



Letter to the shareholders

Dear Shareholders,
dear friends and supporters of NAGA,

When we founded The NAGA Group in August 2015, we started with a clear goal that still shapes our self-image today. We want to develop and market disruptive applications in the field of financial technology, thereby playing an active and important role in the dynamic transformation of existing financial systems and achieving significant growth for our company and our shareholders. Almost three years later, with NAGA TRADER, NAGA WALLET and NAGA VIRTUAL, we have a full-blown product family that is excellently positioned in the market. At the same time, in fiscal year 2017, we took very significant steps to further finance the company's growth with capital increases, a very successful IPO in the Scale segment of the Frankfurt Stock Exchange, and the placement of NAGA COIN by our partner Naga Development Association Ltd. in a volume of around USD 50 million. So we have made a lot of progress, and we are proud of that. However, we are not resting on our laurels. Instead, we intend to keep our foot on the gas pedal, with the clear aim of establishing ourselves as a leading innovation driver for financial technology in the long term.

With our product portfolio, we occupy innovative areas of the digital world where there have been no truly satisfactory solutions to date. NAGA TRADER (formerly SwipeStox) is a social trading network for modern stock market trading. Based on a community idea, users can trade on the capital market easily and comprehensibly via a modern and convenient platform. They have the possibility to copy traders of demonstrably successful traders or to generate followers themselves through successful actions. In this case they benefit from a bonus system. With the NAGA WALLET, an innovative complete solution for the storage of currencies, virtual as well as FIAT currencies, as well as the clearing of transactions via the respective platforms is offered. Since its launch in April 2018, users of the NAGA ecosystem have been able to transfer Bitcoin, Ethereum, Litecoin, Dash, Bitcoin Cash, and of course NAGA COINS in this unified system. And finally, our latest baby NAGA VIRTUAL (formerly Switex). With this marketplace for trading virtual goods, we are addressing a special market segment that is a multi-billion dollar business internationally. It was important to us to create the world's first fair, legal and transparent market environment that can be used by anyone who wants to trade virtual goods.



The operational growth is already reflected in our key financial figures. Our Group sales revenues increased more than sixfold in fiscal 2017, reaching 12.6 million euros. At the same time, we succeeded in significantly reducing the consolidated net loss for the year by 5.1 million euros to 1.5 million euros. An important basis for our further development is the good equity base of our company. Through various equity measures, we succeeded in significantly increasing our equity ratio in the reporting year - as of the balance sheet date, it reached a comfortable 79.7 %, around 22 percentage points more than in the previous year.

We have a small and highly motivated team of employees who work hard every day in a unique atmosphere with a lot of fun and passion to ensure that we do not lose sight of the goal we set ourselves when we founded the company. The strong focus on our operational business certainly leads to the fact that one or the other, especially in the area of corporate communications, has fallen by the wayside, but this area is also increasingly coming into focus for us, so that we can further strengthen our position as a transparent and reliable partner for our customers, partners and investors.

Our thanks go to our employees for their dedicated performance and tireless efforts. You are NAGA - without you we would not be where we are now! We would also like to express our sincere thanks to our customers, partners and investors, who place great trust in us.

Please stay with us and continue to accompany us. We will do our utmost to continue the exciting development of the company.

Your

Andreas Luecke

Benjamin Bilski

Yasin Qureshi



Report of the Supervisory Board

Dear Shareholders,

We look back on an exciting and successful financial year 2017, in which The NAGA Group AG developed very dynamically as a young German fintech company. From a capital market perspective, the highlights were certainly the acquisition of the Chinese investment group FOSUN as a partner and anchor shareholder, the IPO on the Frankfurt Stock Exchange with the listing in the "Scale" segment and the token sale of the NAGA Coin with a volume of around USD 50 million. Operationally, the product and brand portfolio was consistently expanded with a clear strategic focus. With NAGA Trader, NAGA Wallet and NAGA Virtual, innovative solutions exist to profit from strong and lasting trends.

Cooperation between the Supervisory Board and the Executive Board

In the 2017 financial year, the Supervisory Board performed the duties incumbent upon it under the law, the Articles of Association and the Rules of Procedure with great care. It regularly monitored the management activities of the Executive Board and provided intensive advice on the strategic development of the Group. In addition, the Supervisory Board dealt with personnel issues relating to the Executive Board and was involved in all decisions of fundamental importance. The Executive Board informed the Supervisory Board in a timely manner and on a regular basis in written and verbal form about the facts necessary for the proper performance of its duties. In addition, there was an ongoing exchange of information between the Chairman of the Supervisory Board and the Executive Board. This ensured that the Supervisory Board always had all the necessary information on the intended business policy, the profitability of the Company, corporate planning including financial, investment and personnel planning, and the situation of the Company and the Group. The Executive Board therefore complied in full with its duty to provide information. The cooperation with the Executive Board was therefore characterized by a close and trusting exchange.



The Supervisory Board discussed the reports of the Executive Board in detail and discussed the possibilities for the strategic further development of the Company with the Executive Board. The Supervisory Board was always involved at an early stage in decisions of major importance. Where the approval of the Supervisory Board was required for individual Executive Board measures by law, the Articles of Association or the Rules of Procedure, the Supervisory Board examined the draft resolutions in detail. The reports and documents required for the resolution, supplemented where necessary by additional explanations from the Executive Board, were always available in good time. In the 2017 financial year, the Supervisory Board approved all transactions requiring its consent.

Meetings of the Supervisory Board

The Supervisory Board held a total of four meetings in the 2017 financial year. These meetings were held in the form of face-to-face meetings and conference calls. All members of the Supervisory Board took part in the Supervisory Board meetings. A key component of all Supervisory Board meetings was the reporting by the Executive Board on the development of sales and earnings, the net assets, financial position and liquidity, investment projects, the risk situation and risk management system, compliance and the internal control system, as well as corporate planning and corporate strategy. Outside the meetings of the Supervisory Board, resolutions on individual topics were also adopted by written circulation procedure.

Following the Annual General Meeting on December 23, 2016, the constituent meeting of the newly elected Supervisory Board was held on February 16, 2017. In addition to the election of the Chairman and Deputy Chairman, rules of procedure for the Supervisory Board were also adopted.

At the meeting on May 15, 2017 (balance sheet meeting), the auditors of the Company reported on the results of the audit of the annual and consolidated financial statements of the Company as of December 31, 2015, June 30, 2016 and December 31, 2016. By resolution adopted by written procedure in the period from May 15 to May 23, 2017, the Supervisory Board then approved the aforementioned financial statements and adopted the annual financial statements.



After the Supervisory Board was newly elected at the Annual General Meeting on May 24, 2017, the Supervisory Board held its constituent meeting by written procedure in the period from May 30 to June 1, 2017.

After the Executive Board exercised its right granted to it at the Annual General Meeting of May 24, 2017 to determine the details of the capital increase of the Company in the amount of EUR 1 million via the issue of 1 million for the IPO in the Frankfurt stock exchange segment "Scale" and determination of the subscription price, the Supervisory Board adopted the necessary approving resolution on this in the written procedure in the period from June 01 to June 07, 2017.

By written resolution in the period from July 31 to August 04, 2017, the Supervisory Board approved the granting of a loan by the shareholder Fosun Fintech Holdings Limited and other shareholders.

The Supervisory Board meeting on November 02, 2017 was mainly dedicated to the report of the Management Board to the Supervisory Board on the business development in the financial year 2017 so far, as well as on new business opportunities for the Group, namely through the token sale of the NAGA Coin at the end of the financial year.

By adopting resolutions by written procedure in the period from December 22, 2017 to January 3, 2018, the Supervisory Board, on the one hand, complied with the request of Executive Board member Mr. Christoph Brück for his removal as a member of the Executive Board as of January 15, 2018 and, on the other hand, appointed Mr. Andreas Luecke to the Executive Board of the Company as of January 16, 2018.

No special committees were formed in the reporting year. No conflicts of interest arose among the individual members of the Supervisory Board or the Board of Management in the 2017 financial year that were disclosed to the Supervisory Board.

Changes in the Supervisory Board and Executive Board

In the year under review, the Executive Board consisted of the three members Benjamin Bilski, Christoph Brück and Yasin Qureshi.



In the third quarter of 2017, it became clear that an organizational change could lead to greater efficiency. Accordingly, the Supervisory Board and the Board of Management decided to adjust the organizational structure of the Board of Management in line with operational experience. Accordingly, since the jointly supported decision of September 18, 2017, the Executive Board has consisted of three members with equal rights, effective September 19, 2017. To relieve the former Chairman of the Management Board, Mr. Yasin Qureshi, Management Board member Christoph Brück took over the function of Managing Director of Switex GmbH from Mr. Qureshi.

In order to be able to concentrate fully on his duties as Managing Director of Switex GmbH, Mr. Brück requested at the end of 2017 to be released from his duties as a member of the Management Board with effect from January 15, 2018. Andreas Luecke, who has already been with the company since May 1, 2017 as Head of Legal and Tax, succeeded him on the Management Board with effect from January 16, 2018. Mr. Luecke was appointed to the Executive Board for a period of three years.

In the financial year 2017, the Supervisory Board consisted of six members in the period from January 01 to May 29, 2017. After Mr. Steffen Fix resigned from the Supervisory Board as of May 29, 2017, the Supervisory Board consisted of five members from that date until September 6, 2017. As of September 07, 2017, Mr. Markus Duve, Hamburg, was then appointed as a further member of the Supervisory Board by the Hamburg Local Court at the request of the Executive Board, so that the Supervisory Board again consisted of six members in the period from September 07 to December 31, 2017. As of December 31, 2017, the Supervisory Board comprised the following members: Mr. Hans Manteuffel, Langenfeld (Chairman), Mr. Michael Bentlage, Frankfurt am Main (Deputy Chairman), Dr. Jiang Liang, Frankfurt am Main (delegated by the shareholder Fosun Fintech Holdings (HK) Ltd.), Mr. Wieslaw Bilski, Königstein am Taunus, Mr. Hans-Jochen Lorenzen, Hamburg, and Mr. Markus Duve, Hamburg.

Mr. Michael Bentlage left the Supervisory Board as of December 31, 2017. Based on its right of delegation, the shareholder Fosun Fintech Holdings (HK) Ltd. delegated Mr. Robert Sprogies, Vaterstetten, to the Supervisory Board as of January 1, 2018.

Audit of annual and consolidated financial statements

Roever Broenner Susat Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, which was elected by the Annual General Meeting as auditor of the annual financial statements and consolidated financial statements for the 2017 financial year, audited the annual financial statements of The NAGA Group AG and the consolidated financial statements, including the management reports, and issued an unqualified audit opinion in each case. The separate financial statements were prepared in accordance with the principles of the German Commercial Code (HGB) and the consolidated financial statements in accordance with the principles of IFRS. All members of the Supervisory Board received the annual financial statements and the auditors' reports in full and in good time. The Supervisory Board examined and discussed the financial statements and management reports at its meeting on July 13, 2018. The auditor also took part in these discussions and presented an explanatory report on the main audit findings. He also answered additional questions from the Supervisory Board. The results of the Supervisory Board's own examination fully correspond to the results of the audit of the financial statements, so that the Supervisory Board sees no reason to raise any objections to the conduct of business by the Executive Board and the financial statements presented. The Supervisory Board concurred with the results of the audit. The Supervisory Board approved the annual financial statements of The NAGA Group AG and the consolidated financial statements of The NAGA Group prepared by the Management Board at the meeting held to adopt the financial statements on July 13, 2018. The annual financial statements of The NAGA Group AG are thus adopted.

We would like to thank the members of the Management Board and the employees of The NAGA Group AG for their dedicated commitment and good cooperation in the past fiscal year.

Hamburg, July 13, 2018

The Supervisory Board

Hans J.M. Manteuffel

Chairman of the Supervisory Board



Group Management Report of The Naga Group AG, Hamburg, for the financial year 2017

Basics of the representation

This group management report of The Naga Group AG (hereinafter referred to as either "NAGA" or the "Group") has been prepared in accordance with Sections 315 and 315e of the German Commercial Code ("HGB") and German Accounting Standard ("GAS") 20. All report contents and disclosures relate to the reporting date of December 31, 2017, or the fiscal year ending on that date. The previous financial year was a short financial year of six months. The Group is preparing a management report for the first time.

Forward-looking statements

This Group management report may contain forward-looking statements and information that can be identified by formulations such as "expect", "want", "anticipate", "intend", "plan", "believe", "aim", "estimate", "will" or similar terms. Such forward-looking statements are based on the expectations and certain assumptions prevailing at the time of preparation, which may involve a number of risks and uncertainties. Actual results achieved by NAGA may differ materially from the statements made in the forward-looking statements. NAGA assumes no obligation to update these forward-looking statements or to revise them in the event of developments that differ from those anticipated.



1. Fundamentals of the Group

1.1. Business model of the Group

NAGA is a German fintech company based in Hamburg and listed on the stock exchange segment "Scale". The focus of our company is on the development of innovative financial technology ("Fintech") for easy access to financial markets, as well as for trading with virtual goods and cryptocurrencies. Founded in October 2015, NAGA launched on the Frankfurt Stock Exchange in July 2017. Only a few months after the IPO, in November 2017, NAGA, together with its legally and economically independent cooperation partner Naga Development Association Ltd. , Belize City/Belize (hereinafter: "NDAL") introduced the NAGA Coin ("NGC"), an ERC-20 based token, through a Naga Token Sale ("NTS"). The NGC can be used by customers on all NAGA platforms as a means of payment. At the time, the NTS co-evolved into the second largest ICO in the world in terms of investor numbers. More than 63,000 buyers invested over \$50 million. From now on, the NGC is to act as a link between the individual NAGA products and thus represent the core element of the NAGA ecosystem. As a result, the Group's grand vision is to create global financial inclusion across all assets, products and continents. In this endeavor, NAGA is supported by renowned investors, including China's largest private investment company, FOSUN Group, Deutsche Börse Group and Germany's second oldest private bank, Hauck & Aufhäuser. With a trading volume of more than €5 billion per month, NAGA's products offer everyone easy and direct access to the financial markets, as well as to trading cryptocurrencies and virtual goods during 2018. NAGA also holds several EU financial licenses.



The scope of consolidation of the Group as of December 31, 2017 includes the following companies:

- The Naga Group AG, Hamburg (parent company);
- Naga Markets Ltd, Limassol/Cyprus, formerly: Hanseatic Brokerhouse Global Markets Ltd. (100%);
- SwipeStox GmbH, Hamburg (100%);
- Trafex GmbH, Hamburg, 2018: NAGA Blockchain GmbH (100%);
- p2pfx GmbH, Hamburg (100%);
- Swipy Technology GmbH, Hamburg (100%);
- Switex GmbH, Frankfurt am Main (60%) ;
- ZACK Beteiligungs GmbH, Hamburg (100%).

As was the case as of December 31, 2016, the shares in the company Hanseatic Brokerhouse Securities AG, Hamburg (hereinafter "HBS"), which was acquired subject to a condition precedent, and its subsidiary Hanseatic Brokerhouse Financial Services GmbH, Hamburg (hereinafter "HBFS"), together the HBS Group, are not to be included in NAGA's consolidated financial statements as of December 31, 2017. The registration of the contribution in kind was not completed by December 31, 2017. The registration of the contribution in kind took place in February 2018, so that these companies are included in the consolidated financial statements as of fiscal year 2018. HBS and HBFS are providers of webinars and seminars in which participants are taught knowledge for successful trading on the financial markets. Since the second quarter of 2018, the products of HBS and HBFS have been marketed under the NAGA BROKERS brand.

The overarching industry of NAGA's operations is the financial sector. As the parent company, The Naga Group AG (hereinafter "Naga AG") acts as the regulatory consolidating company as well as the financial and management holding company with centralized group departments (Finance, HR, Legal and Compliance).

During the financial year, Hanseatic Brokerhouse Global Markets Ltd. was renamed Naga Markets Ltd. (hereinafter referred to as "Naga Markets"). Naga Markets is based in Limassol, Cyprus, and is a securities trading bank authorized and regulated by the Cyprus Securities and Exchange Commission ("CySEC").

SwipeStox GmbH operates the social network for stock market trading via the "SwipeStox" platform. SwipeStox is available for iOS, Android and as a web trader with



thousands of active users. The innovative social network provides easy and fast access to trading Forex, CFDs, ETFs and cryptocurrencies. In the medium term, equity securities will also be integrated into the platform. The SwipeStox platform has been renamed "NAGA TRADER" in the first quarter of 2018.

Switex GmbH ("Switex") operates the world's first independent, transparent and legal marketplace for virtual goods such as in-game items. The main focus of Switex is to provide gamers with a platform that offers the mutual buying and selling of items and thus makes it possible to convert the effort and time invested in a game into counter-values. Switex offers individual sales interfaces for manufacturers, which serve as a direct source of income and distribution platform for new items in their games. The project is initially focused on gaming and will start in fiscal year 2018 with leading Japanese game manufacturer Asobimo Inc. as the first cooperation partner. Over time, other game makers are expected to be connected to the platform. Switex is a joint venture between NAGA and Deutsche Börse Group. Switex will be renamed "NAGA VIRTUAL" before the end of the second quarter of 2018.

p2pfx GmbH (hereinafter referred to as "P2P") did not pursue any operating activities in the financial year 2017. The company is to function in the course of the 2018 financial year for the development and distribution of a new type of trading platform for cryptocurrencies and is also to be renamed as part of this change.

Swipy Technology GmbH acts as the owner of the intellectual property rights of SwipeStox.

Trafex GmbH did not engage in any operating activities in the 2017 financial year. The company was renamed NAGA Blockchain GmbH in the first quarter of 2018 and acts as a distributor of innovative blockchain-based technology.

As of December 31, 2017, the Group and its subsidiaries had a total of 25 employees. The number of employees thus remained constant compared to the previous year. Female employees accounted for 37.5% of the total number of employees (previous year: 33%).

Business activities of the Group



To date, the Group has mainly been active in brokerage and is in direct B2C contact. Brokerage is handled by the subsidiary Naga Markets. As a pure online broker, Naga Markets does not maintain any branches, but provides a trading platform for CFDs, Forex, ETFs and stock indices on the Internet. Through the direct connection of SwipeStox, the Group offers both a classic and a "social trading" service.

In addition to the brokerage area, the development of blockchain-based technology will play an increasingly important role at NAGA in the future. Among other things, this will enable the Group to achieve the global financial inclusion it is striving for across all assets, products and continents.

Naga Markets stands out from most of its competitors with its discount pricing model, making it an alternative to branch or direct banks for average investors as well as very active traders.

b) Locations

The Group's headquarters are in Hamburg. In addition, there are the headquarters of Naga Markets in Limassol/Cyprus and Switex GmbH in Frankfurt am Main.

c) Products, services, platforms and business processes

Within the Group, NAGA has a high level of vertical integration for innovative technology in the financial sector. Thereby, the entire value creation remains within the company, from basic research to the development of innovative products to the end customer business in the area of online brokerage. At the same time, the development of blockchain technology is becoming increasingly important, not least due to the introduction of the NAGA Coin. Existing projects such as SwipeStox or Switex are also being further developed accordingly. Furthermore, NAGA announced in July 2017 that it would develop the NAGA WALLET for NDAL. With the NAGA WALLET, a digital wallet was created that allows users to deposit and withdraw FIAT currencies and cryptocurrencies in their own currency to convert them into other cryptocurrencies. The NAGA WALLET is operated by NDAL because, on the one hand, it issued the NGC and, on the other hand, the regulatory framework is not yet clearly defined in the European



legal area. The NAGA WALLET enables the direct buying, holding and selling of cryptocurrencies of any kind.

d) Sales markets, customers and distribution policy

NAGA sells its products and services worldwide, primarily targeting the global markets for trading financial instruments and virtual goods. In terms of distribution policy, the Group places a strong focus on online marketing and fully automated customer acquisition processes. At the end of the fiscal year, 12,000 active customers were served.

e) General conditions

NAGA's business model is particularly dependent on the development of the capital and financial markets and on the overall European economic situation. High volatility on the financial markets ensures many actively trading customers and thus leads to a high number of transactions.

1.2. Goals and strategies

NAGA aims to become a leading provider of innovative technologies in individual subsectors of the financial sector, thereby promoting the financial integration of asset classes and population groups. The focus is particularly on business models with sustainable growth and rapid market penetration opportunities. The key performance indicator EBITDA (earnings before interest, taxes, depreciation and amortization) is used as a central management tool to express profitability. In addition, qualitative factors that cannot be directly operationalized are of great importance. These include, in particular, a competent workforce.

In particular, the acquisition of a majority stake in Hanseatic Brokerhouse Securities AG in February 2018 will allow further value creation activities to be integrated into the Group. The strategic objective of integrated functional coverage of the activities in the online brokerage value chain will continue to form the basis of business and product policy in the coming years.



The strategic objective is to strongly increase trade and customer numbers within one year by stimulating marketing activities and expanding the product range. In addition, the market share is to be increased while maintaining a high level of customer satisfaction. Thus, cryptocurrencies are also to be offered for trading in the online brokerage business at NAGA and innovative trading account and deposit models are to be introduced.

The establishment of Switex (from the second quarter of 2018 "NAGA VIRTUAL") and the further development of SwipeStox (since the first quarter of 2018 "NAGA TRADER") are intended to achieve previously untapped market potential. In particular, the use of the Group's own blockchain technology is expected to play a major role in future growth. As a result, the Group aims to create an innovative ecosystem for financial services that will provide everyone with global access to financial markets, financial products, virtual goods, and cryptocurrencies. For example, the NAGA ecosystem opens the possibility for passionate users of computer games ("Gamers") to monetize their earned in-game items via Switex ("NAGA VIRTUAL") and exchange them for NGC. NGC can be exchanged for other cryptocurrencies or used via SwipeStox ("NAGA TRADER") to invest in financial products. With the NGC, NAGA connects two markets with trading volumes of several billion euros annually. Through its special product and service offering, NAGA's products are intended, among other things, to reach people who previously had little or no access to bank accounts and financial services. In this context, the acquisition of cooperation partners and associated synergy effects plays a significant role.



Financial targets of the Group

Looking at the reporting date of December 31, 2017, the targets for the future include an increase in trading revenues and EBITDA. Furthermore, a stable development of cash and cash equivalents and equity is to be maintained.

Strategies for achieving the goals

The following are the key strategies for achieving the goals:

- Focus on core competencies: The linkages with NAGA technologies and Naga Markets brokerage lead to a value chain within the Group. For instance, in cooperation with Naga Markets, the introduction of the NAGA Debit Card has been unveiled for convenient check-out and payment of / with redeemed trading profits. In addition, marketing campaigns during FY2018 will be targeted to further increase the core brokerage customer base.
- A global branding strategy with "NAGA™" as the anchor name for all products and platforms was targeted for 2018. To ensure consistent branding, NAGA has already acquired the domain www.naga.com in 2018, which is to become the central point of contact for all offers of the NAGA ecosystem in the future.
- By entering into collaborations and partnerships for the NAGA ecosystem, on the one hand, the existing product range can be expanded and, on the other hand, the existing sales activities can be further expanded (e.g., in the area of proprietary blockchain technology).
- Maintaining the high level of innovation in IT activities and further development of the business model through new products and product applications. The aim is to set new standards in the area of financial market technologies by acting in a customer-oriented manner and to provide technological support for other companies in their ideas.
- NAGA's individual business units are developed partly autonomously by motivated team leaders and employees. This promotes personal commitment



and entrepreneurship. The Executive Board controls the development of the individual business units and ensures integration into the NAGA ecosystem.

- Knowledge transfer and education: NAGA plans to open the NAGA Academy in the third quarter of 2018 to also provide a platform for various training and education programs. In addition to webinars and seminars, accredited degrees will also be included in the range of services. In the NAGA ecosystem, customers will thus have access to exclusive educational content through the NAGA Academy, which they will also be able to purchase in the long term using the NAGA Coin.

The operational business performance in the 2017 financial year confirms the strategic management of the company. The combination of front-end in the B2C business, consulting in the B2B business, and technology brings to light the synergy potential that makes a significant contribution to NAGA's profitability and will continue to expand it in the future. Solution approaches as well as clear advantages for the customer should form the basis for sustainable growth of the company.

NAGA meets the overall economic challenges through its high willingness to innovate primarily through organic growth, but also observes emerging opportunities for inorganic growth. The aim is also to support ecological development and to introduce digital and electronic processes so that paper can be dispensed with as far as possible.

1.3. Value-oriented management and controlling system

In order to achieve the overall corporate goals listed in the previous section, the implementation of the strategy formulated by the Executive Board is to be supported by the long-term establishment of a management and controlling system.

For the internal management of the Group, particular attention is paid to EBITDA, as the Executive Board considers this to be a solid basis for further measures.

For this purpose, a variance analysis between the planned and actual figures and on the number of new customers and active users will be prepared and analyzed on a regular basis starting in the 2018 financial year. The focus will also be on the new trading accounts and the total trading volume in euros in order to gain insights for internal management.

Monthly reporting is the central management tool of Group Controlling. Analyses and plausibility checks are used to identify changes at an early stage so that countermeasures can be initiated in good time.

Corporate planning at the level of the Group as a whole and at the level of the subsidiaries is based on analyses of key figures relating to the past. Business planning is continuously adjusted to take account of new accounting findings, new product developments and structural changes. At Group level, the planning is finalized by the management. Newly added business areas are integrated into the planning process.

1.4. Development activities

At NAGA, development activities have a very high priority, as they are a key part of the business. The high degree of innovation of the products requires increased activities in this area.

In the financial year 2017, programming costs totaling EUR 2,004 thousand (previous year: EUR 603 thousand) were incurred. Of this amount, EUR 1,266 thousand (previous year: EUR 512 thousand) was capitalized as an intangible asset. The remaining costs relate to maintenance and bugfixing and amount to EUR 738 thousand (2007: EUR 91 thousand). The capitalization rate from development costs was 64% in the financial year 2017 (previous year: 85%).

With a programming company from Sarajevo/Serbia, NAGA has a strong partner at its side who carries out the essential developments and maintenance. Due to the flexible and solution-oriented cooperation, NAGA is very well positioned for further technical challenges. The daily communication and the 45-member team responsible for NAGA make it possible to quickly incorporate improvements into the software.

2. Economic Report

2.1. Macroeconomic and industry-specific conditions

According to the International Monetary Fund (IMF)¹, the global economy grew by 3.8% in 2017. By comparison, growth in 2015 and 2016 was lower at 3.5% and 3.2% respectively. The main reason for this is the moderate upturn in the largest economies in China, the USA and the euro zone. In addition, other economies such as Russia and Brazil were able to emerge from recession. Robust growth in the global economy is expected in 2018, with a global increase to 3.9%. The global inflation rate ²should increase slightly to 3.5% in 2018. In the previous year, the figure was 3.0%.

The most important domestic stock market index, the DAX³, continued its sustained positive performance of previous years in a year-on-year comparison, rising from 11,481

¹ http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/WEOWORLD

² <http://www.imf.org/external/datamapper/PCPIPCH@WEO/OEMDC/WEOWORLD>

³ <https://www.onvista.de/index/DAX-Index-20735>

points at the end of the previous year to 12,918 points as of December 31, 2017 (+13%). The MDAX⁴ was 18% higher on an annual basis, closing the 2017 stock market year at 26,201 points. The TecDAX⁵ was 40% higher year-on-year at 2,529 points. In the international environment, the Dow Jones⁶ closed 2017 up 25%, the S&P 500 rose 19%⁷ and the Nasdaq recorded⁸ a gain of 32%. The indices have a direct influence on the number of transactions as well as the risk appetite of customers.

On the one hand, financial markets initially reacted positively to the presidential election results from the U.S.A. at the end of 2016, in particular because of promised tax cuts and infrastructure investments. On the other hand, political tensions between the U.S. and other nations shaped the economy in 2017. Other turbulence in East Asia was triggered by political tensions between the U.S., North Korea and the other major powers in the region.

In the area of foreign exchange markets, the euro started the year with a rapid increase against the U.S. dollar and ended the year with a gain of approximately 15% compared to the previous year. Factors that contributed to the increase are the positive growth in the euro zone, the election of Mr. Macron as French President and the previous year's undervaluation of the euro. Experts expect a rate of 1.28 euros/USD⁹ by the end of the year. This depends mainly on the ECB's planned monetary policy for 2018. Surprisingly, the population of the United Kingdom voted in a referendum to leave the European Union, which led to a destabilization of the exchange rates between the euro and the British pound.

In addition, the euro could come under pressure from the uncertain policy of the USA and continuing political instability in Italy. To date, Italy's uncertain development poses a not inconsiderable risk to financial stability in the euro zone and is therefore also relevant for Germany's overall economic situation. Both factors have a direct impact on customers' trading behavior and risk appetite.

⁴ <https://www.onvista.de/index/MDAX-Index-323547>

⁵ <https://www.onvista.de/index/TecDAX-Index-6623216>

⁶ <https://www.onvista.de/index/Dow-Jones-Index-324977>

⁷ <https://www.onvista.de/index/S-P-500-Index-4359526>

⁸ <https://www.onvista.de/index/NASDAQ-Index-325104>

⁹

https://www.deutsche-bank.de/pfb/content/markt-und-meinung_starke-eurozone-deutsche-bank-passt-us-dollar-prognose-an.html



In the past fiscal year, the consumer price index ¹⁰rose by 1.8%. This was significantly higher than in the previous year (0.5%) and is therefore approaching the ECB's inflation target of 2.0%.

For the Group, the aforementioned developments will have positive effects overall.

2.2. Business performance and position of the Group

NAGA achieved profitable growth for the first time in the 2017 financial year. The Group closed the year with an operating profit before interest, taxes, depreciation and amortization (EBITDA) of EUR 2,878 thousand (previous year: EUR -1,396 thousand). However, due to the high scheduled amortization of intangible assets, the result for the period remained negative in the 2017 financial year. With a significant increase in equity, NAGA has created a solid capital structure. At the same time, a comfortable liquidity situation is ensured at Group level.

In the Brokerage business unit, improved trading results were achieved thanks to increased transaction numbers and the expansion of new customer numbers.

As of December 31, 2017, NAGA manages customer assets of EUR 11 million. The number of customers was expanded to a total of 12,000. The numbers of average active users per month also show an increase and contribute to profitability. The monthly trading volume has increased strongly due to the number of new customers and results in sustainable growth.

The income generated from consulting services as part of the NTS carried out by NDAL contributed significantly to the positive EBITDA. NAGA's know-how was used to support the NTS. We also see further and large revenue potential in the consulting business in the future.

Results of operations Group

Sales development

¹⁰ https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2018/01/PD18_016_611.html



NAGA generates revenues from the brokerage business ("trading revenues"). These are mainly generated in Spain, Italy and Germany and amounted to EUR 5,665 k in 2017. In the financial year 2017, revenues were also recognized in connection with the NTS carried out by NDAL in December 2017. Overall, revenues increased by EUR 10,872 thousand year-on-year to EUR 12,843 thousand. The development of revenues in the financial year exceeded expectations.

Trading revenue increased by EUR 4,552 thousand from EUR 1,970 thousand to EUR 6,522 thousand in 2017, despite low market volatility. This very positive development is due, on the one hand, to a twelve-month financial year for the first time and, on the other hand, to the increase in Naga Markets' customer base by 9,787 customers. In addition, the Group achieved a trading volume of approximately EUR 42 billion in 2017.

In addition to trading revenue, revenue of EUR 6,322 thousand was recognized for the first time in the financial year in connection with the NTS carried out by NDAL. These comprise commissions of EUR 4,358 thousand and services of EUR 1,964 thousand.

Due to the very positive development of sales and the increase in own work capitalized, total operating revenue of EUR 14,109 thousand was generated in fiscal year 2017, exceeding the total operating revenue of the short fiscal year 2016 by EUR 11,626 thousand.



Own work capitalized

In addition to a comparably small investment in the digital trading platform for virtual goods at Switex GmbH (EUR 273 thousand), own work capitalized mainly includes the further development of the SwipeStox software application. In the 2017 financial year, capitalization totaled EUR 1,266 thousand (previous year: EUR 512 thousand).

Other operating income

The increase in other operating income by EUR 3,295 thousand to EUR 3,534 thousand mainly comprises income from the recharging of expenses that NAGA had initially assumed for NDAL in connection with the NTS. The costs assumed mainly comprise marketing and development costs as well as consulting costs. In addition, income from the reversal of deferred benefit obligations from the purchase price allocation of Naga Markets amounting to EUR 214 thousand (previous year: EUR 192 thousand) was realized.

Commission expense

Due to the significant increase in trading volumes in the brokerage business, the related commissions also increased by EUR 2,735 thousand (396%) to EUR 3,426 thousand.

Personnel expenses

Personnel expenses in the Group increased to EUR 2,699 thousand in the 2017 financial year, up 222% on the previous year (EUR 837 thousand). The increase in personnel expenses is attributable to higher salaries and the first full year of operations.

Marketing effort

Of the marketing and advertising expenses of EUR 1,735 thousand (previous year: EUR 131 thousand), EUR 1,528 thousand relates to support for the NTS, which was charged on to NDAL in the 2017 financial year.

Other operating expenses

The main changes in other operating expenses were as follows:

in TEUR	2017	01.07.-31.12.2016	Veränderung
Programmieraufwendungen	2.005	640	1.365
ICO Aufwendungen	1.719	0	1.719
Rechts- und Beratungskosten	1.561	827	734
Sonstige	1.621	992	629
Summe	6.906	2.459	4.447

Programming expenses mainly relate to the SwipeStox software application.

Of the legal and consulting fees, EUR 535 thousand relate to the initial public offering ("IPO") carried out in the fiscal year.

The NTS expenses are the expenses assumed for the NTS carried out by NDAL. These expenses were passed on with a 5 % margin and are reflected analogously in other operating income.

Depreciation

Depreciation and amortization of EUR 4,778 thousand (previous year: EUR 2,340 thousand) mainly relates to the amortization of Swipy technology (EUR 4,001 thousand). The increase in depreciation and amortization by EUR 2,441 thousand (104%) is almost exclusively due to the fact that the 2017 financial year comprised twelve months, whereas the previous short financial year only comprised six months.

EBITDA development

The pleasing development of earnings, which led to a positive EBITDA for the first time, resulted primarily from the additional revenue generated in connection with the NTS and the positive development of the brokerage business. Operating expenses increased at a disproportionately low rate in comparison, resulting in EBITDA of EUR 2,878 thousand. This corresponds to an increase in EBITDA of EUR 4,274 thousand.

Financial result

The financial result amounted to EUR -204 thousand in the financial year (previous year: EUR -70 thousand). Financial expenses in the Group amounted to EUR 205 thousand in the financial year 2017 (previous year: EUR 76 thousand). This includes interest

expenses for short-term loans from related parties, the mandatory convertible bond converted during the financial year and loans granted during the year.

Income taxes

Of the income taxes of EUR 141 thousand (previous year: EUR 84 thousand), EUR 70 thousand (previous year: EUR 8 thousand) relates to current taxes and EUR 27 thousand (previous year: EUR 67 thousand) to deferred taxes. In addition, further deferred taxes of EUR 43 thousand (previous year: EUR 9 thousand) were recognized due to the partial recognition of costs in connection with capital measures directly in equity.

Result for the period

The result for the period improved by EUR 1,646 thousand in the 2017 financial year compared with the previous year, from EUR -3,890 thousand to EUR -2,244 thousand.

Inflation and exchange rate effects did not have a significant impact on earnings in fiscal 2017.

Financial position Group

Ensuring comfortable liquidity at all times and the operational management of cash flows are top priorities in financial management. Inflation and exchange rate effects did not have a significant impact on the financial position in the 2017 financial year.

The capital structure of the Group is as follows:

	31.12.2017	01.07. - 31.12.2016
Eigenkapitalquote	79,7%	55,9%
Fremdkapitalquote	20,3%	44,1%
Verschuldungsgrad	25,4%	78,8%

Despite the increase in total assets and the negative overall result, the equity ratio increased significantly in the 2017 financial year, thus further strengthening financial stability. The background to the higher equity ratio is the various equity injections, which resulted in cash inflows totaling EUR 11,360 thousand (previous year: EUR 0 thousand). The proceeds from equity contributions were primarily used to finance repayments of financial liabilities, investments in the product range, and ongoing business operations.

In the financial year 2017, a negative operating cash flow of EUR 4,159 thousand (previous year: EUR 906 thousand) was generated, whereas the cash flow before changes in net working capital was positive at EUR 2,814 thousand (previous year: EUR -1,390 thousand) due to earnings before income taxes and non-cash expenses. This is due in particular to the sharp increase in trade receivables, which are attributable to settlements in connection with the NTS and were not paid until the following year. In addition, current liabilities to the introducing broker HBS in the amount of EUR 1,232 thousand were repaid.

in TEUR	2017	01.07. - 31.12.2016
Cashflow aus laufender Geschäftstätigkeit	-4.159	906
Cashflow aus der Investitionstätigkeit	-1.597	-668
Cashflow aus der Finanzierungstätigkeit	9.858	3.838
Finanzmittelbestand am Anfang der Periode	4.626	550
Finanzmittelstand am Ende der Periode	8.728	4.626

Investments amounting to EUR 1,597 thousand (previous year: EUR 668 thousand) mainly relate to intangible assets.

The repayment of financial liabilities amounting to EUR 1,502 k (prior year: EUR 50 k) mainly relates to loans from related parties. In addition, there were cash inflows of EUR 11,360 k (prior year: EUR 0 k).

Cash and cash equivalents increased by EUR 4,102 thousand from EUR 4,626 thousand to EUR 8,728 thousand as a result of the cash inflows from equity contributions.

Cash and cash equivalents at the balance sheet date developed as follows:

in TEUR	31.12.2017	01.07. - 31.12.2016	Veränderung
Zahlungsmittel	8.728	4.626	4.102
abzüglich Kurzfristig fällige Schulden	7.033	11.274	-4.241
Zwischensumme	1.695	-6.648	8.343
zuzüglich kurzfristig gebundenes Vermögen	9.973	1.998	7.975
Überdeckung / Unterdeckung	11.668	-4.650	16.318

Current liabilities of EUR 7,033 thousand (previous year: EUR 11,274 thousand) are covered by current assets to the extent of 166% (previous year: -41%).

The following table shows the coverage ratio of medium- and long-term assets to medium- and long-term capital:

in TEUR	31.12.2017	01.07. - 31.12.2016	Veränderung
Eigenkapital	27.683	14.583	13.100
zuzüglich mittel- und langfristige Schulden	0	214	-214
abzüglich mittel- und langfristig gebundenes Vermögen	16.015	19.447	-3.432
Überdeckung / Unterdeckung	11.668	-4.650	16.318

Medium- and long-term assets are covered to 173% (previous year: 75%) by equity.

Net assets Group

NAGA's net assets developed as follows in the 2017 financial year:

in TEUR	31.12.2017	01.07. - 31.12.2016	Veränderung
Aktiva	34.716	26.071	8.645
Langfristige Vermögenswerte	16.015	19.447	-3.432
Kurzfristige Vermögenswerte	18.700	6.624	12.076
Passiva	34.716	26.071	8.645
Eigenkapital	27.683	14.583	13.100
Langfristiges Schulden	0	214	-214
Kurzfristiges Schulden	7.033	11.274	-4.241

The decrease in non-current assets by EUR 3,432 thousand is mainly due to the amortization of intangible assets in the amount of EUR 4,744 thousand. On the other hand, programming services amounting to EUR 1,266 thousand (PY: EUR 512 thousand) were capitalized in the financial year, of which EUR 993 thousand (PY: EUR 512 thousand) relate to the SwipeStox software application and EUR 273 thousand (PY: EUR 0 thousand) to the Switex trading platform. Switex had not yet been completed as



of December 31, 2017, so no scheduled amortization was recognized in the 2017 financial year.

Current assets include receivables from NDAL in the amount of EUR 4,554 thousand (previous year: EUR 0 thousand) and receivables from brokerage business in the amount of EUR 1,179 thousand (previous year: EUR 185 thousand). In addition, current assets as of December 31, 2017 include FIAT currencies not yet drawn down from a crypto exchange account in the amount of EUR 716 thousand, which NDAL paid out to NAGA in connection with the NTS.

Despite the negative result for the period, equity increased from EUR 14,583k to EUR 27,683k. The strengthening of equity is attributable to capital measures completed in the 2017 financial year. The IPO added EUR 2,513k to Group equity before deduction of transaction costs.

In addition, capital increases added EUR 20,958k to subscribed capital. The conversion of the mandatory convertible bond resulted in further equity before transaction costs of EUR 3,240 k. In addition, the FOSUN Group paid EUR 2,381 k into the capital reserve and made a payment of EUR 6,718 k for a capital increase that took place in 2018.

As of December 31, 2017, the deferred benefit obligation from the purchase price allocation of Naga Markets as of December 31, 2016 is to be partially reversed, so that NAGA no longer reports any non-current liabilities as of the reporting date (previous year: EUR 214 thousand).

Current liabilities decreased to EUR 7,033 thousand, in particular due to the conversion of the mandatory convertible bond. Furthermore, the funds received from the capital measures were also used to repay short-term loans from related parties. As of December 31, 2017, current liabilities mainly include trade payables of EUR 5,212 k (prior year: EUR 2,924 k) and provisions of EUR 546 k (prior year: EUR 678 k) for outstanding purchase invoices, vacation not taken, and the preparation and audit of the annual and consolidated financial statements.

Inflation and exchange rate effects did not have a significant impact on the net assets position in fiscal 2017.

2.3. Overall statement on the business performance and position of the Group

The steady increase in customer numbers and the sharp rise in trading volumes exceeded expectations. The strong increase in trading revenues also exceeded expectations. The services generated for the NTS carried out by NDAL resulted in a further very positive effect for the 2017 financial year.

The SwipeStox software application, which has been marketable since June 30, 2016, is directly linked to Naga Markets and added 2,983 new customers during the fiscal year.

The Group has created a high-growth structure and, in addition, has successfully driven the developments of its own NAGA ecosystem.

3. Supplementary report

Move

In April 2018, Naga AG moved into its new business premises at Neustädter Neuer Weg 22 in 20459 Hamburg. The lease is initially limited to two years.

Investment in another company

In the first quarter of 2018, the acquisition of a 60% stake in HBS Group, subject to conditions precedent, was completed (see also 1.2).

Strategic partnership for structured products with easyfolio GmbH

In June 2018, NAGA acquired 25 % of the shares in easyfolio GmbH, Frankfurt an Main. There is an option to increase the shareholding to up to 49%. Through this new participation, it will also be possible to pursue ETF-based investment strategies in the NAGA ecosystem.

4. Forecast, opportunity and risk report

4.1. Forecast report of the Group



The forecast period used here relates to the 2018 financial year and is twelve months. Only continuing operations are included in the forecast.

Overall, we expect growth in the global economy to accelerate slightly in 2018 compared with the previous year. As a result, we expect further stable development for our own forecasts and still see considerable potential in the market for our products.

We expect significant additional revenues from our entry into blockchain technology as well as our developments of the NGC and the NAGA WALLET on behalf of NDAL. We are well positioned as a service provider and will use our network to promote the products worldwide.

The Group is convinced that with Switex it can realize the potential of the gaming market as a core competence and considers itself well equipped to meet future challenges. Switex will particularly benefit from the partnership with Asobimo Inc. , one of Japan's largest game publishers for cell phones, Switex will exhibit synergy and multiplication effects along all stages of the value chain, as well as building a strong market position.

In addition, a strong increase in active customers and registrations in brokerage is expected. Due to the number of new customers and the global economic situation, we currently expect an increase in trading volume of almost 100%.

For 2018, NAGA is aiming for further organic growth. In addition, profitable M&A transactions are to be entered into and further synergies and partnerships are to be developed.

Forecast of significant financial performance indicators

Trading revenue

The development in the first quarter of 2018 consolidates our expectation that we will be able to significantly increase our trading revenues in fiscal year 2018 compared to the past year.



EBITDA

Due to the aforementioned increase in our trading revenues and further service revenues for the NGC and NAGA WALLET, we nevertheless expect EBITDA to fall slightly in fiscal 2018 compared with 2017, as we expect marketing and personnel expenses to rise sharply in return. The positive effect from the rising marketing expenses will in all likelihood only come to bear in the 2019 financial year.

Result for the period

We expect net profit for the 2018 financial year to fall slightly compared with the past financial year. On the one hand, there will be a significant increase in sales, but on the other hand, there will also be a sharp rise in expenses, leaving a negative result for the period after taking into account the high level of depreciation and amortization.

Forecast of significant non-financial performance indicators

Due to the expansion of business in Italy and Poland as well as further marketing campaigns, we expect strong growth in customer numbers in fiscal 2018.

4.2. Opportunity and risk report

a) Risk management system

NAGA is an innovation leader with regard to applications in foreign exchange trading in a regulated market. In addition to the constant changes in the economic environment of the company, the change in the legal and regulatory framework is therefore also of essential importance for the success of the company. Current developments are constantly monitored and carefully analyzed. The Board of Management incorporates the emerging opportunities and potential risks into its business and risk strategy and adjusts it accordingly as required. At NAGA, monitoring and managing risks are a central component of the company's management tools.

A pronounced risk awareness in all relevant business processes and the Group's high ethical standards are observed by management and employees. Furthermore, limiting risks is one of the key objectives for all NAGA managers within their respective areas of responsibility. In this context, each manager develops effective task-specific control processes and ensures their ongoing application.

For the overall and comprehensive assessment, limitation and management of risks, NAGA has also established a staff unit that has assumed the Group-wide tasks of the risk controlling function in accordance with BaFin's Minimum Requirements for Risk Management (MaRisk) AT 4.4.1. This employee is responsible for the Group-wide identification, assessment, management, monitoring and communication of risks. For this purpose, this unit has free access to all risk-relevant information and data of the Group.

The head of the Risk Management Department is involved in all important risk policy decisions made by the Executive Board. The Supervisory Board is informed immediately in the event of a change in the management of NAGA's Risk Management Department.

Enhanced risk profile through Naga Markets



In 2017, NAGA began to initiate the necessary steps to align the Group's existing risk management processes and systems with the expanded risk profile of Naga Markets and to standardize them across the Group. As part of this process, components that are no longer required will be eliminated, and new requirements will be implemented to the extent that they are mapped and required components are implemented. According to current planning, the integration process will be completed in 2018, resulting in the creation of a consistent risk management system across the Group.

Risk identification and risk assessment

NAGA has a risk inventory, which is also updated on an ad hoc basis as required. This enables NAGA to divide risks, including risks from the use of financial instruments, to which it is exposed in the course of its operating activities into the following categories:

- Market Risks,
- Address default risks ,
- operational risks,
- Liquidity risks ,
- • other risks

The risk assessment is carried out taking into account risk-reducing measures taken and the given equity situation.

Monitoring and communication of risks

The management is informed by monthly reports about the current risk situation, important key figures and the earnings situation of NAGA. In addition, the Executive Board has access to an overview in which selected key figures (such as EBITDA or trading revenues) of NAGA are presented.

In our own assessment, the measures taken to analyze and monitor NAGA's risk situation are appropriate. The risk-bearing capacity was given at all times during the reporting period. No immediate risks that could jeopardize the continued existence of the company, also with regard to possible concentration risks, were identified at the time of preparing this risk report.

The main risks to which NAGA is exposed in the course of its operating activities are described in more detail below. The following tabular evaluation methodology is used to assess the probability of occurrence and the extent of the risk:

Eintrittswahrscheinlichkeit	Beschreibung
< 5%	sehr gering
5 - 25%	gering
> 25 - 50%	mittel
> 50%	hoch
Risikoausmaß	Auswirkung auf Geschäftstätigkeit, Vermögens-, Finanz- und Ertragslage sowie Reputation
gering	begrenzte Auswirkung < TEUR 50 EBITDA Einzelrisiko
mittel	einige Auswirkungen > TEUR 50 EBITDA Einzelrisiko
hoch	beträchtliche Auswirkungen > TEUR 200 EBITDA Einzelrisiko
sehr hoch	schädigende Auswirkungen > EUR 1 Mio. EBITDA Einzelrisiko

Management and limitation of market price risks

NAGA defines market price risk as the risk of losses due to changes in market prices (share prices, exchange rates, precious metal/commodity prices, interest rates) and price-influencing parameters (e.g. volatilities).

At NAGA, market price risks arise in Naga Markets' brokerage trading book. Naga Markets generally acts as a counterparty to its customers in the trading of various financial products. A corresponding specialist department handles the resulting risks in real time in accordance with internal guidelines.

To limit the resulting market price risks, NAGA has a multi-level limit system that is adapted to the legal requirements, the Company's equity and its risk profile. Compliance with these limits is monitored on a daily basis. If these limits are exceeded, appropriate countermeasures are initiated immediately.

NAGA assesses the remaining market price risks and their probability of occurrence as low.



In addition to the comprehensive measures regarding the monitoring of the Group's market risks, appropriate measures are also taken to manage the other risk categories to which NAGA is exposed as part of its operating business. The adequacy of these measures is monitored on an ongoing basis. Changes in the assessment of the underlying risks and necessary adjustments to their management are reflected in regular updates of NAGA's risk inventory. This is also available as a basis for risk-oriented audit planning by Naga Markets' Internal Audit department.

The additional risk arising for financial instruments from changing exchange rates (currency risk) is not to be considered significant at NAGA, as trading is predominantly in euros. The resulting risks are also considered to be low with a very low probability of occurrence.

Turbulence on the national and international securities markets, a prolonged sideways trend with low turnover, and other market risks may lead to a decline in interest among investors. The trading activity of the Group companies' customers depends on general stock market turnover and market volatility.

Management and limitation of counterparty default risks

NAGA defines counterparty risk as the risk of losses or lost profits due to unexpected defaults or unforeseeable deteriorations in the creditworthiness of business partners.

Counterparty risks in NAGA result primarily from business and settlement partners in brokerage.

NAGA's business partners are screened on the basis of predefined criteria, which are adapted to current circumstances if necessary and are based on specific characteristics of the business partners. In addition, creditworthiness is checked on an ongoing basis using publicly available data. NAGA estimates the extent of the resulting risks as very high, but the associated probability of occurrence as very low.

Operational risks

1) Dependence on software and IT risks

For NAGA, operational risk exists in particular due to the dependence of operations on the IT infrastructure and the associated services. This also includes dependence on the



faultless provision of services by service providers outside the Group ("outsourcing"). Operational risks in IT can be divided into hardware, software and process risks. Extensive IT and internet systems are used throughout the Group and are essential for the proper conduct of business. The Group is particularly dependent on the trouble-free functioning of these systems. Despite comprehensive measures to back up data and bridge system disruptions, disruptions and/or complete failures of the IT and Internet systems cannot be ruled out. Also, deficiencies in data availability, errors or functional problems in the software used and/or server failures caused by hardware or software errors, accidents, sabotage, phishing or for other reasons could lead to considerable image and market disadvantages as well as possible compensation payments for the Group.

In addition, there is a risk of malfunctions and/or failures in the software developed in-house. However, we see only a very low risk here, as we should be warned in good time by our control systems.

Significant investments are being made in IT equipment throughout the Group to ensure that the significantly increased volume of business can be handled appropriately and that adequate protection against failures is guaranteed. The probability of occurrence of the event resulting from the dependency on software and IT risks is assessed as low, and the potential extent of damage as medium.

2) Personnel risks

NAGA uses the established monitoring and communication processes to limit these risks, which are particularly personnel-related. Nevertheless, individual errors by individual employees can never be completely ruled out. We estimate the probability of occurrence of the event from personnel risks as very low, and a possible extent of damage as low.

3) Legal risks

As a regulated provider of financial services, NAGA operates in an environment with a rapidly changing legal framework. Legal violations can result in fines or litigation risks. NAGA counters these legal risks by constantly monitoring the legal environment, maintaining internal legal know-how and, if necessary, by drawing on external legal expertise. We estimate the probability of occurrence of the event from legal risks as low, the extent of the risk as medium.

In particular, there is the risk of a fine being imposed by the German Federal Financial Supervisory Authority ("BaFin"). At the present time, two cases are still pending before BaFin on the part of NAGA, with a positive outcome expected.

4) Risks from outsourced processes

The outsourced development processes, which are essentially provided by our programming partner in Sarajevo, are simultaneously controlled and monitored by qualified NAGA employees. Thus, the risk of incorrect programming or system errors can be classified as low. The extent of risk in this case would also be classified as low.

Management and limitation of liquidity risks

NAGA defines liquidity risk as the risk that it will not be able to meet its current or future payment obligations in full and on time from available financial resources.

In view of the sufficient liquidity resources and the risk-limiting measures taken, NAGA classifies the probability of occurrence of its remaining liquidity risks (in the narrower sense) as very low and also assesses the associated extent of damage as low.

General business risks due to dependence on technical developments and customer behavior

For NAGA, general business risks refer to those risks that arise as a result of changes in general conditions. These include, for example, the market environment, customer behavior and technical progress.

Technical innovations as well as changing customer behavior can significantly influence conditions on the markets for financial services. This can open up opportunities for the products and services offered by NAGA, but conversely can also have a negative impact on demand for the products and reduce the Group's financial success.

NAGA constantly monitors changes in the legal and regulatory environment as well as in the areas of customer behavior and technical progress with particular attention and continuously examines the resulting strategic implications. We estimate the probability of



occurrence of events due to dependencies on technical developments and customer behavior as low, and the possible extent of damage as medium.

Reputational risks

For NAGA, reputational risk is the risk of negative economic effects resulting from damage to the company's reputation.

In principle, the Group companies strive to achieve a high level of customer loyalty through a strong reputation in order to gain a competitive advantage over competitors. In addition to direct financial effects, many of the above-mentioned risks entail the risk that the Group's reputation could be damaged and lead to adverse financial consequences for the Group through reduced customer loyalty.

NAGA takes general business and reputational risks into account, in particular by including them in its strategic guidelines and using its risk management processes to monitor the relevant environment on an ongoing basis. Associated risk assessments are carried out as part of the assessments of the Group's operational risks, which are conservatively assigned a medium probability of occurrence and, taking into account the principle of prudence, a high degree of risk until the ongoing Group restructuring is completed.

b) Opportunities report

Opportunities for the company are generally analyzed at regular intervals and reported to the Management Board. Management has identified significant opportunities arising in particular from synergies from the acquisition of Naga Markets in the past financial year. These are highly likely to result in earnings in the millions over the next two fiscal years.

We monitor trends and developments in our product fields and identify operational opportunities. Thanks to our lean structures, we can respond quickly to customer requirements and market developments via short decision-making channels.

In 2018, Naga Academy, an educational offering for trading financial instruments and cryptocurrencies that is unique to date, will also be added to Naga Markets' product portfolio.



By expanding our business in Italy and Poland, we expect a strong increase in new customers here alone.

In addition, NAGA WALLET, which is operated by NDAL, will be used to participate in future digital IPOs such as a token sale. NAGA WALLET users can thus acquire tokens in the course of offered token sales. The NAGA WALLET was already introduced in the second quarter of 2018.

Issues such as transaction tax/stamp duty, EMIR regulation, ESMA regulations on CFD trading, and the MiFID II and MiFIR regulatory packages coming into force on January 1, 2018 may - depending on their political/regulatory design - develop into opportunities or risks for the Group's business model.

The majority of customers trading online are distributed among the four largest direct banks operating in Germany. In an environment of limited growth, new customers can only be won over in addition to a convincing price offer if new standards such as easy-to-use platforms, convincing and high-performance service, and a stable technical infrastructure are met by the providers.

Assessment by the Board of Management of the overall risk and opportunity situation

We understand the assessment of the overall risk situation as a cumulative consideration of all significant risk categories and individual risks. NAGA is convinced that there is no threat to its continued existence from any of the individual risks mentioned or from the risks in the group as of the reporting date and after the date of preparation of the consolidated financial statements.

NAGA is convinced that it can continue to take advantage of opportunities that arise in the future without exposing itself to disproportionately high risks. Overall, the aim is to achieve a balanced relationship between opportunities and risks.

5. Internal control and risk management system related to the consolidated financial reporting process



The Supervisory Board of NAGA generally monitors the effectiveness of the internal control and risk management system ("ICS" and "RMS") in accordance with Section 107 (3) Sentence 2 of the German Stock Corporation Act (AktG). The scope and design of the ICS are at the discretion of the Executive Board. The functionality and effectiveness of the ICS in the Group and in the individual companies are regularly reviewed by the Board of Management.

The accounting-related ICS comprises the principles, procedures and measures to ensure the correctness of accounting. It is continuously developed and aims to achieve the following:

These NAGA consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315e (1) in conjunction with (3) HGB. In addition, the accounting-related ICS also aims to ensure that the Group's annual financial statements are prepared in accordance with the provisions of German commercial law.

The basic rule for any ICS is that, regardless of how it is specifically designed, there is no absolute certainty that it will achieve its objectives, as IT-related failures or human error or misconduct can have an influence. With regard to the accounting-related ICS, there can therefore only be relative, but no absolute certainty that material misstatements in the financial statements will be avoided or detected.

The Financial Accounting and Controlling departments manage the processes for Group accounting and for preparing the management report. Laws, accounting standards and other pronouncements are continuously analyzed to determine whether and to what extent they are relevant and how they affect accounting. Standardized reporting formats, IT systems and IT-supported reporting and consolidation processes provide support in achieving uniform and proper Group accounting.

If necessary, NAGA makes use of external service providers in the form of experts. The employees involved in the accounting process receive regular training. They ensure that their accounting-related processes and systems run properly and on time.



Internal controls and consideration of risk aspects are implemented in the processes in the form of preventive and detective controls. These include, for example:

- IT-supported and manual reconciliations,
 - separation of functions, in particular of external and internal accounting,
 - four-eyes principle,
- regularly monitored access system of the IT systems.

6. Other information

Responsibility statement by the legal representatives (balance sheet oath)

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hamburg, June 22, 2018

The NAGA Group AG
Board of Directors

Y. Qureshi

B. Bilski

A. Luecke

Konzernbilanz der The Naga Group AG, Hamburg, zum 31. Dezember 2017

	Anhang	31.12.2017 TEUR	neue Darstellung* 31.12.2016 TEUR
A k t i v a			
Vermögenswerte			
Langfristige Vermögenswerte			
Immaterielle Vermögenswerte	6.a)	15.733	19.164
Sachanlagen	6.b)	113	113
Finanzanlagen und andere Vermögenswerte	6.c)	154	128
Latente Steueransprüche	6.q)	15	42
Summe langfristige Vermögenswerte		16.015	19.447
Kurzfristige Vermögenswerte			
Forderungen aus Lieferungen und Leistungen	6.d)	4.557	195
Sonstige kurzfristige Vermögenswerte	6.c)	5.411	1.800
Steuerforderungen	6.q)	5	3
Zahlungsmittel und Zahlungsmitteläquivalente	6.e)	8.728	4.626
Summe kurzfristige Vermögenswerte		18.700	6.624
Summe Vermögenswerte		34.716	26.071
P a s s i v a			
Eigenkapital			
Gezeichnetes Kapital	9.a)	21.008	50
Kapitalrücklage		8.849	21.882
Gewinnrücklage		-9.556	-7.358
Anteile anderer Gesellschafter		-37	9
Summe Eigenkapital		20.264	14.583
Geleistete Einlagen zur Durchführung einer Kapitalerhöhung	9.a)	7.418	0
Langfristige Schulden			
Langfristige Kredite	6.f)	0	0
Sonstige langfristige Verbindlichkeiten	6.i)	0	214
Summe langfristige Schulden		0	214
Kurzfristige Schulden			
Verbindlichkeiten aus Pflichtwandelanleihe	6.g)	0	3.205
Verbindlichkeiten aus Lieferungen und Leistungen		5.212	2.924
Sonstige kurzfristige Verbindlichkeiten	6.h)	1.204	4.458
Steuerrückstellungen	6.q)	71	9
Sonstige Rückstellungen	6.i)	546	678
Summe kurzfristige Schulden		7.033	11.274
Summe Schulden		7.033	11.488
Summe Eigenkapital und Schulden		34.716	26.071

* Die hier dargestellten Beträge stimmen nicht mit dem bereits veröffentlichten Konzernabschluss zum 31. Dezember 2016 überein, da es zu Änderungen während der Konzernprüfung für das Geschäftsjahr 2017 kam. Die vorgenommenen Änderungen spiegeln eine verbesserte Darstellung des operativen Geschäftes des Konzerns wider. (Anhang 10)

**Konzerngesamtergebnisrechnung
der The Naga Group AG, Hamburg,
vom 1. Januar bis zum 31. Dezember 2017**

	Anhang	2017 TEUR	Rumpfgeschäftsjahr 01.07.2016 bis zum 31.12.2016 TEUR
Handelserlöse	6.j)	6.522	1.970
Dienstleistungserlöse	6.j)	6.322	1
Umsatzerlöse		<u>12.843</u>	<u>1.971</u>
Aktiviert Programmierleistungen	6.k)	1.266	512
Gesamtleistung		<u>14.109</u>	<u>2.483</u>
Sonstige betriebliche Erträge	6.l)	3.534	239
Kommissionsaufwand	6.m)	3.426	691
Personalaufwand	6.n)	2.699	837
Marketing- und Werbeaufwendungen	6.o)	1.735	131
Sonstige betriebliche Aufwendungen	6.o)	6.906	2.459
Ergebnis vor Abschreibungen (EBITDA)		<u>2.878</u>	<u>-1.396</u>
Abschreibungen	6.a)&b)	4.778	2.340
Operatives Ergebnis		<u>-1.900</u>	<u>-3.736</u>
Finanzerträge	6.p)	1	6
Finanzaufwendungen	6.p)	205	76
Ergebnis vor Ertragsteuern		<u>-2.104</u>	<u>-3.806</u>
Ertragsteuern	6.q)	141	84
Periodenergebnis / Gesamtergebnis		<u>-2.244</u>	<u>-3.890</u>
Vom Konzernergebnis entfallen auf			
Aktionäre des Mutterunternehmens		-2.198	-3.889
Ergebnisanteile nicht beherrschender Gesellschafter		-46	-1

Konzerneigenkapitalveränderungsrechnung
der The Naga Group AG, Hamburg,
vom 1. Januar bis zum 31. Dezember 2017

	Gezeichnetes Kapital TEUR	Kapitalrücklage TEUR	Gewinnrücklage TEUR	Anteile nicht beherrschende Gesellschafter TEUR	Summe TEUR
Stand am 30.06.2016	50	21.882	-3.469	0	18.463
Änderung des Konsolidierungskreises	0	0	0	10	10
Gesamtergebnis der Periode	0	0	-3.889	-1	-3.890
Stand am 31.12.2016	50	21.882	-7.358	9	14.583
Kapitalerhöhung aus Gesellschaftsmitteln	17.975	-17.975	0	0	0
Kapitalerhöhung aus Umwandlung Wandelschuld	1.971	1.102	0	0	3.073
Kapitaltransaktionen mit Anteilseignern	1.012	3.840	0	0	4.852
Gesamtergebnis der Periode 01.01.2017 - 31.12.2017	0	0	-2.198	-46	-2.244
Stand am 31.12.2017	21.008	8.849	-9.556	-37	20.264

Konzernkapitalflussrechnung
der The Naga Group AG, Hamburg,
vom 1. Januar bis zum 31. Dezember 2017

	Anhang	2017 TEUR	neue Darstellung* vom 01.07. bis zum 31.12.2016 TEUR
Cashflow aus laufender Geschäftstätigkeit			
Ergebnis vor Ertragsteuern		-2.104	-3.806
Berichtigungen für			
Abschreibungen	6.a)&b)	4.778	2.340
Zinsaufwendungen	6.p)	205	76
Zahlungsunwirksame Aufwendungen und Erträge		-65	0
Cashflow vor Änderungen des Nettoumlaufvermögens		<u>2.814</u>	<u>-1.390</u>
Zunahme der Rückstellungen	6.i)	-209	361
Zunahme der Forderungen aus Lieferungen und Leistungen		-4.360	981
Zunahme anderer Aktiva	6.c)	-3.694	-653
Zunahme der Verbindlichkeiten aus Lieferungen und Leistungen sowie anderer Passiva	6.h)	<u>1.303</u>	<u>1.561</u>
Aus laufender Geschäftstätigkeit erwirtschaftete Zahlungsmittel		-4.146	860
Erstattete/Gezahlte Ertragsteuern	6.q)	<u>-14</u>	<u>46</u>
<i>Operativer Cashflow</i>		<u>-4.159</u>	<u>906</u>
Cashflow aus Investitionstätigkeit			
Auszahlungen für Investitionen in das immaterielle Anlagevermögen	6.a)	-1.537	-629
Auszahlungen aus dem Erwerb von Tochterunternehmen abzüglich erworbener Zahlungsmittel		0	10
Einzahlungen/Auszahlungen durch Desinvestitionen des Finanzanlagevermögens	6.c)	-26	13
Auszahlungen für Investitionen in das Sachanlagevermögen	6.b)	<u>-34</u>	<u>-62</u>
<i>Investiver Cashflow</i>		<u>-1.597</u>	<u>-668</u>
Cashflow aus Finanzierungstätigkeit			
Einzahlungen aus Eigenkapitalzuführungen von Gesellschaftern des Mutterunternehmens	10.	11.360	0
Tilgung von Finanzverbindlichkeiten	6.f)-g)	-1.502	-50
Aufnahme von Finanzverbindlichkeiten	6.f)-g)	<u>0</u>	<u>3.888</u>
<i>Finanzierender Cashflow</i>		<u>9.858</u>	<u>3.838</u>
Nettozunahme von Zahlungsmitteln und Zahlungsmitteläquivalenten	6.e)	4.102	4.076
Zahlungsmittel und Zahlungsmitteläquivalente am Anfang der Periode		<u>4.626</u>	<u>550</u>
Zahlungsmittel und Zahlungsmitteläqui- valente am Ende der Periode	6.e)	<u>8.728</u>	<u>4.626</u>

* Die hier dargestellten Beträge stimmen nicht mit dem bereits veröffentlichten Konzernabschluss zum 31. Dezember 2016 überein, da es zu Änderungen während der Konzernprüfung für das Geschäftsjahr 2017 kam. Die vorgenommenen Änderungen spiegeln eine verbesserte Darstellung des operativen Geschäftes des Konzerns wider. (Anhang 10)



**Notes to the consolidated financial statements of The Naga
Group AG, Hamburg,
for the financial year from January 1 to December 31, 2017**

1. Company details

These consolidated financial statements are the consolidated financial statements of The Naga Group AG ("Naga AG") and its subsidiaries (together: the "Group" or "NAGA"). Naga AG has its registered office in Hamburg, Neustädter Neuer Weg 22, Germany (Hamburg Local Court, HRB 136811). As of December 31, 2017, the shares of Naga AG are listed on the Frankfurt Stock Exchange in the over-the-counter market in the "Scale" segment.

The comparability of the financial statements for the fiscal year from January 1 to December 31, 2017 with the financial statements for the short fiscal year from July 1 to December 31, 2016 (previous year = "Vj") is limited due to the different length of the fiscal years.

The Group's business activities are brokerage and the development of innovative technologies for the financial sector. In fiscal year 2017, the Group's own broker, NAGA Markets Limited, Limassol/Cyprus ("Naga Markets", formerly Hanseatic Brokerhouse Global Markets Ltd.), significantly expanded its business operations.

In the 2018 financial year, the product portfolio will be expanded to include further contracts for differences ("CFD"). In addition, the in-house developed digital trading exchange for virtual goods from online computer games under the name "Switex" was launched in the second quarter of 2018.

In the 2017 financial year, the software applications were largely developed by external service providers.



The consolidated financial statements are to be submitted by the Executive Board to the Supervisory Board for approval and subsequent publication on July 13, 2018. It may still be possible to make changes.

2. Basics of the lineup

These consolidated financial statements are the IFRS consolidated financial statements of NAGA and are in full compliance with the IFRS applicable in the European Union as of December 31, 2017 and the supplementary provisions of German commercial law applicable under Section 315e of the German Commercial Code (HGB).

The requirements of the standards applied have been met, so that a true and fair view of the net assets, financial position and results of operations is presented. The consolidated financial statements of NAGA are based on the going concern assumption.

The financial statements of the subsidiaries have been prepared using uniform accounting policies. The nature of expense method has been used for the consolidated statement of comprehensive income. The Group's operating value added is defined as total output.

The consolidated financial statements are presented in EUR, the functional currency of the Group. Unless otherwise stated, the financial information is rounded to the nearest thousand (EUR thousand), which may result in rounding differences.

3. Scope of consolidation

In fiscal 2017, the consolidated financial statements include the financial statements of Naga AG and all of its controlled subsidiaries.

There were no changes in the scope of consolidation compared with the previous year.

Acquisition of Hanseatic Brokerhouse Securities AG

By agreement dated December 10, 2015, Naga AG agreed to acquire 60% of the shares of Hanseatic Brokerhouse Securities AG ("HBS"), Hamburg, by issuing new treasury shares. The contract is subject to a condition precedent.



By resolution of the Annual General Meeting on May 24, 2017, it was resolved to issue 11,777,039 new shares in return for the acquisition of a total of 45,000 shares in HBS by way of a capital increase against contribution in kind. The capital increase and contribution of the HBS shares was resolved in the fiscal year and entered in the commercial register on February 13, 2018. On the same day, NAGA finally obtains control over HBS. For simplification reasons, the initial consolidation is carried out as of January 31, 2018. As expected, the impact on the net assets, financial position and results of operations resulting from the different reporting dates is of minor significance. In addition to the 45,000 shares already acquired, there is also an option to acquire a further 10,500 shares. As this option was classified as substantial at the time of initial consolidation, it is already taken into account in the initial consolidation - determination of the shareholding and the purchase price. Furthermore, in the course of the exchange of shares, taking this option into account, HBS holds 4,953 treasury shares, which are to be treated as a re-investment in the consolidated financial statements as treasury shares of Naga AG. This results in a shareholding of ultimately 72.16%. No adjustment of fractional shares was made in the course of the share swap, as this is not necessary.

HBS is a stock corporation under German law founded in 1999 and active in the field of online brokerage. HBS currently holds a 100% interest in Hanseatic Brokerhouse Financial Services GmbH ("HBFS", together with HBS the "HBS Group"), Hamburg. HBFS additionally operates branch offices in Spain. The HBS Group specializes in the marketing of CFD trading accounts and the creation of corresponding training content.

The main reason for the acquisition of the majority shareholding in the HBS Group is the further development and expansion of customer relationships.

The allocation of the purchase price, which results from a business valuation of the HBS Group, to the acquired assets and liabilities is preliminary, as a final purchase price determination has not yet been made. The provisional acquisition costs can be allocated to the acquired assets and liabilities, measured at provisionally estimated fair values, as follows:

in TEUR	31.01.2018
Immaterielle Vermögenswerte	2.671
Sachanlagen	78
Finanzanlagen und andere Vermögenswerte	26
Sonstige kurzfristige Vermögenswerte	527
Forderungen gegen verbundene Unternehmen	719
Zahlungsmittel und Zahlungsmitteläquivalente	341
Zwischensumme	4.361
sonstige langfristige Verbindlichkeiten	892
sonstige kurzfristige Verbindlichkeiten	744
Verbindlichkeiten gegenüber verbundene Unternehmen	1.426
Zwischensumme	3.062
Netto-Vermögen	1.299
Nicht beherrschende Anteile (27,84 %)	362
Kaufpreis	18.553
Goodwill	17.616

The gross amount of trade receivables acquired (in the table part of other current assets in the amount of EUR 527 thousand) was EUR 456 thousand. As these were almost exclusively against NAGA, no valuation allowances were recognized, so that the fair value of the trade receivables acquired corresponds to the gross amount.

The intangible assets include in particular the customer base of the HBS Group in the amount of EUR 2,618 thousand and the BaFin license valued at estimated replacement cost in the amount of EUR 50 thousand. Deferred taxes have been recognized in each case on the hidden reserves recognized, taking into account the Group tax rate of 32.275%. The recognized deferred tax liabilities, netted against deferred tax assets, amount to EUR 892 thousand.

In the measurement of non-controlling interests, use was made of the option under IFRS 3.19 to measure non-controlling interests at the corresponding share of net assets of EUR 362 thousand.

There were no contingent liabilities at the reporting date.

The business combination resulted in non-tax-deductible goodwill of EUR 17,616 thousand, which is attributable to expected synergies, as the HBS Group is to establish



and expand the customer relationships of the intra-group broker Naga Markets. Furthermore, the goodwill includes value drivers such as an employee base, which may not be capitalized separately under IFRS.

No material transaction costs have been incurred to date in connection with this business combination.

Overview of the scope of consolidation of NAGA as of December 31, 2017

Gesellschaft	Anteilsbesitz
The Naga Group AG, Hamburg (Muttergesellschaft)	-
NAGA Markets Ltd. (vormals Hanseatic Brokerhouse Global Markets Ltd., Limassol, Zypern)	100%
p2pfx GmbH, Hamburg	100%
SwipeStox GmbH, Hamburg	100%
Swipy Technology GmbH, Hamburg	100%
Switex GmbH, Frankfurt am Main	60%
Trafex GmbH, Hamburg (umbenannt in NAGA Blockchain GmbH 14.03.2018)	100%
Zack Beteiligungs GmbH, Hamburg	100%

Both the shares in Naga Markets Ltd. and in Zack Beteiligungs GmbH have not yet been transferred in rem to NAGA, but are consolidated, as Naga AG is the beneficial owner of the shares on the basis of a trust relationship.

As of December 31, 2017, there are neither joint arrangements nor associated companies.

The shareholdings correspond to the voting rights.

Naga AG has made a commitment to the minority shareholder of Switex GmbH to contribute EUR 2,000 thousand to the capital reserve. The obligation can be fulfilled by cash payment or the assumption of development and marketing expenses. As of the balance sheet date, payments of EUR 331k have been made into the capital reserve of Switex GmbH.

Naga Development Association Ltd.

NAGA has conducted a so-called Initial Token Sale ("ITS") in cooperation with the Naga Development Association Ltd, Belize City/Belize ("NDAL"). Through the ITS, NDAL



raised financial resources - mainly in the form of cryptocurrencies - in the amount of approximately USD 50 million (market value as of December 31, 2017) from several tens of thousands of investors. The objective of the ITS was, or is, to generate financial resources to expand and improve the Naga ecosystem and, accordingly, to increase the value of the Naga Coin ("NGC").

The cooperation partner NDAL is a company that has no relationship under company law with Naga AG or its subsidiaries. NDAL initiated the ITS on its own account, drawing on various consulting services provided by NAGA as well as the brand usage rights "NAGA", "SwipeStox" and "Switex". The contracts for the usage rights have been running since the signing of the respective agreements in fiscal year 2018. Accordingly, NDAL is exposed to the opportunities and risks arising from possible price fluctuations of the cryptocurrencies received.

NDAL decides on the use of the financial resources received in the course of the ITS ("ITS resources") with the aim of realizing the highest possible share price increase for the benefit of the investors. NAGA only has the right to propose possible development or marketing projects. However, due to the concept of the ITS, the common goal is to establish or expand the application possibilities of the NGC on the trading platforms of NAGA as well as to increase the awareness of the NGC. Therefore, the cooperation partners have agreed that they can only jointly decide on the release of ITS funds.

In addition to making the best possible use of ITS funds, NDAL is developing other business areas, including the development and operation of the NAGA WALLET and an investment in a university in Cyprus. The additional business areas are financed primarily by ITS funds or a strategic reserve to NGC. It is not intended that NAGA will directly support NDAL in the development of further business areas.

The consulting services provided by NAGA in fiscal year 2017 relate in particular to sales and technical development of the NGC. NAGA thus generated revenues of EUR 6,322 thousand and other operating income of EUR 2,996 thousand. The proceeds from the non-exclusive transfer of the trademark rights "NAGA", "SwipeStox" and "Switex" in the amount of EUR 750 thousand are recognized as deferred income and will be reversed on a straight-line basis in 2018 and 2019. NDAL transferred financial resources in the form of FIAT and cryptocurrencies in the amount of EUR 4,752 thousand to NAGA in fiscal year 2017. As of December 31, 2017, the Group had receivables from NDAL in the

amount of EUR 4,554 thousand. NAGA is exposed to credit risk in the amount of the carrying amount of this receivable. No other risks have been identified as of the reporting date; in particular, there are no obligations to provide financial support to NDAL in the future or to absorb losses.

4. Estimates and assumptions as well as accounting and valuation methods

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

Estimation uncertainties and accounting policies relating to the individual balance sheet items are presented in Note 6 for the respective balance sheet item and in Note 8 for financial management.

With regard to the business model, the following accounting policies in particular are significantly affected by estimates and judgments:

4.1. Assessment of whether a business or a group of assets and liabilities has been acquired

In accounting for business acquisitions by NAGA, the Executive Board exercises discretion in classifying the acquired company. If only patents or software are acquired, this is generally not an acquisition of a business within the meaning of IFRS 3 ("asset acquisition"). A key indicator of the acquisition of a business within the meaning of IFRS 3 are the processes taken over, e.g. in the form of employee relationships (e.g. programmers).

If a business within the meaning of IFRS 3 has been acquired, the identifiable assets and liabilities are measured at their fair values at the acquisition date as part of the initial consolidation. Non-controlling interests are recognized in the amount of their share of the fair values of the assets and liabilities. Incidental acquisition costs are recognized as an expense. If a positive difference remains after offsetting, it is recognized on the assets



side as derivative goodwill. The results of the acquired subsidiaries are included in accordance with their affiliation to the Group, i.e. from the date of acquisition (possibility of control).

4.2. Assessment of whether control of a business operation exists

The acquisition of companies in the financial sector is subject to regulatory approvals. In addition, the acquisition of companies may be accompanied by options in the form of call or put rights which, if necessary, ensure control of the subsidiary even before the transfer in rem of corporate rights. In these cases, the Executive Board exercises discretion by considering such rights to be substantial. Pending approvals by government institutions, on the other hand, normally prevent control by NAGA, so that in these cases initial consolidation is not carried out until the date of approval. In fiscal year 2017, discretion was exercised for HBS and Naga Markets.

4.3. Impairments

At each reporting date, property, plant and equipment and intangible assets are tested for indications of impairment by comparing the recoverable amount and carrying amount. Examples include a changed regulatory environment or insufficient customer acceptance. If the recoverable amount cannot be determined at the level of the individual asset, it is determined at the level of the cash-generating unit ("CGU") to which the respective asset is allocated. The allocation is made on an appropriate and consistent basis to the individual CGUs or to the smallest group of CGUs. As of the reporting date December 31, 2017, two CGUs, the brokerage business and the consulting business, were identified. Additional CGUs will be created in the future as the business expands.

Intangible assets with indefinite useful lives or intangible assets not yet in use are tested for impairment at least annually and additionally if there are indications of impairment ("triggering event"). There was no indication of impairment in the financial year 2017.

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

4.4. Income taxes

Significant assumptions and estimates are necessary to determine the income tax liabilities, as the final income tax charge is uncertain for a number of transactions and calculations. Where the final tax charge differs from the recognized liability, these differences affect current and deferred income taxes. The Group uses external service providers to determine its income tax charge.

4.5. Relationships with related parties

In the normal course of business, the Group enters into transactions with related parties. Assumptions must be made as to whether these transactions have been concluded at market prices.

4.6. Other estimation uncertainties

In addition, significant assumptions and estimates relate to the uniform determination of useful lives throughout the Group and to the determination of recoverable amounts for impairment testing. New information is taken into account as soon as it becomes available. At the time of preparing the consolidated financial statements, it is not assumed that there have been any significant changes to the assumptions and estimates.

5. Changes in accounting policies - Amended standards and interpretations

The following amendments to standards or interpretations are mandatory for the first time in the 2017 financial year.

Standard	Titel/Regelungsinhalt	Erstanwendungszeitpunkt EU
Amend. IAS 7	Kapitalflussrechnung	01.01.2017
Amend. IAS 12	Ansatz aktiver latenter Steuern auf unrealisierte Verluste	01.01.2017

New standards and interpretations whose application is not yet mandatory

The IASB and the IFRS IC have issued the following standards, interpretations and amendments to existing standards whose application is not yet mandatory for NAGA as of December 31, 2017. Early application of these standards has been waived:

Standard/ Interpretation	Status	EU Effective date	Änderung/Neuregelung	wesentliche Auswirkung
IFRS 9	neu	01.01.2018	Leitlinien zur Bilanzierung von Finanzinstrumenten	werden derzeit geprüft
IFRS 14	neu		Bilanzierungsvorschriften zur Abbildung regulatorischer Abgrenzungsposten	nein
IFRS 15	neu	01.01.2018	Bilanzierungsvorschriften zu Zeitpunkt und Höhe der Erfassung von Erlösen	unwesentlich
IFRS 16	neu	01.01.2019	Leitlinien zur Bilanzierung von Leasingverhältnissen	unwesentlich
IFRS 15	Änderung	01.01.2018	Klarstellungen zu IFRS 15 Erlöse aus Verträgen mit Kunden	nein
Amend. IFRS 4	Änderung	01.01.2018	Anwendung IFRS 9 und IFRS 4 Versicherungsverträge	nein
IFRS 10 und IAS 28	Änderung		Veräußerung oder Einbringung von Vermögenswerten zwischen einem Investor und einem assoziierten Unternehmen oder Joint Venture	nein
Amend. IFRS 2	Änderung	01.01.2018	Klarstellung der Klassifizierung und Bewertung von Geschäftsvorfällen mit anteilsbasierter Vergütung	nein
Amend. IAS 40	Änderung	voraussichtlich 01.01.2018	Klassifizierung noch nicht fertiggestellter Immobilien	nein
Jährlicher Verbesserungsprozess (Zyklus 2014-2016)	Improvements	voraussichtlich 01.01.2018	Änderungen an IFRS 1 und IAS 28	nein
IFRIC 22	neu	voraussichtlich 01.01.2018	Transaktionen in fremder Währung und im Voraus gezahlte Gegenleistungen	nein
IFRIC 23	neu	voraussichtlich 01.01.2019	Unsicherheit bezüglich ertragsteuerlicher Behandlung	nein
Amend. IFRS 9	Änderung	voraussichtlich 01.01.2019	Vorfälligkeitsentschädigung mit negativer Ausgleichsleistung	nein
Jährlicher Verbesserungsprozess (Zyklus 2015-2017)	Improvements	voraussichtlich 01.01.2019	Änderungen an IFRS 3, IFRS 11, IAS 12 und IAS 23	nein
Amend. IAS 28	Änderung	voraussichtlich 01.01.2019	Langfristige Beteiligungen an assoziierten Unternehmen und Joint Ventures	nein
IFRS 17	neu	voraussichtlich 01.01.2021	Versicherungsverträge	nein

All of the above-mentioned standards, interpretations and amendments to existing standards - insofar as their content is relevant - are not expected to be applied by NAGA until the date of mandatory first-time adoption in the European Union.

IFRS 15 regulates the timing and amount of revenue recognition for fiscal years beginning on or after January 1, 2018. As revenue from brokerage business and services is recognized in the current business model, no material impact on revenue recognition is expected. However, the product portfolio is to be supplemented in the

future with additional components for which the impact of IFRS 15 cannot yet be estimated.

The application of IFRS 16 leads to an increase in total assets and to a slight deferral of expenses in the Group. Other financial obligations amounted to approximately EUR 544 thousand as of December 31, 2017 (previous year: EUR 468 thousand). Without taking into account interest effects, the first-time application of IFRS 16 as of December 31, 2017 would lead to an increase in total assets of a maximum of around 1.9%.

6. Notes to individual items in the consolidated statement of financial position and the consolidated statement of comprehensive income

6.1. Intangible assets

Purchased software, licenses and industrial property rights are recognized at cost and amortized on a straight-line basis over their expected useful lives of three to five years. These assets are tested for impairment if there are indications of impairment. No such indication arose in the financial year 2017.

The intangible assets relate in particular to the Swipy technology acquired by way of a contribution in kind, as well as software and apps under development. Due to NAGA's business activities, the assessment of whether development costs (mainly software) can be capitalized is of great importance.

Software relates to new applications and significant enhancements or improvements to existing applications. Development costs are capitalized under the following conditions:

- the product is technically and economically feasible;
- the future economic benefit is probable;
- the attributable expenses can be reliably determined and
- the Group has sufficient resources to complete the development project.

Future economic benefits are likely if additional sales can be generated with the technical innovations. The sales forecasts for these new products are based on the best estimates at the valuation date.



If a development project has not yet been completed, it is tested for impairment annually. Otherwise, a possible impairment requirement is only reviewed if impairment indicators exist.

Development costs of EUR 1,266 thousand (previous year: EUR 512 thousand) were capitalized in the financial year 2017 and reported in the statement of comprehensive income under other operating expenses as capitalized programming services. The capitalization rate for development costs was 64% in 2017 (previous year: 85%).

The Executive Board determines whether an activity is to be regarded as development or maintenance/bug-fixing on the basis of the activity reports submitted by the external service providers. Due to the user-oriented development of software applications, maintenance and bug-fixing expenses of EUR 738 thousand (previous year: EUR 91 thousand) were recognized in the statement of comprehensive income in the financial year 2017.

The Management Board used an external valuation report to determine the value of Swipy Technology as of December 31, 2017.

Intangible assets were as follows in fiscal 2017 and the previous year:

31.12.2017

	AK/HK zum 01.01.2017	Zugänge	Zugänge Unterneh- menswerb	Abgänge	AK/HK zum 31.12.2017	Kumulierte Abschrei- bungen zum 31.12.2017	Buchwert zum 31.12.2017	Abschreibungen im Geschäftsjahr 2017
<i>in TEUR</i>								
Geschäfts- oder Firmenwert	202	0	0	0	202	0	202	0
Software	20.691	47	0	0	20.738	7.783	12.955	4.254
Aktiviert Entwicklungskosten	1.876	1.266	0	0	3.142	656	2.486	490
- davon fertiggestellt	1.801	993	0	0	2.794	656	2.138	490
- davon in Entwicklung befindlich	75	273	0	0	348	0	348	0
Lizenzen	90	0	0	0	90	0	90	0
Immaterielle Vermögenswerte	22.859	1.313	0	0	24.172	8.439	15.733	4.744

31.12.2016

	AK/HK zum 01.07.2016	Zugänge	Zugänge Unterneh- menswerb	Abgänge	AK/HK zum 31.12.2016	Kumulierte Abschrei- bungen zum 31.12.2016	Buchwert zum 31.12.2016	Abschreibungen Rumpfgeschäfts- jahr 2016
<i>in TEUR</i>								
Geschäfts- oder Firmenwert	202	0	0	0	202	0	202	0
Software	20.453	238	0	0	20.691	3.529	17.162	2.162
Aktiviert Entwicklungskosten	1.364	512	0	0	1.876	166	1.710	150
- davon fertiggestellt	1.289	512	0	0	1.801	166	1.635	150
- davon in Entwicklung befindlich	75	0	0	0	75	0	75	0
Lizenzen	90	0	0	0	90	0	90	0
Immaterielle Vermögenswerte	22.109	750	0	0	22.859	3.695	19.164	2.312

6.2. Property, plant and equipment

Property, plant and equipment used for more than one year and subject to wear and tear are measured at amortized cost. Property, plant and equipment are depreciated on a straight-line basis over their useful lives of three to five years. Maintenance and repair costs are expensed as incurred. A write-down to the recoverable amount is made if there are indications of impairment and the recoverable amount is below the amortized cost. Such indicators did not exist in the financial year 2017.

Property, plant and equipment includes office and business equipment.

31.12.2017	AK zum 01.01.2017	Zugänge	Abgänge	AK zum 31.12.2017	Kumulierte Abschrei- bungen zum 31.12.2017	Buchwert zum 31.12.2017	Abschreibungen im Geschäftsjahr 2017
in TEUR							
Andere Anlagen, Betriebs- und Geschäftsausstattung	153	42	10	185	72	113	34
Sachanlagen	153	42	10	185	72	113	34

31.12.2016	AK zum 01.07.2016	Zugänge	Abgänge	AK zum 31.12.2016	Kumulierte Abschrei- bungen zum 31.12.2016	Buchwert zum 31.12.2016	Abschreibungen Rumpfgeschäfts- jahr 2016
in TEUR							
Andere Anlagen, Betriebs- und Geschäftsausstattung	91	62	0	153	40	113	28
Sachanlagen	91	62	0	153	40	113	28

6.3. Financial investments and other assets

Financial assets and other non-current and current assets relate to the following items:

in TEUR	31.12.2017	31.12.2016
Ausgleichsfonds für Investoren	110	85
Kautionen	44	43
Langfristig	154	128
Forderungen aus Derivaten	2.901	901
Forderungen gegen die HBS-Gruppe	1.319	499
Guthaben PayPal und Kraken Konto	833	0
Kurzfristige Darlehen	182	156
Umsatzsteuerforderung	164	87
Abgrenzungsposten für Aufwendungen im Zusammenhang mit Kapitalerhöhungen und dem geplanten IPO	0	109
Sonstiges	12	48
Kurzfristig	5.411	1.800
Summe	5.565	1.928

The obligation to deposit funds with the Investor Compensation Fund arises from regulatory requirements of the Cyprus Securities and Exchange Commission ("CySEC"). The non-current assets are subject to restraints on disposal.

Other assets amounting to EUR 2,901 thousand (previous year: EUR 901 thousand) are derivative assets. These correspond to open positions in contracts for differences

(CFDs), which are mainly held in a number of currency pairs at the customer. NAGA acts as a counterparty from open positions held with the settlement partner ("liquidity provider"). In this way, NAGA partially hedges against financial risks from its open customer transactions ("hedging").

Receivables from the HBS Group comprise a loan of EUR 150 thousand (2006: EUR 150 thousand) plus accrued interest and offsets of EUR 1,165 thousand (2006: EUR 345 thousand).

Expenses in connection with the issuance of new shares are charged directly against equity at the time of the issuance of new shares. Therefore, the corresponding expenses are recognized as deferred income within other current assets in the ratio of the expected new shares to be issued to the existing shares until offset against any subsequent proceeds from the issuance of new shares.

In the 2017 financial year, specific bad debt allowances of EUR 87 thousand were recognized on receivables as they were no longer recoverable.

The short-term loans are not collateralized.

The credit default risk and the recoverability are explained in Note 8.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed using external information such as credit ratings or empirical values on default risks.

in TEUR	31.12.2017	31.12.2016
Vollständig bediente Darlehensforderungen (Unrated)		
Dritte ohne bisherige Zahlungsausfälle	280	495
Summe	280	495
Vollständig bediente Forderungen aus Lieferungen und Leistungen und sonstige Forderungen		
Dritte ohne bisherige Zahlungsausfälle	6.786	570
Summe	6.786	570

6.4. Trade receivables

Trade receivables are recognized at their nominal amount. As of the balance sheet date, trade receivables from NDAL amounted to EUR 4,544 thousand.

Credit risk and recoverability are explained in Note 8.

6.5. Cash and cash equivalents

Cash and cash equivalents consist exclusively of short-term bank deposits of EUR 8,728 thousand (previous year: EUR 4,626 thousand).

The amounts of cash and cash equivalents included in the statement of cash flows correspond to the corresponding item in the statement of financial position. Restrictions on disposal exist in the amount of EUR 3,121 thousand (previous year: EUR 1,155 thousand), as these funds are held in trust for customers.

Cash and cash equivalents are held at banks with the following credit ratings:

in TEUR	31.12.2017	31.12.2016
A1	2.318	31
Baa1	200	149
Baa3	18	0
Caa2	0	55
Ohne Rating	6.192	4.391
Summe	8.728	4.626

The unrated cash and cash equivalents of EUR 6,192 thousand (previous year: EUR 4,391 thousand) are deposited with DONNER & REUSCHEL Aktiengesellschaft, Hamburg, and with a liquidity provider.

6.6. Long-term loans

There were no non-current loans as of December 31, 2017.

6.7. Liabilities from mandatory convertible bond

In December 2016, Naga AG issued a mandatory convertible bond with a total nominal amount of up to EUR 3,240 thousand, with a maturity date of April 4, 2017 and an interest rate of 6.5%. As of December 31, 2016, this amounted to EUR 3,205 k. As of the reporting date, there was no liability from a mandatory convertible bond.

By way of subscription declarations dated March 22, 2017, the bondholders exercised their right to convert and received a total of 1,970,402 shares in the Company as part of the conversion in accordance with the bond provisions.

6.8. Other non-current and current liabilities

Other non-current and current liabilities, some of which are financial in nature, are composed as follows:

in TEUR	31.12.2017	31.12.2016
Ausstehende Leistungsverpflichtung aus Kaufpreisallokation	0	214
Langfristig	0	214
Verbindlichkeiten aus Derivaten	558	134
Verbindlichkeiten gegenüber HBS-Gruppe	300	1.497
Ausstehende Leistungsverpflichtung aus Kaufpreisallokation	214	214
Kurzfristige Darlehen von nahestehenden Personen	3	1.293
Sonstige kurzfristige Darlehen	0	930
Sonstiges	129	390
Kurzfristig	1.204	4.458
Summe	1.204	4.672

The outstanding performance obligations were disclosed in the short fiscal year 2016 in the course of the purchase price allocation of Naga Markets. The non-current portion as of

December 31, 2016 of this agreement related to expenses that were not expected to be incurred until after December 31, 2017. The current portion, which now only remains, will be reversed in line with the expenses within the next twelve months.



Short-term loans from related parties of EUR 3 thousand as of December 31, 2017 mainly relate to outstanding interest. All loans to related parties were repaid in the 2017 financial year.

As of December 31, 2017, there are no longer any other current loans (previous year: EUR 930 thousand). A total of EUR 700 thousand of these liabilities was reclassified to the special item on the liabilities side of the balance sheet "Contributions paid to implement a capital increase". This is in line with the contractual agreement with the investors and resulted in a corresponding increase in share capital in 2018.

Liquidity risk is explained in Note 8.

6.9. Other accrued liabilities

The recognition of provisions as liabilities requires an estimate of the amount and probability of cash outflows. Any differences between the original estimate and the actual outcome may have an effect on the net assets, financial position and results of operations of the Group in the respective period. For current provisions, an outflow of resources is generally expected within the following twelve months.

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions developed as follows in fiscal 2017:

in TEUR	01.01.2017	Zuführung	Verbrauch	Auflösung	31.12.2017
Ausstehende Rechnungen:					
- Beratungskosten	345	0	342	3	0
Urlaubsrückstellungen	17	162	0	0	179
Jahresabschluss-, Prüfungskosten	284	197	284	0	197
Sonstige Rückstellungen	32	253	73	42	170
Summe	678	612	699	45	546

in TEUR	01.07.2016	Zuführung	Verbrauch	Auflösung	31.12.2016
Ausstehende Rechnungen:					
- Entwicklungskosten	253	0	253	0	0
- Beratungskosten	177	345	164	13	345
Urlaubsrückstellungen	44	17	44	0	17
Jahresabschluss-, Prüfungskosten	34	284	33	1	284
Sonstige Rückstellungen	62	32	61	1	32
Summe	570	678	555	15	678

Reimbursements for the aforementioned provisions are not expected.



6.10. Revenue recognition

Currently, NAGA generates revenue from its brokerage business ("Trading Revenue"). In addition, in fiscal 2017, revenue was generated in connection with the Naga Token Sale conducted by NDAL. Trading revenues may have a negative balance to the extent that individual trades result in losses. In the future, it is planned to realize additional revenues - in particular from the provision of the trading platform for virtual goods Switex.

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales taxes, and is recognized as a trade receivable in the ordinary course of the Company's activities.

Revenue is recognized as soon as the consideration can be reliably measured and there are no significant obligations to the customer and collection of the receivable is considered probable. This assessment represents a judgment in which NAGA relies, among other things, on empirical values of senior executives with regard to the respective collection and the amount of revenue.

The following criteria apply to the realization of the respective transaction type:

Trading revenue

Trading revenue is derived from customers' trading in contracts for difference ("CFD"). Here, Naga Markets acts as a counterparty for the trades executed by customers. To minimize risks, some trading contracts are passed on to third parties (so-called liquidity providers).

The Group generates revenues primarily from flow management, commissions and swap interest income arising in connection with the Group acting as a market maker for trading CFDs. Trading revenues are comprised of the following:

- a) Trading in the aforementioned financial instruments and
- b) commissions charged for CFDs.

Gains and losses from the measurement of open and closed positions as of the reporting date are recognized as trading revenue.



In the case of open positions, the profit or loss may differ significantly from the amount reported as of the reporting date, as the underlying asset underlying the trading contracts fluctuates over time and can significantly change the success of a trading contract. For closed positions, the profit or loss - with the exception of credit risks - is largely fixed as a result of the risk minimization strategy.

In the financial year 2017, NAGA realized trading revenues in the amount of EUR 6,522 thousand (previous year: EUR 1,970 thousand).

Service revenues

In fiscal 2017, additional proceeds were generated in connection with the Naga Token Sale conducted by NDAL. NAGA advised NDAL on the issuance of the Naga Coin ("NGC") and generated proceeds as a result.

Interest income

Interest income is recognized using the effective interest method.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the reporting date (date of transaction or revaluation). Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities (denominated in foreign currencies) are recognized in profit or loss.

6.11. Activated programming services

The capitalized programming services in the amount of EUR 1,266 thousand (previous year: EUR 512 thousand) relate to the programming services of external service providers that must be capitalized. In the course of programming, NAGA bears the economic risk of unsuccessful implementation of the project. It also controls the progress of the project, which is why the capitalized programming services are reported separately from the expenses recognized under other operating expenses.

6.12. Other operating income

Other operating income is recognized on an accrual basis in accordance with the terms of the underlying contracts. In fiscal year 2017, income was mainly generated from recharges of expenses that NAGA had initially assumed for NDAL in connection with the token sale.

6.13. Commission expense

Commissions are paid to the introducing broker acting on behalf of NAGA, HBFS, for the referral of customers. HBFS was indirectly acquired by Naga AG subject to a condition precedent (see 3.). To a lesser extent, the company also works with other brokers. The expense is recognized at the same time as the corresponding trading revenue (cf. 6.j).

Commission expenses of EUR 3,426 thousand (previous year: EUR 691 thousand) were recognized in the financial year 2017.

6.14. Personnel expenses

The average number of employees in full-time equivalents for the financial year 2017 was 22 (previous year: 27). Personnel expenses were as follows:

in TEUR	31.12.2017	31.12.2016
Löhne und Gehälter	2.373	717
Soziale Abgaben	310	96
Sonstiges	16	24
Summe	2.699	837

In the financial year 2017, EUR 281 k (prior year: EUR 91 k) in contributions were paid into defined contribution plans.

6.15. Marketing and advertising expenses and other operating expenses

Operating expenses are recognized in profit or loss when the service is used or when the expenses are incurred.

NAGA's business model is based on broad growth and requires a high level of marketing and advertising expenditure in order to attract customers on a sustained basis. Of the

total expenses of EUR 1,735 thousand, EUR 1,528 thousand relate to expenses that were subsequently charged to NDAL.

Other operating expenses include the following items:

in TEUR	31.12.2017	31.12.2016
Programmieraufwendungen	2.004	640
ICO Aufwendungen	1.719	0
Rechts- und Beratungskosten	1.561	827
IT-Kosten	528	357
Sonstige	205	85
Buchhaltungs- und Abschlusskosten	188	335
Fremdleistungen	168	0
Mietaufwendungen	151	85
Reisekosten	146	118
Periodenfremde Aufwendungen	117	0
Einstellung Einzelwertberichtigung	87	0
Nebenkosten des Geldverkehrs	32	10
Aufwendungen für Lizenzen und Konzessionen	0	2
Summe	6.906	2.459

Of the programming expenses, EUR 1,266 k (prior year: EUR 512 k) were capitalized as development costs. The remaining costs of EUR 738k are recognized as expenses in profit or loss.

6.16. Financial result

Interest is recognized on an accrual basis using the effective interest method.

The financial result includes interest expenses of EUR 205 thousand (previous year: EUR 76 thousand) and interest income of EUR 1 thousand (previous year: EUR 6 thousand).

6.17. Taxes on income and earnings

Income tax expense for the period comprises current and deferred taxes. Taxes are generally recognized in profit or loss. Current taxes are calculated on the basis of the profit or loss for the financial year calculated in accordance with the applicable tax regulations.

Deferred taxes are recognized for differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and the amounts used for tax purposes.

At each balance sheet date, the Group assesses whether the realization of future tax benefits is sufficiently probable for the recognition of deferred tax assets.

Proof of recoverability is considered to be provided by reference to the loss carryforwards that can be carried forward in Germany without restriction, taking into account the minimum taxation, to the extent that the deferred tax assets are offset by deferred tax liabilities in the same taxable entity.

Otherwise, this requires management to assess, among other things, the recoverability of the tax benefits to be recognized, based on available tax strategies and future taxable income, and to consider other positive and negative influences.

The Executive Board generally assumes the recoverability of deferred tax assets. With reference to the tax risks in connection with the expiry of loss carryforwards as a result of expected capital measures, deferred tax assets on loss carryforwards are not recognized in excess of deferred tax liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities, if the balance is to be settled on a net basis. In Germany, trade tax is levied by the municipalities, while corporate income tax and the solidarity surcharge are due to the federal government. For reasons of simplification, deferred and current taxes are netted.

In fiscal year 2017, there are temporary differences in the following balance sheet items that lead to the recognized deferred tax assets:

in TEUR	31.12.2017	31.12.2016
Immaterielle Vermögenswerte	-11	-11
Sonstige Verbindlichkeiten	27	54
Summe der aktiven latenten Steuern	15	42

The tax expense in fiscal year 2017 breaks down as follows:

in TEUR	31.12.2017	31.12.2016
Laufende Ertragsteuern		
Laufender Ertragsteueraufwand	71	8
Latente Steuern		
Latente Steuern	70	76
Ertragsteuern laut Gesamtergebnisrechnung	141	84

In Germany, current taxes are calculated on the basis of a corporate income tax rate of 15% and a solidarity surcharge of 5.5%. In addition, trade tax is levied on profits generated in Germany in accordance with the Hamburg assessment rate of currently 470%. For the sake of simplicity, a possibly obligatory apportionment of the trade tax assessment amount to the individual municipalities has been dispensed with, so that the overall tax rate applied is currently 32.275%.

The following table shows the reconciliation of the expected income tax expense based on earnings before taxes to the recognized income taxes.

in TEUR	31.12.2017	31.12.2016
Ergebnis vor Steuern	-2.104	-3.806
Erwarteter Ertragsteueraufwand (32,275 %)	-679	-1.228
Nicht abzugsfähiger Aufwand	1.453	695
Effekt aus abweichenden Steuersätzen	0	-14
Wertberichtigung von Verlustvorträgen	-633	631
Ertragsteuern gesamt	141	84

Non-deductible expenses mainly include the non-tax-effective depreciation of Swipy technology in the amount of EUR 1,293 thousand (previous year: EUR 647 thousand).

7. Earnings per share



As of December 31, 2017, the shares of Naga AG are listed in the over-the-counter market on the Frankfurt Stock Exchange in the "Scale" segment. As this is not an organized market within the meaning of Section 2 (5) of the German Securities Trading Act (WpHG), earnings per share are not mandatory. In order to present NAGA's earnings power transparently, earnings per share are calculated voluntarily in accordance with IAS 33 on the basis of 21,000,048 shares (previous year: 50,001 shares). Diluted earnings per share correspond to basic earnings per share, as the subscription rights from the mandatory convertible bond were not issued until after December 31, 2016. In the financial year, diluted earnings per share remained unchanged at EUR -0.14, as the issue of the potential shares would have no dilutive effect in accordance with IAS 33.41 et seq. The number of ordinary shares increased in the financial year 2017.

8. Financial instruments and financial risk management

8.1. Financial instruments

Financial assets and liabilities are recognized when the Group has a contractual right or obligation to receive cash or another financial asset from another party or to transfer financial assets to another party. They are recognized from the date on which the Group becomes a party to the contractual provisions of the financial instrument. Financial assets that are acquired or sold on an arm's length basis are generally recognized on the trade date.

Classification

The Group's financial instruments are classified into the following categories as of December 31, 2017, according to the classification in IFRS 7:

- Loans and receivables;
- Financial assets and liabilities measured at fair value through profit or loss and
- Financial liabilities measured at amortized cost.

The classification depends on the purpose for which the respective financial instrument was acquired. The Group determines the classification upon initial recognition. On initial recognition (trade date), they are measured at fair value. In the case of financial instruments not measured at fair value, incidental acquisition costs are also taken into account.

Loans and receivables

The category "loans and receivables" comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention to trade. In particular, this category includes cash and cash equivalents, trade receivables and loans granted. They are measured at amortized cost using the effective interest method. Interest is recognized in the financial result. Any impairment losses are recognized in profit or loss.

In this context, the debtor's financial difficulties, the likelihood that the debtor will file for insolvency or undergo restructuring, and default or payment delays are taken into account as an indicator of the existence of impairment.

Financial assets and liabilities measured at fair value through profit or loss

This category has two sub-categories: Financial assets and liabilities held for trading or those that have been allocated to this category since recognition. A financial instrument held for trading has generally been acquired for the purpose of reselling it in the near term. Financial instruments otherwise assigned to this category are managed in accordance with the documented risk management or investment strategy and their performance is assessed on the basis of fair values. The information determined on this basis is passed on to persons in key positions within the company. Derivative financial instruments are also classified as held for trading. They are measured at fair value, with changes recognized in profit or loss and reported as revenue on an accrual basis.

Financial liabilities measured at amortized cost

The category "financial liabilities at amortized cost" includes trade accounts payable and loan liabilities. They are measured at amortized cost using the effective interest method.

The following table shows the carrying amounts and fair values by measurement category of financial instruments as of December 31, 2016 and December 31, 2017.

in TEUR	Beizulegender		Beizulegender	
	Buchwert 31.12.2017	Zeitwert 31.12.2017	Buchwert 31.12.2016	Zeitwert 31.12.2016
Kredite und Forderungen	15.618	15.618	5.507	5.507
Erfolgswirksam zum beizulegenden Zeitwert bewertete finanzielle Vermögenswerte	2.901	2.901	901	901
Erfolgswirksam zum beizulegenden Zeitwert bewertete finanzielle Verbindlichkeiten	-558	-558	-134	-134
Zu fortgeführten Anschaffungskosten bewertete finanzielle Verbindlichkeiten	-6.688	-6.688	-7.078	-7.078

In particular, due to the short maturities of the financial instruments measured at cost, the carrying amounts are a sufficient approximation of the respective fair values.

Fiduciary business

NAGA manages liquid funds of customers in its own name and for the account of third parties in separately managed bank accounts for the purpose of processing customer



orders. NAGA acts as a trustee and the liquid funds are not part of the Group's assets or liabilities.

To date, NAGA provides these services through its Cypriot subsidiary Naga Markets and is in this respect subject to the regulatory requirements of the Cypriot banking supervisory authority ("CySEC"). Accordingly, an auditor must report annually to the Cypriot banking supervisory authority on whether the measures put in place to protect customer funds are appropriate and are being complied with.

The assets held in trust by NAGA as of December 31, 2017 amount to EUR 10,567 thousand (previous year: EUR 7,264 thousand).

8.2. Financial Risk Management

The Group's business activities involve significant risk and are also subject to regulatory requirements. Consequently, NAGA has implemented a risk management system.

The Group's risk management focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the Group's financial performance.

NAGA's business model is based not only on a high level of innovation in information technology, but also on profitable brokerage activities. Both areas are subject to different monitoring structures and risk management processes inherent in the business model.

In the Brokerage Division, the Board establishes written policies for overall risk management as well as for specific areas such as foreign exchange risk, interest rate risk, credit risk, price risk, the use of derivative and non-derivative financial instruments, and the investment of excess liquidity. Risk management is carried out under the supervision of Naga Markets' Risk Management Committee, which acts in accordance with policies approved by the Board of Directors. The Risk Management Committee of Naga Markets Ltd. is independent, subject to oversight by CySEC, and is charged with the oversight of the following functions:

- a) Adequacy and effectiveness of the Company's risk management policies and procedures;
- b) compliance by the Group and the relevant personnel with the regulations, processes and mechanisms specified in the risk management policy;



- c) Adequacy and effectiveness of measures applied to eliminate deficiencies in processes and systems;
- d) Identifying, assessing and managing financial risks in close cooperation with the company's operating units.

Financial risk factors

The Group is exposed to the following financial risks as a result of its business activities:

- a) Market risks (including price risks, currency risks, fair value interest rate risks and cash flow interest rate risks);
- b) Counterparty risks;
- c) Credit risks and
- d) Liquidity risks.

Market risks (including price risks, currency risks, fair value interest rate risks, and cash flow interest rate risks)

Price risks

This is the risk that the fair value of a financial instrument that the Group offers for trading will fluctuate due to market price risk. The Group is exposed to market price risk from changes in the prices of open CFD positions.

The operating model adopted by the Company in conjunction with the existing risk management framework states that not all customer trades will be hedged, so the Group may have a residual net position in each of the CFDs.

NAGA ensures an equity ratio of its Cypriot subsidiary of at least 8% plus a 1.25% capital conservation buffer at all times. In addition, internal controls ensure that the Group remains within its own risk appetite at all times.

As the Group currently only offers CFDs for trading via its Cypriot subsidiary, NAGA initially acts as the customer's counterparty in each transaction. The Group thus assumes a price risk.

The Group relies on the following measures to manage this price risk:

- Mitigation of risk through internalization: the Group, through its Cyprus subsidiary, has customers with different or opposing investment strategies. As many of the individual risks can cancel each other out in this way, this leads to a natural reduction in overall risk at the Naga Markets level. This positive effect on the risk structure of the trading business will further mitigate risk as business volumes increase;

- Mitigation of risk through overlaps: the Group offers CFDs on more than 700 financial instruments whose performance is highly correlated. This and their design as long or short positions additionally result in a high degree of overlap. This also naturally leads to a significant reduction in overall risk compared to an analysis based on individual positions;
- Transfer of risks to third parties: the Group is mainly active in highly liquid financial instruments. For these financial instruments it is relatively easy to neutralize price risks. With the help of professional settlement partners ("liquidity providers"), the Group can reduce or eliminate the risks of individual positions by entering into a corresponding offsetting transaction. In addition, if necessary, customers can be restricted in terms of their ability to trade certain instruments.

Customers' open positions may vary significantly over a short period of time and correlate strongly with underlying market conditions at any time. The Executive Board has therefore limited the conclusion of trading transactions to the following nominal volume per contract (in millions of euros):

Marktbedingungen	übliche Währungspaare	unübliche und exotische Währungspaare	CFDs
Normal	3 Mio.	1,5 Mio.	5 Mio.
Extrem	2 Mio.	1 Mio.	3 Mio.

Naga Markets' Risk Management Committee conducts market price risk stress tests at least weekly, and daily if market indications are appropriate. The stress tests take into account the asset classes held by Naga Markets and specific customer behavior.

In addition to probable and foreseeable market movements, the effects of extreme scenarios are also analyzed to ensure that the Group maintains an appropriate level of capitalization even under highly unlikely events.

The extent to which the Group is exposed to price risk at any point in time depends in particular on short-term market conditions and customer activity during the trading day. Accordingly, the extent of risk positions at the balance sheet date does not necessarily reflect the risk to which the Group is exposed during the fiscal year.

Foreign currency risks



Most customers trade in EUR, which is the Group's functional currency. Currently, the Group offers its customers to trade either through EUR or USD accounts. However, as only a few customers trade via a USD account, no sensitivity analysis is performed for foreign currency risks.

Possible changes in exchange rates do not have a material impact on the Group's results of operations and financial position.

The impact of changes in foreign exchange rates on the Group's CFDs is part of price risk as it relates directly to the Group's operations.

The Executive Board does not consider the currency risk to be significant for the Group.

Fair value interest rate risks and cash flow interest rate risks

The Group's interest rate risk arises from interest-bearing assets and non-current liabilities. Due to the current low risk exposure, no sensitivity analysis is provided.

Counterparty risks

NAGA defines counterparty risk as the risk of losses or lost profits due to unexpected defaults or unforeseeable deteriorations in the creditworthiness of business partners.

Counterparty risks in NAGA result primarily from business and settlement partners in brokerage.

NAGA's business partners are screened on the basis of firmly defined criteria, which are adapted to current circumstances as required and are based on specific characteristics of the business partners. In addition, creditworthiness is checked on an ongoing basis using publicly available data.

Credit risks

Credit risk arises from deposits with banks and financial institutions, and from loans to customers, including outstanding receivables.

Banks and financial institutions are accepted as counterparties only after a thorough review. In addition to an independent rating, Naga Markets' risk committee takes past experience and other factors into consideration when reviewing creditworthiness.



Transactions with customers are also handled with the help of banks or financial institutions that specialize in online brokerage and banking.

A credit risk affecting customers always arises when losses from loss-making trading positions exceed the minimum capital to be held by the customer, i.e., a customer is in danger of losing more money in a position than he has previously deposited.

The Company protects itself against this risk in the normal course of business by monitoring all trading positions both on the system side and by traders. Customer positions are closed by the system in an automatic process as soon as the account balances held to cover losses fall below a defined minimum value.

If a situation nevertheless arises, for example due to large unforeseeable price jumps, in which the losses incurred exceed a customer's deposit, a so-called "negative balance protection policy" applies, according to which NAGA waives all claims in excess of the deposit for private customers.

However, due to the fact that NAGA mainly acts as a market maker, the Group is not exposed to any significant risk arising from the negative balance protection policy. The background to this is that NAGA currently passes on only an insignificant proportion of trading contracts to external liquidity providers. NAGA acts as counterparty for a large proportion of the trading contracts. In this case, the waiver of settlement of loss-making customer positions only leads to an imputed loss, as realized profit is waived to this extent. Only in the case of direct on-lending does the risk of a liability to the liquidity provider arise, with a simultaneous loss of receivables from the customer.

Contracts with a threatened margin call with simultaneous forwarding to a liquidity provider are therefore subject to a separate internal control associated with the stress tests. To minimize risk, NAGA can reopen the position to prevent a liquidity loss in excess of the customer's deposit.

As of December 31, 2017, the Group is exposed to the following credit risks, broken down by category:

in TEUR	31.12.2017	31.12.2016
Forderungen aus Lieferungen und Leistungen	4.557	10
Sonstige kurzfristige Vermögenswerte	5.234	1.772
- davon Derivate	2.901	901
- davon finanzieller Art	2.333	871
Zahlungsmittel und Zahlungsmitteläquivalente	8.728	4.626
Summe	18.519	6.408

Liquidity risk

Liquidity risk arises when the maturities of assets and liabilities do not match. A mismatched position increases profitability but may also increase the risk of loss. The Group has implemented measures to minimize losses and to maintain sufficient cash and other highly liquid current assets.

Ongoing and forward-looking policies and procedures are implemented for the assessment and management of the Group's net financial position in order to reduce liquidity risk.

The following table shows the Group's financial liabilities in relevant maturity groupings based on the remaining terms to maturity - starting from the balance sheet date. The amounts shown in the table correspond to the contractual, undiscounted cash outflows. Where the liability is due within twelve months, the carrying amount corresponds to the cash outflows, as discounting has no material impact. Where the liabilities are interest-bearing, no discounting is applied.

However, the table includes cash outflows from actual interest payments that are directly attributable to the respective liabilities but not yet necessarily reflected in the statement of comprehensive income.

31.12.2017 in TEUR	weniger als 1 Jahr	zwischen 1 und 2 Jahren	zwischen 2 und 5 Jahren	mehr als 5 Jahre
Sonstige Verbindlichkeiten (finanzieller Art)	1.476	0	0	0
- davon finanzieller Art	918	0	0	0
- davon Derivate	558	0	0	0
Verbindlichkeiten aus Lieferungen und Leistungen	5.212	0	0	0
Summe	6.688	0	0	0

31.12.2016 in TEUR	weniger als 1 Jahr	zwischen 1 und 2 Jahren	zwischen 2 und 5 Jahren	mehr als 5 Jahre
Verbindlichkeiten aus Pflichtwandelanleihe	3.287	0	0	0
Sonstige Verbindlichkeiten (finanzieller Art)	867	0	0	0
- davon finanzieller Art	733	0	0	0
- davon Derivate	134	0	0	0
Verbindlichkeiten aus Lieferungen und Leistungen	2.924	0	0	0
Summe	7.078	0	0	0

Capital Management

NAGA is in a growth and development phase. Capital management is therefore geared towards financing further expansion. In addition to securing sufficient financing for planned sales activities, this includes further investment in software developments.

In addition, the Cypriot banking regulator CySEC requires a minimum equity ratio for the Cypriot subsidiary Naga Markets. This amounts to 8% plus a capital holding buffer of 1.25% as of the balance sheet date. The calculation method is based on the international Basel II and Basel III capital requirements. The adequacy of the Group's capital ratio is continuously monitored and reported to the regulatory authorities on a quarterly basis.

Estimation of the fair value

The following table shows the financial instruments measured at fair value according to the valuation method applied. The various input factors have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets accessible to the entity at the balance sheet date for identical assets or liabilities;
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Inputs that are unobservable for the asset or liability.

in TEUR	31.12.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Vermögenswerte						
Derivative Finanzinstrumente	2.901	0	0	901	0	0
Schulden						
Derivative Finanzinstrumente	558	0	0	134	0	0

Both assets amounting to EUR 2,901 thousand (previous year: EUR 901 thousand) and liabilities amounting to EUR 558 thousand (previous year: EUR .134 thousand) are reported in the consolidated balance sheet.

9. Equity/dividends

a) Equity

As of December 31, 2017, the subscribed capital ("share capital") amounts to EUR 21,008,048.00 and is divided into 21,008,048 no-par value registered shares. There are no separate preferential rights for specific shares. According to the Articles of Association of May 24, 2017, the shares are no longer subject to restrictions on transferability in the financial year and therefore there are no restrictions on trading the shares (Section 68 AktG).

The subscribed capital or shares outstanding increased as follows:

	Stück
Im Umlauf befindliche Aktien am 30.06.2016	50.001
Veränderungen im Rumpfgeschäftsjahr	0
Im Umlauf befindliche Aktien am 31.12.2016	50.001
Veränderungen im Geschäftsjahr aus	
- Bareinlage	12.413
- Gesellschaftsmitteln	17.975.232
- Wandelschuldverschreibung	1.970.402
- IPO (Börsengang)	1.000.000
Im Umlauf befindliche Aktien am 31.12.2017	21.008.048

All issued shares are fully paid up. No treasury shares are held by Naga AG and its subsidiaries as of the balance sheet date December 31, 2017.

The share capital was increased by 1,970,042 registered shares by EUR 1,970,402.00 in the financial year through the exercise of the convertible bond. The capital increase was carried out by conditional capital, the difference to the convertible bond was transferred to the capital reserve.

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



By resolution of the Annual General Meeting on May 24, 2017, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period up to May 23, 2022 by a total of up to EUR 10,004,024.00 by issuing up to 10,004,024 new no-par value registered shares in return for cash contributions and/or contributions in kind, whereby subscription rights may be excluded ("Authorized Capital").

By resolution of the Annual General Meeting of May 24, 2017, the share capital of the Company is conditionally increased by up to EUR 8,634,164.00 for the purpose of implementing convertible bonds and/or bonds with warrants issued on the basis of the authorization resolution of the Annual General Meeting of the same date by issuing up to 8,634,164 no-par value registered shares ("Conditional Capital 2017 II").

As of December 31, 2017, there is both conditional capital and authorized capital in the amount of EUR 10,004,024.00 each.

In the financial year 2017, the capital reserve was reduced from EUR 21,882k to EUR 8,849k. The change in the amount of EUR 13,033 thousand resulted largely from the increase in share capital from company funds and from the conversion of the convertible bond.

In the past financial year, the Company has already received payments of EUR 7,418 thousand for capital increases resolved on May 24, 2017. These payments are reported separately in the financial year. The registration of these capital increases has already taken place after the reporting date in 2018.

b) Dividends

No dividend payments to shareholders were declared or made during the reporting period.

10. Change Previous year's presentation

As a result of the decision of the Board of Management for the 2017 financial year, the following changes have been made to the statement of financial position as of December 31, 2016 to improve the presentation of business activities.

Bilanzpositionen	TEUR
sonstige Vermögensgegenstände	900
Forderungen aus Lieferungen und Leistungen	-184
Zahlungsmittel und Zahlungsmitteläquivalente	1.155
Summe Aktiva	1.871
Verbindlichkeiten aus Lieferungen und Leistungen	1.871
Summe Passiva	1.871

This change in presentation was continued in 2017. There was no change in the consolidated statement of comprehensive income or in other comprehensive income within equity as of December 31, 2016.

11. Leasing

Under a lease, the lessor transfers to the lessee, by agreement, the right to use an asset or a number of assets for an agreed period in return for a payment or a series of payments.

The allocation of the leased asset to the lessee or lessor depends on whether the lease is a finance lease or an operating lease. Under a finance lease, substantially all the risks and rewards incidental to ownership of the leased asset are transferred. Operating leases, on the other hand, are leases that do not constitute finance leases. The Group acts only as lessee under operating leases.

NAGA has entered into commercial leases for server use and office space as lessee. These leases have terms of up to ten years. NAGA is not subject to any restrictions when entering into these leases.

As of December 31, 2017, future minimum lease payments under fixed-term leases are as follows:

31.12.2017

in TEUR	weniger als 1 Jahr	zwischen 1-5 Jahre	mehr als 5 Jahre
Büromiete	114	317	109
Leasing Büro- und Geschäftsausstattung	2	2	0
Summe	116	319	109

31.12.2016

in TEUR	weniger als 1 Jahr	zwischen 1-5 Jahre	mehr als 5 Jahre
Büromiete	50	202	210
Leasing Büro- und Geschäftsausstattung	2	4	0
Summe	52	206	210

The amounts presented above are exclusively minimum lease payments, while contingent rent payments and payments from subleases do not exist. Extension or purchase options and price adjustment clauses also do not exist.

NAGA has not concluded any lease agreements with variable lease payments. In the 2017 financial year, minimum lease payments of EUR 114 k (prior year: EUR 74 k) were expensed.

12. Related party disclosures

Balances and transactions between Naga AG and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in these notes. The details of business transactions between the Group and other related parties are given below.

Related parties are the members of the Management Board and Supervisory Board of Naga AG and their close family members. In addition, companies over which related parties have a controlling influence are classified as related parties.

Board members and persons closely associated with them:

- Mr. Yasin Sebastian Qureshi and his family
- Mr. Christoph Brück and his family



- Mr. Benjamin Bilski and his family

Supervisory Board members and persons closely associated with them:

- Mr. Hans J. M. Manteuffel and his family
- Mr. Hans-Jochen Lorenzen and his family (since 24.05.2017)
- Dr. Walter Höft and his family (until May 24, 2017)
- Mr. Michael Bentlage and his family (until 31.12.2017)
- Mr. Wieslaw Bilski and his family (since 24.05.2017)
- Mr. Markus Duve and his family (from 08.09.2017 to 28.02.2018)
- Mr. Steffen Fix and his family (until 29.05.2017)
- Mr. Rizwan Syed and his family (until 24.05.2017)
- Dr. Jian Liang and her family (since 02.03.2017)
- Mr. Robert Sprogies and his family (from 01.01.2018)

As of December 31, 2017, Mr. Qureshi and his related parties held 5,299,393 shares, Mr. Bilski held 1,326,593 shares and Mr. Brück and his related parties held 2,208,249 shares in Naga AG.

Mr. Brück and Mr. Luecke are members of the Supervisory Board of HBS AG. The other members of the Management Board did not hold comparable offices as of December 31, 2017.

Mr. Manteuffel has been a member of the Advisory Board of Avilix Group Aktiengesellschaft, Hanover, since 2009.

The members of the Executive Board of NAGA received the following fixed remuneration in the 2017 financial year:

in TEUR	31.12.2017	31.12.2016
Herr Bilski		
fix	240	91
variabel		0
Herr Qureshi		
fix	240	87
variabel		0
Herr Brück		
fix	240	90
variabel		0
Insgesamt	720	268

In addition to reimbursement of their expenses, the members of the Supervisory Board received remuneration totaling EUR 63 thousand (previous year: EUR 20 thousand) for their activities in the 2017 financial year.

The following table compares the relationships with related parties in accordance with the provisions of IAS 24:

	Related	Provided	Related	Provided
Products and services in TEUR	31.12.2017	31.12.2017	31.12.2016	31.12.2016
Supervisory Board	6	-	160	-
	Debt/Loan	Receivables	Debt/Loan	Receivables
Liabilities and receivables in TEUR	31.12.2017	31.12.2017	31.12.2016	31.12.2016
Board of Directors	-	-	1.243	18
Supervisory Board	-	-	383	-
ISARMODUL GmbH	-	-	50	-
	Get	Due	Get	Due
Interest in TEUR	31.12.2017	31.12.2017	31.12.2016	31.12.2016
Board of Directors	-	-	-	38
ISARMODUL GmbH	-	-	-	2

13. Events after the balance sheet date

Changes in the Executive Board

Mr. Christoph Brück stepped down from the Management Board with effect from January 15, 2018. Mr. Andreas Luecke was appointed as his direct successor as of January 16, 2018.

Changes in the Supervisory Board

Effective January 1, 2018, Mr. Robert Sprogies was appointed as a member of the Supervisory Board of NAGA. He replaces Mr. Michael Bentlage.



Change of address:

Naga AG moved with its subsidiaries as well as HBS to the new office premises Neustädter Neuer Weg 22, 20459 Hamburg on April 1, 2018. The lease agreement has a term of two years.

Registration of the HBS

On February 13, 2018, the capital increase to acquire the shares in HBS was registered with the Hamburg Local Court.

Strategic partnership for structured products with easyfolio GmbH

In the second quarter of 2018, NAGA acquired 25 % of the shares in easyfolio GmbH, Frankfurt am Main. There is an option to increase the shareholding to up to 49 %.

Hamburg, June 22, 2018

The Naga Group AG
Board of Directors

Y. Qureshi

B. Bilski

A. Luecke

Independent Auditor's Report

To The Naga Group AG, Hamburg:

We have audited the consolidated financial statements prepared by The Naga Group AG, Hamburg, comprising the balance sheet, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2017. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) in conjunction with (3) HGB ["Handelsgesetzbuch": German Commercial Code] and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law

pursuant to § 315e (1) in conjunction with § 315e (3) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. (3) HGB and the supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, July 10, 2018

Mazars GmbH & Co KG

Auditing firm

Tax consulting company

Stephan Kleinmann

Certified Public Accountant

Hans Lankheit

Certified Public Accountant

