



NAGA

GROUP HALF-YEAR REPORT

as of June 30, 2019

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



CONSOLIDATED FISCAL YEAR REPORT as of June 30, 2019

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1. Foreword by the Board of Management

Dear shareholders, employees and business partners,

The first half of the 2019 financial year of The Naga Group AG was marked by major upheavals. After sales in the first quarter of 2019 did not develop as expected, we were forced to initiate a tough consolidation course.

The main measures of this consolidation were largely completed in the reporting period, namely the reduction of personnel expenses, including downsizing of the Management Board, the concentration of all operational business tasks at the Cyprus location, and the closure of all locations of the sales company Naga Brokers GmbH in Spain.

The entire restructuring also involved an overhaul of costs, personnel and the establishment of more professional structures, which attracted the full attention of the Executive Board. A large part of the costs generated here can be attributed to one-off expenses, such as severance payments, which had also cost growth power.

Sales decline in the first half of 2019

The negative business environment in the first quarter of 2019 was also decisive for the aforementioned restructuring measures. Like all major competitors, NAGA also suffered from very low volatility on the capital markets during this period, which had a strong negative impact on trading revenues from the brokerage business.

In addition, compared to the same period of the previous year, the new ESMA rules on the reduction of leverage in trading in contracts for difference by private investors, which were

introduced on July 1, 2018, have been added to this, with the result that revenue in the reporting period fell to EUR 1,672 thousand and thus significantly compared to the same period of the previous year.

Successful restructuring and consolidation

Following the initial downsizing of the Management Board and implementation of the new strategy, the reorganization measures resolved by the Management Board with the approval of the Supervisory Board in April 2019 were largely completed by the end of the reporting period. In addition to the organizational relocation of all of the Group's operating activities at the site in Limassol, Cyprus, staff reductions at the Hamburg and Spain sites (5 offices in total) were also largely completed. In this context, not inconsiderable one-time costs were incurred, particularly in the form of severance payments and compensation payments for the termination of long-term contracts, which impacted consolidated earnings in the first half of 2019.

However, due to the reduced cost base, we expect the Group's ongoing costs to decrease significantly in the course of the second half of financial year 2019. The phasing out of TV advertising via SKY Media at the end of the 2018/19 soccer season will contribute not least to this.

Focus on core product & customer support pay off

In addition to the organizational restructuring measures, which were primarily aimed at reducing costs, the product strategy was also changed significantly.

The entire product portfolio of NAGA was united under one main domain naga.com and completely revised, so that the unique selling proposition for investing across all asset classes (CFDs, gaming items and cryptocurrencies) could be realized. In addition, the major problem in the past, that too many projects or ideas were in different development phases at the same time without pursuing a rollout strategy, could be solved. As a result, it has also been possible to greatly reduce technology costs while at the same time significantly increasing platform quality. While only 30% of customers were really satisfied with the platform in Q1 2019, this rate was increased to over 90%, which is also reflected in the approval rating in relevant evaluation portals. This very positive development was also strongly supported by the establishment of professional customer support structures for the first time.

Global expansion and increased growth



With the focus on a unified platform and brand, the global rollout of NAGA was also launched. The platform was localized for the target markets in the Southeast Asian region, in particular Thailand, Malaysia, Indonesia and Vietnam, and supported with the establishment of local sales personnel. The first few months after the start of the market offensive in these countries have already shown that we are on the right track with this strategy, as can be measured above all by the customer numbers and deposits from this region. For example, monthly deposits increased from an average of around EUR 1.8 million to over EUR 3.52 million for the first time. The number of monthly transactions was increased by more than 65% to 388,000 and the trading volume expanded by 85% from an average of EUR 2.5 billion to over EUR 4.6 billion compared to the previous monthly average.

We expect this to show up in the form of increasing transactions over the course of the second half of fiscal 2019 and to have an impact on our income statement in the form of revenue increases, particularly in 2020.

Strengthening of financial power through anchor shareholder Fosun

In the outlook for the further course of the 2019 financial year, it is also of great importance that we have succeeded in agreeing on further financing with our company's largest shareholder, the Chinese Fosun Group, to strengthen and support the company's growth course. The acquisition of the majority shareholding by the Fosun Group, which is part of the new financing package and which will lead to the integration of the company into the Fosun Group, will give the NAGA Group access to new customer groups and target markets. Not least for this reason, the Executive Board very much welcomes this step.

Into the future with NAGA 2.0

With the parallel act of having completed the reorganization, the cost reduction, the new product structure, the global expansion, as well as having secured new financial resources as members of the Management Board, we are optimistic about the development of the next quarters. This organizational as well as structural reboot of the company will be paired with further innovations, which according to our analysis will lead to lower acquisition costs, better customer retention and addressing new customer groups. For example, the new NAGA Messenger could be launched at the end of Q3 2019, which will allow customers to communicate even more within the platform. The improved NAGA Card and the new partner program also met with a high level of acceptance at launch. Finally, trading of real shares in the NAGA platform will be launched in Q4 2019. These steps reposition NAGA as a technology platform rather than a pure CFD broker. Looking ahead, the business model strategy will also focus on NAGA memberships, where all NAGA services can be bundled with improved conditions.

With kind regards

The Board

A handwritten signature in blue ink, appearing to read "Bilski".

Benjamin Bilski

A handwritten signature in blue ink, appearing to read "Luecke".

Andreas Luecke

2. The object of the company

NAGA is a German fintech company based in Hamburg and listed in the stock exchange segment "Scale". The core business of the Group is online brokerage. In addition to traditional trading, NAGA also offers its own social trading platform "Naga Trader". Through the investments in the subsidiaries, further business models arise at the level of the Group, which are based on the development of innovative financial technology ("Fintech") and blockchain technology.

The overriding sector of business activity is the financial sector. NAGA is in direct B2C contact. Brokerage is handled by the subsidiary NAGA Markets Ltd., Cyprus, which is a pure online broker providing trading platforms for CFDs, Forex, ETFs and stock indices.

Another focus of the Group is the development of innovative financial technology for easy access to financial markets as well as cryptocurrency trading.

As part of the launch of the Naga Coin ("NGC") in 2017, the products "Naga Wallet" and "Naga Exchange" were developed in fiscal 2018 for our cooperation partner NAGA Development Association Ltd, Belize City, Belize (Hereinafter "NDAL"). Through this, the crypto market is also offered by NAGA to the customer.

During the reporting period, the brokerage business was expanded to non-EU countries, with a focus on Southeast Asia. For this purpose, the subsidiary Naga Capital Ltd., Saint Vincent and the Grenadines was founded.

3. Half-Year Consolidated Financial Statements as of June 30, 2019

**Konzernzwischenbilanz
der The Naga Group AG, Hamburg,
zum 30. Juni 2019**

		30.6.2019 (Ungeprüft) TEUR	31.12.2018 (Geprüft) TEUR
	<u>Anhang</u>		
Aktiva			
Vermögenswerte			
Langfristige Vermögenswerte			
Immaterielle Vermögenswerte	4.5a)	108.808	110.548
Sachanlagen		297	236
Nutzungsrechte*		235	0
Finanzanlagen und andere Vermögenswerte		259	263
Latente Steueransprüche		1.307	1.307
Summe langfristige Vermögenswerte		110.905	112.354
Kurzfristige Vermögenswerte			
Forderungen aus Lieferungen und Leistungen	4.5b)	2.245	3.095
Sonstige kurzfristige Vermögenswerte	4.5c)	1.453	1.606
Steuerforderungen		373	373
Forderungen aus Derivaten		651	3.050
Zahlungsmittel und Zahlungsmitteläquivalente	4.5d)	1.347	3.694
Summe kurzfristige Vermögenswerte		6.070	11.818
Aktive Rechnungsabgrenzung		31	75
Summe Vermögenswerte		117.005	124.247

*Erstmalige Anwendung des IFRS 16

		30.6.2019 (Ungeprüft) TEUR	31.12.2018 (Geprüft) TEUR
	Anhang		
P a s s i v a			
Eigenkapital			
Gezeichnetes Kapital	4.5g)	40.204	40.204
Kapitalrücklage		97.992	97.992
Gewinnrücklage		-19.959	-13.636
Den Aktionären des Mutterunternehmens zurechenbares Eigenkapital		118.236	124.560
Anteile nicht beherrschender Gesellschafter		69	438
Eigene Anteile	4.5g)	-5.526	-5.526
Summe Eigenkapital		112.779	119.472
Langfristige Schulden			
Latente Steuerschulden		633	715
Leasingverbindlichkeit*		15	0
Summe langfristige Schulden		648	715
Kurzfristige Schulden			
Verbindlichkeiten aus Lieferungen und Leistungen	4.5e)	1.638	1.344
Sonstige kurzfristige Verbindlichkeiten	4.5f)	338	699
Leasingverbindlichkeit*		125	0
Verbindlichkeiten aus Derivaten		75	75
Steuerrückstellungen		554	614
Sonstige Rückstellungen		653	942
Summe kurzfristige Schulden		3.382	3.673
Vertragsverbindlichkeiten		195	388
Summe Schulden		4.225	4.775
Summe Eigenkapital und Schulden		117.005	124.247

* Erstmalige Anwendung des IFRS 16

**Konzerngesamtergebnisrechnung
der The Naga Group AG, Hamburg,
vom 1. Januar bis zum 30. Juni 2019**

	1.1.2019 - 30.6.2019	1.1.2018 - 30.6.2018
	TEUR	TEUR
Handelserlöse	1.348	4.629
Dienstleistungserlöse	323	3.446
Umsatzerlöse	1.672	8.076
Aktiviert Programmierleistungen	356	474
Gesamtleistung	2.028	8.550
Sonstige betriebliche Erträge	184	2.000
Entwicklungsaufwand	570	1.563
Direkte Aufwendungen der Handelserlöse	751	426
Kommissionsaufwand	0	-14
Personalaufwand	2.409	2.846
Marketing- und Werbeaufwendungen	1.079	1.114
Sonstige betriebliche Aufwendungen	1.986	2.418
Ergebnis vor Abschreibungen (EBITDA)	-4.583	2.197
Abschreibungen	2.190	2.253
Operatives Ergebnis (EBIT)	-6.774	-56
Finanzerträge	1	0
Finanzaufwendungen	2	60
Ergebnis vor Ertragsteuern (EBT)	-6.774	-116
Ertragsteuern (Aufwand (+) / Ertrag (-))	-82	-101
Aktive Latente Steuern (Aufwand (+) / Ertrag (-))	0	0
Periodenergebnis / Gesamtergebnis	-6.692	-15
Vom Konzernergebnis entfallen auf		
Aktionäre des Mutterunternehmens	-6.323	123
Ergebnisanteile nicht beherrschender Gesellschafter	-369	-138

Aufgrund der Erstkonsolidierung der Naga Capital Ltd. zum 1.1.2019 und der erstmaligen Berücksichtigung des Ergebnisses der Easyfolio GmbH ist eine Vergleichbarkeit mit dem Vorjahr nur bedingt gegeben.

**Konzern-Eigenkapitalveränderungsrechnung
der The Naga Group AG
vom 1. Januar bis zum 30. Juni 2019**

	Gezeichnetes Kapital TEUR	Kapital- rücklage TEUR	Verlust- vorträge TEUR	Den Aktionären des Mutterunternehmens zurechenbares Eigenkapital TEUR	Anteile nicht beherrschende Gesellschafter TEUR	Eigene Anteile	Summe TEUR
Stand am 31.12.2017	21.008	8.849	-9.556	20.301	-37	0	20.264
Unternehmenserwerb gegen Ausgabe von Aktien	11.777	89.143	0	100.920	283	-5.526	95.677
Kapitalerhöhung aus Sacheinlagen	7.418	0	0	7.418	0	0	7.418
Erwerb eines Tochterunternehmens mit nicht beherrschenden Anteilen	0	0	0	0	211	0	211
Erwerb restliche Anteile an Tochterunternehmen	0		-37	-37	37	0	0
Gesamtergebnis der Periode 01.01.2018 - 31.12.2018	0	0	-4.044	-4.044	-56	0	-4.100
Stand am 31.12.2018	40.204	97.992	-13.636	124.560	438	-5.526	119.470
Gesamtergebnis der Periode 01.01.2019 - 30.06.2019			-6.323	-6.323	-369	0	-6.692
Stand am 30.06.2019	40.204	97.992	-19.959	118.236	69	-5.526	112.779

**Konzernkapitalflussrechnung
der The Naga Group AG
vom 1. Januar bis zum 30. Juni 2019**

	1.1. - 30.6.2019 TEUR	1.1. - 30.06.2018 TEUR
Cashflow aus laufender Geschäftstätigkeit		
Ergebnis vor Ertragsteuern	-6.774	-116
Abschreibungen	2.168	2.253
Gezahlte Zinsen	0	60
Zahlungsunwirksame Aufwendungen und Erträge	-14	-46
	-4.620	2.151
Cashflow vor Änderungen des Nettoumlaufvermögens		
Abnahme der Rückstellungen	-275	-435
Abnahme/Zunahme der Forderungen aus Lieferungen und Leistungen	850	-2.076
Abnahme anderer Aktiva	2.647	3.084
Abnahme der Verbindlichkeiten aus Lieferungen und Leistungen sowie anderer Passiva	-260	-2.845
Gezahlte Ertragsteuern	-60	-446
Operativer Cashflow	-1.718	-567
Cashflow aus Investitionstätigkeit		
Auszahlungen für Investitionen in das immaterielle Anlagevermögen	-419	-1.238
Auszahlungen aus dem Erwerb von Tochterunternehmen abzüglich erworbener Zahlungsmittel		341
Einzahlungen/Auszahlungen für Investitionen in das Finanzanlagevermögen	4	-353
Auszahlungen für Investitionen in das Sachanlagevermögen	-99	-68
Investiver Cashflow	-514	-1.318
Cashflow aus Finanzierungstätigkeit		
Einzahlungen aus Eigenkapitalzuführungen von Gesellschaftern des Mutterunternehmens	0	0
Tilgung von Finanzverbindlichkeiten	-117	0
Finanzierender Cashflow	-117	0
Nettozunahme von Zahlungsmitteln und Zahlungsmitteläquivalenten	-2.349	-1.885
Zahlungsmittel und Zahlungsmitteläquivalente am Anfang der Periode	3.694	8.728
Zahlungsmittel und Zahlungsmitteläquivalente am Ende der Periode	1.347	6.843

4. Half-Year Consolidated Notes as of June 30, 2019

4.1 Information on the company

These unaudited half-year consolidated financial statements are the consolidated financial statements of The Naga Group AG ("Naga AG") and its subsidiaries (together "Group" or "NAGA"). Naga AG has its registered office in Hamburg, Stadthausbrücke 1-3, Germany (Hamburg Local Court, HRB 136811). Naga AG's shares are listed on the Frankfurt Stock Exchange in the over-the-counter market in the "Scale" segment.

The comparability of the half-year financial statements from January 1 to June 30, 2019 with the half-year financial statements from January 1, 2018 to June 30, 2018 (previous year = "Vj") is only limited, as Naga Capital Ltd, Saint Vincent and the Grenadines (hereinafter "Naga Capital") has been included in the scope of consolidation of the Group since January 1, 2019. Furthermore, the result of Easyfolio GmbH, which was already acquired as of December 31, 2018, has been included for the first time.

The group's business consists of brokerage with contracts for difference ("CFD"), development of technologies for the financial sector and the use of blockchain technology.

In the first half of 2019, NAGA embarked on a strong consolidation course. Among other things, this was due to the negative business environment in the first four months of 2019. Furthermore, it was imperative to create new and simple structures within the Group so that the cost base can also be significantly reduced in the future.

4.2 Fundamentals of the setup

NAGA is currently not required to prepare IFRS consolidated financial statements, as it is traded in the over-the-counter market (Scale segment). However, NAGA has made use of the option under Section 315e (3) of the German Commercial Code (HGB) and voluntarily prepares interim consolidated financial statements in accordance with IFRS.

The interim consolidated financial statements have been prepared in accordance with Section 315e of the German Commercial Code (HGB) and comply with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

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 interim consolidated

financial statements of NAGA have been prepared on a going concern basis. Valuation is based on historical cost with the exception of derivatives.

The interim 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.

4.3 Scope of consolidation

The scope of consolidation has changed in the first half of 2019 compared to fiscal 2018 in that Naga Capital Ltd, Saint Vincent and the Grenadines has been added to the scope of consolidation as of January 1, 2019.

Furthermore, the subsidiaries Naga Blockchain GmbH, p2pfx GmbH and Zack Beteiligungs GmbH, were merged into the subsidiary Naga Technology GmbH with retroactive effect from January 1, 2019.

Overview of the scope of consolidation of NAGA as of June 30, 2019

Gesellschaft	Anteilsbesitz
The Naga Group AG, Hamburg (Muttergesellschaft)	-
Naga Markets Ltd., Limassol, Zypern	100%
Naga Technology GmbH, Hamburg (vormals SwipeStox GmbH und Swipy Technology GmbH) (verschmolzen 1.1.19 Naga Blockchain GmbH, p2pfx GmbH und Zack Beteiligungs GmbH)	100%
Naga Virtual GmbH, Hamburg (vormals Switex GmbH, Frankfurt am Main)	100%
Hanseatic Brokerhouse Securities AG (HBS), Hamburg (seit 1.2.2018)	72,16%
Easyfolio GmbH, Frankfurt am Main (seit 31.12.2018)	50,02%
Naga Capital Ltd., Saint Vincent & die Grenadienen (seit 1.1.2019)	100%

Corporate access Naga Capital Ltd.

Naga Capital Ltd. is a company incorporated under the laws of Saint Vincent and the Grenadines with registration number 24501 IBC 2018. Naga Capital was incorporated on February 1, 2018. By trust agreement dated January 7, 2019, the founder (as trustee) transferred beneficial ownership of the company to Naga AG (as settlor) effective January 1, 2019. Naga Capital did not carry on any business activities until that date. To this extent, there is no business combination within the meaning of IFRS 3.

Naga Capital is responsible for online brokerage outside the EU and provides its clients with trading platforms for CFDs, Forex and ETFs.

This step is expected to generate strong growth in customer numbers, trading volumes as well as trading revenues, as the margins for CFD trading in the target markets outside the EU are significantly higher than in the European market.

Naga Capital started operations in May 2019 and already generated trading revenues of EUR 124 thousand in the first two months.

4.4 Estimates and assumptions as well as accounting and valuation methods

In preparing interim 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.

a) Impairment losses

At each balance sheet date, property, plant and equipment and intangible assets are tested for indications of impairment by comparing the recoverable amount with the carrying amount.

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"). However, there was no indication in the first half of 2019.

b) 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 expense.

c) Relationships with related parties

In the first half of 2019, the Group did not enter into any business relationships with related parties.

d) 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 preparation of the interim consolidated financial statements, it is not assumed that there have been any significant changes to the assumptions and estimates.

e) Financial instruments

Financial assets and liabilities are recognized when the Group has a contractual right to receive cash or another financial asset from another party or has a contractual obligation to transfer financial assets to another party. Financial assets and financial liabilities 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.

With regard to financial instruments and financial risk management, there are no differences compared to the previous annual financial statements, which were explained there under Note 8.

4.5 Notes to individual items in the interim consolidated statement of financial position

a) Intangible assets

Purchased software, licenses and industrial property rights are carried at cost and amortized on a straight-line basis over their expected useful lives of three to five years. The amortization period for intangible assets with finite useful lives is reviewed at least at the end of each financial year. These assets are reviewed for impairment whenever there are indications that they may be impaired.

Development costs of EUR 356 thousand (previous year: EUR 474 thousand) were capitalized in the first half of the year and reported in the statement of comprehensive income as capitalized programming services.

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 570 thousand (previous year: EUR 1,563 thousand) were recognized in the statement of comprehensive income in the first half of 2019.

The recoverability of Swipy Technology was tested and confirmed by means of an impairment test in the previous fiscal year. The Group's three-year business plan served as a basis.

Goodwill is subject to an annual impairment test. The method and assumptions are explained in Note 4.4 a).

b) Trade receivables

Trade receivables are recognized at nominal value and amount to EUR 2,245 thousand as of June 30, 2019 (previous year: EUR 3,095 thousand). Of this amount, trade receivables from NDAL amount to EUR 2,064 thousand (previous year: EUR 2,690 thousand).

c) Other current assets

Other current assets amounting to EUR 1,453 thousand (previous year: EUR 1,606 thousand) are composed as follows:

in TEUR	30.06.2019	31.12.2018
Guthaben PayPal und Kraken Konto	378	848
Kurzfristige Ausleihungen	151	85
Umsatzsteuerforderung	360	357
Deposit	141	101
Sonstiges	423	215
Summe	1.453	1.606

d) Cash and cash equivalents

Cash and cash equivalents consist exclusively of short-term bank deposits of EUR 1,347 thousand (previous year: EUR 3,694 thousand).

The amounts of cash and cash equivalents received 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 743 k (prior year: EUR 1,305 k), as these funds are held in trust for customers by the liquidity provider.

e) Trade accounts payable

Trade accounts payable amount to EUR 1,638 k (prior year: EUR 1,344 k) and are due within one year.

f) Other current liabilities

Other current liabilities amount to EUR 338 thousand (previous year: EUR 699 thousand) and mainly comprise liabilities from wages and salaries, including severance claims.

g) Equity/dividends

As of June 30, 2019, the subscribed capital ("share capital") amounts to EUR 40,203,582 and is divided into 40,203,582 no-par value registered shares. There are no special preferential rights for certain shares.

The subscribed capital developed as follows:

gezeichnete Kapital am 30.06.2016		50.001
Veränderungen im zweiten Rumpfgeschäftsjahr 2016		0
gezeichnete Kapital am 31.12.2016		50.001
Veränderungen im Geschäftsjahr aus	Bareinlage	12.413
Veränderungen im Geschäftsjahr aus	Gesellschaftsmitteln	17.975.232
Veränderungen im Geschäftsjahr aus	Wandelschuldverschreibung	1.970.402
Veränderungen im Geschäftsjahr aus	IPO (Börsengang)	1.000.000
gezeichnete Kapital am 31.12.2017		21.008.048
Veränderungen im Geschäftsjahr aus	Sacheinlagen	19.195.534
gezeichnete Kapital am 31.12.2018		40.203.582
Veränderungen im Geschäftsjahr aus		0
gezeichnete Kapital am 30.06.2019		40.203.582

Authorized capital

The authorized capital 2017 was cancelled. By resolution of the Annual General Meeting on August 31, 2018, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital of Naga AG in the period until August 30, 2023, once or several times, by a total of up to EUR 20,101,791.00 by issuing up to 20,101,791 new

registered no-par value shares in exchange for cash contributions and/or contributions in kind, whereby subscription rights may be excluded.

Conditional capital

The share capital of Naga AG is conditionally increased by up to EUR 1,369,860.00 through the issue of up to 1,369,860 no-par value registered shares (Conditional Capital 2017). The 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 (Conditional Capital 2017 I).

By resolution of the Annual General Meeting of May 24, 2017, the share capital of Naga AG 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).

As of June 30, 2019, Naga AG has not utilized the conditional capital.

Own shares

As a result of the acquisition of HBS, NAGA indirectly holds treasury shares, as HBS itself holds 1,137,139 shares in Naga Group AG as fixed assets. At the time of acquisition, the treasury shares were deducted from equity at acquisition cost, in accordance with IAS 32.33, without affecting profit or loss. The acquisition costs including incidental acquisition costs of the treasury shares amounted to EUR 5,526k at the time of acquisition.

The cost method has been chosen for the presentation of treasury shares. This means that the cost of acquisition is deducted from equity in a separate line and in a single amount.

Dividends

No dividend payment to shareholders is expected to be resolved or made for fiscal 2019

h) Leasing

The Group will apply the new standard IFRS 16 Leases for the first time in fiscal year 2019.

Use is made of the simplified approach and no retrospective adjustment is made to prior-year balances. Furthermore, the Group also makes use of the simplification that leasing agreements for assets with a low value and a term of up to one year are not disclosed in the

statement of financial position. A reconciliation from the previous fiscal year to January 1, 2019 is not applied, as the lease liabilities were not incurred until the course of the fiscal year.

The following table shows financial lease liabilities that are not recognized in the statement of financial position.

<u>kurzfristige Leasingverhältnisse bis zu einem Jahr</u>		
Büromiete Hamburg	27	
	weniger als 1 Jahr	zwischen 1-5 Jahren
<u>Leasingverhältnisse mit geringem Wert</u>		
Büro- und Geschäftsausstattung	2	4

In addition, NAGA has commercial leases for office space and a company car.

The lease agreement for the office premises relates to the subsidiary Naga Markets with a term of 2 years. The lease payments are to be made in advance for one year at a time. In the case of the lease agreement for the company car, the term is 3 years and there are no variable lease payments. NAGA is not subject to any restrictions when entering into these leases.

The lease liabilities are determined on the basis of the outstanding lease payments, taking into account the incremental borrowing rate. A marginal borrowing rate of 2.5% was determined for office premises in Cyprus. The interest rate for company cars, on the other hand, is 5.0%.

As the lease agreements were not entered into until 2019, discounting and depreciation are calculated pro rata temporis as of June 30, 2019, assuming straight-line depreciation.

In the consolidated statement of income, rental payments have been excluded from other operating expenses, as IFRS 16 requires the amortization of the value in use to be recognized.

Furthermore, the calculated interest expense was included in interest expense.

The following tables show the development of lease liabilities and rights of use from initial measurement to June 30, 2019.

Leasingverbindlichkeiten

TEUR	Leasingverbindlichkeit Bürräumlichkeiten	Leasingverbindlichkeit betrieblicher PKW	Summe
Erstbewertung	225	32	257
Mietzahlungen	-114	-4	-118
Abzinsung	1	0	1
Ansatz 30.06.2019	112	28	140

Lease liabilities are recognized at present value and discounted as described above. Current lease liabilities amount to EUR 125 thousand and are reported under current liabilities. Non-current lease liabilities amount to EUR 15 thousand and are reported under non-current liabilities.

Nutzungsrechte

TEUR	Nutzungsrecht Bürräumlichkeiten	Nutzungsrecht betrieblicher PKW	Summe
Erstbewertung	225	32	257
Abschreibung	-19	-3	-22
Ansatz 30.06.2019	206	29	235

The rights of use are reported separately in the balance sheet under non-current assets. Straight-line depreciation is taken into account within depreciation.

5. interim management report as of June 30, 2019

Basics of the representation

This half-year consolidated 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 June 30, 2019.

Forward-looking statements

This Half-Year 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.

Net assets, financial position and results of operations

NAGA generated negative EBITDA of EUR -4,583 thousand (previous year: EUR 2,197 thousand) in the first half of 2019. Due to the further high scheduled amortization of intangible assets, the result for the period remains negative at EUR -6,692 thousand (previous year: EUR -15 thousand).

The first half of 2019 saw fewer transaction numbers and less trading volume compared to the same period last year.

NAGA manages customer assets of EUR 13 million as of June 30, 2019 (previous year: EUR 16 million).

The number of customers expanded from 20,190 as of December 31, 2018 to 22,419 as of June 30, 2019. This shows an increase of 2,229 customers or 11% compared to the same period last year.

a) Results of operations of the Group

The earnings situation deteriorated considerably compared with the prior-year period due to the loss of service revenues with NDAL. In addition, brokerage revenues fell sharply due to lower transaction volumes. This sharp decline is attributable to the particularly weak market in the first four months.

Trading revenue

Revenues generated from brokerage business amounted to EUR 1,348 thousand (previous year: EUR 4,629 thousand). Thereof, Naga Markets accounted for EUR 1,223 thousand and Naga Capital for EUR 124 thousand. Due to the new ESMA rules that came into effect on July 1, 2018, the margin on CFD trading has decreased significantly compared to the previous year, resulting in lower trading revenue. Furthermore, the negative business environment with very weak volatility in the stock market environment has also been reflected in declining trading revenue.

Service revenues

In addition to trading revenues, service revenues of EUR 323 thousand (previous year: EUR 3,446 thousand) were generated. The main service revenues were generated by the HBS Group through Turbo Trend Abo.

Activated programming services

The capitalized programming services amount to EUR 356 thousand (previous year: EUR 474 thousand) and are attributable to the Naga Trader application.

Other operating income

Other operating income of EUR 184 thousand (previous year: EUR 2,000 thousand) mainly includes currency income from the increased crypto exchange rates. In the previous year, other operating income in the amount of EUR 2,000 thousand included in particular the recharging of purchased services to NDAL.

Personnel expenses

Due to restructuring measures in the first half of the year, personnel expenses decreased slightly.

Other operating expenses

Other operating expenses amounting to EUR 1,986 thousand (previous year: EUR 2,418 thousand) are composed as follows:

in TEUR	30.06.2019	30.06.2018
Rechts- und Beratungskosten	767	786
Miete	260	312
Webservices	269	293
Fremdleistungen	180	201
Reisekosten	128	173
Sonstiges	382	653
Summe	1.986	2.418

The rental expenses relate to short-term expired leases in the current financial year, which do not have to be reported separately under IFRS 16.

Depreciation

Depreciation and amortization of EUR 2,190 thousand (previous year: EUR 2,253 thousand) mainly relates to Swipy technology (EUR 1,269 thousand), Naga Trader (EUR 513 thousand) and the acquired customer base of HBS (EUR 261 thousand). Furthermore, amortization of the rights of use according to IFRS 16 in the amount of EUR 21 thousand was incurred for the first time.

EBITDA development

EBITDA developed negatively compared with the prior-year period. This was due to the sharp decline in trading and service revenues. Expenses were already reduced slightly, but this could not compensate for the decline in sales.

Result for the period

The negative result for the period amounts to EUR 6,692 thousand (previous year: EUR -15 thousand). There were no impairment losses or write-downs.

b) Financial position of the Group

No capital increase was carried out in the first half of the year.

The capital structure of the Group is as follows:

	30.06.2019	31.12.2018	Veränderung
Eigenkapitalquote	96,4%	96,2%	0,3%
Fremdkapitalquote	3,6%	3,8%	-0,3%
Verschuldungsgrad	3,7%	4,0%	-0,3%

A negative operating cash flow of EUR - 1,718 thousand was generated in the first half of the year.

in TEUR	30.06.2019	30.06.2018
Cashflow aus laufender Geschäftstätigkeit	-1.718	-567
Cashflow aus der Investitionstätigkeit	-514	-1.318
Cashflow aus der Finanzierungstätigkeit	-117	0
Finanzmittelbestand am Anfang der Periode	3.694	8.728
Finanzmittelstand am Ende der Periode	1.347	6.843

Cash and cash equivalents decreased by EUR 2,347 thousand to EUR 1,347 thousand in the first half of the year.

Of the EUR 514 thousand invested, EUR 419 thousand was used for investments in intangible assets and EUR 99 thousand for property, plant and equipment.

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

in TEUR	30.06.2019	31.12.2018	Veränderung
Zahlungsmittel	1.347	3.694	-2.347
abzüglich kurzfristig fällige Schulden	3.577	4.061	-484
Zwischensumme	-2.230	-367	-1.863
zuzüglich kurzfristig gebundenes Vermögen	4.722	8.124	-3.402
Überdeckung / Unterdeckung	2.492	7.757	-5.265

Current liabilities of EUR 3,577 thousand are 132% covered by current assets.

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

in TEUR	30.06.2019	31.12.2018	Veränderung
Eigenkapital	112.779	119.472	-6.693
zuzüglich mittel- und langfristige Schulden	648	715	-67
abzüglich mittel- und langfristig gebundenes Vermögen	110.905	112.354	-1.449
Überdeckung / Unterdeckung	2.522	7.833	-5.311

The medium- and long-term tied assets are 102% covered by equity.

c) Net assets of the Group

NAGA's net assets developed as follows in the first half of 2019:

in TEUR	30.06.2019	31.12.2018	Veränderung
Aktiva	117.005	124.247	-7.241
Langfristige Vermögenswerte	110.905	112.354	-1.449
Kurzfristige Vermögenswerte	6.101	11.893	-5.792
Passiva	117.005	124.247	-7.243
Eigenkapital	112.779	119.472	-6.693
Langfristiges Schulden	648	715	-67
Kurzfristiges Schulden	3.577	4.060	-483

The reduction in non-current assets is attributable to scheduled depreciation.

The decrease in current assets is mainly attributable to significantly lower receivables from derivatives compared with the prior-year period.

Current assets amounting to EUR 6,101 thousand (previous year: EUR 11,893 thousand) mainly include trade receivables of EUR 2,245 thousand (previous year: EUR 3,095 thousand). In addition, current assets include cash and cash equivalents of EUR 1,347 thousand (previous year: EUR 3,694 thousand) and EUR 378 thousand (previous year: EUR 848 thousand) in credit balances on PayPal accounts and crypto exchanges. In addition, there are receivables from derivatives amounting to EUR 651 thousand (previous year: EUR 3,050 thousand).

As of June 30, 2019, current liabilities mainly include trade payables of EUR 1,638 thousand (previous year: EUR 1,344 thousand) and provisions of EUR 1,207 thousand (previous year: EUR 1,556 thousand).

6. forecast, opportunity and risk report

a) Forecast report

For the 2019 financial year, NAGA is maintaining the forecast last expressed in the 2018 Annual Report. Although trading revenues as of June 30, 2019 have fallen sharply compared to our forecast, we expect a significant increase in the second half of the year, so that the forecast from the 2018 Annual Report remains unchanged.

b) Opportunity and risk report

With regard to opportunities and risks, there have been no changes compared with the presentation in the previous Annual Report 2018.

7. organs of the company

Boards

The members of the Board of Management were or are:



- Mr. Yasin Sebastian Qureshi, Hamburg, Businessman (until April 30, 2019)
- Mr. Benjamin Bilski, Hamburg, Business Economist (M. Sc.)
- Mr. Andreas Luecke, Hamburg, Attorney at Law/Tax Consultant

Supervisory Boards

The following persons were or are appointed as members of the Supervisory Board:



- Mr. Hans J. M. Manteuffel, Langenfeld, lawyer until August 30, 2019 (former Chairman)
- Harald Patt, Frankfurt am Main, Managing Director as of August 31, 2019 (Chairman)
- Mr. Hans-Jochen Lorenzen, Hamburg, Certified Public Accountant/Tax Consultant
- Mr. Wieslaw Bilski, Frankfurt am Main, Managing Director
- Mr. Robert Sprogies, Vaterstetten, Managing Director (Vice Chairman)
- Dr. Jian Liang, Frankfurt am Main, businesswoman
- Mr. Stefan Schulte, Düsseldorf, Attorney at Law/Tax Consultant
-

Hamburg, October 2019

The Naga Group AG

- Board -

Imprint

CONSOLIDATED FISCAL YEAR REPORT as of June 30, 2019



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Financial calendar

June 2020: Publication of consolidated financial statements 2019

NAGA on the web

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

Social MediaNAGA

Facebook

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

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

NAGA YouTube:

https://www.youtube.com/channel/UCRa1cmTcH_BliXn5ShLDJewNAGA Instagram:

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

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