations, such as the Swiss Code of Obligations (the "CO") and as further described below.

## General Framework

The aim of corporate governance is to ensure that DDM is managed as effectively as possible in the interest of its shareholders, but also in compliance with the rules required by legislators and the Nasdaq First North. This Corporate Governance report explains the principles of management and control at the highest level of the DDM group in accordance with the Swiss Code of Obligations. The information contained in this report for the financial year 2014 is valid as at 31 December 2014, unless stated otherwise. The principles and rules on corporate governance at the DDM group are laid down in the articles of association (the "Articles"), the Business Rules for the Board of Directors (the "Board Rules") and the regulations of the Board of Directors' committees.

## Planned Listing on the Main List of Nasdaq Stockholm.

DDM intends to list the DDM Shares on Nasdaq Stockholm. To that end, DDM's intention is to start applying the Swedish Code of Corporate Governance (Sv. Svensk kod för bolagsstyrning) (the "Code") to the extent not contrary to Swiss law. In addition, once listed, the Minder Ordinance must be implemented as described below. Concurrently with the listing, DDM intends to comply with principles and recommendations of the Swiss Code of Best Practice for Corporate Governance dated 25 March 2002 and 6 September 2007, making some adjustments and simplifications to suit its management and shareholder structure and its small size.

## Implementation of the Minder Ordinance

On 3 March 2013 the Swiss people voted to adopt the federal popular initiative "Against excessive salaries" *(Gegen die Abzockerei)*. The Swiss government (Federal Council) provisionally implemented the new constitutional article on 1 January 2014 by bringing the Ordinance Against Excessive Compensation at Listed Companies *(Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, the "VegüV")* into force. The VegüV only applies to companies listed on a regulated market. Given that Nasdaq First North in Stockholm is not a regulated market as defined in EU legislation, DDM has not implemented the VegüV yet, but has the intention to approve the necessary changes to the Articles in the nearest future.

## The Swedish Code of Corporate Governance

The Code applies to all Swedish companies with shares listed on the main market in Sweden and shall be fully applied at the first annual shareholders' meeting held during the year following main market listing. Although being a Swiss company and not listed in the main market yet, DDM has decided to observe applicable rules in the Code.

## Organization of the DDM Group

DDM is a company incorporated under Swiss law on 16 August 2010, with its legal seat in Baar, canton Zug, Switzerland.
DDM currently has eight subsidiaries, all of which are wholly-owned. DDM Treasury Sweden AB (publ) is the issuer of the corporate bond, issued in June 2013.

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

## Articles of Association

According to the Articles, the purpose of DDM Holding AG is to purchase, sell and manage participations in other companies, their administration and financing.

For further information see the Articles section on DDM's web site.

## Shareholders' Meetings

### General

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

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

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

## Right to attend shareholders' meetings

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

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

## Notice of shareholders' meetings and shareholder initiatives

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

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

## External auditor

The Annual General Meeting 2014 appointed Pricewaterhouse Coopers AG as the independent auditor until the Annual General Meeting 2015. Norbert Kühnis, born 1971, is the auditor in charge. Norbert Kühnis is a certified accountant and member of the Swiss Institute of Certified Accountants and Tax Experts.

## The Board of Directors

The composition of the Board of Directors is set out in section "Board of Directors" on page 29 in this Annual Report and the members of the Board are elected by the Shareholders' Meeting for a term of office expiring at the Annual General Meeting 2015.

According to DDM's Articles, the Board of Directors shall consist of one or more members. Re-election is permitted. The term of office of a member of the Board of Directors will, however, end irrevocably on the date of the Annual General Meeting following the 70th birthday of the particular member of the Board of Directors.

The Board of Directors constitutes itself, as set out in the Articles.
The Board of Directors has a Company Secretary that has the duties and competencies set out by Swiss law.

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

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

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

a) The ultimate management of the Company and the issuance of the necessary directives;
b) The establishment of the organization;
c) The structuring of the accounting system and of the financial controls as well as the financial planning insofar as this is necessary to manage the Company;
d) The appointment and removal of the persons entrusted with the management and representation of the Company;
e) The ultimate supervision of the persons entrusted with the management, in particular in relation to compliance with the law, the Articles, regulations, charters and directives;
f ) Preparation of the business report consisting of the annual financial statements and consolidated financial statements;
g) The preparation of the general meeting of shareholders of the Company and the implementation of its resolutions;
h) Notification to the judge in case of a capital loss ("Unterbilanz") of the Company and in case of over indebtedness ("Überschuldung"; art. 725-725a CO).
i) (As of business year 2015) Preparation of the remuneration report.

By Swiss law, the Board of Directors also has the following non-tranferable competencies: Decisions in connection with capital increases pursuant to art. 651a, 652g, 653g CO (acknowledgement of capital increase) and art. 651 IV CO (increase of share capital in the case of authorized capital); decisions pursuant to art. 634a I CO (shares not fully paid in) and resolutions pursuant to the Swiss Merger Act.
The Board of Directors held 18 meetings in 2014.

## Extraordinary General Meeting in 2014

An Extraordinary General Meeting was held on 12 November 2014 to appoint two new members of the Board of Directors. The meeting resolved to appoint Messrs. Torgny Hellström and Savvas Liasis as members of Board of Directors.

## Internal governance systems

The most important internal steering instrument consists of the Articles that are adopted by the general meeting of shareholders.
For the purpose of handling specific matters and exercising better supervision of DDM the Board of Directors established Audit Committee and Remuneration Committee in March 2015.

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

## Individual with an insider position

The members of the Board of Directors, the Management team, the Company's auditor, a number of employees/contract personnel in DDM and individuals with certain functions in the Company's subsidiaries, who have a position that can normally be assumed to provide access to non-published share price sensitive information, have been registered as insiders in DDM. These individuals are obligated to report changes in their holdings of financial instruments in DDM.

DDM upholds a logbook of individuals who are employed or contracted by the Company and have access to insider information relating to the company. These can include insiders, as well as other individuals who have insider information without being registered as insiders.

### BOARD OF DIRECTORS ATTENDANCE*

| Board of Directors | Attendance |
|---|---|
| Kent Hansson | 100% |
| Torgny Hellström** | 100% |
| Savvas Liasis** | 100% |
| Manuel Vogel | 100% |
| Fredrik Waker | 100% |

** Please refer to Note 27 for an overview of the Board of Directors' remuneration. For detailed overview of share ownership, please refer to page 29.*
*** Elected in November 2014*

# RISK MANAGEMENT

Investment in DDM shares is associated with a number of risks. Numerous factors affect or may affect our operations, both directly and indirectly. Risk factors and major circumstances deemed to be of importance for DDM's business and future development are described below in no particular order of priority and without claim to be exhaustive. Other risks as yet unknown to us, or which we at present deem to be insignificant, may in the future have a pronounced adverse effect on DDM's business, financial position or profits.

## Market, financial and business related risks

DDM's financial performance is affected by borrower credit quality which is influenced by general economic conditions.
Risks arising from changes in credit quality and the recoverability of loans are inherent in our business. Adverse changes in the credit quality of the debtors arising from a general deterioration in economic conditions or interest rates, unemployment or changes in house prices, could affect the recoverability and value of DDM's assets and require an increase in DDM's loan loss charge and other provisions in relation to acquired assets.

## Inability to collect debts

DDM may not be able to collect debts contained in its acquired portfolios. DDM acquires asset portfolios at a deep discount to face value and collects the outstanding debt. There is a risk that assets contained in our portfolios cannot eventually be collected by us or our partners. The risk in this business is that DDM upon acquisition would overestimate its ability to collect amounts or underestimate the costs of collection or misjudge whether the acquired assets are valid, existing and enforceable. If DDM were to become unable to collect the expected amounts contained in its portfolios, our operations, financial position and results may adversely impacted.

## The asset acquisition industry is competitive

DDM operates in a fragmented and highly competitive industry. Moreover, many larger sellers retain multiple debt management service providers which exposes DDM to continuous competition in order to remain a credible acquirer. There is a risk that we will not be able to compete successfully with its existing or future competitors, and a failure to do so may adversely impact our operations, financial position and results.

## Regulatory risk

Changes in the regulatory environment could affect the profitability of the industry. DDM could be affected by changes in legislation in each of the countries in which it is active, and on a European level. A more debtor-friendly legislation may adversely impact DDM's operations, financial position and results.

## Employees

Our future success depends largely on the skills, experience and commitment of our employees. Therefore it is important for DDM's future business activities and development that it is able to retain and, where necessary, also recruit skilled employees. If we should become unable to retain or recruit suitable employees it could adversely impact our operations, financial position and results.

## DDM may not be able to collect sufficient amounts on its asset portfolios to fund its operations

Because of the length of time involved in collecting non-performing debt on acquired asset portfolios, DDM may not be able to identify economic trends or make changes in its acquiring strategies in a timely manner. This could result in a loss of value in a portfolio after acquisition. Analytical models may not identify changes that originators make in the quality of the asset portfolios that they sell. If DDM overpays for asset portfolios, and thus the value of acquired assets and cash flows from operations are less than anticipated, it may have difficulty servicing its own debt obligations and may not be able to acquire new asset portfolios, and DDM's operations, financial position and results will be adversely impacted.

## There may not be a sufficient supply of assets, or appropriately priced assets, to acquire

The availability of asset portfolios at prices that generate profits depends on a number of factors, many of which are outside of our control. If originators choose to rely more heavily on collection agencies, there would be a reduction in the availability of assets that are early in the financial difficulty cycle and has had little or no exposure to collection activity. These "fresher" assets typically have higher collection expectations. If originators were to perform more of their own collections, or were to further outsource collections to collection agencies, the volume of asset sales or the quality of assets sold could decrease and consequently, we may not be able to buy the type and quantity of assets at prices consistent with its historic return targets. If we are unable to acquire non-performing asset portfolios from originators at appropriate prices, or if one or more originators stop or decrease their sale of non-performing asset portfolios, we could lose a potential source of income and its business may be harmed. If DDM does not continually replace serviced asset portfolios with additional portfolios, its operations, financial position and results will be adversely impacted.

## It can take several years to realise cash returns on investments in asset portfolios

It is not unusual to take several years for entities of DDM to recoup the original acquisition price of investment in asset portfolios after taking into consideration direct and indirect operating costs, financing costs, taxes and other factors. During this period, significant changes may occur in the economy, the regulatory environment or DDM's business or markets, which could lead to a substantial reduction in expected returns or reduce the value of the asset portfolios that have been acquired.

## The seasonality of the Group's business may lead to volatility in cash flow

DDM's business depends on the ability to collect on asset portfolios. Collections within portfolios tend to be seasonal. Conversely, collections within portfolios tend to be lower in months where there are fewer working days, for example months with public holidays. Operating expenses are higher following months where there are more volumes of accounts acquired. Furthermore, the acquisition of asset portfolios is likely to be uneven over the course of a year due to the fluctuating supply and demand within the market. The combination of seasonal collections and uneven servicing costs and acquisitions of asset portfolios may result in low cash flow at a time when portfolios appropriate for acquisition become available. A lack of cash flow could prevent DDM from acquiring asset portfolios that it would otherwise acquire as they become available, which could adversely impact the DDM's operations, financial position and results.

## DDM is subject to fluctuations in foreign exchange rates

DDM's income from its portfolios is denominated mainly in Romanian leu, Russian roubles, and euro while we report the financial results in euro. Further, we acquire portfolios with accounts denominated in mainly Romanian leu, Russian roubles and euro and will service these accounts through the placement and collections process. Also, DDM is to a large extent funded by notes issued in Swedish krona. DDM may further be exposed to additional currencies as a consequence of geographically expanding its business operations. Any change in the exchange rate between these currencies will affect our Financial Statements when the results of its portfolios are translated into euro for reporting purposes. The exchange rate between these currencies may fluctuate substantially, which could materially and adversely affect DDM's financial condition, financial returns and results of operations.

## Negative attention and news regarding the collection industry, individual debt collectors and sellers of portfolios may have a negative impact on a debtor's willingness to pay debt owed to DDM

Consumers may become more reluctant to pay their debts in full or at all or more willing to pursue legal actions against DDM. Print and television media, from time to time, may publish stories about the collection or asset acquisition industry that may cite specific examples of real or perceived abusive collection practices. These stories can be published on websites, which can lead to the rapid dissemination of the story and increase the exposure to negative publicity about DDM or the industry. Consumers may publish their concerns about the activities of debt collectors and financial institutions and seek guidance from other website posters on how to handle the situation. These websites are increasingly providing consumers with legal forms and other strategies to protest collection efforts and to try to avoid their obligations. To the extent that these forms and strategies are based upon erroneous legal information, the cost of collections is increased. As a result of this negative publicity, debtors may be more reluctant to pay their debts or could pursue legal action against DDM regardless of whether those actions are warranted. These actions could impact our ability to collect on the assets it acquire and materially and adversely affect our financial condition, financial returns and results of operations.

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

In the normal course of our portfolio acquisitions, some assets may be included in the portfolios that fail to conform to the terms of the acquisition agreements and we may seek to return these assets to the seller for reduction or replacement of new cases. However, we cannot guarantee that the provisions of the relevant acquisition agreement allow for such returns, that the seller will be able to meet its obligations or that DDM will identify non-conforming accounts soon enough to qualify for recourse. Each acquisition agreement specifies which accounts are eligible and which are not. Accounts that would be eligible for recourse if discovered in a timely fashion but that we are unable to return to sellers are likely to yield no return. If we acquire portfolios containing too many accounts that do not conform to the terms of the acquisition agreements or contain accounts that are otherwise uncollectible, it may be unable to recover a sufficient amount and the portfolio acquisition could be unprofitable, which would have a material adverse effect on its financial condition, financial returns and results of operations. In addition, because of fraud by a seller or by one of DDM's employees, DDM could acquire so-called "phantom portfolios" that have been sold to more than one person or where the assets are not valid, existing and enforceable or the debtor is not an existing person. DDM would not be able to collect on a portfolio to which someone else held legal ownership, or would need to spend time and resources establishing its own legal ownership of the portfolio if such ownership was unclear. The internal controls DDM has in place to detect such types of fraud may fail. If DDM is the victim of fraud, it could lose cash or reduce its collections, in either case potentially adversely impacting the DDM's operations, financial position and results.

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

DDM recovers on assets that become subject to insolvency procedures under applicable laws, and it also acquires accounts that are currently subject to insolvency proceedings. Various economic trends and potential changes to existing legislation may contribute to an increase in the number of consumers subject to personal insolvency procedures. Under some insolvency procedures a person's assets may be sold to repay creditors, but since the non-performing assets are generally unsecured, DDM often would not be able to collect on those assets. DDM's ability to successfully collect on its asset portfolios may decline with an increase in personal insolvency procedures or a change in insolvency laws, regulations, practices or procedures. If its actual collections with respect to a non-performing asset portfolio are significantly lower than projected when DDM acquired the portfolio, its financial condition, financial returns and results of operations could be adversely affected.

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

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

## Refinancing risk

DDM's business is to a large extent funded by notes with final maturity in 2016. The notes may, however, under certain circumstances be redeemed by DDM or accelerated by the noteholders prior to such final maturity. There is not necessarily any correlation in time between collecting on sufficient assets under DDM's asset portfolios and the maturity of DDM's funding. Therefore, DDM is dependent on the ability to refinance borrowings upon their maturity and there is a risk that DDM will not be able to successfully refinance the notes upon maturity or only succeeds in funding at substantially increased costs, which may have an adverse impact on DDM's business, financial position and profits.

## Tax related risks

DDM manages its operations in a number of countries. The business, including transactions between DDM companies, is operated according to DDM's understanding or interpretation of current tax laws, tax treaties and other tax law stipulations and in accordance with DDM's understanding and interpretation of the requirements of the tax authorities concerned. However, it cannot be ruled out that DDM's understanding or interpretation of the above mentioned laws, treaties and other regulations is not correct in every aspect. Nor can it be ruled out that the tax authorities of the countries concerned will make assessments and take decisions which deviate from DDM's understanding or interpretation of the abovementioned laws, treaties and other regulations. DDM's tax position both for previous years and the present year may change as a result of the decisions of the tax authorities concerned or as a result of changed laws, treaties and other regulations. Such decisions or changes, possibly retroactive, may have an adverse impact on DDM's business, financial position and profits in the future.

# DDM IN FIGURES

# THE BOARD OF DIRECTORS OF DDM HOLDING AG IS PLEASED TO PRESENT THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014

This report is dated 28 April 2015 and is signed on behalf of the Board of DDM Holding AG by

Kent Hansson
*Chairman*

Gustav Hultgren
*Chief Executive Officer*

*Please not that all reported amounts in this report are in euro. The notes on pages 43 to 70 are an integral part of these consolidated financial statements.*

# FINANCIAL STATEMENTS AND NOTES

## DDM HOLDING GROUP



## DDM HOLDING AG

## CONSOLIDATED INCOME STATEMENT

| For the year ended 31 December<br>Amounts in EUR | Notes | 2014 | 2013 |
|---|---|---|---|
| **Income from distressed asset portfolios** | **6, 7** | **5,222,058** | **2,239,255** |
| *Income from distressed asset reconciliation:* | | | |
| *Net collection from distressed asset portfolios* | | *14,686,677* | *9,608,894* |
| *Decrease of the book value of the portfolios in the period before revaluation and impairment* | | *(10,600,351)* | *(6,259,561)* |
| *Revaluation of distressed asset portfolios* | | *1,135,732* | *(1,110,078)* |
| | | | |
| Personnel expenses | 8 | (2,704,569) | (2,203,171) |
| Consulting expenses | 9 | (1,214,529) | (715,439) |
| Other operating expenses | 10 | (880,781) | (1,180,721) |
| Other operating income | 10 | 1,553,271 | – |
| Amortization and depreciation of tangible and intangible assets | | (146,955) | (131,046) |
| **Operating profit / (loss)** | | **1,828,495** | **(1,991,122)** |
| | | | |
| Financial income | 11 | 8,331 | 2,224 |
| Financial expenses | 11 | (5,902,204) | (3,287,935) |
| Unrealized exchange profit / (loss) | 11 | (2,070,347) | (792,506) |
| Realized exchange profit / (loss) | 11 | (282,773) | 2,003 |
| **Net financial income / (expenses)** | | **(8,246,993)** | **(4,076,214)** |
| **Profit / (loss) before income tax** | | **(6,418,498)** | **(6,067,336)** |
| | | | |
| Taxes income / (expenses) | 12 | 64,244 | (291,750) |
| **Profit / (loss) for the year** | | **(6,354,254)** | **(6,359,086)** |
| | | | |
| *Of which attributable to:* | | | |
| Parent Company shareholders | | (6,354,254) | (6,359,086) |
| | | | |
| Earnings per share before and after dilution | 13 | (1.14) | (6.74) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| For the year ended 31 December<br>Amounts in EUR | 2014 | 2013 |
|---|---|---|
| **Profit / (loss) for the period** | **(6,354,254)** | **(6,359,086)** |
| | | |
| **Other comprehensive income for the period** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| The actuarial gain / (loss) on the defined benefit commitment (Pension) | (101,483) | 71,416 |
| Deferred tax assets on post benefit commitment | 14,526 | (2,562) |
| *Items that may subsequently reclassified to profit or loss:* | | |
| Currency translation differences | (144,888) | (53,542) |
| | | |
| **Other comprehensive income for the period, net of tax** | **(231,844)** | **15,312** |
| **Total comprehensive income for the period** | **(6,586,099)** | **(6,343,774)** |
| | | |
| Profit attributable to owners of the Parent Company | (6,586,099) | (6,343,774) |

*The notes on pages 43 to 70 are an integral part of these consolidated financial statements.*

CONTENTS



## CONSOLIDATED BALANCE SHEET

| As at 31 December<br>Amounts in EUR | Notes | 2014 | 2013 | As at<br>1 January 2013 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| *Non-current assets* | | | | |
| Goodwill | 19 | 4,160,491 | 4,160,491 | 4,160,491 |
| Intangible assets | 20 | 1,837,778 | 1,684,831 | 1,275,530 |
| Tangible assets | 18 | 21,278 | 35,001 | 59,191 |
| Loans to shareholders | 16 | – | 12,556 | 486,340 |
| Distressed asset portfolios | 16, 17 | 34,242,475 | 28,113,610 | 19,355,670 |
| Deferred tax assets | 24 | 130,125 | 19,910 | 22,472 |
| **Total non-current assets** | | **40,392,147** | **34,026,399** | **25,359,694** |
| *Current assets* | | | | |
| Accounts receivable | 15 | 3,744,399 | 1,328,809 | 390,366 |
| Other receivables | 15 | 324,853 | 38,476 | 14,858 |
| Prepaid expenses and accrued income | 15 | 505,119 | 746,473 | 887,379 |
| Cash and cash equivalents | 14 | 9,000,971 | 14,164,884 | 992,468 |
| **Total current assets** | | **13,575,342** | **16,278,642** | **2,285,071** |
| **TOTAL ASSETS** | | **53,967,489** | **50,305,041** | **27,644,765** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | | |
| *Shareholders' equity* | | | | |
| Share capital | 26 | 5,785,676 | 3,645,512 | 184,420 |
| Share premium | 26 | 10,777,630 | – | – |
| Other reserves | 26 | (194,061) | 37,784 | 22,472 |
| Retained earnings including net earnings for the year | | (9,583,258) | (3,229,005) | 3,130,081 |
| **Total shareholders' equity attributable to Parent Company's shareholders** | | **6,785,987** | **454,291** | **3,336,973** |
| *Long-term liabilities* | | | | |
| Loans | 22 | 37,281,679 | 45,021,449 | 9,383,310 |
| Post-employment benefit commitments | 23 | 344,363 | 199,100 | 224,720 |
| Deferred tax liabilities | 24 | 68,860 | 8,947 | 54,151 |
| **Total long-term liabilities** | | **37,694,902** | **45,229,496** | **9,662,181** |
| *Current liabilities* | | | | |
| Liabilities to credit institutions (bank overdrafts) | 21 | 823 | 39,813 | 97,003 |
| Accounts payable | 21 | 5,248,946 | 488,304 | 844,325 |
| Accrued interest | 21 | 2,363,885 | 1,996,462 | 135,192 |
| Accrued expenses and prepaid income | 21 | 1,872,946 | 1,996,675 | 1,792,283 |
| Loans | 21 | – | 100,000 | 11,776,808 |
| **Total current liabilities** | | **9,486,600** | **4,621,254** | **14,645,611** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **53,967,489** | **50,305,041** | **27,644,765** |

*The notes on pages 43 to 70 are an integral part of these consolidated financial statements.*

## CONSOLIDATED CASH FLOW STATEMENT

| For the year ended 31 December<br>Amounts in EUR | Notes | 2014 | 2013 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Operating profit / (loss) | | 1,828,494 | (1,991,122) |
| *Adjustments for non-cash items:* | | | |
| - Amortization of distressed asset portfolios | 6, 17 | 10,600,351 | 6,259,561 |
| - Depreciation, amortization and impairment of tangible and intangible assets | 18, 20 | 146,955 | 131,046 |
| - Revaluation of distressed asset portfolios | 17 | (1,135,732) | 1,110,078 |
| - Other items not affecting cash | | (72,638) | (344,701) |
| Interest paid | | (7,925,807) | (3,554,839) |
| Interest received | | 375,754 | 1,863,495 |
| **Cash flow from operating activities before working capital changes** | | **3,817,377** | **5,464,640** |
| **Working capital adjustments** | | | |
| Increase / (decrease) in accounts receivable | | (2,415,590) | (938,443) |
| Increase / (decrease) in other receivables | | (45,024) | 117,288 |
| Increase / (decrease) in accounts payables | | 4,743,274 | (385,371) |
| Increase / decrease in other current liabilities | | (106,361) | 233,738 |
| **Net cash flow from operating activities** | | **5,993,676** | **4,491,852** |
| **Cash flow from investing activities** | | | |
| Purchases of distressed asset portfolios | 17 | (15,593,485) | (16,127,579) |
| Purchases of tangible and intangible assets | 18, 20 | (286,179) | (516,156) |
| **Net cash flow received / (used) in investing activities** | | **(15,879,664)** | **(16,643,735)** |
| **Cash flow from financing activities** | | | |
| Proceeds from issuance of ordinary shares | 26 | 2,140,164 | 3,461,092 |
| Share premium | 26 | 10,777,630 | — |
| Loan proceeds | 22 | 12,556 | 36,190,612 |
| Loan paid | 22 | (7,839,769) | (11,755,497) |
| **Net cash flow received / (used) in financing activities** | | **5,090,581** | **27,896,208** |
| **Cash flow for the period** | | **(4,795,405)** | **13,753,202** |
| **Cash and cash equivalents less bank overdrafts at beginning of period** | **14** | **14,125,071** | **895,465** |
| Exchange gains / (losses) on cash and cash equivalents | | (329,518) | (523,596) |
| **Cash and cash equivalents less bank overdrafts at end of period** | **14** | **9,000,148** | **14,125,071** |

*The notes on pages 43 to 70 are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Amounts in EUR | Notes | Share capital | Share premium | Retained earnings | Reserves | Total equity |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2013** | | **184,420** | **–** | **3,130,081** | **22,472** | **3,336,973** |
| ***Comprehensive income*** | | | | | | |
| Profit / (loss) for the period | | – | – | (6,359,086) | – | **(6,359,086)** |
| ***Other comprehensive income*** | | | | | | |
| Actuarial gain on defined benefit commitment | 23 | – | – | – | 71,416 | **71,416** |
| Currency translation differences | | – | – | – | (53,542) | **(53,542)** |
| Deferred tax assets | 23, 24 | – | – | – | (2,562) | **(2,562)** |
| **Total comprehensive income** | | **–** | **–** | **(6,359,086)** | **15,312** | **(6,343,774)** |
| *Transactions with owners* | | | | | | |
| New share issue | 26 | 3,461,092 | – | – | – | **3,461,092** |
| **Total transactions with owners** | | **3,461,092** | **–** | **–** | **–** | **3,461,092** |
| **Balance at 31 December 2013** | | **3,645,512** | **–** | **(3,229,005)** | **37,784** | **454,291** |
| **Balance at 1 January 2014** | | **3,645,512** | **–** | **(3,229,005)** | **37,784** | **454,291** |
| ***Comprehensive income*** | | | | | | |
| Profit / (loss) for the period | | – | – | (6,354,254) | – | **(6,354,254)** |
| *Other comprehensive income* | | | | | | |
| Actuarial gain on defined benefit commitment | 23 | – | – | – | (101,483) | **(101,483)** |
| Currency translation differences | | – | – | – | (144,888) | **(144,888)** |
| Deferred tax assets | 23 | – | – | – | 14,526 | **14,526** |
| **Total comprehensive income** | | **–** | **–** | **(6,354,254)** | **(231,844)** | **(6,586,099)** |
| *Transactions with owners* | | | | | | |
| New share issue | 26 | 2,140,164 | 10,777,630 | – | – | **12,917,794** |
| **Total transactions with owners** | | **2,140,164** | **10,777,630** | **–** | **–** | **12,917,794** |
| **Balance at 31 December 2014** | | **5,785,676** | **10,777,630** | **(9,583,258)** | **(194,061)** | **6,785,987** |

*The notes on pages 43 to 70 are an integral part of these consolidated financial statements.*

## NOTE 1. GENERAL INFORMATION

DDM Holding AG and its subsidiaries (together "DDM" or the "Company") is an investor in portfolios of distressed assets. The Company is based in the canton of Zug in Switzerland where its staff is located. However DDM's customer base consists primarily of International banks with lending operations in Eastern Europe and the majority of the portfolios in which DDM has invested originate in Romania, Poland, Russia, Czech Republic, Slovakia and Slovenia. The address of DDM's registered office is Schochenmühlestrasse 4, CH-6340 Baar, Switzerland. The Company was founded in 2007 and is listed on Nasdaq First North Stockholm, under the ticker DDM.

These financial statements were authorized for publication by the Board of Directors on 28 April 2015.

## NOTE 2. BASIS FOR PREPARATION AND ADOPTION OF IFRS

Previously the consolidated financial statements of DDM Holding AG were prepared in compliance with the Swiss Code of Obligation ("CO") and were prepared on a historical cost basis. Accordingly these are the Company's first annual consolidated financial statements to be prepared in accordance with IFRS as issued by the IASB and as adopted by the European Union. The financial statements have been prepared on the basis of historical cost modified with the revaluation of financial assets and financial liabilities at fair value through profit or loss. Distressed asset portfolio are measured at amortized cost using the effective interest rate method less impairment.

Subject to certain transitional elections and exceptions as detailed in Note 29 the Company has consistently applied the accounting policies, as they stood on 31 December 2014. These policies were applied in the preparation of the opening IFRS Balance Sheet for 1 January 2013 and for all of the presented as if these policies had always been in effect. Note 29 describes the impact of the transition to IFRS on the Company's reported financial position and financial performance including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended 31 December 2013 (which were prepared under Swiss CO).

## NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Basis of measurement**

The consolidated financial statements have been prepared on the basis of historical cost, except for distressed asset portfolios which are measured at amortized cost using the effective interest method less impairment, and financial assets and financial liabilities, which are recognized at fair value through profit or loss.

**Consolidation**

The financial statements consolidate the accounts of DDM Holding AG and its subsidiaries. Subsidiaries are those entities (including special purpose entities) which DDM Holding AG controls by governing their financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by DDM Holding AG and are de-consolidated from the date on which control ceases. Intercompany transactions balances, income and expenses and profits and losses are eliminated.

| Entities included in the scope of consolidation | Consolidation method | Domicile | 31 Dec 2014 | 31 Dec 2013 | 1 Jan 2013 |
|---|---|---|---|---|---|
| DDM Group AG | Fully consolidated | Switzerland | (100%) | (100%) | (100%) |
| DDM Invest I AG | Fully consolidated | Switzerland | (100%) | (100%) | (100%) |
| DDM Invest II AG | Fully consolidated | Switzerland | (100%) | (100%) | (100%) |
| DDM Invest III AG | Fully consolidated | Switzerland | (100%) | (100%) | (100%) |
| DDM Invest IV AG | Fully consolidated | Switzerland | (100%) | (100%) | (100%) |
| DDM Invest X AG | Fully consolidated | Switzerland | (100%) | (100%) | (100%) |
| DDM Invest XX AG | Fully consolidated | Switzerland | (100%) | (100%) | n/a |
| DDM Treasury Sweden AB | Fully consolidated | Sweden | (100%) | (100%) | n/a |

**Segment reporting**

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

**Foreign currency translation**

(i) Functional and presentation currency
Items included in the financial statements of each consolidated entity in DDM Holding AG are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of DDM Holding AG is the euro. The consolidated financial statements are presented in ("EUR") which is the Group's presentation currency. 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 changes are recognized in other comprehensive income as cumulative translation adjustments.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction dates. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entities' functional currency are recognized in the Income Statement in "finance result".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

The following exchange rates were applied:

| Exchange rates | | 31 Dec 2014 | 31 Dec 2013 | 1 Jan 2013 |
|---|---|---|---|---|
| Balance sheet (spot rate balance sheet date) | SEK/EUR | 0.1055 | 0.1121 | 0.1160 |
| Income statement (average rate) | SEK/EUR | 0.1082 | 0.1130 | n/a |
| Balance sheet (spot rate balance sheet date) | RUB/EUR | 0.0145 | 0.0221 | 0.0248 |
| Income statement (average rate) | RUB/EUR | 0.0175 | 0.0236 | n/a |
| Balance sheet (spot rate balance sheet date) | RON/EUR | 0.2235 | 0.2238 | 0.2252 |
| Income statement (average rate) | RON/EUR | 0.2260 | 0.2261 | n/a |

**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 separate under liabilities and presented as "Liabilities to credit institutions". Please see Note 14.

**Financial instruments**

In line with IAS 39 "Financial Instruments: recognition and measurement", financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has, to 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.

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

**Classification, recognition and measurement**
At initial recognition the Company classifies its financial instruments in the following categories:

(i) Financial assets and liabilities at fair value through profit or loss
A financial asset or liability is classified in this category if acquired principally for the purpose of being sold or repurchased in the short-term. Derivatives are also included in this category unless they are designated as hedges. Currently the Company has no financial assets of this kind.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated Income Statement. Gains and losses arising from changes in fair value are presented in the consolidated Income Statement under “Other operating income” or “Other operating expenses” in the period in which they arise. Non-derivative financial assets and liabilities at fair value through profit or loss are classified as current except for those expected to be realized or paid beyond twelve months from the balance sheet date which are classified as long-term. Interest swaps and warrants are classified as current.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. The Company’s loans and receivables comprise trade receivables and cash and cash equivalents and are included in current assets due to their short-term nature. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Please see Note 5 for further details. Distressed asset portfolio measured at amortized cost using the effective interest method less impairment consist of consumer loans including car loans, cash loans, and etc.

**Offsetting financial instruments**
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

**Impairment of financial assets**
On each reporting date the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired. The objective criteria used to determine impairment include:

a) significant 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.

For equity securities a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets is impaired.

If such evidence exists the Company recognizes an impairment loss as follows:
Financial assets carried at amortized cost
The loss is the difference between the amortized cost of the asset and the present value of the estimated future cash flows discounted using the instrument’s original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

**Distressed asset portfolios**
Distressed asset portfolios are purchased at prices significantly below the nominal amount of the component receivables. The Company determines the carrying value by calculating the present value of estimated future cash flows of each investment using its effective interest rate at initial recognition by DDM. The original effective interest rate is determined on the date the portfolio was acquired based on the relation between the cost of the portfolio and the projected future cash flows as per the acquisition date. Changes in the carrying value of the portfolios include interest income for the period as well as changes to the estimated projected future cash flows and are recognized in the Income Statement under “Income from distressed asset portfolios”.

Cash flow projections are made at the portfolio level since each portfolio 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 net “income from distressed asset portfolios” (Revaluation of distressed asset portfolios).

On each reporting date the Company assesses whether there is objective evidence that a portfolio is impaired. A portfolio is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the portfolio that can be estimated reliably.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized the reversal of the previously recognized impairment loss is recognized in the consolidated income statement (within the line “Income from distressed asset portfolios”).

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

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

| | |
|---|---|
| Furniture | 5 years |
| IT-infrastructure | 5 years |

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

**Intangible assets**

(i) Identifiable intangible assets
The Company’s identifiable intangible assets are stated at cost less accumulated amortization and include the “Fusion” computer software that was developed in-house and that has a finite useful life. “Fusion” is the proprietary IT system that integrates investment data, case data, payment data and activity data into one effective and comprehensive IT system. This asset is capitalized and amortized on a straight-line basis in the Income Statement over its expected useful of 20 years.

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

**Impairment of non-financial assets**
Goodwill is reviewed for impairment annually or at any time if an indication of impairment exists. Management monitors goodwill for internal purposes based on its Cash Generated Units (“CGU”) which are its operating segment. The Company evaluates impairment losses other than goodwill impairment for potential reversals when events or circumstances warrant such consideration. Accordingly goodwill is assessed for impairment together with the assets and liabilities of the related segment. The Company has only one CGU, which corresponds to the activities of the entire group.

Tangible and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or “CGUs”). The recoverable amount is an asset’s fair value less costs to sell or its value in use (being the present value of the expected future cash flows of the relevant asset or CGU as determined by management), whichever is higher.

**Employee benefits**

(i) Post-employment benefit commitments
Employees of companies included in these consolidated financial statements have entitlements under the Company's pension plans which are either defined contribution or defined benefit pension plans. For defined benefit plans the level of benefit provided is based on the length of service and the earnings of the individual concerned.

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

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

**Provisions**

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

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

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

**Borrowings**

Borrowings from credit institutions and other long-term payables are initially reported at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is reported in the income statement over the period of the borrowings, using the effective interest method.

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

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

**Current and deferred income tax**

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

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. In general deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except in the case of subsidiaries where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will be reversed in the foreseeable future. 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 income tax assets and liabilities are presented as non-current.

**Revenue**

Revenue from distressed assets collection is the result from the application of amortized cost method (please see Note 5 and Note 6). Under IFRS revenue is recognized only when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

**Share capital**

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

**Dividends**

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

**Earnings per share**

Basic earnings per share are computed by dividing the net income attributable to the owners of the Parent Company by the weighted average number of common shares outstanding during the period.

Diluted earnings per share are computed by dividing adjusted net income attributable to the owners of the Parent Company by the weighted average number of common shares outstanding during the period adjusted to include any potential dilutive common shares.

**Accounting standards and amendments issued and adopted in 2014**

Below is a list of standards/interpretations that have been issued and are effective for periods beginning on, or after, 1 January 2014:

(i) Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities
These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make. Effective date: 1 January 2014.

(ii) Amendment to IAS 32 "Financial instruments: Presentation" on asset and liability offsetting
These amendments are to the application guidance in IAS 32 "Financial instruments: Presentation" and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Effective date: 1 January 2014.

(iii) Amendment to IAS 36 "Impairment of assets" on recoverable amount disclosures
This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Effective date: 1 January 2014.

(iv) Amendment to IAS 39 "Financial instruments: recognition and measurement" on novation of derivatives
This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. Effective date: 1 January 2014.

(v) IFRIC 21 'Levies' This is an interpretation of IAS 37 "Provisions contingent liabilities and contingent assets"
IAS 37 sets out criteria for the recognition of a liability one of which is the requirement for the entity to have a present commitment as a result of a past event (known as an obligating event). The interpretation addresses what the commitment event is that gives rise to the payment of a levy and when a liability should be recognized. Effective date: 1 January 2014.

The standards and amendments listed have been applied in the opening IFRS balance sheet and throughout all periods presented in the Company's first IFRS financial statements.

**Accounting standards and amendments issued but not yet adopted in 2014**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company except the following set out below:

IFRS 9 “Financial instruments” addresses the classification measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 by the IASB but is not yet adopted by the EU. The standard is effective for accounting periods beginning on, or after, 1 January 2018, but has not been endorsed yet by the European Union. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost fair value through Other comprehensive income and fair value through the Income Statement.

The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through the Income Statement with the irrevocable option at inception to present changes in fair value in Other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company has yet to assess IFRS 9’s full impact.

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

## NOTE 4. FINANCIAL RISK MANAGEMENT

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

The Company defines risk as all factors which could have a negative impact on the ability of the Company to achieve its business objectives. All business activity is associated with risk. In order to manage risk in a balanced way it must first be identified and assessed. The Company’s risk management is conducted by employees and management at the Company, and risk evaluated at systematic level. The following summary offers the main risk factors which are considered especially important for the Company’s future development.

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

(i) Economic fluctuations

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

(ii) Changes in regulations

With regard to risks associated with changes in regulations in its markets the Company continuously monitors the regulatory efforts to be able to indicate potentially negative effects and to work for favorable regulatory changes. Changes in regulations can lead to a short-term impact on the results, like a deferred collections. However, long-term the operations are adapted to the new circumstances.

(iii) Market risks

Market risks consist of risks related to changes in exchange rates and interest rate levels. The Company’s financing and financial risks are managed in accordance with the policy established by the Board of Directors. The policy contains rules for managing activities delegating responsibility measuring identifying and reporting risks and limiting these risks. Operations are concentrated to the company in Switzerland and ensure economies of scale when pricing financial transactions. In each country where the Company invests revenues and most operating expenses are denominated in local currencies. Revenues and expenses in national currency are thereby hedged in a natural way which limits transaction exposure. When the balance sheet positions denominated in foreign currencies are recalculated to the foreign operations functional currency a translation exposure arise that affects investor value.

Interest rate risks relate primarily to the Company’s interest-bearing debt, which consist of long-term bond (13% interest rate) and long-term bond (18% interest rate). The loan rate is tied to the market rate.

(iv) Liquidity risks

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

(v) Credit risks

As part of its normal operations the Company incurs outlays for letter costs, court expenses, legal representation, bailiffs and similar outlays that are necessary for collection to be conducted. In certain cases these outlays can be passed on to and collected from debtors. In its general course of business the Company’s selected debt collection partners collect funds to specially created accounts before passing the amounts back to the Company. Amounts expected to be recovered from a solvent counterparty are recognized as assets in the balance sheet.

(vi) Risks inherent in purchased distressed asset portfolios

To minimize the risks in this business caution is exercised in investment decisions. The focus is on small and medium sized portfolios with relatively low average amounts to help spread risks. Purchases are usually made from clients with whom the Company has maintained long-term relationships and therefore has a thorough understanding of the receivables in question. The acquisitions primarily involve unsecured debt which reduces the capital investment and significantly simplifies administration compared with collateralized receivables. Purchased debt portfolios are usually purchased at prices significantly below the nominal value of the receivables and DDM Holding AG retains the entire amount it collects including interest and fees after deducting costs directly relating to debt collection.

The Company places return requirements on purchased distressed asset portfolios. Before every acquisition a careful assessment is made based on a projection of future cash flows (collected amounts) from the portfolio. In its calculations, the Company is aided by its long experience in collection management and its scoring models. Scoring entails the individual consumer’s payment capacity being assessed with the aid of statistical analysis as well as suggesting the actions needed to achieve optimal returns. The Company therefore believes that it has the expertise required to evaluate these types of distressed assets. To facilitate the purchase of larger portfolios at attractive risk levels, the Company works in cooperation with other institutions and shares the equity investment and profits. Risks are further diversified by acquiring distressed assets from clients in different sectors and different countries.

(vii) Financing risk

DDM Holding AG and its subsidiaries contain a number of financial covenants, including limits on certain financial indicators. The Company’s management carefully monitors these key financial indicators so that it can quickly take measures if there is a risk that one or more limits may be exceeded.

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

(viii) Capital management

The Company's objectives when managing capital, which correspond to consolidated equity are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio.

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

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

**Revenue recognition and measurement of acquired portfolios**

Purchased loan portfolios are financial instruments that are accounted for under IAS 39 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 purchased loan portfolio and of allocating interest income over the expressed life of the portfolio; the allocated interest income is recorded as income from purchased loan portfolios, which is part of net collections, 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 asset. The EIR is determined as at the time of purchase of the loan portfolio and then reassessed and adjusted after the purchase of the loan portfolio to reflect refinements made to estimates of future cash flows based on enhanced data and analysis present at the time of portfolio acquisition. This adjustment has historically not resulted in any material impact on income from purchased loan portfolios. When an individual portfolio's carrying value is completely recovered, we recognize any subsequent collections as revenue as it is received. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy.

Upward revaluations are recognized as revenue. Subsequent reversals of such upward revaluations are recorded in the revenue line. If such reversals exceed cumulative revenue recognized to date, a provision for impairment is recognized which is reflected as a separate income statement line item.

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecasted portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. Where portfolios have been newly acquired, the Company identifies an incubation period, during which time the portfolio is reviewed for which the EIR is not formally set. 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 and are based on our collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, type of receivable, customer payment histories, customer location, and the time since the original charge-off. Revaluations of portfolios 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 value of our purchased loan portfolios at a point in time.

The Company estimates that a continuous decrease of net collections by 10% would result in a 10% decrease of the net present value, or book value, assuming that the forecasted collection curve 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.

## NOTE 6. DISTRIBUTION OF INCOME FROM DISTRESSED ASSET PORTFOLIOS

Income from distressed asset portfolios is the net amount of the cash collection from distressed debt portfolios at the collected amount (net of direct collection costs), the decrease of the book value of the portfolio in the period, revaluation and impairment.

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Net collection from distressed asset portfolios | 14,686,677 | 9,608,894 |
| Decrease of the book value of the portfolios in the period before revaluation and impairment | (10,600,351) | (6,259,561) |
| **Interest income from distressed asset portfolios** | **4,086,326** | **3,349,333** |
| Revaluation of distressed asset portfolios | 1,135,732 | (1,110,078) |
| **Income from distressed asset portfolios** | **5,222,058** | **2,239,255** |

## NOTE 7. SEGMENT INFORMATION

The Company represents a single reportable segment, which consist of one operating segment. The operational and investing activities of the Company are not divided according to geographical regions. The relevant reporting to allocate resources and assess the performance of the Company received on a regular basis by the Chief Operating Decision Maker ("CODM") is based on information consistent with the IFRS reporting. The CODM is considered to be the Board of Directors collectively. Collection information is available for each portfolio and every country where the company acquired the distressed assets portfolios. Below the table presented the overview of income from distressed asset portfolios by currency and by country. The majority of its operation derives revenue from distressed assets portfolio acquired in Romania.

| | | | EUR | |
|---|---|---|---|---|
| **Country** | **Currency** | | **31 December 2014** | **31 December 2013** |
| Czech Republic | CZK | Income from distressed asset portfolios | 205,983 | (59,440) |
| ***Czech Republic – income from distressed asset portfolios total*** | | | ***205,983*** | ***(59,440)*** |
| Macedonia | MKD | Income from distressed asset portfolios | (4,608) | 370 |
| ***Macedonia – income from distressed asset portfolios total*** | | | ***(4,608)*** | ***370*** |
| Poland | PLN | Income from distressed asset portfolios | 184,756 | – |
| ***Poland – income from distressed asset portfolios total*** | | | ***184,756*** | – |
| Romania | EUR | Income from distressed asset portfolios | 4,326,860 | 1,658,410 |
| | RON | Income from distressed asset portfolios | 1,462,690 | 881,404 |
| | USD | Income from distressed asset portfolios | (31,237) | 5,855 |
| ***Romania – income from distressed asset portfolios total*** | | | ***5,758,313*** | ***2,545,669*** |
| Russia | RUB | Income from distressed asset portfolios | (1,793,452) | (262,708) |
| ***Russia – income from distressed asset portfolios total*** | | | ***(1,793,452)*** | ***(262,708)*** |
| Slovakia | EUR | Income from distressed asset portfolios | 23,099 | 15,363 |
| ***Slovakia – income from distressed asset portfolios total*** | | | ***23,099*** | ***15,363*** |
| Slovenia | EUR | Income from distressed asset portfolios | 847,966 | – |
| ***Slovenia – income from distressed asset portfolios total*** | | | ***847,966*** | – |
| **Total *Income from distressed portfolios*** | | | **5,222,058** | **2,239,255** |

The deferred tax assets, the IT software "Fusion", computer hardware and furniture are located in Switzerland, in the entity's country of domicile. There are no other non-current assets located outside Switzerland.

## NOTE 8. PERSONNEL EXPENSES

| **EUR** | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Remuneration to key management | (739,852) | (796,487) |
| Salary | (1,698,789) | (1,214,598) |
| Expenses related to post-employment benefit commitments | (37,073) | (51,920) |
| Social security expenses | (228,855) | (140,166) |
| **Total** | **(2,704,569)** | **(2,203,171)** |

## NOTE 9. CONSULTING EXPENSES

The Company uses third party suppliers for various services e.g. accounting, auditing and legal services. Consulting services are also used when the Company enters new markets and expert advice is needed. In 2013 and 2014 the Company acquired accounting services from an external supplier. At the end of 2014 the decision was taken to terminate the agreement with the supplier and bring the accounting function in-house.
The Company's shareholders have elected PwC as its external auditors worldwide (Switzerland and Sweden). The Company successfully listed its shares on Nasdaq First North, Stockholm in August 2014.
During this process expert knowledge was required to meet the requirements of the Nasdaq First North marketplace.

| **EUR** | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Accounting expenses | (387,942) | (396,522) |
| Audit fees | (267,445) | (99,568) |
| Consultancies / Service fee | (306,137) | – |
| IPO related expenses | (105,246) | – |
| Lawyer's services | (164,805) | (138,667) |
| VAT administration | 17,046 | (80,682) |
| **Total** | **(1,214,529)** | **(715,439)** |

## NOTE 10. OTHER OPERATING INCOME / (EXPENSES)

Other operating expenses are categories of expenditure that a company incurs as a result of performing its normal business operations.

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Administration expenses | (370,222) | (292,651) |
| Maintenance IT | (173,233) | (168,011) |
| Rental expenses | (108,488) | (115,717) |
| Other operating expenses | (228,838) | (604,342) |
| **Total** | **(880,781)** | **(1,180,721)** |

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Other operating income | 1,553,271 | – |
| **Total** | **1,553,271** | **–** |

In the first six months of 2014, the Company realized a gain of EUR 1.1M when a co-investor decided to exit a distressed asset portfolio.
This amount is included in Other financial items

## NOTE 11. FINANCE INCOME AND EXPENSES, NET

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Bank charges | (11,748) | (3,462) |
| Interest | (5,779,966) | (3,222,184) |
| Other financial items | (55,017) | (45,738) |
| Realized exchange profit / (loss) | (282,773) | – |
| Transaction costs | (55,473) | (16,550) |
| Unrealized exchange profit / (loss) | (2,070,347) | (792,506) |
| **Total finance expenses** | **(8,255,324)** | **(4,080,440)** |

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Realized exchange profit / (loss) | - | 2,003 |
| Interest | 4,467 | 2,224 |
| Other financial income | 3,864 | - |
| **Total finance income** | **8,331** | **4,227** |

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Total finance expenses** | **(8,255,324)** | **(4,080,440)** |
| **Total finance income** | **8,331** | **4,227** |
| **Finance income and expenses, net** | **(8,246,993)** | **(4,076,214)** |

Please see below specification for detailed information about interest expenses net:

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Interest on senior bond 13%, 27 June 2013 – 26 June 2016 | (4,518,913) | (1,959,226) |
| Interest on bank loan | (203,105) | (375,455) |
| Interest on junior bond 18%, 30 September 2013 – 30 September 2016 | (620,457) | (170,818) |
| Interest on loans | (426,949) | (720,837) |
| Interest income / (expenses) other | (6,075) | 6,376 |
| **Total** | **(5,775,499)** | **(3,219,960)** |

### NOTE 12. INCOME TAX EXPENSES

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Current tax** | | |
| Current tax on profits / (loss) for the year | 64,775 | (255,444) |
| **Total current tax** | **64,775** | **(255,444)** |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | (68,860) | (8,947) |
| Adjustments in respect of prior years | (27,359) | (27,359) |
| Adjustment in deferred tax asset in tax value of capitalized loss carryforwards | 95,687 | – |
| **Total deferred tax** | **(532)** | **(36,306)** |
| **Income tax charge** | **64,243** | **(291,750)** |

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Profit / (loss) before tax | (6,418,498) | (6,067,336) |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | 641,850 | 606,734 |
| Tax effects of: | | |
| Effect of different tax rates in other countries | – | (255,444) |
| Tax losses for which no deferred income tax asset was recognized | (481,389) | (606,734) |
| Adjustments for previous years and others | (96,218) | (36,306) |
| **Tax income / (charge) in Income statement** | **64,243** | **(291,750)** |
| The weighted average applicable tax rate was: | 10.00% | 10.00% |

Unrecognized tax assets for loss carryforwards relate to the positive tax effect during the year, which arise through utilization of loss carryforwards that had never previously been recognized as deferred tax assets, and the negative tax effect during the year that is due to losses in countries where there has been no recognition of deferred tax assets as it is not sufficiently likely that adequate taxable surpluses will arise within a foreseeable future.

Based on the performance of the Company management resolved in 2014 to recognize as a deferred income tax assets an amount of 160 thousands euro, due to the expected offset of tax loss carryforwards against future taxable surpluses.

According to Swiss tax regulation, tax assets for loss carryforwards can be used for deducting tax on relevant profit during the next seven years after occurring. The deferred income tax has been recognized based on tax seven years approach.

### NOTE 13. EARNINGS PER SHARE

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

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Loss from continuing operations attributable to owners of the Parent Company | (6,354,254) | (6,359,086) |
| **Total** | **(6,354,254)** | **(6,359,086)** |
| Weighted average number of ordinary shares | 5,583,333 | 943,333 |
| Earnings per share before and after dilution | (1.14) | (6.74) |
| Total potential dilutive shares | – | – |
| Weighted average number of shares outstanding – fully diluted | 5,583,333 | 943,333 |
| Diluted Earnings per share | (1.14) | (6.74) |

### NOTE 14. CASH AND CASH EQUIVALENTS / BANK OVERDRAFTS

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

| EUR | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|---|---|---|
| Cash and cash equivalents | 9,000,971 | 14,164,884 | 992,468 |
| Liabilities to credit institutions (bank overdrafts) | (823) | (39,813) | (97,003) |
| **Total** | **9,000,148** | **14,125,071** | **895,465** |

## NOTE 15. TRADE AND OTHER RECEIVABLES

| EUR | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|---|---|---|
| Account receivables | 3,744,399 | 1,328,809 | 390,366 |
| *Less: provision for impairment of trade receivables* | – | – | – |
| Account receivables – net | 3,744,399 | 1,328,809 | 390,366 |
| Prepaid expenses and accrued income | 505,119 | 746,473 | 887,379 |
| Other receivables | 324,853 | 38,476 | 14,858 |
| **Total** | **4,574,372** | **2,113,758** | **1,292,603** |

The fair value of trade and other receivables approximates their respective carrying value.

| EUR | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|---|---|---|
| Account receivables < 30 days | 3,254,911 | 921,240 | 264,044 |
| Account receivables 31-60 days | 223,019 | 184,333 | 57,579 |
| Account receivables 61-90 days | 53,801 | 46,151 | 13,897 |
| Account receivables > 91 days | 212,668 | 177,085 | 54,846 |
| **Total** | **3,744,399** | **1,328,809** | **390,366** |

No provision was made for impairment of trade receivables in 2014 (in 2013 there was no provision respectively), as the majority of receivables were settled at the beginning of 2015.

Trade and other receivables are presented by following currencies:

| EUR | Currency | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|---|---|---|---|
| Account receivables | EUR | 315,829 | 208,988 | 3,651 |
| | RON | 503,240 | 517,872 | 86,945 |
| | PLN | 2,262,555 | – | – |
| | RUB | 551,756 | 597,766 | 271,163 |
| | Other (USD, MKD, CZK, CHF) | 111,019 | 4,183 | 28,409 |
| **Account receivables, Total** | | **3,744,399** | **1,328,809** | **390,366** |
| Other receivables | CHF | 324,853 | 38,476 | 11,349 |
| | RUB | – | – | 3,509 |
| **Other receivables, Total** | | **324,853** | **38,476** | **14,858** |
| Prepaid expenses and accrued income | CHF | 103,893 | 462,785 | 835,493 |
| | EUR | 65,151 | 22,737 | 11,110 |
| | RUB | 164,962 | 259,865 | 40,776 |
| | SEK | 87,337 | – | – |
| | Other (USD, RON, PLN) | 83,776 | 1,086 | – |
| **Prepaid expenses and accrued income, Total** | | **505,119** | **746,473** | **887,379** |
| **Total** | | **4,574,372** | **2,113,758** | **1,292,603** |

## NOTE 16. FINANCIAL ASSETS

Financial assets include loans to shareholders (Note 27) and Distressed asset portfolios (Note 17).

## NOTE 17. DISTRESSED ASSET PORTFOLIOS

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Opening accumulated acquisition cost** | **62,698,300** | **47,659,218** |
| Purchased distressed asset portfolios / (Sold debt) | 17,283,867 | 16,416,855 |
| Revaluation in connection with charges in assumptions and projections of future cash flow | 1,135,728 | (1,110,078) |
| Foreign currency exchange differences | (3,167,216) | (267,694) |
| **Closing accumulated acquisition cost** | **77,950,679** | **62,698,300** |
| | | |
| **Opening accumulated amortization** | **(34,584,690)** | **(28,528,894)** |
| Amortization for the period | (10,600,350) | (6,259,561) |
| Foreign currency exchange differences | 1,178,635 | 203,765 |
| **Closing accumulated amortization** | **(43,708,203)** | **(34,584,690)** |
| **Closing net book value** | **34,242,475** | **28,113,610** |
| | | |
| Amortization for the period | (10,600,350) | (6,259,561) |
| **Total amortization for the period** | **(10,600,350)** | **(6,259,561)** |

**Distressed asset portfolios by currency:**

| Currency | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|---|---|---|
| EUR | 11,273,239 | 1,413,446 | 120,620 |
| RUB | 9,113,611 | 11,773,740 | 12,571,776 |
| RON | 6,071,272 | 14,885,968 | 6,509,727 |
| PLN | 4,588,915 | – | – |
| CZK | 3,185,593 | 40,004 | 147,844 |
| Other (USD and MKD) | 9,847 | 452 | 5,703 |
| **Total** | **34,242,475** | **28,113,610** | **19,355,670** |

## NOTE 18. TANGIBLE ASSETS

| EUR | Furniture | Computer hardware | Total |
|---|---|---|---|
| **at 1 January 2013** | | | |
| At cost | 1,979 | 115,937 | **117,916** |
| Accumulated depreciation | (693) | (58,032) | **(58,725)** |
| **Net book value** | **1,286** | **57,905** | **59,191** |
| | | | |
| **Year ended 31 December 2013** | | | |
| **at 1 January 2013** | **1,286** | **57,905** | **59,191** |
| Additions | – | 652 | **652** |
| Disposals | – | – | – |
| Depreciation | (283) | (24,559) | **(24,842)** |
| Impairment losses | – | – | – |
| Exchange differences | – | – | – |
| **at 31 December 2013** | **1,003** | **33,998** | **35,001** |
| **at 31 December 2013** | | | |
| At cost | 1,979 | 116,589 | **118,568** |
| Accumulated depreciation | (976) | (82,591) | **(83,567)** |
| **Net book value** | **1,003** | **33,998** | **35,001** |
| | | | |
| **Year ended 31 December 2014** | | | |
| **at 1 January 2014** | **1,003** | **33,998** | **35,001** |
| Additions | 5,010 | 6,208 | **11,218** |
| Disposals | – | – | – |
| Depreciation | (382) | (24,559) | **(24,941)** |
| Impairment losses | – | – | – |
| Exchange differences | – | – | – |
| **at 31 December 2014** | **5,631** | **15,647** | **21,278** |
| | | | |
| **at 31 December 2014** | | | |
| At cost | 6,989 | 122,797 | **129,786** |
| Accumulated depreciation | (1,358) | (107,150) | **(108,508)** |
| **Net book value** | **5,631** | **15,647** | **21,278** |

## NOTE 19. GOODWILL

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

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

The key assumptions for the value in use calculations are those regarding terminal growth rate, Gross collection minus Commissions, minus OPEX and minus non-refundable VAT. The expected amounts of gross collection minus commissions are determined based on management's past experience with external sources of information. The pre-tax rate used to discount the forecast cash flows from this CGU is 20%. The terminal growth rate is equal 3%.

The same rates are applicable for the goodwill impairment test as of 1 January 2013 and 31 December 2013. In projected net cash flow collection, the recoverable amount calculated based on value in use exceeded carrying value in 2014. The negative change of the projected net cash flow collection on 3%, or a decrease in growth rate to 2.9% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

There is no concentration within any particular portfolio and at the beginning and end of the financial year the recoverable amount of the CGU was substantially in excess of its book value and therefore management deem it reasonable not to recognize any impairment in the carrying amount for goodwill.

| EUR | Goodwill |
|---|---|
| **at 1 January 2013** | |
| At cost | 4,160,491 |
| Accumulated impairment | – |
| **Net book value** | **4,160,491** |
| **Year ended 31 December 2013** | |
| **at 1 January 2013** | **4,160,491** |
| Additions | – |
| Disposals | – |
| Impairment charge | – |
| Exchange differences | – |
| **at 31 December 2013** | **4,160,491** |
| **at 31 December 2013** | |
| At cost | 4,160,491 |
| Accumulated impairment | – |
| **Net book value** | **4,160,491** |
| **Year ended 31 December 2014** | |
| **at 1 January 2014** | **4,160,491** |
| Additions | – |
| Disposals | – |
| Impairment charge | – |
| Exchange differences | – |
| **at 31 December 2014** | **4,160,491** |
| **at 31 December 2014** | |
| At cost | 4,160,491 |
| Accumulated impairment | – |
| **Net book value** | **4,160,491** |

### NOTE 20. INTANGIBLE ASSETS

| EUR | IT Software "Fusion" | Trademarks | Total |
|---|---|---|---|
| **at 1 January 2013** | | | |
| At cost | 1,408,603 | 16,353 | **1,424,956** |
| Accumulated amortization and impairment | (140,773) | (8,653) | **(149,426)** |
| **Net book value** | **1,267,830** | **7,700** | **1,275,530** |
| **Year ended 31 December 2013** | | | |
| **at 1 January 2013** | **1,267,830** | **7,700** | **1,275,530** |
| Additions | 515,505 | – | **515,505** |
| Disposals | – | – | – |
| Amortization charge | (102,491) | (3,713) | **(106,204)** |
| Impairment charge | – | – | – |
| Exchange differences | – | – | – |
| **at 31 December 2013** | **1,680,844** | **3,987** | **1,684,831** |
| **at 31 December 2013** | – | – | – |
| At cost | 1,924,108 | 16,353 | **1,940,461** |
| Accumulated amortization and impairment | (243,264) | (12,366) | **(255,630)** |
| **Net book value** | **1,680,844** | **3,987** | **1,684,831** |
| **Year ended 31 December 2014** | | | |
| **at 1 January 2014** | **1,680,844** | **3,987** | **1,684,831** |
| Additions | 273,079 | – | **273,079** |
| Disposals | – | – | – |
| Amortization charge | (116,145) | (3,987) | **(120,132)** |
| Impairment charge | – | – | – |
| Exchange differences | – | – | – |
| **at 31 December 2014** | **1,837,778** | – | **1,837,778** |
| **at 31 December 2014** | **1,837,778** | – | **1,837,778** |
| At cost | 2,197,187 | 16,353 | **2,213,540** |
| Accumulated depreciation | (359,409) | (16,353) | **(375,762)** |
| **Net book value** | **1,837,778** | – | **1,837,778** |

### NOTE 21. CURRENT LIABILITIES

| EUR | Less than 3 months | More than 3 months | Total |
|---|---|---|---|
| **at 31 December 2014** | | | |
| Accounts payable | 5,248,946 | – | **5,248,946** |
| Accrued interest | 2,363,885 | – | **2,363,885** |
| Accrued expenses and prepaid income | – | 1,872,946 | **1,872,946** |
| Liabilities to credit institutions (bank overdrafts) | 823 | – | **823** |
| **Total** | **7,547,483** | **1,872,946** | **9,486,600** |
| **at 31 December 2013** | **Less than 3 months** | **More than 3 months** | **Total** |
| Accounts payable | 488,304 | – | **488,304** |
| Short-term loan | 100,000 | – | **100,000** |
| Accrued interest | 1,996,462 | – | **1,996,462** |
| Accrued expenses and prepaid income | – | 1,996,675 | **1,996,675** |
| Liabilities to credit institutions (bank overdrafts) | 39,813 | – | **39,813** |
| **Total** | **2,624,579** | **1,996,675** | **4,621,254** |
| **at 1 January 2013** | **Less than 3 months** | **More than 3 months** | **Total** |
| Accounts payable | 844,325 | – | **844,325** |
| Short-term loan | 11,776,808 | – | **11,776,808** |
| Accrued interest | 135,191 | – | **135,191** |
| Accrued expenses and prepaid income | – | 1,792,283 | **1,792,283** |
| Liabilities to credit institutions (bank overdrafts) | 97,003 | – | **97,003** |
| **Total** | **12,853,328** | **1,792,283** | **14,645,611** |

**NOTE 22. LONG-TERM LOANS AND BORROWING**

| EUR<br>at 31 December 2014 | Between<br>1 and 2 years | Between<br>2 and 3 years | Between<br>3 and 4 years | Between<br>4 and 5 years | Total |
|---|---|---|---|---|---|
| Bond loans, 13% | 31,204,435 | – | – | – | **31,204,435** |
| Bond loans, 18% | 2,569,024 | – | – | – | **2,569,024** |
| Loans | 2,569,091 | – | – | – | **2,569,091** |
| Bank borrowings | 939,128 | – | – | – | **939,128** |
| **Total** | **37,281,679** | – | – | – | **37,281,679** |
| **at 31 December 2013** | **Between<br>1 and 2 years** | **Between<br>2 and 3 years** | **Between<br>3 and 4 years** | **Between<br>4 and 5 years** | **Total** |
| Bond loans, 13% | – | 33,630,000 | – | – | **33,630,000** |
| Bond loans, 18% | – | 3,363,000 | – | – | **3,363,000** |
| Loans | 3,113,904 | 2,795,479 | – | – | **5,909,383** |
| Bank borrowings | – | 1,887,296 | – | – | **1,887,296** |
| Loans from shareholders | 231,769 | – | – | – | **231,769** |
| **Total** | **3,345,673** | **41,675,776** | – | – | **45,021,449** |
| **at 1 January 2013** | **Between<br>1 and 2 years** | **Between<br>2 and 3 years** | **Between<br>3 and 4 years** | **Between<br>4 and 5 years** | **Total** |
| Loans | 6,884,793 | – | 1,094,318 | – | **7,979,111** |
| Bank borrowings | – | – | 1,196,510 | – | **1,196,510** |
| Loans | 78,689 | – | – | – | **78,689** |
| Loans from shareholders | 129,000 | – | – | – | **129,000** |
| **Total** | **7,092,482** | – | **2,290,828** | – | **9,383,310** |

The Group has outstanding bonds. A bond loan was issued in June 2013, amounted SEK 300,000,000 at interest rate 13% with maturity date 26 June 2016 by DDM Treasury Sweden AB. A second bond loan was issued in September 2013, amounted to SEK 31,000,000 at interest rate 18% with maturity date 30 September 2016 by DDM Treasury Sweden AB.

The shares of DDM Invest XX AG are pledged under the shareholder's agreement. The bond loans are secured by these shares. Under the current bond Terms and Conditions, DDM Treasury Sweden AB and its subsidiary DDM Invest XX AG are not allowed to use hedge instruments.

DDM Treasury Sweden AB's financial instruments contain a number of financial covenants, including limits on certain financial indicators. The DDM 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 refer therefore to the financial statements of DDM Treasury Sweden AB. During the fourth quarter of 2014 the Company decided to repurchase SEK 6.0M of the junior bond loan that was issued in September 2013, at 18% interest, on the open market.

**NOTE 23. POST-EMPLOYMENT BENEFIT COMMITMENTS**

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

In 2014, 22 employees and in 2013, 20 employees participated in the defined benefit plans. Regular employees are insured for death, disability and for retirement benefits. The table below provides where the Company's post-employment amounts and activity are included in the financial statements.

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Balance sheet commitments for:** | | |
| – Defined pension benefits | (344,363) | (199,100) |
| **Liability in the balance sheet** | **(344,363)** | **(199,100)** |
| | | |
| **Income statement charge included in operating profit for:** | | |
| – Defined pension benefits | (102,191) | (86,737) |
| | **(102,191)** | **(86,737)** |

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

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Present value of funded commitments | (724,892) | (464,681) |
| Fair value of plan assets | 380,529 | 265,581 |
| **Deficit of funded plans** | **(344,363)** | **(199,100)** |
| **Liability in the balance sheet** | **(344,363)** | **(199,100)** |

NOTE 23. ***POST-EMPLOYMENT BENEFIT COMMITMENTS...**continued*

The movement in the defined benefit liability over the year is as follows:

| EUR | Present value of commitment | Fair value of plan assets | Total |
|---|---|---|---|
| **at 1 January 2013** | **(450,226)** | **225,506** | **(224,720)** |
| Current service cost | (83,496) | – | **(83,496)** |
| Interest expense / (income) | (7,563) | 4,322 | **(3,241)** |
| | **(91,059)** | **4,322** | **(86,737)** |
| Re-measurements: | | | |
| – Experience (gains) / losses | 61,034 | 10,382 | **71,416** |
| | **61,034** | **10,382** | **71,416** |
| Contributions: | | | |
| – Employer | – | 40,941 | **40,941** |
| – Plan participants | (40,941) | 40,941 | – |
| Payments from plans: | | | |
| – Benefit payments | 56,512 | (56,512) | – |
| **at 31 December 2013** | **(464,681)** | **265,581** | **(199,100)** |
| | | | |
| **at 1 January 2014** | **(464,681)** | **265,581** | **(199,100)** |
| Current service cost | (98,504) | – | **(98,504)** |
| Interest expense / (income) | (11,379) | 7,692 | **(3,687)** |
| | **(109,883)** | **7,692** | **(102,191)** |
| Re-measurements: | | | |
| – Experience (gains) / losses | (124,392) | 22,910 | **(101,483)** |
| | **(124,392)** | **22,910** | **(101,483)** |
| Contributions: | | | |
| – Employer | – | 58,410 | **58,410** |
| – Plan participants | (58,410) | 58,410 | – |
| Payments from plans: | – | – | – |
| – Benefit payments | 32,474 | (32,474) | – |
| **at 31 December 2014** | **(724,892)** | **380,529** | **(344,363)** |

The overall actuarial gain / (loss) in the 2014 fiscal year is due to the following factors:

| Actuarial gain/(loss) | EUR |
|---|---|
| Gain/(loss) due to demographic experience | – |
| Gain/(loss) due to changes in financial assumptions | (124,392) |
| Gain/(loss) due to changes in demographic assumptions | – |
| Gain/(loss) due to investment return different from the return implied by the discount rate | 22,910 |

*The following Significant Actuarial Assumptions at 31 December 2014*
The defined benefit commitment at 31 December 2014 is equal to EUR 724,892.

| | | Sensitivity analysis | Effect on DBO, EUR |
|---|---|---|---|
| Discount rate | 1.25% | 0.25% increase | (26,413) |
| Discount rate | 1.25% | 0.25% decrease | 28,289 |
| Mortality | BVG 2010 Generational tables | Increase of 1 year in expected lifetime of plan participants at age 65 | 6,838 |
| Mortality | BVG 2010 Generational tables | Decrease of 1 year in expected lifetime of plan participants at age 65 | (6,364) |

*Methods and Assumptions Used in Sensitivity Analysis*
The discount rate sensitivity includes a corresponding change in the interest crediting rate as well as the BVG minimum interest crediting rate assumptions.

*Mortality*
The mortality tables are the Swiss BVG 2010 generational mortality tables for males and females.
The expected lifetime of a participant who is aged 65 and the expected lifetime (from age 65) of a participant who will be age 65 in 15 years are shown in years below based on the above mortality tables.

| Age | Males | Females |
|---|---|---|
| 65 | 21.49 | 23.96 |
| 65 in 15 years | 22.84 | 25.28 |

***NOTE 23. POST-EMPLOYMENT BENEFIT COMMITMENTS...continued***

*Retirement*
100% of Males retire at age 65. 100% of Females retire at age 64.

The significant actuarial assumptions were as follows:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Discount rate | 1.25% | 2.50% | 1.75% |
| Price inflation | 1.25% | 1.50% | 1.50% |
| Salary increases | 3.25% | 3.50% | 3.50% |
| Future increases in social security | 1.50% | 1.75% | 1.75% |
| Assumed pension increases | 0.00% | 0.00% | 0.00% |

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

Companies within the Swiss regulatory environment have substantial freedom to define their pension plan design (e.g. with regards to the salary covered, level of retirement credits, or even overall plan design) provided the benefits are always at least equal to the minimum requirements as defined by the law (second pillar mandatory minimum benefits). Most employers provide higher benefits than those required by law. The minimum level of retirement benefit is expressed by a cash balance formula with age-related contribution rates (or “retirement credits”) on an insured salary defined by law and a required interest crediting rate, which is set by government (1.75% in 2015).

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

- Investment risk: there is a guaranteed return on account balances of at least 0% per annum on the total account balance as well as the rate set by the government (1.75% in 2015) on the mandatory minimum benefits.
- Pensioner longevity and investment risk: the pension plan offers a lifelong pension in lieu of the cash balance lump sum upon retirement. The plan has defined rates for converting the lump sum to a pension and there is the risk that the members live longer than implied by these conversion rates and that the pension assets fail to achieve the investment return implied by these conversion rates.

*Determination of Economic Benefit Available*
No determination of the Economic Benefit Available has been made since the plan has a funded status deficit.

*Description of Asset-Liability Matching Strategies*
DDM Group AG invests in a collective foundation in which assets are selected to offer good properties for matching liabilities with pension plan liabilities. DDM Group AG does not have flexibility in the choice of investment.

*Expected Contributions for Period Ending 31 December 2015*
1) Employer EUR 69,421
2) Plan participants EUR 69,421
Weighted Average Duration of Defined Benefit Commitments is 21.1 years.

*Maturity Profile of Defined Benefit Commitments*
1) Expected benefit payments during fiscal year ending 31 December 2015 is EUR 23,043
2) Expected benefit payments during fiscal year ending 31 December 2016 is EUR 30,778
3) Expected benefit payments during fiscal year ending 31 December 2017 is EUR 36,581
4) Expected benefit payments during fiscal year ending 31 December 2018 is EUR 41,412
5) Expected benefit payments during fiscal year ending 31 December 2019 is EUR 45,832
6) Expected benefit payments during fiscal years ending 31 December 2020 through 31 December 2024 is EUR 268,903

*Analysis of Defined Benefit Commitments by Participant Category*
1) Active Participants: EUR 724,892
2) Deferred Participants: 0
3) Pensioners: 0

**Plan Asset Information**

| | Allocation percentage 31 December 2014 |
|---|---|
| Equity securities | 21.0% |
| Debt securities | 42.5% |
| Real state-property | 10.0% |
| Cash and cash equivalents | 0.5% |
| Derivatives | 0.0% |
| Other | 26.0% |
| **Total** | **100.0%** |

Fair Value of plan assets at 31 December 2014: EUR 380,529.

**NOTE 24. DEFERRED TAXES**

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

| EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Deferred tax assets: | | |
| – Deferred tax asset to be recovered after more than 12 months (gross) | 130,124 | 19,910 |
| – Deferred tax asset to be recovered within 12 months | – | – |
| Deferred tax liabilities: | | |
| – Deferred tax liability to be recovered after more than 12 months (gross) | (68,860) | (8,947) |
| – Deferred tax liability to be recovered within 12 months | – | – |
| **Deferred tax assets / (liabilities) (net)** | **61,264** | **10,963** |

The movement of the deferred income tax account is as follows:

| EUR | 2014 | 2013 |
|---|---|---|
| **at 1 January** | **(10,963)** | **31,679** |
| Charge to the Income Statement | (35,775) | (45,204) |
| Tax charge / (credit) relating to components of other comprehensive income | (14,526) | 2,562 |
| Exchange differences | – | – |
| **at 31 December** | **(61,264)** | **(10,963)** |

The movement in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

| Deferred tax asset (gross) EUR | Retirement benefit commitments | Other assets | Other liabilities | Tax losses recognized | Amount netted vs DTL | Total |
|---|---|---|---|---|---|---|
| **at 1 January 2013** | **22,472** | **49,781** | **351** | | **(50,132)** | **22,472** |
| Charged / (credited) to the Income Statement | | 26,188 | 12,057 | – | – | **38,244** |
| Charged / (credited) to other comprehensive income | (2,562) | – | – | – | – | **(2,562)** |
| Amount netted versus DTL | – | – | – | – | (38,244) | **(38,244)** |
| **at 31 December 2013** | **19,910** | **75,969** | **12,407** | – | **(88,376)** | **19,910** |
| Charged / (credited) to the Income Statement | – | (30,108) | (12,407) | 95,687 | | **53,172** |
| Charged / (credited) to other comprehensive income | 14,526 | – | – | – | – | **14,526** |
| Amount netted versus DTL | – | – | – | – | 42,516 | **42,516** |
| **at 31 December 2014** | **34,436** | **45,860** | – | **95,687** | **(45,860)** | **130,124** |

| Deferred tax liabilities (gross) EUR | Other | Amount netted vs DTA | Total |
|---|---|---|---|
| **at 1 January 2013** | **(104,283)** | **50,132** | **(54,151)** |
| Charged / (credited) to the Income Statement | 6,960 | – | **6,960** |
| Charged / (credited) to other comprehensive income | – | – | – |
| Amount netted versus DTA | – | 38,244 | **38,244** |
| **at 31 December 2013** | **(97,323)** | **88,376** | **(8,947)** |
| Charged / (credited) to the Income Statement | (17,397) | – | **(17,397)** |
| Charged / (credited) to other comprehensive income | – | – | – |
| Amount netted versus DTA | – | (42,516) | **(42,516)** |
| **at 31 December 2014** | **(114,720)** | **45,860** | **(68,860)** |

## NOTE 25. FINANCIAL INSTRUMENTS

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

**Fair values**
The directors consider there to be no material differences between the financial asset values in the consolidated balance sheet and their fair value. Distressed asset portfolios is classified as loan receivables and recognized at amortized cost according to the effective interest rate method. The Company determines the carrying value by calculating the present value of estimated future cash flows at the receivables' original effective interest rate. Adjustments are recognized in the income statement. In the Company's opinion, the market's yield requirements in the form of effective interest rates on new portfolios 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 distressed asset portfolios, in the Company's opinion.

| EUR | IAS 39 category | Fair value category | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|---|---|---|---|---|
| **Assets** | **Fair value and carrying value of financial instruments** | | | | |
| Account receivables | Loans and receivables at amortized cost | Level 2 | 3,744,399 | 1,328,809 | 390,366 |
| Other receivables | Loans and receivables at amortized cost | Level 2 | 324,853 | 784,949 | 902,237 |
| Distressed asset portfolios | Loans and receivables at amortized cost | Level 3 | 34,242,475 | 28,113,610 | 19,355,670 |
| Other financial assets | Loans and receivables at amortized cost | Level 2 | – | 12,556 | 486,340 |
| **Liabilities** | **Fair value and carrying value of financial instruments** | | | | |
| Account payables | Financial liabilities at amortized cost | Level 2 | 5,182,776 | 439,501 | 824,872 |
| Other payables | Financial liabilities at amortized cost | Level 2 | 4,302,998 | 3,993,134 | 1,927,474 |
| Short-term loans | Financial liabilities at amortized cost | Level 2 | – | 100,000 | 11,776,808 |
| Long-term borrowings and loans | Financial liabilities at amortized cost | Level 2 | 37,281,680 | 45,021,449 | 9,383,309 |

**The levels in the hierarchy are:**
- Level 1 - Quoted prices (unadjusted) in 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 (that is as prices) or indirectly (that is derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs). The valuation technique for the distressed asset portfolios, as well as valuation sensitivity for changes in material data are described in the accounting principles and in Note 5.

**Credit risk**
Credit risk consists of the risk that counterparties of the Company are unable to meet their commitments. The credit risk is considered upon the acquisition of a financial asset by assessing the expected return. The Company manages this risk by monitoring the performance of the financial asset throughout its economic life. Cash collections are continually monitored and the carrying value of the asset is impaired where it is deemed that, based on collections profiles, the asset is underperforming compared to the initial expected return determined at the acquisition date. The financial assets subjected to credit risk are cash and cash equivalents, account receivable, portfolio assets, loans. For financial assets owned by the company no collateral or other credit reinforcements have been received. The maximum credit exposure for each class of financial assets therefore corresponds to the carrying amount.

| EUR | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|---|---|---|
| Cash and cash equivalents | 9,000,148 | 14,125,071 | 895,465 |
| Accounts receivable | 3,744,399 | 1,328,809 | 390,366 |
| Distressed asset portfolios | 34,242,475 | 28,113,610 | 19,355,670 |
| Loans received | (37,281,679) | (45,121,449) | (21,160,118) |
| **Total** | **9,705,343** | **(14,263,959)** | **(518,617)** |

**Liquidity risk / Financing risk**
The Company actively monitors its liquidity and cash flow position to ensure it has sufficient cash and purchased loan portfolio financing in order to fund its activities. The management team monitors cash through weekly reporting, the management accounts and periodic review meetings.

The table below specifies the undiscounted cash flows arising from the Companies' long-term loans and borrowing (please see Note 22) in the form of financial instruments, based on the remaining period to the earliest contractual maturity date as at 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 balance sheet date.

| EUR | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| At 31 December 2014 | 10,844,180 | 42,339,344 | 441,561 | 162,082 | – | **53,787,167** |
| At 31 December 2013 | 6,545,214 | 5,389,753 | 42,339,344 | 549,517 | 54,126 | **54,877,955** |

Also the Company has commitments:

| EUR | | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| Intangible assets: software "Fusion" | Less than 1 year | 36,864 | 220,129 |
| Rent office expenses | Less than 1 year | 116,760 | 108,060 |
| **Total** | | **153,624** | **328,189** |

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

*NOTE 25.* ***FINANCIAL INSTRUMENTS...****continued*

The Company has no variable interest-bearing assets or liabilities, its income and operating cash flows are predominantly independent of any changes in market interest rate. The Company analyses its interest rate exposure in a dynamic basis. Various scenarios are simulated and, based on these scenarios the Company calculates the impact of a defined interest rate shift on the results. For further information, refer to Note 21 "Long-term borrowings and Loans".

**Exchange rate risk**

Exchange rate risk is the risk that fluctuations in exchange rates will negatively affect the Company's income statement, balance sheet and/or cash flows. The most important currencies for the Company, other than Swedish krona (SEK), are Swiss franc (CHF), Polish złoty (PLN), and Russian rouble (RUB), Romanian leu (RON), euro (EUR).

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

*Transaction exposure*

In each country, all income and most operating expenses are denominated in local currencies, and thus currency fluctuations have only a limited impact on the Company's operating earnings in local currency. National operations seldom have receivables and liabilities in foreign currency. Income and expenses in local currency are thereby hedged in a natural way, which limits transaction exposure. The currency exposure that arises within the operating activities is limited to the extent it pertains to international collection operations.

Starting from 2013 the significant part (85%) of the Company's distressed asset portfolio was relocated to DDM Treasury. DDM Treasury invests in portfolios that are denominated in local currencies as well as portfolios denominated in EUR, RON, USD and RUB. Therefore, fluctuations in the SEK exchange rate against these currencies affect collections on purchased distressed asset portfolios and operating earnings of DDM Treasury.

Collections on purchased distressed asset portfolios are distributed by currencies as follows:

| SEK M | 1 October 2014 – 31 December 2014 | 1 July 2014 – 30 September 2014 | 1 April 2014 – 30 June 2014 | 1 January 2014 – 31 December 2014 | 1 May 2013 – 31 December 2013 |
|---|---|---|---|---|---|
| EUR | 37.9 | 9.5 | 11.8 | 10.4 | 11.1 |
| RUB | 8.4 | 8.2 | 7.1 | 7.9 | 15.4 |
| RON | 7.4 | 6.7 | 5.6 | 7.3 | 13.9 |
| USD | 0.1 | -0.3 | 0.0 | 0.0 | 0.0 |
| **Total** | **53.8** | **24.1** | **24.5** | **25.6** | **40.4** |

An appreciation of Swedish krona of 10 percent on average in 2014 against the Russian rouble would have affected collections on purchased debt by SEK –3.16M, against the euro by SEK –6.96M, against Romanian lei by SEK –2.7M, against US dollar is no material and vice versa.
In terms of balance sheet positions denominated in foreign currencies that are then recalculated in SEK, the net present values of portfolio owned by DDM Treasury are distributed as follows:

| SEK M | 31 December 2014 | 30 September 2014 | 30 June 2014 | 31 March 2014 | 31 December 2013 |
|---|---|---|---|---|---|
| EUR | 106.1 | 133.9 | 127.7 | 90.2 | 79.1 |
| RUB | 64.7 | 61.9 | 68.1 | 72.3 | 93.1 |
| RON | 57.5 | 96.9 | 109.2 | 67.1 | 67.3 |
| USD | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 |
| **Total** | **228.4** | **292.8** | **305.1** | **229.8** | **239.6** |

An appreciation of Swedish krona of 10 percent as per 31 December 2013 against the Russian rouble would have resulted in an additional unrealized foreign exchange loss of SEK 6.47M, against the euro by SEK 10.6M, against Romanian lei by SEK 5.7M, against US dollar is immaterial. Consequently, a depreciation of Swedish krona of 10 percent as per 31 December 2014 would have resulted in an additional unrealized foreign exchange gain of the same amount.

*Translation exposure*

The results and financial position of subsidiaries are reported in the relevant foreign currencies and later translated into EUR for inclusion in the consolidated financial statements. Consequently, fluctuations in the EUR exchange rate against these currencies affect consolidated income and earnings, as well as equity and other items in its financial statements.

*NOTE 25. **FINANCIAL INSTRUMENTS**...continued*

**Translation exposure table (income statement impact)**

| EUR | Currency | 31 December 2014 Actual amount | 31 December 2014 10% appreciation | 31 December 2014 10% depreciation | 31 December 2013 Actual amount | 31 December 2013 10% appreciation | 31 December 2013 10% depreciation | January 1, 2013 Actual amount | January 1, 2013 10% appreciation | January 1, 2013 10% depreciation |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | SEK | 4,377,619 | (437,762) | 437,762 | 11,970,412 | (1,197,041) | 1,197,041 | – | – | – |
| | RUB | 862,432 | (86,243) | 86,243 | 185,878 | (18,588) | 18,588 | 293,982 | (29,398) | 29,398 |
| | RON | 1,910,619 | (191,062) | 191,062 | 1,288,689 | (128,869) | 128,869 | 552,833 | (55,283) | 55,283 |
| Distressed asset portfolios | RUB | 9,113,611 | (911,361) | 911,361 | 11,773,740 | (1,177,374) | 1,177,374 | 12,571,776 | (1,257,178) | 1,257,178 |
| | RON | 6,071,272 | (607,127) | 607,127 | 14,885,968 | (1,488,597) | 1,488,597 | 6,509,727 | (650,973) | 650,973 |
| Account receivables | RUB | 551,756 | (55,176) | 55,176 | 597,766 | (59,777) | 59,777 | 271,163 | (27,116) | 27,116 |
| | RON | 503,240 | (50,324) | 50,324 | 517,872 | (51,787) | 51,787 | 86,945 | (8,694) | 8,694 |
| | PLN | 2,262,555 | (226,256) | 226,256 | – | – | – | – | – | – |
| Bond loan at 13% | SEK | 31,204,435 | 3,120,444 | (3,120,444) | 33,630,000 | 3,363,000 | (3,363,000) | – | – | – |
| Bond loan at 18% | SEK | 2,569,024 | 256,902 | (256,902) | 3,363,000 | 336,300 | (336,300) | – | – | – |
| Distressed asset portfolios | RON | 1,462,690 | 146,269 | (146,269) | 881,404 | 88,140 | (88,140) | – | – | – |
| | RUB | (1,793,452) | (179,345) | 179,345 | (262,708) | (26,271) | 26,271 | – | – | – |

**NOTE 26. SHARE CAPITAL AND PREMIUM**

| EUR | Number of shares (quantity) | Ordinary shares | Share premium | Total |
|---|---|---|---|---|
| **at 1 January 2013** | **232,000** | **184,420** | – | **184,420** |
| Issue of additional shares | 4,268,000 | 3,461,092 | – | **3,461,092** |
| **at 31 December 2013** | **4,500,000** | **3,645,512** | – | **3,645,512** |
| Issue of additional shares | 2,600,000 | 2,140,164 | 10,769,209 | **12,909,373** |
| **at 31 December 2014** | **7,100,000** | **5,785,676** | **10,769,209** | **16,554,885** |

The new equity CHF 4,268,000 is fully paid as ordinary share capital (no contribution to the reserves etc.)

On 30 July 2014, the Board of Directors of DDM Holding AG resolved to issue 2,600,000 new shares through a directed new share issue to international institutional investors and qualified investors. The price of the new shares was set at SEK 50 per share, corresponding to a gross equity raising of SEK 130M. The offer of SEK 98.8M was oversubscribed. An option of an additional equity raising of SEK 31.2M was thus exercised. Following the issue, the number of shares in DDM amounts to 7,100,000 shares.

## NOTE 27. RELATED PARTIES

The Company has defined its management, Board of Directors, owners of the Company and all subsidiaries included in the Group as related parties. The accounting firms Accta Accounting & Tax AG and Wakers Consulting AB has owners that are presented on the board of DDM Holding AG and its subsidiaries, and are therefore defined as related parties.

There are the list of related parties and the type and purpose of transactions:

| Name | Type and purpose of transactions |
|---|---|
| DDM Holding AG | Holding company |
| DDM Group AG | Loan with DDM Invest I, II, III, IV, X, XX AG |
| DDM Group AG | Management agreement for portfolio management DDM Invest I, II, III, IV, X, XX AG |
| DDM Treasury Sweden AB | Loan with DDM XX and Group |
| DDM Invest I AG | Loan with DDM Group AG |
| DDM Invest II AG | Loan with DDM Group AG |
| DDM Invest III AG | Loan with DDM Group AG |
| DDM Invest IV AG | Loan with DDM Group AG |
| DDM Invest X AG | Loan with DDM Group AG |
| DDM Invest XX AG | Loan with DDM Group AG and DDM Treasury Sweden AB |
| Accta Accounting & Tax AG | Accounting and tax services |
| Wakers Consulting AB | Accounting and tax services |
| Kent Hansson | Chairman of the Board of Directors |
| Manuel Vogel | Deputy Chairman of the Board of Directors |
| Fredrik Waker | Member of the Board of Directors |
| Torgny Hellström | Member of the Board of Directors |
| Savvas A. Liasis | Member of the Board of Directors |
| Fredrik Olsson | Chief Financial Officer |
| Gustav Hultgren | Chief Executive Officer |
| Meyerlustenberger Lachenal | Legal services |
| Odysseus AG | Management services |
| The Verification Company AG | Management services |
| Elements Capital Ltd | Management services |
| Knüsel Treuhand AG | Representing the owner of the office |

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

***NOTE 27. RELATED PARTIES...continued***

The following transactions were carried out with related parties:

| EUR | Type of transaction | Name | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|---|---|---|---|---|
| Balance Sheet (Asset) | Loan given | Loans to shareholders | – | 12,556 | 486,340 |
| **Balance Sheet (Asset), Total** | | | | **12,556** | **486,340** |
| Balance Sheet (Liabilities) | Loan taken | Loan taken from DDM Invest XX AG | – | – | 78,689 |
| | | Loans from shareholders | – | 231,769 | 129,000 |
| **Balance Sheet Liabilities, Total** | | | **–** | **231,769** | **207,689** |
| Income Statement | Accounting expenses | Accounting & Tax AG | (329,880) | (390,776) | n/a |
| | Interest income (expenses) | Interest expenses shareholders | (3,510) | (3,303) | n/a |
| | | Interest on loan DDM Invest XX AG | – | (857) | n/a |
| | | Interest on loan shareholders | – | 242 | n/a |
| | Legal expenses | Meyerlustenberger Lachenal | (27,043) | | n/a |
| | Remuneration to key management | Odysseus AG | (546,031) | (790,870) | n/a |
| | | Verification Company AG | (159,964) | – | n/a |
| | | Elements Capital Ltd | (10,393) | – | n/a |
| | | F. Waker | (20,786) | – | n/a |
| | | Other directors | (2,678) | (5,617) | n/a |
| | Representing the owner of the office | Knüsel Treuhand | (50,516) | (80,721) | n/a |
| **Income Statement, Total** | | | **(1,150,800)** | **(1,271,902)** | **n/a** |

The value of loans given to shareholders which existed in 2012 were given at interest rate 3.5% per annum. The value of individual loans to shareholders were not greater than 10% in size from overall amount. The majority of the loans given to shareholders were paid as of end of 2013. The Company has no further shareholder loans as of 31 December 31 2014. The total loan value allocated to shareholders was provided by the major shareholders K. Hansson and Dr. M. Vogel at interest rate 3.5%. As of end of 2014 these loans were fully repaid by the Company to the major shareholders.

In 2013, the major shareholders are K. Hansson, who held 2,351,012 shares (52.2% participation) and Dr. M. Vogel, who held 1,732,902 shares (38.5% participation).

In 2014, the major shareholders are still the same. They are K. Hansson, who held 2,293,824 shares (32.3% participation) and Dr. M. Vogel, who held 1,691,490 shares (23.8% participation).

**NOTE 28. CONTINGENT LIABILITIES AND COMMITMENTS**

a) Capital commitments

Capital expenditure contracted for at the end of the reporting period 2014 but not yet incurred is as follow:

| EUR | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|---|---|---|
| Intangible assets: Software “Fusion” | 36,864 | 220,129 | 491,923 |

b) Operating lease commitments

From 1 September 2011 to 31 August 2014 the Company had operating leases contracts with Credit Suisse AG.

The Company signed an office rent lease contract which is cancelable within twelve months, the contractually bound leasing commitment for the next twelve months are as follows:

| EUR | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|---|---|---|
| Rent office expenses | 116,760 | 108,060 | 99,360 |

## NOTE 29. TRANSITION TO IFRS

The Company's financial statements for the year ended 31 December 2014 are the first annual financial statements that comply with IFRS. The Company has applied IFRS 1 in preparing these consolidated financial statements. The Company's transition date is 1 January 2013. The Company prepared its opening IFRS balance sheet at that date.

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied the relevant mandatory exemptions and certain optional exemptions from full retrospective application of IFRS.

The effect of the Company's transition to IFRS, described in Note 2, is summarized in this Note as follows:
(i) Transition elections;
(ii) Reconciliation of equity and comprehensive income as previously reported under Swiss Code of Obligation ("CO") to IFRS (alternative format);

**(i) Transition elections**
The Company has elected to apply the following optional transition exceptions from full retrospective application of IFRS:

1. Business combinations: The Company has applied the business combinations exemptions in IFRS 1. It has not restated business combinations that took place prior to the 1 January 2013 transition date.
2. Cumulative translation differences: The Company has elected to set previously accumulated cumulative translation adjustments to zero at 1 January 2013. This exemption has been applied to all subsidiaries in accordance with IFRS 1.

**(ii) The following reconciliations provide a quantification of the effect of the transition to IFRS.**

| Consolidated balance sheet, EUR | | 31 December 2014 | | | 31 December 2013 | | | 1 January 2013 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | SWISS GAAP | Adjust. | IFRS | SWISS GAAP | Adjust. | IFRS | SWISS GAAP | Adjust. | IFRS |
| **ASSETS** | | | | | | | | | | |
| **Non-current assets** | | | | | | | | | | |
| Goodwill | A | 3,120,369 | 1,040,122 | 4,160,491 | 3,536,417 | 624,074 | 4,160,491 | 3,952,466 | 208,025 | 4,160,491 |
| Intangible assets | B | 2,376,418 | (538,640) | 1,837,778 | 2,240,315 | (555,484) | 1,684,831 | 2,065,839 | (790,309) | 1,275,530 |
| Tangible assets | C | 20,020 | 1,258 | 21,278 | 35,498 | (498) | 35,001 | 60,644 | (1,453) | 59,191 |
| Loans to shareholders | D | – | – | – | – | 12,556 | 12,556 | 486,340 | – | 486,340 |
| Distressed asset portfolios | E | 34,173,928 | 68,547 | 34,242,475 | 28,045,063 | 68,547 | 28,113,610 | 19,130,324 | 225,346 | 19,355,670 |
| Investments | F | – | – | – | 344,615 | (344,615) | – | 360,296 | (360,296) | – |
| Deferred tax assets | G | – | 130,124 | 130,124 | – | 19,910 | 19,910 | – | 22,472 | 22,472 |
| **Total non-current assets** | | **39,690,735** | **701,409** | **40,392,147** | **34,201,907** | **(175,511)** | **34,026,399** | **26,055,908** | **(696,214)** | **25,359,694** |
| **Current assets** | | | | | | | | | | |
| Accounts receivable | | 3,744,399 | – | 3,744,399 | 1,328,809 | – | 1,328,809 | 390,366 | – | 390,366 |
| Other receivables | N / M | 323,079 | 1,774 | 324,853 | 38,476 | – | 38,476 | 11,349 | 3,509 | 14,858 |
| Prepaid expenses and accrued income | H | 484,418 | 20,701 | 505,119 | 714,788 | 31,685 | 746,473 | 887,379 | – | 887,379 |
| Cash and cash equivalents | | 9,000,971 | – | 9,000,971 | 14,164,884 | – | 14,164,884 | 992,468 | – | 992,468 |
| **Total current assets** | | **13,552,868** | **22,475** | **13,575,342** | **16,246,957** | **31,685** | **16,278,642** | **2,281,562** | **3,509** | **2,285 071** |
| **TOTAL ASSETS** | | **53,243,602** | **723,884** | **53,967,489** | **50,448,864** | **(143,826)** | **50,305,041** | **28,337,470** | **(692,705)** | **27,644,765** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | | | | | | | | |
| **Shareholders' equity** | | | | | | | | | | |
| Share capital | | 5,785,676 | – | 5,785,676 | 3,645,512 | – | 3,645,512 | 184,420 | – | 184,420 |
| Share premium | | 10,777,630 | – | 10,777,630 | – | – | – | – | – | – |
| Other reserves | I | – | (194,061) | (194,061) | – | 37,784 | 37,784 | – | 22,472 | 22,472 |
| Retained earnings including net earnings for the year | J | (10,054,721) | 471,463 | (9,583,258) | (2,738,263) | (490,742) | (3,229,005) | 3,556,744 | (426,663) | 3,130,081 |
| **Total shareholders' equity attributable to Parent Company's shareholders** | | **6,508,585** | **277,402** | **6,785,987** | **907,249** | **(452,958)** | **454,291** | **3,741,164** | **(404,191)** | **3,336,973** |

*NOTE 29. **TRANSITION TO IFRS...**continued*

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Long-term liabilities** | | | | | | | | | | |
| Bank borrowings | K | 948,995 | (9,867) | 939,128 | 1,904,677 | (17,381) | 1,887,296 | 1,213,891 | (17,381) | 1,196,510 |
| Bond loans, 13% | | 31,204,435 | – | 31,204,435 | 33,630,000 | – | 33,630,000 | – | – | – |
| Loans from shareholders | | – | – | – | 231,769 | – | 231,769 | 129,000 | – | 129,000 |
| Loans | L | – | – | – | 215,000 | (215,000) | – | 293,689 | (215,000) | 78,689 |
| Bond loans,18% | | 2,569,024 | – | 2,569,024 | 3,363,000 | – | 3,363,000 | – | – | – |
| Post-employment benefit commitments | M | – | 344,363 | 344,363 | – | 199,100 | 199,100 | – | 224,720 | 224,720 |
| Other long-term loans | N | 2,569,093 | – | 2,569,092 | 5,891,434 | 17,949 | 5,909,383 | 7,994,131 | (15,020) | 7,979,111 |
| Deferred tax liabilities | G | – | 68,860 | 68,860 | – | 8,947 | 8,947 | – | 54,151 | 54,151 |
| **Total long-term liabilities** | | **37,291,547** | **403,356** | **37,694,902** | **45,235,881** | **(6,385)** | **45,229,496** | **9,630,711** | **31,470** | **9,662,181** |
| **Current liabilities** | | | | | | | | | | |
| Liabilities to credit institutions (bank overdrafts) | | 823 | – | 823 | 39,813 | – | 39,813 | 97,003 | – | 97,003 |
| Accounts payable | O | 5,253,879 | (4,933) | 5,248,946 | 482,179 | 6,125 | 488,304 | 840,816 | 3,509 | 844,325 |
| Accrued interest | | 2,363,885 | – | 2,363,885 | 1,996,462 | – | 1,996,462 | 135,192 | – | 135,192 |
| Accrued expenses and prepaid income | P | 1,824,883 | 48,060 | 1,872,946 | 1,787,280 | 209,392 | 1,996,675 | 1,764,294 | 27,359 | 1,792,283 |
| Loans | Q | – | – | – | – | 100,000 | 100,000 | 12,127,660 | (350,852) | 11,776,808 |
| **Total current liabilities** | | **9,443,470** | **43,127** | **9,486,600** | **4 ,350,734** | **315,517** | **4,621,254** | **14,965,595** | **(319,884)** | **14,645,611** |
| **TOTAL SHARE-HOLDERS' EQUITY AND LIABILITIES** | | **53,243,602** | **772,064** | **53,967,489** | **50,448,864** | **(143,827)** | **50,305,041** | **28,337,470** | **(692,705)** | **27,644,765** |

| **Consolidated Income Statement, EUR** | | **31 December 2014** | | | **31 December 2013** | | |
|---|---|---|---|---|---|---|---|
| | **Notes** | **SWISS GAAP** | **Adjust.** | **IFRS** | **SWISS GAAP** | **Adjust.** | **IFRS** |
| Result from distressed asset portfolios | | 5,222,058 | – | 5,222,058 | 2,239,255 | – | 2,239,255 |
| Personnel expenses | R | (2,667,496) | (37,073) | (2,704,569) | (2,151,250) | (51,921) | (2,203,171) |
| Consulting expenses | | (1,214,529) | – | (1,214,529) | (715,439) | – | (715,439) |
| Other operating expenses | U | (880,781) | – | (880,781) | (710,466) | (470,255) | (1,180,721) |
| Other operating income | U | – | 1,553,271 | 1,553,271 | – | – | – |
| Amortization and depreciation of tangible and intangible assets | S | (531,962) | 385,007 | (146,955) | (406,612) | 275,565 | (131,046) |
| **Operating profit / (loss)** | | **(72,710)** | **1,901,205** | **1,828,495** | **(1,744,512)** | **(246,610)** | **(1,991,122)** |
| Financial income | T | 1,095,559 | (1,087,228) | 8,331 | 2,224 | – | 2,224 |
| Financial expenses | U | (8,432,533) | 177,208 | (8,255,324) | (4,113,797) | 35,359 | (4,078,438) |
| **Net financial income / (expenses)** | | **(7,336,974)** | **(910,020)** | **(8,246,993)** | **(4,111,573)** | **35,359** | **(4,076,214)** |
| **Profit / (loss) before income tax** | | **(7,409,684)** | **991,186** | **(6,418,498)** | **(5,856,085)** | **(211,251)** | **(6,067,336)** |
| Income taxes income / (expenses) | V | 64,775 | (531) | 64,244 | (255,444) | (36,306) | (291,750) |
| **Profit for the year / (loss for the year)** | | **(7,344,909)** | **990,655** | **(6,354,254)** | **(6,111,530)** | **(247,556)** | **(6,359,086)** |

*NOTE 29.* ***TRANSITION TO IFRS...****continued*

**A. GOODWILL**
The Company previously recognized amortization of goodwill under Swiss GAAP. Under IFRS goodwill is not amortized but tested for impairment annually. The Company has conducted an impairment test of its goodwill on each reporting date under IFRS. These tests have given no indication of a need to recognize impairment in goodwill.

**B. INTANGIBLE ASSETS**
The Company carried its IT software “Fusion”, trademarks, incorporation costs as intangible assets on its balance sheet under Swiss GAAP. The accounting for incorporation costs, expenses related to portfolio acquisition and loans (transaction costs) has been adapted to comply with IFRS.

*As of 1 January 2013:*
The amortization of the software Fusion was recalculated based on a useful life of 20 years. This resulted in an adjustment of EUR 140,773. Additional legal expenses capitalized related to Fusion amounted to EUR 1,803.

Incorporation costs were netted against equity in the amount of EUR 106,383. Expenses related to portfolio acquisitions were reclassified to distressed asset portfolios in the amount of EUR 225,346. Expenses related to a loan taken were netted versus a loan received in the net amount of EUR 226,563. Other foundation costs in the amount EUR 93,047 were set off against retained earnings in the opening balance sheet.

*In 2013:*
The amortization of the software Fusion was recalculated based on a useful life of 20 years. This resulted in an adjustment of EUR 242,761. Adjustments to the value of Fusion under Swiss GAAP of EUR 173,617 was recognized. Additional legal expenses in the amount of EUR 1,803 related to the software Fusion were capitalized.

Incorporation costs were netted versus equity in amount EUR 41,654. Expenses related to loan taken were netted versus a loan received in the amount of EUR 13,540. Other foundation costs were written off in the amount of EUR 85,716.

*In 2014:*
The amortization of the software Fusion was recalculated based on a useful life of 20 years. This resulted in an adjustment of EUR 359,408. Adjustments to the value of Fusion under Swiss GAAP was written off in the amount of EUR 99,195. Other foundation costs were written off in the amount of EUR 80,036.

**C. TANGIBLE ASSETS**
The amount of depreciation of tangible assets under Swiss GAAP was recalculated for IFRS based on different useful life applied under IFRS.

**D. LOANS TO SHAREHOLDERS**
A netted loan in the amount of EUR 12,556 was reclassified from Non-current liabilities to Non-current assets.

**E. DISTRESSED ASSET PORTFOLIOS**
The amount of distressed asset portfolios was increased due to reclassification of expenses related to portfolio acquisition (transaction cost) from intangible assets. The reclassifications amounted to EUR 225,346 in the opening balance as per 1 January 2013. In 2013 and 2014 an adjustment of a portfolio was done in the amount of EUR 68,547.

**F. INVESTMENTS**
Management decided in 2014 to write-off its investments in Cyprus and Ukraine, EUR 344,615 in 2013 and EUR 360,296 in 2012 were therefore recognized as expenses.

**G. DEFERRED TAX ASSET**
The company applies IAS 12 Income taxes. Income taxes consist of current tax and deferred tax. Under Swiss GAAP no deferred taxes were recognized as the carrying amounts were identical with the tax base. The changes in deferred taxes represent the deferred tax effects on the adjustments necessary to transition to IFRS, including deferred tax assets recognized on tax loss carryforwards.

**H. PREPAID EXPENSES AND ACCRUED INCOME**
Prepaid expenses were increased under IFRS due to a reclassification of netted amounts under Swiss GAAP from current liabilities to current assets.
Prepaid expenses therefore increased EUR 20,701 in 2014 and EUR 31,685 in 2013.

**I. RESERVES**
Other reserves were created in IFRS. Please see the consolidated statement of changes in equity for details.

*NOTE 29. **TRANSITION TO IFRS...**continued*

**J. RETAINED EARNINGS**

Retained earnings reconciliation has been provided below:

| Name | Share premium | Share capital | Retained earnings | Net income / (loss) for the period | Reserves | Total amount |
|---|---|---|---|---|---|---|
| **SWISS GAAP 1 January 2013** | | **184,420** | **744,839** | **2,811,905** | – | **3,741,164** |
| | | | | | – | |
| Accrual of IFRS depreciation | – | – | (33,473) | (165,333) | – | **(198,806)** |
| Write-off investments in Cyprus/Ukraine | – | – | | (217,653) | – | **(217,653)** |
| DTL/DTA and Tax expenses | – | – | 22,472 | (81,510) | – | **(59,038)** |
| Incorporation costs were netted versus equity | – | – | (172,914) | 50,850 | – | **(122,064)** |
| Partial write off of expenses related to loan taken | – | – | | 151,680 | – | **151,680** |
| Post-employment benefit | – | – | | (224,720) | – | **(224,720)** |
| Reserves | – | – | (22,472) | – | 22,472 | – |
| Reversal of goodwill depreciation | – | – | (58,223) | 266,248 | – | **208,025** |
| Reverse of Swiss GAAP depreciation and revaluation | – | – | 58,384 | – | – | **58,384** |
| **IFRS 1 January 2013** | – | **184,420** | **538,614** | **2,591,467** | **22,472** | **3,336,973** |
| ***Difference between SWISS GAAP and IFRS*** | – | – | ***(206,225)*** | ***(220,438)*** | ***22,472*** | ***(404,191)*** |
| **SWISS GAAP 31 December 2013** | – | **3,645,512** | **3,373,267** | **(6,111,530)** | – | **907,249** |
| Accrual of IFRS depreciation | – | – | (198,303) | (127,050) | – | **(325,353)** |
| Adjustments regarding to write-off of the company | – | – | (217,653) | 2,321 | – | **(215,332)** |
| Distressed asset portfolio adjustment | – | – | | 68,547 | – | **68,547** |
| DTL/DTA and tax expenses | – | – | 19,910 | (36,306) | – | **(16,396)** |
| Currency translation Swiss GAAP | – | – | 183,476 | (183,476) | – | – |
| Incorporation costs were netted versus equity | – | – | (106,383) | 64,728 | – | **(41,655)** |
| Partial write off of expenses related to loan taken | – | – | 445 | (101,997) | – | **(101,553)** |
| Post-employment benefit | – | – | (153,304) | (51,921) | – | **(205,225)** |
| Reserves | – | – | (37,784) | – | 37,784 | – |
| Reversal of goodwill depreciation | – | – | 208,025 | 416,049 | – | **624,074** |
| Reverse of Swiss GAAP depreciation and revaluation | – | – | 58,384 | (148,103) | – | **(89,718)** |
| Write off of Swiss tax accrual | – | – | | (150,348) | | **(150,348)** |
| **IFRS 31 December 2013** | – | **3,645,512** | **3,130,081** | **(6 359,086)** | **37,784** | **454,291** |
| ***Difference between SWISS GAAP and IFRS*** | – | – | ***(243,187)*** | ***(247,556)*** | ***37,784*** | ***(452,959)*** |
| **SWISS 31 December 2014** | **10,777,630** | **5,785,676** | **(2,705,658)** | **(7,349,909)** | **–** | **6,508,585** |
| ***Accrual of IFRS depreciation*** | | | ***(325,353)*** | ***(141,206)*** | – | **(466,559)** |
| Adjustments regarding write-off of investments in Cyprus/Ukraine | – | – | (215,332) | 135,296 | – | **(80,036)** |
| Distressed asset portfolio adjustment | – | – | 68,547 | – | – | **68,547** |
| DTL/DTA and tax expenses | – | – | 34,436 | (532) | – | **33,904** |
| Currency translation Swiss GAAP | – | – | (216,081) | 216,081 | – | – |
| Incorporation costs were netted versus equity | – | – | (41,655) | 41,655 | – | – |
| Partial write off of expenses related to loan taken | – | – | (105,393) | 115,260 | – | **9,867** |
| Post-employment benefit | – | – | (300,583) | (37,073) | – | **(337,656)** |
| Reserves | – | – | 194,061 | | (194,061) | – |
| Reversal of goodwill depreciation | – | – | 624,073 | 416,049 | – | **1,040,122** |
| Reverse of Swiss GAAP depreciation and revaluation | – | – | (89,718) | 98,930 | – | **9,211** |
| Write off of Swiss tax accrual | – | – | (150,348) | 150,348 | – | – |
| **IFRS 31 December 2014** | **10,777,630** | **5,785,676** | **(3,229,004)** | **(6,354,256)** | **(194,061)** | **6,785,986** |
| ***Difference between SWISS GAAP and IFRS*** | – | – | ***(523,345)*** | ***994,807*** | ***(194,061)*** | **277,401** |

***NOTE 29. TRANSITION TO IFRS...continued***

**K. BANK BORROWINGS**
Expenses related to bank borrowings were set off against a loan received under Swiss GAAP in the amount of EUR 9,867 in 2014 and EUR 17,381 in 2013.

**L. LOANS**
Management decided in 2014 to write-off its investments in Cyprus and Ukraine, which resulted in an income of EUR 215,000 as an associated loan was written off. EUR 215,000 in 2013 and EUR 215,000 in 2012 were recognized as income and the loan received was written off.

**M. POST-EMPLOYMENT BENEFIT COMMITMENT**
The company applies IAS 19 Employee benefits. Please see Note N 23 “Post-employment benefit commitments” for further details.

**N. OTHER LONG-TERM LOANS**
Expenses related to a loan taken were netted versus a loan received in the amount of EUR 15,020 in 2012 under Swiss GAAP. The reclassification of the netted loan resulted in a reclassification of the amount of EUR 12,556 from Non-current liabilities to Non-current asset in 2013 (please also see D). The expenses related to loan taken were netted versus loan received in amount EUR 5,393 in 2013.

**O. ACCOUNTS PAYABLE**
The following adjustments were done under IFRS;
*As of 1 January 2013:*
Account payables were netted against account receivables under Swiss GAAP in the amount of EUR 3,509. This amount was reclassified to other receivables under IFRS.

*In 2013:*
Social security’s payables were adjusted in line with accruals of post-employment benefit commitments in the amount of EUR 6,125 under IFRS.

*In 2014:*
Social security’s payables were adjusted in line with accruals of post-employment benefit commitments in the amount of EUR 4,933 under IFRS.

**P. ACCRUED EXPENSES AND PREPAID INCOME**
*As of 1 January 2013:*
Accrued expenses and prepaid income were adjusted due to recognition of additional income tax expenses, in line with the applicable average company tax rate of 10%. This resulted in an adjustment of EUR 27,359.

*In 2013:*
Other receivables were increased due to reclassification of previously netted amounts under Swiss GAAP from current liabilities (accrued expenses and prepaid income) to current assets of the amount of EUR 31,685 (see H).
Tax assets in the amount of EUR 150,348 were netted under Swiss GAAP and disclosed as liabilities (accrued expenses and prepaid income). This amount was written of under IFRS via other financial expenses in the Income Statement.

The IFRS adjustment that was done in 2012, relating to recognition of additional income tax expenses, related to the average applicable company tax rate of 10% was repeated in 2013.

*In 2014:*
Other receivables were increased due to reclassification of previously netted amounts under Swiss GAAP from current liabilities (accrued expenses and prepaid income) to current assets of the amount of EUR 20,701 (see H).

The IFRS adjustment that was done in 2012, relating to recognition of additional income tax expenses, related to the average applicable company tax rate of 10% was repeated in 2014.

**Q. LOANS**
*As of 1 January 2013:*
Expenses related to a loan taken (transaction costs) were set off versus a loan received in the amount of EUR 350,852 under IFRS (see B).

*In 2013:*
“The depreciation of a loan taken was reversed and the liability was recognized on the balance sheet under IFRS in the amount of EUR 100,000.

**R. PERSONNEL EXPENSES**
*In 2013:*
Personnel expenses were increased under IFRS due to recognition of post-employment benefit commitments in the amount of EUR 51,921.

*In 2014:*
Personnel expenses were decreased under IFRS due to recognition of post-employment benefit commitments in the amount of EUR 37,073.

**S. AMORTIZATION AND DEPRECIATION OF TANGIBLE AND INTANGIBLE ASSETS**
Due to a change of the approach of depreciation and amortization under IFRS, depreciation and amortization decreased EUR 385,007 in 2014 and EUR 275,565 in 2013 respectively.

***NOTE 29. TRANSITION TO IFRS...continued***

**T. FINANCIAL INCOME / OTHER OPERATING INCOME**

Additional financial income was recognized under IFRS and was reclassified to other operating income, due to the following: De-recognition of adjustments made under Swiss GAAP were made to Retained earnings in 2014 in amount of EUR 489,903 and EUR 183,476 in 2013. For IFRS purpose these transactions were conducted via Other operating income in the Income Statement. In 2013 the amount of EUR 150,348 of tax assets were netted and disclosed in liabilities under Swiss GAAP (accrued expenses and prepaid income). This was therefore written off under IFRS in 2013 via other operating expenses in the Income Statement. In 2014, EUR 150,348 was written off under SWISS GAAP via the Income Statement. As result, EUR 150,348 was recognized as other operating income under IFRS.

Expenses related to a loan received were netted versus Loan and partially written off. In 2014 EUR 100,000 was written off under SWISS GAAP from the balance sheet via the Income statement. As result, to avoid the doubling of this expense, the similar amount was recognized like finance income under IFRS.

**U. FINANCIAL EXPENSES / OTHER OPERATING EXPENSES**

*2013:*

EUR 150,348 was written off from the balance sheet under SWISS GAAP via the Income statement (see U). Adjustments relating to depreciation for previous years were applied in the amount of EUR 128,298. The adjustment to equity under Swiss GAAP was applied in the amount of EUR 183,476. The expenses which amounted to EUR 35,360 were deducted from expenses as they were recognized under IFRS in 2012.

*2014:*

Incorporation expenses related to previous periods were recognized and amounted to EUR 177,208. These expenses were recognized in previous periods under IFRS.

**V. INCOME TAXES EXPENSE**

Please see Note 12 “Income tax expenses” for reconciliation of taxes.

**NOTE 30. SUBSEQUENT EVENTS**

On 9 February 2015, DDM announced that it has acquired 100% of Summit, a regulated Hungarian financial services company which owns a portfolio of consumer debts relating to loans originated on the Hungarian market. One of the world’s largest financial institutions provided financing as a co-investor in connection with this acquisition, while entrusting management of the company and the collections services to DDM. As part of the transaction DDM has received approval from the Hungarian National Bank to become the new beneficial owner of the licensed entity Summit.
The licensed facilitates further acquisitions on the Hungarian market through the acquired entity.

Although DDM has acquired 100% in Summit, the acquisition was not treated as a business combination pursuant to IFRS 3 provisions. DDM considered having significant influence over this company with the co-investor and hence will apply the provisions of IAS 28 - Investments in Associates and Joint Ventures.

Since the decision of the Swiss National Bank on 15 January 2015 to abandon the minimum exchange rate for the euro, the euro’s value has declined against the Swiss franc (CHF). As the functional currency of the DDM group is denominated in euro, the financial impact on the operating business is limited.

# REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF DDM HOLDING AG, BAAR

## Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of DDM Holding AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes (pages 39 to 70), for the year ended 31 December 2014.

## Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation 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 law and Swiss Auditing Standards as well as the International Standards on Auditing. 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 and fair presentation 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 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 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence. In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors. We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

| | |
|---|---|
| Norbert Kühnis<br>Audit expert<br>Auditor in charge | Valentin Studer<br>Audit expert |

Luzern, 28 April 2015

# INCOME STATEMENT
## DDM HOLDING AG, BAAR

| For the year ended 31 December | 2014<br>EUR | 2014<br>CHF | 2013<br>EUR | 2013<br>CHF |
|---|---|---|---|---|
| **Revenue** | **650,000** | **789,602** | **–** | **–** |
| Personnel expenses | (15,433) | (18,748) | 0 | 0 |
| Administration expenses | (594,952) | (722,730) | (37,945) | (46,685) |
| Depreciation | (955) | (1,160) | (599) | (737) |
| **Operating profit / (loss)** | **38,660** | **46,963** | **(38,544)** | **(47,422)** |
| Financial income | 58,982 | 71,650 | 242 | 297 |
| Financial expense | (91,492) | (111,142) | (23,495) | (28,907) |
| **Profit / (loss) before tax** | **6,150** | **7,471** | **(61,797)** | **(76,032)** |
| Taxes | (291) | (353) | (459) | (564) |
| **Profit / (loss) for the year** | **5,859** | **7,118** | **(62,256)** | **(76,596)** |

## BALANCE SHEET
DDM HOLDING AG, BAAR

| For the year ended 31 December | 2014 EUR | 2014 CHF | 2013 EUR | 2013 CHF |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Liquid funds | 2,449 | 2,946 | 1,125 | 1,379 |
| Other receivables | 36 | 43 | - | - |
| Prepayments and accrued income | | | | |
| Third parties | 4,219 | 5,075 | 441 | 540 |
| Group companies | 650,000 | 781,767 | 0 | 0 |
| **Total current assets** | **656,705** | **789,830** | **1,565** | **1,890** |
| | | | | |
| ***Financial assets*** | | | | |
| Investments | 4,097,413 | 5,501,885 | 4,097,413 | 5,501,885 |
| Loans to group companies | 12,155,237 | 14,619,323 | 1,004,649 | 1,231,338 |
| Loans to shareholders | 0 | 0 | 12,556 | 15,390 |
| | | | | |
| ***Intangible assets*** | | | | |
| Incorporation, capital increase and organizational costs | 0 | 0 | 703 | 861 |
| **Total fixed assets** | **16,252,650** | **20,121,208** | **5,115,321** | **6,749,474** |
| | | | | |
| **TOTAL ASSETS** | **16,909,354** | **20,911,039** | **5,116,886** | **6,751,364** |
| | | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| Trade accounts payable | 90,264 | 108,562 | 0 | 0 |
| Other current liabilities | 3,742 | 4,500 | 0 | 0 |
| Accruals and deferred income | | | | |
| Third parties | 110,396 | 132,775 | 14,326 | 17,559 |
| Group companies | 2,494 | 3,000 | 4,879 | 5,980 |
| **Total current liabilities** | **206,895** | **248,836** | **19,206** | **23,539** |
| | | | | |
| Loans | | | | |
| Third parties | 0 | 0 | 1,050,000 | 1,286,922 |
| Shareholders | 0 | 0 | 231,769 | 284,066 |
| **Total non-current liabilities** | **0** | **0** | **1,281,769** | **1,570,988** |
| | | | | |
| **Total liabilities** | **206,895** | **248,836** | **1,300,975** | **1,594,527** |
| | | | | |
| ***Shareholders' equity*** | | | | |
| Share capital | 5,785,676 | 7,100,000 | 3,645,512 | 4,500,000 |
| Legal reserves | | | | |
| General reserve | 11,617 | 14,000 | 11,617 | 14,000 |
| Reserves from capital contribution | 10,740,524 | 13,051,951 | 0 | 0 |
| Exchange variation reserve | 0 | 299,357 | 0 | 453,059 |
| Retained earnings | 158,782 | 189,777 | 221,038 | 266,373 |
| Net income / (loss) for the year | 5,859 | 7,118 | (62,256) | (76,596) |
| **Total shareholders' equity** | **16,702,459** | **20,662,203** | **3,815,911** | **5,156,836** |
| | | | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **16,909,354** | **20,911,039** | **5,116,886** | **6,751,364** |

## NOTES

| CHF | 2014 | 2013 |
|---|---|---|
| **The total amount of guarantees, indemnity liabilities and pledges in favor of third parties**<br>VAT group taxation with DDM Group AG, DDM Invest I AG, DDM Invest II AG,<br>DDM Invest III AG, DDM Invest IV, DDM Invest X AG and DDM Invest XX AG | 0 | 0 |
| | | |
| Investments, DDM Group AG, Baar (CH) | 0 | 0 |
| Share capital | 232,000 | 232,000 |
| Shareholding quota | 100% | 100% |
| Book value | 5,501,885 | 5,501,885 |

**Risk management**
The Board of Directors had several meetings during 2014 discussing the risks currently facing the Company. The Board of Directors made continuous updates (monthly) of the risk situation rolled-forward from prior year and outlined short and long-term actions to be taken depending on the specific risks. The Board of Directors also performed a follow-up on the short-term actions, which were all satisfying.

**Accounting law**
Applying the transitional provisions of the new accounting law, these 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.

**Subsequent events**
Since the decision of the Swiss National Bank on 15 January 2015 to abandon the minimum exchange rate for the euro, the euro's value has declined against the Swiss franc (CHF). As the functional currency of the DDM group is denominated in euro, the financial impact on the operating business is limited. However, the annual accounts have to be presented in Swiss franc according to the requirements by Swiss law.

If the balance sheet is converted into CHF applying the closing rates on 15 January 2015 the Shareholders' equity would be presented as follows:

| | 31 December 2014 EUR | 31 December 2014 CHF | 15 January 2015 CHF |
|---|---|---|---|
| Share capital | 5,785,676 | 7,100,000 | 7,100,000 |
| *Legal reserves* | | | |
| General reserve | 11,617 | 14,000 | 14,000 |
| Reserves from capital contribution | 10,740,524 | 13,051,951 | 13,051,951 |
| Exchange variation reserve CHF | - | 299,357 | (2,260,957) |
| Retained earnings / (accumulated deficit) | 158,782 | 189,777 | 189,777 |
| Net income / (loss) for the year | 5,859 | 7,118 | 7,118 |
| **Shareholders' equity** | **16,702,459** | **20,662,203** | **18,101,889** |

## PROPOSED APPROPRIATION OF THE AVAILABLE EARNINGS

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | EUR | CHF | EUR | CHF |
| Profit / (loss) for the year | 5,859 | 7,118 | (62,256) | (76,596) |
| Retained profit / (loss) carried forward | 158,782 | 189,777 | 221,038 | 266,373 |
| **Amount at the disposal of the shareholders** | **164,641** | **196,895** | **158,782** | **189,777** |
| | | | | |
| **Proposal** | | | | |
| Allocation to legal reserve | 293 | 356 | 0 | 0 |
| **To be carried forward** | **164,348** | **196,539** | **158,782** | **189,777** |

# REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF DDM HOLDING AG, BAAR

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of DDM Holding AG, which comprise the income statement, balance sheet and notes (pages 72 to 74), for the year ended 31 December 2014.

## Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 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 financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

PricewaterhouseCoopers AG

Norbert Kühnis
Audit expert
Auditor in charge

Valentin Studer
Audit expert

Luzern, 28 April 2015

# DDM'S PROGRESS

2007

Incorporation of DDM.

Replicating and improving an established business model.

2008

Initial investments made in Russia.

First external funding.

2009

Seven additional portfolios acquired in Romania and Russia, leveraging on data from initial investments.

Start of development of DDM's proprietary IT system, Fusion.

2010

Annual Investments in 17 portfolios, totalling EUR 11M.

2011

Strengthened the organization.

Acquired eight portfolios.

2012

Acquired 15 portfolios.

2013

Embarked on its strategy to significantly scale up its operations.

Issue of senior secured bonds of SEK 300M.

Acquired 17 portfolios.

2014

New issue of 2.6 million shares.

Listing of DDM Holding AG on First North Stockholm.

Broadened geographic scope, entered Slovenia, Poland and re-entered Czech Republic.

Acquired 13 portfolios.

2015

Invested in Hungarian portfolio and company in cooperation with one of the largest banks in the world.

# GLOSSARY AND FINANCIAL DEFINITIONS

**AGM**
Annual General Meeting.

**Bn**
Billion.

**CAGR**
Compound annual growth rate.

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

**CHF**
Swiss franc, the currency of Switzerland.

**CZK**
Czech koruna, the currency of the Czech Republic.

**DCA**
Debt Collection Agency.

**DDM or Company**
DDM Holding AG, reg. no. CHE-115906312.

**Eastern Europe**
The countries in EuroVoc's definition plus Greece and the Baltic states. Please see the map under section "Geographic scope" for further reference.

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

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

**First North**
Nasdaq First North, Stockholm.

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

**Group**
DDM and its subsidiaries.

**Limited**
(Swiss) Company limited by shares.

**M**
Million.

**NPL**
Non-performing loans.

**Main List**
Nasdaq Stockholm.

**PARENT COMPANY**
DDM Holding AG, CHE-115906312.

**PLN**
Polish złoty, the currency of Poland.

**RON**
Romanian leu, the currency of Romania.

**SEK**
Swedish krona, the currency of Sweden.

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

**SPV**
Special purpose vehicle.

**USD**
Refer to the lawful currency of the United States.

# FINANCIAL DEFINITIONS

**Adjusted equity**
Shareholders' equity at the end of the period including subordinated debt (as defined in IAS 32 as an instrument without a contractual commitment to deliver cash or other assets).

**Adjusted operating earnings**
Operating earnings adjusted for non-recurring items.

**Cash EBITDA**
Net collections less operating expenses.

**Capital employed**
Total assets less non-interest bearing liabilities, non-interest bearing provisions and interest-bearing assets.

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

**EBITDA**
Earnings before Interest, Taxes, Depreciation of fixed assets as well as amortization and revaluations of purchased distressed asset portfolios.

**EBITDA margin**
EBITDA as a percentage of net collections.

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

**Equity**
Shareholders' equity at the end of the period.

**Equity per share**
Shareholders' equity at the end of the period, attributable to owners of the Parent Company, divided by the number of shares at the end of the period.

**Equity ratio**
Adjusted equity as a percentage of total assets.

**Interest-bearing net debt**
Interest-bearing provisions and liabilities less interest-bearing assets.

**Net collections**
Gross collection in respect of the distressed asset portfolios held by DDM minus commission and fees to collection agencies.

**Net debt/equity ratio**
Interest-bearing net debt divided by shareholders' equity.

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

**Operating margin**
Operating earnings as a percentage of net collections.

**Return on capital employed**
Operating earnings as a percentage of average capital employed.

**Return on equity**
Earnings for the period, attributable to owners of the Parent Company, as a percentage of average shareholders' equity, attributable to owners of the Parent Company.

# ANNUAL GENERAL MEETING

We cordially invite shareholders for the Annual General Meeting of DDM Holding AG (the “Company”), which will be held at the offices of Homburger AG, Prime Tower, Hardstrasse 201 in Zurich, Switzerland, on Wednesday 27 May 2015, at 2:00 p.m. CET.

## Participation

Shareholders wishing to participate in the Annual General Meeting (“AGM”) must either be registered
– in the share register of DDM Holding AG, with voting rights (shareholders who hold their DDM shares through SIX SIS AG) or
– in the register of shareholders kept by Euroclear Sweden AB (shareholders who hold their DDM shares through Euroclear Sweden AB)

on Friday 22 May 2015, 4 p.m. CET, at the latest (the “Record Date”), (for details of the registration process for nominee shareholders, please see below), and, in order to obtain an admission card, must have completed and returned the registration/proxy form to DDM Holding AG, c/o SIX SAG AG, Postfach, CH-4609 Olten, Switzerland. The registration/proxy form will be sent to registered shareholders by regular mail and will enclose a response envelope. The registration/proxy form must be received by the Company no later than Friday 22 May 2015.
The information provided by shareholders will be computerized and used exclusively in connection with the AGM.

## Nominee shareholders

In order to be entitled to participate in the AGM, nominee shareholders must, no later than Friday 22 May 2015, 4:00 p.m. CET, have their shares temporarily registered in their own name in the register of shareholders kept by Euroclear Sweden AB. As the registration process may take time and must be completed by the Record Date, all such requests for registration in the shareholder’s own name must be submitted to the relevant trustee well ahead of this date to ensure their registration in time for the AGM.

## Complete convening notice

A complete notice convening the AGM, as well as financial and other information, can be found on DDM’s web site at www.ddm-group.ch.

## Website

Shareholders are encouraged to visit our website www.ddm-group.ch for information about DDM.
Printed financial information may also be ordered via the web site or from DDM Holding AG, Schochenmühlestrasse 4, CH-6340 Baar, Switzerland.

## Financial calendar for 2015

| | |
|---|---|
| Interim report January-March 2015 | 26 May 2015 |
| Interim report January-June 2015 | 20 August 2015 |
| Interim report January-September 2015 | 12 November 2015 |
| Year-end report 2015 | February 2016 |
| Annual Report 2015 | March 2016 |

## Distribution policy

A printed copy of the Annual Report is sent on request and can be ordered by sending an e-mail to investor@ddm-group.ch.

## Give us your feedback

Can we improve the Annual Report or our Interim Reports? We welcome your suggestions and viewpoints by e-mail to investor@ddm-group.ch.

MULTINATIONAL INVESTOR
AND MANAGER OF
DISTRESSED ASSETS

ddm

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