



# NAGA

## **CONSOLIDATED HALF-YEAR REPORT**

As of 30 June 2018

***"The future is already here  
It's just not very evenly distributed."  
William Gibson***

# CONTENTS

|                                                       |           |
|-------------------------------------------------------|-----------|
| <b>1. PREFACE BY THE MANAGEMENT BOARD</b>             | <b>3</b>  |
| <b>2. CORPORATE PURPOSE</b>                           | <b>6</b>  |
| <b>3. HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS</b> | <b>7</b>  |
| <b>4. HALF-YEAR GROUP NOTES</b>                       | <b>12</b> |
| <b>5. INTERIM MANAGEMENT REPORT</b>                   | <b>28</b> |
| <b>6. FORECAST, OPPORTUNITY AND RISK REPORT</b>       | <b>21</b> |
| <b>7. CORPORATE BODIES</b>                            | <b>21</b> |

## 1. Preface by the Management Board

Dear shareholders, employees and business partners,

We further strengthened the positioning of THE NAGA GROUP AG in 2018, quite significantly! Unfortunately, the performance of our stock price has been completely independent of this. The hype around the topic of "Fintech" in the context of our IPO was followed by a mirror-inverted negative reaction which ended in early August.

As board members of your company, we are not entitled to comment on the valuation of the capital market in more detail, but rest assured that such extreme over- and understatement will not leave us untouched, neither as large shareholders nor as the people responsible for the development of the company!

### **Significant increase in sales, strong profit improvement in the first half of 2018**

With regard to the figures for the first half of the year and the key measures we have implemented, we are convinced that the company's success will continue to show - and even more clearly - in increases in sales and earnings. If the rules in the stock market do not change completely, this should boost the share price.

In the first half of 2018, our Group revenues more than doubled from EUR 3.7 million to EUR 8.1 million, with total revenues of EUR 8.6 million (previous year: EUR 4.3 million). All earnings ratios were significantly improved. We achieved an almost balanced operating result after a loss of EUR 3.6 million in the previous year. This pleasing operating performance and the capital increase in connection with the takeover of Hanseatic Brokerhouse Securities AG (HBS) raised equity from EUR 20.3m to EUR 46.4m.

### **We were able to set milestones for a successful future**

To ensure that THE NAGA GROUP AG is successful in the future, that it raises its potential and demonstrates sustainable profitability, we have implemented further milestones this year.

For example, NAGA has acquired 25% of the shares in easyfolio GmbH, Frankfurt / Main, with the option of an increase of up to 49% in total. As a further anchor shareholder alongside Hauck & Aufhäuser AG, NAGA will support the technological development of easyfolio with a particular focus on the use of blockchain technology. Easyfolio GmbH is one of the first platforms for digital investment in Germany and represents an ideal addition to our existing product portfolio.

In April, we announced a strategic partnership with the listed MyBucks S.A. The key asset for us in this partnership is the resulting access to approximately 1.5 million MyBucks customers and the significant additional customer potential that this FinTech company opens up to us in emerging markets. It was of interest to MyBucks to provide their clientele, through NAGA WALLET, immediate and direct access to all cryptocurrencies and solutions to payment and

remittance issues and thus to be able to encounter very limited access to banks. The integration work with MyBucks is now in full progress.

With NAGA VIRTUAL, we created the world's first transparent marketplace for virtual goods and for the first time integrated an external game into our independent platform during the reporting period. NAGA VIRTUAL has thus created a primary and secondary market for users, which makes it possible to handle so-called "ingame items" with each other in a completely uncomplicated way.

### **NAGA becomes athletic**

Our marketing activities are increasingly contributing to customer acquisition. In July, NAGA became the new exclusive partner of HSV. As an internationally oriented company, but operating from headquarters in Hamburg, we recognized the great opportunity of a comprehensive presence in the direct environment of this well-known club. That is why we support HSV Fußball AG in the season 2018/19. This includes classic perimeter advertising in Volksparkstadion as well as the involvement of NAGA as statistic- and scorer partners on the scoreboard and in other club media. But that's not all - since August, there has been a marketing cooperation with Sky Media in order to further expand NAGA's name recognition.

Another tested and fundamental element of our customer approach is the NAGA ACADEMY, which has just officially launched its first course certification in cooperation with the renowned Alexander College (Cyprus). Our clients should not only have the opportunity to build assets, but also to broaden their knowledge of financial and stock exchange issues.

### **Our products and solutions are clearly positioned**

However, not only the advertising measures are decisive for successful marketing, but the existence of clearly positioned products and solutions, which offer considerable potential. Moreover, a clear corporate strategy that enables this development.

As part of the strategy, NAGA has an outstanding technological offer. Our key assets include a modular, multi-purpose software platform that combines, for example, trading functionality with social networking components. This foundation enabled the establishment of an online broker and the launch of the award-winning social trading app NAGA TRADER. This network NAGA TRADER (formerly SwipeStox) is part of the global branding strategy.

Another very important part of the NAGA ecosystem is the NAGA WALLET, which makes it very easy for our customers to enter the world of cryptocurrencies. As a digital wallet, it enables Bitcoin, Ethereum, LiteCoin, Dash, Bitcoin Cash, NAGA COIN, and over 1,200 other ERC-20-based tokens to be deposited, disbursed, and partially converted into EUR / USD. In addition to acquiring customers through our own activities in the industrialized countries, we are aiming for accelerated market entry in developing countries through cooperations such as those with MyBucks S.A.

NAGA MARKETS, NAGA's online broker, has now opened 180 new markets, countries and territories, from which to trade. Thus, their number has more than doubled. Almost all countries in the world are now connected to the NAGA network.



NAGA VIRTUAL (formerly SWITEX) is active as a cross-vendor trading platform for virtual goods.

The NAGA-exchange for digital currencies and FIAT, the NAGA EXCHANGE, will enter the market in November. Interested customers can secure exclusive access to special conditions via a whitelist.

Recently, we also announced the successful launch of another novelty: The NAGA Card - one card, 3 currencies (EUR, GBP and USD) and an IBAN account for fast and reliable transactions worldwide. NAGA TRADER can make deposits and withdrawals directly from their account, receive trading profits quickly and reliably in various currencies on the NAGA Card and withdraw cash worldwide.

NAGA and its ecosystem are developing more and more.

Yours sincerely

The Management Board

Yasin Qureshi

Benjamin Bilski

Andreas Luecke

## 2. Corporate Purpose

NAGA is a German fintech company listed in the stock market segment "Scale" and headquartered in Hamburg. The company's focus is on developing innovative financial technology for easy access to financial markets and trading in virtual goods and cryptocurrencies.

The parent industry of the business is the financial sector. NAGA is mainly involved in brokerage and is in direct B2C contact. Brokerage is handled by the subsidiary NAGA Markets, which, as a pure online broker, provides a trading platform for CFDs, forex, ETFs and stock indices. Due to the direct connection of the NAGA TRADER application, we can offer both a



classic and a "social trading" service. NAGA thus enables easy, secure and fast access to stock exchange trading.

With the NAGA VIRTUAL application, we offer the world's first independent, transparent and legal marketplace for virtual goods. Here, in-game items can be bought and sold by users. We offer a platform that makes it possible to convert the effort and the time invested in a game into equivalents.

In addition to brokerage, the development of blockchain-based technology is playing an increasingly important role. As part of the launch of the Naga Coin on the NAGA Group platforms and the development of the NAGA WALLET and NAGA EXCHANGE products for our cooperation partner NAGA Development Association Ltd, Belize City, Belize (hereinafter "NDAL"), NAGA provides consulting services and thus generates service revenues.

### 3. Half-Year Consolidated Financial Statements as of 30 June 2018

#### Consolidated Interim Balance Sheet of The Naga Group AG as of 30 June 2018

| <b>Assets</b>                     | <b>30.06.18</b> | <b>31.12.17</b> |
|-----------------------------------|-----------------|-----------------|
|                                   | <b>KEUR</b>     | <b>KEUR</b>     |
| <b>Financial Assets</b>           |                 |                 |
| <b>Long-term assets</b>           |                 |                 |
| Intangible assets                 | 35.237          | 15.733          |
| Tangible assets                   | 235             | 113             |
| Financial assets and other assets | 533             | 154             |
| Deferred tax claims               | 2               | 15              |
| <b>Total long-term assets</b>     | <b>36.007</b>   | <b>16.015</b>   |
| <b>Short-term assets</b>          |                 |                 |
| Trade receivables                 | 6.670           | 4.557           |
| Other short-term assets           | 1.130           | 5.411           |
| Tax claims                        | 266             | 5               |
| Cash and cash equivalents         | 6.843           | 8.728           |
| <b>Total short-term assets</b>    | <b>14.908</b>   | <b>18.700</b>   |
| <b>Total assets</b>               | <b>50.914</b>   | <b>34.716</b>   |

Due to the consolidation of HBS from 01.02.2018, comparability with the previous year is limited.

|                                                                  | 30.06.18      | 31.12.17      |
|------------------------------------------------------------------|---------------|---------------|
|                                                                  | KEUR          | KEUR          |
| <b>Liabilities</b>                                               |               |               |
| <b>Equity</b>                                                    |               |               |
| Subscribed capital                                               | 40.204        | 21.008        |
| Capital reserves                                                 | 15.625        | 8.849         |
| Retained earnings                                                | -9.433        | -9.556        |
| Equity attributable to the shareholders<br>of the parent company | <b>46.396</b> | <b>20.301</b> |
| Shares of non-controlling shareholders                           | 108           | -37           |
| <b>Total equity</b>                                              | <b>46.504</b> | <b>20.264</b> |
| Deposits made to carry out a capital increase                    | 0             | 7.418         |
| <b>Long-term debts</b>                                           |               |               |
| Deferred tax liabilities                                         | 715           | 0             |
| <b>Total long-term debts</b>                                     | <b>715</b>    | <b>0</b>      |
| <b>Short-term debts</b>                                          |               |               |
| Trade liabilities                                                | 1.747         | 5.212         |
| Other short-term liabilities                                     | 1.483         | 1.204         |
| Tax provisions                                                   | 71            | 71            |
| Other provisions                                                 | 395           | 546           |
| <b>Total short-term debts</b>                                    | <b>3.696</b>  | <b>7.033</b>  |
| <b>Total debts</b>                                               | <b>4.410</b>  | <b>7.033</b>  |
| <b>Total equity and debts</b>                                    | <b>50.914</b> | <b>34.716</b> |

Due to the consolidation of HBS from 01.02.2018, comparability with the previous year is limited.



**Statement of comprehensive income  
of The Naga Group AG  
from 1 January to 30 June 2018**

|                                                  | 1.1.2018-30.06.2018 | 1.1.2017-30.6.2017 |
|--------------------------------------------------|---------------------|--------------------|
|                                                  | KEUR                | KEUR               |
| Revenues from trading                            | 4.629               | 3.741              |
| Revenues from service                            | 3.446               | 0                  |
| <b>Sales revenues</b>                            | <b>8.076</b>        | <b>3.741</b>       |
| Capitalised programming service                  | 474                 | 589                |
| <b>Total performance</b>                         | <b>8.550</b>        | <b>4.330</b>       |
| Other operating income                           | 2.000               | 305                |
| Development expenses *                           | 1.563               | 1.341              |
| Direct expenses for revenues from trading *      | 426                 | 434                |
| Commission expenses                              | -14                 | 1.576              |
| Personnel expenses                               | 2.846               | 1.245              |
| Marketing and advertising expenses               | 1.114               | 292                |
| Other operating expenses                         | 2.418               | 993                |
| <b>Earnings before depreciation (EBITDA)</b>     | <b>2.197</b>        | <b>-1.246</b>      |
| Depreciations                                    | 2.253               | 2.384              |
| <b>Operative results</b>                         | <b>-56</b>          | <b>-3.631</b>      |
| Financial expenses                               | 60                  | 93                 |
| <b>Earnings before taxes on income</b>           | <b>-116</b>         | <b>-3.724</b>      |
| Taxes on income (expense (+) / income (-))       | -101                | 173                |
| <b>Period results / total results</b>            | <b>-15</b>          | <b>-3.897</b>      |
| <b>Of the group results the following relate</b> |                     |                    |
| to shareholders of the parent company            | 123                 | -3.888             |
| to shares of non-controlling shareholders        | -138                | -9                 |

Due to the consolidation of HBS from 01.02.2018, comparability with the previous year is limited.

\*From the financial year 2018, the "development expenses" and the "direct expenses of the trading revenues" are presented in a better overview. The previous year's figures have been adjusted accordingly.

**Consolidated statement of changes in equity  
of The Naga Group AG  
from 1 January to 30 June 2018**

|                                                          | Subscribed<br>capital<br>KEUR | Capital<br>reserve<br>KEUR | Retained<br>earnings<br>KEUR | Equity attribu-<br>table to the share-<br>holders of the<br>parent company<br>KEUR | Shares of non-<br>controlling<br>shareholders<br>KEUR | Total<br>KEUR |
|----------------------------------------------------------|-------------------------------|----------------------------|------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------|---------------|
| <b>Status on 31.12.2016</b>                              | <b>50</b>                     | <b>21.882</b>              | <b>-7.358</b>                | <b>14.574</b>                                                                      | <b>9</b>                                              | <b>14.583</b> |
| Capital increase from company funds                      | 17.975                        | -17.975                    | 0                            | 0                                                                                  | 0                                                     | 0             |
| Capital increase from the conversion of convertible debt | 1.971                         | 1.102                      | 0                            | 3.073                                                                              | 0                                                     | 3.073         |
| Capital transactions with shareholders                   | 1.012                         | 3.840                      |                              | 4.852                                                                              | 0                                                     | 4.852         |
| Total results of the period 01.01.2017 - 31.12.2017      |                               |                            | -2.198                       | -2.198                                                                             | -46                                                   | -2.244        |
| <b>Status on 31.12.2017</b>                              | <b>21.008</b>                 | <b>8.849</b>               | <b>-9.556</b>                | <b>20.301</b>                                                                      | <b>-37</b>                                            | <b>20.264</b> |
| Change in the scope of consolidation                     | 11.778                        | 6.776                      | 0                            | 18.554                                                                             | 283                                                   | 18.837        |
| Capital increase from contributions in kind              | 7.418                         | 0                          | 0                            | 7.418                                                                              | 0                                                     | 7.418         |
| Total results of the period 01.01.2018-30.06.2018        |                               |                            | 123                          | 123                                                                                | -138                                                  | -15           |
| <b>Status on 30.06.2018</b>                              | <b>40.204</b>                 | <b>15.625</b>              | <b>-9.433</b>                | <b>46.396</b>                                                                      | <b>108</b>                                            | <b>46.504</b> |

**Consolidated cash flow statement  
of The Naga Group AG  
from 1 January to 30 June 2018**

|                                                                           | 1.1.-30.06.2018<br>KEUR | 1.1.-30.6.2017<br>KEUR |
|---------------------------------------------------------------------------|-------------------------|------------------------|
| <b>Cash flow from current business activities</b>                         |                         |                        |
| Earnings before taxes on income                                           | -116                    | -3.724                 |
| Corrections for depreciations                                             | 2.253                   | 2.384                  |
| Interest expenditure                                                      | 60                      | 93                     |
| Expenses and income not affecting payments                                | -46                     | 0                      |
| <b>Cash flow before changes in the net current assets</b>                 | <b>2.151</b>            | <b>-1.247</b>          |
| Increase in the provisions                                                | -435                    | -31                    |
| Increase in trade receivables                                             | -2.076                  | -1.548                 |
| Increase in other assets                                                  | 3.084                   | 45                     |
| Increase in trade liabilities as well as other liabilities                | -2.845                  | 373                    |
| Cash flows generated from current business activities                     | -121                    | -2.408                 |
| Reimbursed /paid taxes on income                                          | -446                    | -1                     |
| <b>Operative cash flow</b>                                                | <b>-567</b>             | <b>-2.409</b>          |
| <b>Cash flow from investment activities</b>                               |                         |                        |
| Cash outflows for investments in intangible assets                        | -1.238                  | -824                   |
| Cash outflows for investments in financial assets                         | -353                    | 0                      |
| Cash outflows for investments in tangible assets                          | -68                     | -26                    |
| <b>Investing cash flow</b>                                                | <b>-1.659</b>           | <b>-850</b>            |
| <b>Cash flow from financing activity</b>                                  |                         |                        |
| Cash flows from transfers to equity by shareholders of the parent company | 0                       | 2.403                  |
| Redemption of financial liabilities                                       | 0                       | -2.358                 |
| <b>Financing cash flow</b>                                                | <b>0</b>                | <b>45</b>              |
| <b>Net increase in cash and cash equivalents</b>                          | <b>-2.226</b>           | <b>-3.214</b>          |
| Cash and cash equivalents at the beginning of the period                  | 8.728                   | 3.471                  |
| Consolidation-related change in cash and cash equivalents                 | 341                     | 0                      |
| <b>Cash and cash equivalents at the end of the period</b>                 | <b>6.843</b>            | <b>257</b>             |

## 4. Half-Year Group Notes as of 30 June 2018

### Details of the Company

This unaudited semi-annual financial statements are the consolidated financial statements of The Naga Group AG ( "Naga AG") and its subsidiaries (together the "Group" or NAGA "). Naga AG is headquartered in Hamburg, Neustädter Neuer Weg 22, Germany (Amtsgericht Hamburg, HRB 136811). The shares of Naga AG are listed on the Frankfurt Stock Exchange over the counter in the "Scale" segment.

The comparability of the semi-annual financial statements from January 1 to June 30, 2018 with the semi-annual financial statements from January 1, 2017 to June 30, 2017 (previous year = "py") is only limited, as the Hanseatic Brokerhouse Securities AG (hereinafter "HBS") and Naga Brokers GmbH (formerly Hanseatic Brokerhouse GmbH) belong to the group of consolidated companies since 1 February 2018. Together these are referred to as "HBS Group".

In the current reporting period, the NAGA VIRTUAL application operated by Switex GmbH went online.

The development work for the software applications NAGA VIRTUAL and NAGA TRADER are largely carried out by external service providers.

### Principles of the Statement

The present half-year consolidated financial statements are in full compliance with the IFRSs to be applied in the European Union and the supplementary commercial law provisions to be applied in accordance with § 315e HGB. The semi-annual consolidated financial statements of NAGA are based on the assumption of continuation of the company.

The accounting and valuation methods used in the half-year consolidated financial statements comply with the mandatory standards and interpretations to be applied since 1 January 2018. The effects of the first-time application of IFRS 9 (Financial Instruments) and IFRS 15 (Revenues from Contracts with Customers) are explained below:

IFRS 9 introduces a uniform approach to the classification and measurement of financial assets and financial liabilities. IFRS 9 refers to the characteristics of contractual cash flows and the business model under which they are managed. There are no fundamental effects on NAGA.

IFRS 15 restores the accounting principles for revenue recognition. It replaces existing guidance on revenue recognition. The new standard sets a comprehensive framework for the amount and timing of revenue. The application as of 1 January 2018 has no impact on NAGA's presentation of its net assets, financial position and results of operations.

## Scope of Consolidation

The scope of consolidation changed in the first half of 2018 compared to the first half of 2017, with the HBS Group being included in the scope of consolidation from February 1, 2018 onwards.

In addition, the subsidiary Swipy Technology GmbH, Hamburg, was merged with the subsidiary SwipeStox GmbH with retroactive effect from January 1, 2018, and renamed as NAGA Technology GmbH, Hamburg.

Overview of the scope of consolidation of NAGA as of 30 June 2018

| Company                                                                         | Shareholdings |
|---------------------------------------------------------------------------------|---------------|
| The Naga Group AG, Hamburg (parent company)                                     | -             |
| NAGA Markets Ltd., Cyprus                                                       | 100%          |
| p2pfx GmbH, Hamburg                                                             | 100%          |
| Naga Technology GmbH, Hamburg (former SwipeStox GmbH and Swipy Technology GmbH) | 100%          |
| Switex GmbH, Frankfurt am Main                                                  | 60%           |
| Hanseatic Brokerhouse Securities AG (HBFS), Hamburg (since 1.2.2018)            | 72,16%        |
| Naga Blockchain GmbH, Hamburg                                                   | 100%          |
| Zack Beteiligungs GmbH, Hamburg                                                 | 100%          |

## Acquisition of Hanseatic Brokerhouse Securities AG

By contract dated December 10, 2015, Naga AG has committed to acquire 60% of HBS shares by issuing new treasury shares.

By resolution of the Annual General Meeting of May 24, 2017, the issue of 11,777,039 new shares against the purchase of a total of 45,000 shares in HBS AG was resolved by means of a capital increase against contribution in kind. The capital increase and contribution of the HBS shares was carried out in the financial year and entered in the commercial register on February 13, 2018. On the same day, NAGA finally gained control of the HBS. For reasons of simplification, the first-time consolidation will take place on 31 January 2018. As expected, the impact on the net assets, financial position and results of operations resulting from the different reporting dates is of secondary importance. In addition to the 45,000 shares already acquired, there is an option to acquire a further 10,500 shares. Since this option was classified as substantial at the time of first-time consolidation, it is already taken into account in the first-time consolidation - determination of the shareholding and the purchase price. In the course

of the share swap, taking into account this option, HBS also holds 4,953 treasury shares, which are to be treated as own shares of Naga AG in the consolidated financial statements. This results in a participation rate of ultimately 72.16%. A peak compensation in the share exchange has not taken place, since this was not necessary.

HBS is a German incorporated corporation founded in 1999 and operates in the field of online brokerage. HBS currently holds a 100% participation in Naga Brokers GmbH, Hamburg. Naga Brokers GmbH also has branches in Spain. The specialization of the HBS Group is the marketing of CFD trading accounts and the creation of appropriate training content.

The main reason for the acquisition of the majority stake is the further development and expansion of customer relationships.

The purchase price was previously based on a company valuation on 24.05.2017. This is still provisional as the company valuation is updated to the date of first-time consolidation. Thus, there is the possibility that the purchase price determination changes in one direction or the other. The preliminary acquisition cost may be allocated to the acquired assets and liabilities at preliminary estimated market values as follows:

| IN KEUR                                   |  |  |  |  | 31.01.18      |
|-------------------------------------------|--|--|--|--|---------------|
| Intangible assets                         |  |  |  |  | 2.671         |
| Tangible assets                           |  |  |  |  | 78            |
| Financial assets and other assets         |  |  |  |  | 26            |
| Other current assets                      |  |  |  |  | 527           |
| Receivables from affiliated companies     |  |  |  |  | 719           |
| Cash and cash equivalents                 |  |  |  |  | 341           |
| Subtotal                                  |  |  |  |  | 4.361         |
| Other long-term liabilities               |  |  |  |  | 892           |
| Other short-term liabilities              |  |  |  |  | 1.027         |
| Liabilities to affiliated companies       |  |  |  |  | 1.426         |
| Subtotal                                  |  |  |  |  | 3.345         |
| <b>Net assets</b>                         |  |  |  |  | <b>1.016</b>  |
| <b>Non-controlling interests (27.84%)</b> |  |  |  |  | <b>283</b>    |
| <b>Purchase Price</b>                     |  |  |  |  | <b>18.553</b> |
| <b>Goodwill</b>                           |  |  |  |  | <b>17.820</b> |

The gross amount of the trade receivables acquired amounted to KEUR 456. As these were almost exclusively against NAGA, no valuation allowances were made so that the fair value of the acquired trade receivables corresponds to the gross amount.

The intangible assets mainly comprise the HBS Group's customer base in the amount of KEUR 2,618 and the BaFin license valued at estimated replacement costs of TEUR 50. Deferred

taxes have been formed for the disclosed hidden reserves, taking into account the Group tax rate of 31.15%. The recognized deferred tax liabilities amount to KEUR 892.

In the valuation of non-controlling interests, the option of IFRS 3.19 was used to value non-controlling interests with the corresponding share of net assets of KEUR 283.

The loss of the HBS Group for the month of January 2018 (prior to initial consolidation) amounts to TEUR 285. This result was not included in NAGA.

During the consolidation period from February to June 2018, the HBS Group recorded a loss of KEUR 417. A total of KEUR 1,754 was generated, which in turn was consolidated in full.

There are no contingent liabilities as of the balance sheet date.

The business combination results in non-deductible goodwill of KEUR 17,820. This results from expected synergies, as the HBS Group is to build up and expand the customer relationships of the in-house broker Naga Markets. In addition, goodwill includes value drivers, such as a qualified employee base, which may not be separately capitalized under IFRS.

So far, no significant transaction costs have been incurred in this business combination.

## **Estimates and Assumptions**

The Management Board uses assumptions and estimates when preparing consolidated financial statements in accordance with IFRS. These assumptions and estimates are made to the best of our knowledge to give a true and fair view of the Group's net assets, financial position and results of operations. Actual results and developments may differ from these estimates and assumptions.

In addition, we refer to note 2.2 of the notes to the consolidated financial statements as of December 31, 2017.

## **Depreciations**

Tangible and intangible assets are reviewed at each reporting date by comparing the recoverable amount and carrying amount to determine whether there is any indication of depreciations. Examples of this are e.g. a changed regulatory environment or insufficient customer acceptance. If the recoverable amount can not be determined at the level of the individual asset, the determination is made at the level of the cash-generating unit (CGU) to which the asset is allocated. The distribution takes place on an appropriate and continuous basis on the individual CGUs or on the smallest group of CGUs. As of 30 June 2018, two CGUs, the brokerage and advisory businesses, were identified. As the business expands, more CGUs will be created in the future.

For intangible assets with indefinite useful lives or intangible assets that have not yet been used, an depreciation test is performed at least annually and in addition to indications of depreciation ("triggering event"). However, there was no indication in the first half of 2018.

Significant estimation uncertainties exist with regard to the assessment of whether there is a triggering event, the determination of capital costs as well as revenue and cost planning.

## Seasonal Fluctuations

NAGA is not exposed to seasonal fluctuations. At the same time, NAGA's operational business is still under development as new applications are constantly being programmed and brought to market maturity. Consequently, the comparability of individual periods is only possible to a limited extent.

## Subsidiaries with non-controlling Interests

By contract of November 4, 2016, 60% of the shares in Switex GmbH were acquired. The purchase price was TEUR 16. The remaining shares are held by Deutsche Börse AG, Frankfurt am Main.

Naga AG holds 72.16% of the shares in the HBS Group. The remaining shares are held by third parties.

## Equity

### Subscribed capital

The subscribed capital changed as follows in the first half of 2018:

|                                                          | Number            |
|----------------------------------------------------------|-------------------|
| <b>Number of shares in circulation on 31.12.2017</b>     | <b>21.008.048</b> |
| Changes in the financial year from contributions in kind | 19.195.534        |
| <b>Number of shares in circulation on 30.06.2018</b>     | <b>40.203.582</b> |

### Authorized capital

By resolution of the Annual General Meeting of May 24, 2017, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by a total of up to EUR 10,004,024.00 by issuing up to EUR 10,004 .024 new registered shares for cash and / or non-cash contributions, whereby the subscription right can be excluded (Authorized Capital 2017).



### Conditional capital

The Company's share capital has been conditionally increased by up to EUR 1,369,860.00 by issuing up to 1,369,860 no-par-value registered shares (Contingent Capital 2017). The conditional capital increase serves exclusively to grant rights to the holders of stock option rights under the stock option program, for the issuance of which the Supervisory Board was authorized by resolution of the Annual General Meeting on March 22, 2017 (Conditional Capital 2017 I).

The share capital of the Company is conditionally increased by a resolution of the Annual General Meeting on May 24, 2017, of up to EUR 8,634,164.00 for the realization of convertible and / or warrant bonds issued on the same day as a result of the authorization resolution of the Annual General Meeting by issuing up to 8,634,164 no-par-value registered shares (conditional Capital 2017).

As of June 30, 2018, the Company did not use the conditional capital.

## **Financial Instruments**

With regard to the categorization and the valuations of the financial instruments, there are no differences to the previous financial statements. The new IFRS 9 standard has been taken into account with no fundamental changes.

## **Dividends**

No dividends were distributed during the reporting period.

## **Related Party Disclosures**

The balances and transactions between Naga AG and its subsidiaries, which are related parties, were eliminated as part of consolidation and are not explained in this annex.

Related parties are the members of the Executive and Supervisory Boards of Naga AG and their related family members. In addition, companies in which the related parties have a controlling influence are classified as related parties. With regard to business transactions between the Group and other related parties / persons and their composition, all liabilities to the Management Board were settled during the reporting period.

## **Events after the Balance Sheet Date**

There are no significant events after the end of the reporting period.

## 5. INTERIM Management Report as of 30.06.2018

### Principles of presentation

The present half-year group management report of The NAGA Group AG (hereinafter either "NAGA" or "Group") has been prepared in accordance with Sections 315 and 315e HGB and the German Accounting Standard ("DRS") 20. All report contents and information refer to the reporting date 30 June 2018.

### Forward-looking statements

This Half-Yearly Group Management Report may contain forward-looking statements and information that may be identified by phrases such as "expect," "want," "anticipate," "intend," "plan," "believe," "seek," "estimate," and "forward" or similar terms. Such forward-looking statements are based on expectations at the time of preparation and certain assumptions that may involve a number of risks and uncertainties. The actual results achieved by NAGA may differ materially from those contained in the forward-looking statements. NAGA assumes no obligation to update these forward-looking statements or to correct them otherwise than anticipated.

### Net asset-, financial- and profit situation as of June 30, 2018

In the first half-year 2018 NAGA achieved a positive EBITDA of KEUR 2,197. Due to the high scheduled write-offs of intangible assets and share of losses with Switex GmbH and HBS, the period result continues to be negative with KEUR -15. However, without the external associates of Switex GmbH and the HBS Group a positive period result would have been achieved.

#### 5.1 Financial Position

The merger with the HBS Group resulted in a rise of the intangible assets in respect to the previous year. The purchase of a NAGA Domain resulted in yet another increase.

The acquisition of stock amounting to KEUR 258 of the Easyfolio GmbH in Frankfurt am Main, resulted in a rise of financial assets in respect to the previous year. It is expected, that this involvement will be expanded in the current financial year.

The accounts receivable trade mostly contains claims against our cooperation partner NDAL.

Due to the merger with the HBS Group by means of non-cash capital increase as well as further non-cash capital increase amounting to KEUR 19,195, the subscribed capital has increased to KEUR 40,204.

The purchase of the HBS Group also preliminarily increased the capital reserve by TEUR 6,776.

The recorded latent tax liabilities out of the purchase of the HBS Group were dissolved by the corresponding writing-off of the client base affecting net income by KEUR 177.

## **5.2 Financial Position**

No proceeds were received for the capital increases during the period, as these were carried out through contributions in kind and the cash for the cash capital increase registered during the reporting period was already paid in the 2017 financial year.

Investments of KEUR 1,659 mainly relate to intangible assets.

## **5.3 Profit Situation**

As in the financial year 2017 the revenues generated through services with our cooperation partner NDAL substantially contributed to the positive EBITDA achieved in this reporting period.

For the first time the structure of the consolidated income statement has been changed. In retrospect to the prior year the KEUR 1,563 development expenses as well as the costs that directly relate to the KEUR 426 trade revenues, are now accounted for separately. The year before, development costs were included in miscellaneous operating expenses and the costs directly relating to trade revenues in commission expenses. The presentational change helps creating a better overview and a better profit and loss account.

### *Revenues*

The revenues from the brokerage business ("trading revenues") amounting to EUR 4,629 thousand met our expectations. The new IFRS 15 standard has been taken into account, although fundamental changes are not relevant to NAGA.

#### *Service revenues*

In addition to trading revenues, service revenues in the amount of KEUR 3,446 were achieved. The main service revenues were generated with NDAL. In addition, other service revenues were generated with other customers.

#### *Other company income*

The other operating income in the amount of KEUR 2,000 mainly includes income from the recharging of expenses that were assumed for NDAL.

#### *Commission expenses*

As a result of the acquisition of the HBS Group, commission expenses fell sharply compared with the previous year and will no longer be incurred in the future.

#### *Personnel expenses*

Due to the business combination with the HBS Group and higher salaries, personnel expenses increased significantly.

#### *Marketing expenses*

The sharp increase in marketing expenses will be used to better market NAGA products.

## 6. Forecast, Opportunity and Risk Report

### **6.1 Forecast Report**

For the financial year 2018, NAGA is adhering to the last forecast published in the context of the 2017 Annual Report.

### **6.2 Opportunity and risk report**

With regard to the opportunities and risks, there were no significant changes compared to the presentation in the 2017 Annual Report.

## 7. Corporate Bodies

### Management Board Members

The Management Board consist / consisted of:

- Herr Yasin Sebastian Qureshi, Hamburg, merchant
- Herr Benjamin Bilski, Hamburg, economist (M. Sc.)
- Herr Christoph Brück, Hamburg, lawyer (until 15.01.2018)
- Herr Andreas Luecke, Hamburg, lawyer/tax consultant (since 16.01.2018)

### Supervisory Board

As members of the Supervisory Board were or are appointed:

- Herr Hans J. M. Manteuffel, Langenfeld, lawyer (chairman)
- Herr Hans-Jochen Lorenzen, Hamburg, auditor/tax consultant
- Herr Wieslaw Bilski, Frankfurt am Main, director
- Herr Robert Sprogies, Vaterstetten, director (deputy chairman since 01.01.2018)
- Frau Dr. Jian Liang, Frankfurt am Main, merchant
- Herr Markus Duve, Hamburg, director (until 28.02.2018)
- Herr Stefan Schulte, Düsseldorf, lawyer/tax consultant (since 01.06.2018)

Hamburg, in October 2018

The Naga Group AG  
- Management Board –

## Imprint

The NAGA Group AG  
Neustädter Neuer Weg 22  
20459 Hamburg

Telephone: [+49 40 5247 791 53](tel:+4940524779153)

Email: [ir@naga.com](mailto:ir@naga.com)

## Financial Calendar

|            |                                                             |
|------------|-------------------------------------------------------------|
| 06.12.2018 | Family Office Capital Day, Vienna                           |
| 12.12.2018 | Münchener Kapitalmarktkonferenz (Capital Market Conference) |

## NAGA on the Web

The NAGA Group AG Homepage: <https://www.naga.com>

NAGA TRADER: <https://www.nagatrader.com>

NAGA MARKETS: <https://www.nagamarkets.eu>

## Social Media

NAGA Facebook: <https://www.facebook.com/nagagroup/>

NAGA Twitter: <https://twitter.com/thenagagroup?lang=de>

NAGA Youtube: [https://www.youtube.com/channel/UCRa1cmTcH\\_BliXn5ShLDJew](https://www.youtube.com/channel/UCRa1cmTcH_BliXn5ShLDJew)

NAGA Instagram: <https://www.instagram.com/thenagagroup/?hl=de>

NAGA LinkedIn: <https://www.linkedin.com/company/the-naga-group-ag/>