# The NAGA Group AG

# GROUP FINANCIAL REPORT 2021

# Letter to the shareholders

Dear Shareholders,
dear friends and supporters of NAGA,

NAGA has developed strongly in fiscal year 2021. We have achieved a number of milestones, particularly in the brokerage area but also as a platform at the product level.

Compared to the previous year, we were able to increase Group revenue by more than 100%, processed around EUR 250 billion in trading volume and over 10 million transactions. All record figures. Over 250,000 new customers have joined NAGA and we have been able to build a strong community, from which NAGA continues to benefit more and more.

The NAGA platform in particular has evolved a lot. We have released over 100 different new features, completely redesigned the platform and launched NAGA Pay as an iOS and Android app, which recently added the new "Pay with cryptocurrencies" feature as one of the few apps on the market worldwide.

All in all, 2021 was an absolute record year for NAGA, which was also clearly reflected on the capital market side. In two successful capital increases, NAGA was able to collect a total of around EUR 55 million in equity. The share price more than doubled in the course of 2021 and the company valuation stood at around EUR 400 million as of December 31, 2021.

All core KPIs have developed strongly upwards and the trend continues to point in a positive direction. At the end of 2021, we exited the UK market for Brexit and licensing reasons, but were able to solidly compensate for this market exit with further record growth in brokerage in the course of 2022.

Based on the strong market momentum at the end of 2021 and the positive outlook for the further development of cryptocurrencies at that time, we launched our own crypto platform, NAGAX, which optimally positions us for the upcoming adoption in the digital currency space.
While the crypto market has suffered greatly in 2022 and our investments in this area have not yet paid off, we expect a strong increase in wallet users and general adoption in the crypto market in the medium term. NAGA has positioned itself strongly for this and will be able to operate profitably from its own resources as well as strategic partnerships in the near future.

**Thank you for your trust in us!**

NAGA is not only one of the fastest growing neo-brokers in the world, we are also proud to be the top-rated neo-broker (according to certified ratings on trustpilot.com). Our unique combination of social media, investments, cryptocurrencies and payments on one platform convinces the most diverse customer strata while maintaining high average trading activity.

We would like to thank you for the trust you have placed in us and look forward to continuing our growth path together with you. At the same time, we would like to take this opportunity to apologize to you for the late publication of the 2021 financial statements. Significant unforeseen delays arose in the course of the annual audit for fiscal year 2021, largely caused by the complexity of the audits, adjustments and resource bottlenecks on the audit side. The delays in the 2021 annual audit were also very annoying for us and, as announced, we will propose a new auditor for fiscal year 2022 for election at the upcoming Annual General Meeting 2022 - which is expected to take place in December.

With kind regards

The Management Board

Benjamin Bilski | Andreas Luecke | Michalis Mylonas

**Attachment 1**

# Group Management Report
# of The NAGA Group AG, Hamburg,
# for the fiscal year 2021

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## 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, 2021, or the fiscal year ending on that date.

## 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.

**Attachment 1**

## 1. Fundamentals of the Group

### 1.1. Business model of the Group

NAGA is a German fintech company based in Hamburg, Germany and listed on the open market. Until October 7, 2022, Naga's shares were listed on the open market (Freiverkehr) of the Frankfurt Stock Exchange in the "Scale" segment. Since October 7, 2022, the Company's shares have been included in the Basic Board segment of the open market. The Group's core business is online brokerage. Here, NAGA offers its own social trading platform "Naga Trader" in addition to traditional trading. 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.

NAGA aims to create and offer easy access to financial markets and trading in contracts for difference, securities and cryptocurrencies for everyone.

The scope of consolidation of the Group as of December 31, 2021 includes the following companies:

| Company | Shareholdings | |
|---|---|---|
| | 12/31/2021 | 12/31/2020 |
| The Naga Group AG, Hamburg (parent company) | | |
| NAGA Markets Europe Ltd, Limassol, Cyprus | 100 % | 100 % |
| Naga Technology GmbH, Hamburg | 100 % | 100 % |
| Naga Virtual GmbH, Hamburg | 100 % | 100 % |
| Hanseatic Brokerhouse Securities AG (HBS), Hamburg | 72.16 % | 72.16 % |
| Naga Global LLC, Saint Vincent & Grenadines | 100 % | 100 % |
| NAGA GLOBAL (CY) LTD, Limassol, Cyprus | 100 % | 100 % |
| NAGA Global West Africa LTD, Lagos, Nigeria | 99 % | 99 % |
| NAGA FINTECH CO., LTD., Bangkok, Thailand | 100 % | 100 % |
| Naga Pay GmbH, Hamburg | 100 % | 100 % |

| | | |
|---|---|---|
| NAGA Markets Australia PTY Ltd, Eastwood, Australia | 100 % | 100 % |
| NAGA Pay UK LTD, London, United Kingdom (since February 27, 2021) | 100 % | / |
| NAGA Markets UK LTD, London, United Kingdom (since September 10, 2021) | 100 % | / |
| NAGA X LTD, Limassol, Cyprus (since August 17, 2021) | 100 % | / |

The operating subsidiaries of The Naga Group AG are as follows:

- NAGA Markets Europe Ltd ("Naga Markets") is based in Limassol, Cyprus and is a securities trading bank authorized and regulated by the Cyprus Securities and Exchange Commission ("CySEC"). Naga Markets is responsible for the brokerage area and provides trading platforms for CFDs, Forex, ETFs and stock indices for its clients.

- Naga Technology GmbH, Hamburg, consists of the former companies SwipeStox GmbH, Swipy Technology GmbH, p2pfx GmbH, Zack Beteiligungs GmbH and Naga Blockchain GmbH. Naga Technology GmbH operates Naga Trader and holds a 100% stake in Naga Markets. Naga Trader is available for iOS, Android and as a web trader with several thousand active users. The innovative social network provides easy and fast access to trading Forex, CFDs, ETFs, stocks and cryptocurrencies.

- Naga Virtual GmbH, Hamburg, has been operating the world's first independent, transparent and legal marketplace for virtual goods such as in-games items since 2018. In the course of the restructuring and focus on the core product Naga Trader initiated in 2019, the further development and marketing of the platform has been put on hold until further notice and has been in maintenance mode since then.

- Hanseatic Brokerhouse Securities AG ("HBS") is a stock corporation founded in 1999 and active in the field of online brokerage. HBS initially held 100% of Naga Brokers GmbH in fiscal 2020, but the latter was merged into HBS retroactively as of January 1, 2020. The activity of HBS consists of managing the customer base built up by Naga Brokers GmbH for Naga Markets Europe Ltd.

- Naga Pay GmbH, Hamburg, developed and launched the neo-banking app NAGA Pay in 2020. In the fourth quarter of 2021, the app NAGA Pay was re-leased again (relaunch) after a previously extensive revision. NAGA Pay com-bines an IBAN account, a VISA debit card, a share deposit account, copy trading and, after appropriate licensing, physical crypto wallets.

- Naga Pay UK Ltd., London, United Kingdom, was incorporated upon registration on February 27, 2021. It has the same business purpose as Naga Pay GmbH and serves Naga Pay customers who have their bank account in the United King-dom.

- NAGA Markets Australia PTY Ltd., Eastwood, Australia, was established with registration on August 19, 2020. The start of the Australian business activity was planned for 2021. However, the granting of the applied securities trading license by the Australian financial supervisory authority (ASIC) was delayed and is still pending. In connection with this, NAGA is aiming to open a local branch in Syd-ney.

- Naga Global LLC. ("Naga Global") operates online brokerage for clients outside the EU and provides trading platforms for CFDs, Forex, ETFs and equities to its clients.

- The companies NAGA GLOBAL (CY) Ltd, NAGA FIINTECH CO Ltd. and NAGA Global West Africa Ltd (formerly: NAGA Global (NG) LTD.), serve as subsidiaries of Naga Global LLC. and support its business activities in the area of customer acquisition and through internal services and the establishment/operation of training centers.

- NAGA MARKETS UK LTD, London, United Kingdom, was incorporated by registration on September 10, 2021. In December 2021, NAGA terminated its direct business relationships in relation to regulated activities with the Group's UK-based customers. As a result of the withdrawal from the UK market, NAGA MARKETS UK LTD was inactive as of December 31, 2021 and is not intended to be operationally active. Instead, it is planned in the meantime to take over a company with a corresponding license in the UK.

- Naga X LTD, Limassol Cyprus, was incorporated with registration on August 17, 2021. The company developed the Web3 crypto social trading platform NAGAX for cryptocurrencies and NFTs, which was launched on March 7, 2022 and started with a cryptowallet and a crypto exchange with more than 50 assets.

In addition to the above-mentioned affiliated companies, Naga AG holds a 20.0% share in Horizons Holding Ltd, Grand Cayman, CYM, a joint venture to develop the Chinese market. The investment amounting to kEUR 186 was fully impaired as of December 31, 2020 due to the discontinuation of the cooperation.

**Business activities of the Group**

The Group's main business to date has been brokerage, with direct B2C contact. Brokerage is handled by the subsidiaries Naga Markets and Naga Global. As pure online brokers, the companies do not maintain branches, but provide a trading platform on the Internet for CFDs, Forex, ETFs, stock indices and stocks. Through the direct connection of Naga Trader, the group offers both a classic and a "social trading" service. In addition to brokerage, the development of blockchain-based technology will play an increasingly significant role at NAGA in the future. This is intended, among other things, to realize the Group's goal of global financial inclusion across all assets, products and continents. Further information on revenue recognition can be found in section 7.p) of the notes to the consolidated financial statements.

Depending on the further development of the crypto markets, the Group will therefore turn its focus to the crypto division in addition to the brokerage business and expects this to be another source of revenue in the coming years. To fully license its cryptocurrency division and expand its crypto products, NAGA has hired a team of specialists consisting of a management team as well as technology team.

Naga Markets and Naga Global stand out from most competitors with their discount pricing model, making them an alternative to branch or direct banks for average investors as well as very active traders.

With the cooperation partner Naga Development Association Ltd, Belize City/Belize, ("NDAL") the Naga Wallet as well as the Naga Exchange are operated as additional business segments. The Company acquired NDAL's customer base using the aforementioned products during FY2022 and migrated the customers to the NAGAX platform.

In 2021, Neo-Banking app NAGA Pay was extensively revised and re-released in the fourth quarter. NAGA Pay combines an IBAN account (fully digital account opening process, optionally as a standard or premium solution), a VISA debit card, a share deposit account, copy trading and physical crypto wallets. The NAGA Pay app is powered by partner Contis Ltd, one of Europe's leading providers of payment solutions for FinTechs and financial institutions. Thanks to Contis, NAGA customers get access to payments in the EU and the UK, as well as a globally recognized VISA debit card accepted by over 140 million merchants worldwide. Users can make bank transfers and send funds to friends for free in the NAGA Pay app. In addition, NAGA Pay is integrated with NAGA's overall trading infrastructure. In the future, the offering will be expanded to include wealth management, savings plans and loyalty incentives for active customers.

In addition, the crypto trading platform NAGAX was developed in 2021 and released on March 7, 2022. The social trading platform focused on cryptocurrencies was launched with a cryptowallet as well as a crypto exchange with more than 50 assets. The platform allows any user to automatically convert a contribution on the platform into an NFT (Non-Fungible Token), which can be monetized. NAGAX traders are offered the opportunity to copy influencers' crypto trades for more than 700 assets via the social feed. NAGAX's offer is complemented by other products in the field of virtual currencies and commodities.

Also in 2021, NAGA launched a Software-as-a-Service (SaaS) model for accelerated global expansion, offering a white-label software product to select partner companies around the world in exchange for license payments. With approximately 5,000 technologically compatible financial services companies worldwide, this strategic move enables NAGA to expand with partner companies, increasing the user base across the community, leading to even greater viral growth and thus reduced customer acquisition costs for partners using the white-label model. As a result of this new offering, NAGA is able to enter and operate in new and existing markets faster and more efficiently, benefiting from local expertise on a global scale. White label partners can provide their user base with access to the content and trading information of the ever-growing community without giving up control over their own customer base and trading flow, while NAGA participates in the partners' success through license payments.

The NAGA Pro growth project, launched in 2020, was further developed into the Popular Investors program in 2021. The program includes, among other things, an innovative copy trading dashboard with analysis tools and a career program for aspiring investors who want to monetize their own trades and their content. Among other things, it has helped a YouTube influencer well-known in the financial scene to achieve 1,500 copy traders in a short period of time. It also released a new crypto wallet and more social feed features.

a) Locations

The company's headquarters are in Hamburg. In addition, there are the locations:

- Limassol and Nicosia, Cyprus
- Sales and training locations in Bangkok, Thailand, and Lagos, Nigeria

The opening of a branch in Sydney, Australia has been delayed by regulatory approvals and is still planned to be able to activate a securities trading license in Australia in 2023.

b) Products, services, platforms and business processes in the NAGA Group combine the topics of stock exchange (securities) and blockchain (cryptocurrencies) and payments (payment services). Derivatives, shares, commodities, foreign exchange and cryptocurrencies can be traded from a computer or mobile via iOS and Android using the

Group's own Naga Trader platform. The customer has the option of compiling their own portfolios, sharing their own trades with the community and being copied by other customers or copying successful traders in turn. Furthermore, it is possible to develop your own trading strategy with a trading robot. The Naga Pay and NAGAX platforms complement the product range in the areas of payment services and cryptocurrencies.

c) Sales markets, customers and distribution policy

NAGA sells its products and services worldwide, primarily targeting the global markets for trading financial instruments. With regard to distribution policy, the Group focuses on online marketing, affiliate marketing, sales partners and fully automated customer acquisition processes. International expansion is also to be accelerated via the Saas model (software-as-a-service model -s.o.-) launched in 2021. NAGA has already acquired two partners since the launch of the SaaS model, which will become NAGA's first SaaS partners during fiscal 2022. The Company expects to be able to report first revenues already towards the end of fiscal year 2022.

d) General conditions

NAGA's business model is particularly dependent on the development of the capital and financial markets as well as on the overall European economic situation. High volatility on the financial markets is attractive for many actively risk-oriented trading customers and thus leads to a high number of transactions and sales.

## 1.2. Goals and strategies

The Group aims to become a leading provider of innovative technologies in sub-segments of the financial sector and to integrate asset management and social media. The focus is on sustained growth in the number of active customers and the global expansion of product sales, with the aim of significantly increasing EBITDA (earnings before interest, taxes, depreciation, and amortization) from year to year.

### Financial targets of the Group

Looking at the reporting date of December 31, 2021, the targets for the future include a further increase in trading revenues, increasing revenues from the crypto division and an increase or improvement in EBITDA. Furthermore, a stable development of cash and cash equivalents as well as equity is to be maintained.

### Strategies for achieving the goals

The main strategies for achieving the targets at Group level are presented below:

- Focus on core competencies: The Group's core business is based on the online brokerage of Naga Markets and Naga Global. This business segment is being steadily expanded and improved. Strong growth in trading revenue is expected from the development of markets outside the EU.

- The entire customer support will be expanded and improved so that customer satisfaction can be increased and more customers can also be acquired.

- The aim is to maintain the high level of innovation in IT activities and to further develop 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.

- NAGAX was developed from late 2021 to early Q2 2022 and includes a spot exchange, a derivatives trading platform, staking, an NFT platform, and a social crypto feed. The platform has received approximately $2.7 million in deposits by the end of May 2022 and has seen over 12,000 signups. The plan for 2022 is to acquire more users and generate revenue from the exchange, staking markups, and trading activities.

- NAGA will also increasingly pursue global M&A activities and enter into partnerships to achieve leaps in growth beyond organic development.

### 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 Board of Management is to be supported by a management and controlling system that is to be continuously further developed.

The Group's internal management is based on EBITDA as the financial target figure, as this is a highly regarded indicator for further measures and a key performance indicator for investors and analysts.

The central management tool of Group controlling is monthly reporting. In this reporting, all key financial and operating figures of the companies belonging to the Group are recorded and analyzed every month. Plausibility checks are carried out to identify any anomalies at an early stage so that countermeasures can be initiated in good time.

Corporate planning is carried out at the level of the Group as a whole and is based on the planning at the level of the subsidiaries. Business planning is continuously adjusted to the market environment, new product developments and structural changes.

At Group level, planning is finalized by the Executive Board. Newly added business areas are integrated into the planning process.

## 1.4. Development activities

Development activities have a high priority at NAGA and are directly controlled and monitored by the Executive Board. The majority of development activities are commissioned by us and carried out in close cooperation with business partners. The Executive Board controls development and ensures the integration of new products and applications into the NAGA ecosystem.

The total amount of development expenses in the Group in the reporting period was kEUR 3,484 (previous year: kEUR 2,510). This corresponds to approximately 6.6% (previous year: 10.3%) of sales. Capitalized additions to intangible assets amounted to kEUR 2,785 (previous year: kEUR 1,964). The development activities mainly resulted in the expansion of functionalities as well as the increase of stability of the Naga Trader App and the corresponding web application, respectively. In addition, costs for the development of the NEO banking app NAGA Pay in the amount of kEUR 344 (previous year: kEUR 352) and for the Naga X platform in the amount of kEUR 129 were capitalized. The financial significance of these development results for the Group is assessed by the Executive Board as very high.

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 team responsible for NAGA make it possible to quickly make improvements to the software.

## 2. Economic Report

### 2.1. Macroeconomic and industry-specific conditions

#### Macroeconomic environment

Following the sharp corona-related slump in 2020, global production increased by 5.9% in 2021. However, the second half of 2021 was characterized by increasing negative surprises. These included new strong waves of corona infection, the more contagious virus variant omicron, supply bottlenecks hampering industrial production (especially in Europe and the USA), and rising inflation. [1]

The German economy has also recovered from the corona-induced sharp decline in 2020 (-4.6%). In 2021, German economic output grew by 2.9% across almost all sectors of the economy. In the manufacturing sector, gross value added increased by 4.7%, and the service sector also recorded significant growth (corporate service providers +5.6%). The continuing pandemic-related restrictions meant that gross value added in the combined trade, transport and hospitality sector grew only moderately by 3.0%. Overall (price-adjusted) consumer spending expanded by 1.1%, with private consumption spending still far from its pre-crisis level at +0.1%, while the government increased its spending by 3.1% to finance the free rapid antigen tests to be introduced nationwide in spring 2021, to procure Corona vaccines, and to operate testing and vaccination centers. Gross capital expenditures were 1.5% higher than in the previous year. Construction investment increased by only 0.7% due to shortages of labor and materials, after five consecutive years of stronger growth. Investments in equipment increased by 3.4%, although the sharp decline in the crisis year 2020 should be noted here. Exports (+9.9%) and imports (+9.3%) also recovered strongly. Although the German labor market did not yet return to its pre-crisis level in the fourth quarter of 2021, with around 45.4 million people in employment, the upward trend since the summer continued. [2]

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[1] Cf. https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022 Download Full Report

[2] Cf. for the figures: https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/02/PD22_074_811.html and the description of the development https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_020_811.html

## Capital Markets

2021 was in part a turbulent year on the international financial markets. Euphoria and worries alternated on the stock markets. In Germany, 2021 began with extensive lock-down measures and a shutdown of public life, with many retailers, restaurants or theater operations on the brink of ruin. The stock markets were largely unimpressed. The DAX, Germany's leading index, climbed from month to month to new record highs. Hopes of an early end to the pandemic with the start of vaccinations for the general population in the first half of 2021 ensured further dynamic price rises. In the summer, increasingly evident supply bottlenecks and swelling inflation caused concern among investors. After a brief setback, however, the DAX returned to the 16,000-point mark, supported by hopes that the pandemic would soon come to an end. Irrespective of high inflation, the European Central Bank maintained its low interest rate policy. The low interest rates and lack of alternative investments fueled interest in investing money in the stock market. The emergence of the much more contagious virus variant Omikron abruptly halted the soaring DAX in mid-November 2021, which at that time had just reached a record high of 16,290 points. Omikron reminded us that Corona still posed a threat to human health and life, as well as a risk to social and economic issues. The DAX recovered in part from this shock in the closing weeks of 2021, ending the year at 15,884.86 points and up 16% for the year.[3] Wall Street also seemed to have temporarily jettisoned its worries altogether and faded out the risks. The S&P 500 posted a strong annual gain of 27%, out-performing the average of the last 30 years by 16%. On 69 days, the index reached new record highs. High inflation, but above all expansionary monetary policy, helped sustain the stock market rally in the USA. Not only professional investors participated in this, but increasingly also small investors. [4]

After the corona-induced boom in 2020, the number of shareholders in Germany fell to just under 12.07 million people in 2021. In the volatile stock market year 2020, the num-ber of shareholders had climbed to its highest level in almost 20 years at 12.35 million

[3] Cf. https://www.tagesschau.de/wirtschaft/finanzen/boersenrueckblick-2021-101.html#:~:text=At%20the%20B%C3%B6rsen%20was%202021,and%20that%20des-pite%20worldwide%20logistics%20problems.&text=Some%20one%20would%20wonder,Co-rona%2DInfection%2%20figures%20wide-reaching%20contact%C3%A4ncancelations. And https://www.rnd.de/wirtschaft/das-boersenjahr-2021-ein-wechselbad-zwischen-euphorie-und-sorgen-4ZSQR7HTCVHOFAUINOZBFY2UJY.html

[4] Cf. article of the Börsen Zeitung "Wall Street has hidden risks" of Dec. 31, 2021

investors. In addition to a change in the data basis, the lower figures may also have been due to the fact that some investors took profits after share price increases and did not reinvest directly. According to the Deutsches Aktieninstitut (DAI), 2021 was nevertheless a good year for German equity culture.[5]

In the foreign exchange markets, the euro lost ground against the dollar in the course of 2021. Compared with $1.20 at the beginning of the year, it was only around $1.13 at the end of the year. The reason for the strengthening of the dollar in the second half of the year was the increasing expectation that the US Federal Reserve will raise its interest rates.[6]

According to Coinbase's "2021 Year in Review" report, the global crypto market grew strongly in 2021, particularly in terms of DeFi, NFTs, and the launch of the first U.S. bitcoin futures ETF. Strong growth has been seen in the DeFi (Decentralized Finance) sector. The total value of cryptocurrencies invested in DeFi protocols expanded from about $17 billion at the beginning of 2021 to about $250 billion at the end of 2021. [7] Compared to previous years, the inflows of money into the major cryptocurrencies were particularly high in 2021, with Ethereum and Bitcoin in particular gaining in reach.[8] Bitcoin reached two important milestones, surpassing a market capitalization of more than one trillion US dollars in February 2021 and a realized capitalization of around 400 billion US dollars in October 2021.[9]

The inflation rate was high in 2021: Consumer prices in Germany rose by an average of 3.1% year-on-year in 2021. This was mainly due to significant price increases for energy products (+10.4%), while food prices rose by 3.2%. [10]

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[5] Cf. https://www.tagesschau.de/wirtschaft/finanzen/zahl-der-aktionaere-2021-gesunken-101.html#:~:text=Nearly%2012%2C07%20mil-lion%20people,one%20in%20six%20from%2014%20years.
[6] Cf. https://www.wienerzeitung.at/nachrichten/wirtschaft/international/2132961-Euro-verlor-2021-zum-Dollar-an-Boden.html#:~:text=The%20euro%20has%20happe-ned%20against%C3%BCber,still%20round%201%2C13%20dollars.
[7] Cf. https://finanzbusiness.de/nachrichten/banken/article13823016.ece
[8] Cf. https://www.managementportal.de/inhalte/artikel/fachbeitraege/18-maerkte-branchen-trends/1219-kryptowaehrungen-2021-rueckblick.html
[9] Cf. https://finanzbusiness.de/nachrichten/banken/article13823016.ece
[10] Cf. https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_025_611.html

The following commentary on the Group's business performance and position relates to the retroactively adjusted amounts for the 2020 financial year. We refer to section 3. of the notes.

## 2.2. Business performance and position of the Group

In the financial year 2021, NAGA was able to significantly increase its consolidated sales to kEUR 52,877 (previous year: kEUR 24,353), thus doubling them compared to the previous year. With this growth, the sales forecast for 2021 (EUR 50 million to EUR 52 million) was even slightly exceeded. Despite the strong sales growth, consolidated EBITDA decreased from kEUR 4,496 to kEUR -4,201 as a result of significantly increased marketing and advertising expenses. Higher depreciation and amortization and financial expenses led to a reduction in the consolidated net result for the year to kEUR -10,761 (previous year: kEUR 171).

NAGA's global expansion, driven by investments in growth and the continuous acceleration of marketing activities, was at the same time reflected in a significant expansion of all key KPIs:

- More than 277,000 new accounts were opened on NAGA's trading platform, corresponding to an increase of 128% (previous year: 122,000 new accounts).

- The trading volume climbed above the EUR 250 billion mark for the first time (previous year: EUR 121 billion).

- Real money transactions increased by 60% to over 10 million (PY: 6.3 million).

- The strongest growth in trading revenue was seen in copy trading activity. In 2021, more than 4.8 million trades were copied at NAGA via the unique Auto Copy tool, which represents almost a threefold increase compared to 2020 (PY: 1.7 million copied trades).

In order to finance the (targeted) strong global growth including the hiring of new employees and to gain further market shares, NAGA carried out several capital measures in 2021 and gained new strategic investors in the process.

On March 8, 2021, NAGA entered into a master agreement with Yorkville Advisors Global LP, New Jersey, USA, for the issuance of (non-interest-bearing) convertible bonds with a total nominal value of up to EUR 25 million within a time frame of three years. Under the agreement, Yorkville undertakes to subscribe to the convertible bonds issued by The NAGA Group AG under certain conditions. The issue of the first tranche of convertible bonds (hereinafter: "Convertible Bond 2021/2022") on the issue date March 15, 2021 comprised a total nominal value of EUR 8 million, divided into 8,000 equal bearer bonds with a nominal value of EUR 1,000.00 each. The subscription ratio was 5,114:1. In accordance with section 3 no. 2 of the German Securities Prospectus Act (Wertpapierprospektgesetz, WpPG), the subscription offer was made without a prospectus. The issue price per bond was 95% of the nominal amount and thus EUR 950.00 per bond. The conversion price per share is 95% of the market price on the five consecutive trading days of the issuer's shares prior to the submission of an exercise notice. On May 25, 2021, the Management Board decided to exercise the new issue option contained in the bond terms and conditions for the convertible bonds with a nominal value of kEUR 7,400 that were still outstanding at that time. As a result of the exercise of the new issue option, the minimum conversion price of the corporate convertible bond in particular was adjusted.

On September 16, 2021, the Management Board and the Supervisory Board resolved to implement a share capital increase under the authorized capital excluding shareholders' subscription rights by EUR 4,204,990.00 by issuing 4,204,990 new registered no-par value ordinary shares with a notional interest in the share capital of EUR 1.00 each. The shares were placed at a placement price of EUR 5.40. The shares represent the largest equity financing round in NAGA's history to date. This represents the largest equity financing round in NAGA's history to date, with Apeiron Investment Group Ltd. (private investment company of entrepreneur and investor Christian Angermayer) and Igor Lychagov (founder of Exness, one of the world's largest brokerage firms with a monthly trading volume of USD 1 trillion), as new strategic and long-term investors.

NAGA's platform offering was further expanded with the launch of the completely revamped neo-banking app NAGA Pay in the fourth quarter of 2021. In addition, the crypto exchange NAGAX was developed in 2021 and its launch was carried out in March 2022 (see as previously presented under 1.1. Business model of the Group).

In the year under review, the COVID 19 pandemic again had no negative impact on the business performance and success of the NAGA Group of Companies. In 2020, the NAGA Group had responded at an early stage and set up a full remote working environment while ensuring that the platform functioned without interruptions. The increased system capacity on the technology side easily meets rising customer demands and transaction volumes. The trading servers were also available at all times in 2021.

NAGA filed an application with OTC Markets Group in the spring of 2021 to cross-trade shares of the Company on the OTCQX Venture Market to increase visibility and access to NAGA shares for North American investors (cross-trading commenced on July 29, 2021).

In addition, the Annual General Meeting on October 11, 2021, resolved to expand the Supervisory Board from previously four to five members and, as part of this, elected Mr. Christian Berthold Angermayer, businessman, London, United Kingdom, to the Supervisory Board of The NAGA Group AG.

On November 18, 2021, the Executive Board and the Supervisory Board resolved to implement a second cash capital increase from authorized capital excluding shareholders' subscription rights. The placement of 4,223,250 new registered no-par value ordinary shares at an offer price of EUR 8.00 per share was successfully completed on November 19, 2021. The new shares were placed with a leading European financial investor as well as with qualified investors in Germany and other selected jurisdictions (outside the United States of America). With this second cash capital increase, NAGA has secured growth capital of EUR 34 million, which will be used to further finance global growth and for increased marketing activities.

Thus, a total of EUR 64 million in financing could be achieved in FY 2021.

Board members Benjamin Bilski as Group CEO, Michalis Mylonas and Andreas Luecke as Group Executives were reappointed by the Supervisory Board for a further five years until December 31, 2025.

**Results of operations Group**

*Sales development*

NAGA generated revenues from brokerage business and trading of Naga Coins (NGC) ("Trading Revenues"). These are mainly generated in the European and non-European regions. In fiscal 2021, the brokerage business in the non-European region continued to be strongly expanded. In addition, trading or market making for the NGC was started in the fourth quarter of 2021.

Trading revenues increased sharply by kEUR 28,618 year-on-year to kEUR 52,877. kEUR 24,561 of the increase is attributable in particular to the brokerage business. This positive development is due to the further internationalization of the business and extensive marketing activities in 2021.

The Group could achieve a trading volume of approximately EUR 288 billion in 2021 (previous year: EUR 120 billion).

Due to the strong increase in trading revenues, a total operating performance of kEUR 55,661 (previous year: kEUR 26,317) was generated in fiscal year 2021.

*Activated programming services*

The capitalized programming services of kEUR 2,785 (PY: kEUR 1,964) in 2021 relate in particular to Naga Trader with kEUR 2,312 (PY: kEUR 1,612). The capitalization rate for development costs in 2020 is 80% (previous year: 78%).

*Other operating income*

Other operating income decreased by kEUR 499 to kEUR 991 (previous year: kEUR 1,490). It mainly includes the revival of a receivable from NDAL in the amount of kEUR

580 that had already been written off, whereas in the previous year, reversals of sales tax liabilities at Naga Markets were reported.

*Personnel expenses*

Personnel expenses increased significantly by kEUR 3,879 to kEUR 7,998 (previous year: kEUR 4,119). The increase is mainly related to the increase in the number of employees, whose activities are primarily focused on the expansion and internationalization of business activities.

*Marketing effort*

Marketing and advertising expenses in the amount of kEUR 32,468 (previous year: kEUR 8,687) increased significantly compared to the previous year, as significantly more marketing expenses were allocated to the Naga products. This includes, among other things, affiliate marketing and the commitment as the main sponsor of Sevilla FC for the 2021/2022 season. In addition, marketing activities were focused on the non-European market in order to expand it.

*Allowances for trade receivables*

In fiscal year 2021, a receivable from NDAL in the amount of kEUR 440 had to be written down.

*Other operating expenses*

Other operating expenses increased from kEUR 4,516 in 2020 to kEUR 8,012 in the reporting year. Among other things, they include legal and consulting costs of kEUR 2,847 (previous year: kEUR 1,972). Travel expenses, expenses for licenses and concessions, and for web services also increased.

*EBITDA development*

EBITDA was negative at kEUR -4,201 in the past financial year 2021 (previous year: positive at kEUR 4,496). The decline in EBITDA is mainly due to the sharp rise in expenses for personnel, marketing and advertising, as well as other operating expenses, which more than offset the increase in trading revenues.

*Depreciation, amortization and write-downs*

Depreciation and amortization totaled kEUR 5,346 for 2021 (previous year: kEUR 3,558). Of this amount, kEUR 1,269 (previous year: kEUR 1,269) relates to the scheduled depreciation of Swipy technology. Furthermore, the Naga Trader was amortized by kEUR 1,600 (previous year: kEUR 881). In addition, there is the amortization of the customer base of the HBS Group amounting to kEUR 524 (previous year: kEUR 524). Also taken into account is the amortization of acquired customer relationships amounting to kEUR 1,514 (prior year: kEUR 338). In the previous year, the value of the investment in Horizons Holding Ltd. was written down in full in the amount of kEUR 186.

*Financial result*

The financial result amounted to kEUR -1,668 in the financial year 2021 (previous year: kEUR -655). Financial expenses in the Group amounted to kEUR 1,682 in fiscal year 2021 (prior year: kEUR 683) and were attributable in particular to expenses of kEUR 1,199 in connection with the convertible bond 2021/2022. In addition, expenses of kEUR 398 (prior year: kEUR 480) were incurred on the shareholder loans and the convertible loan 2020/2022 and kEUR 57 (prior year: kEUR 157) on the accrued interest on this convertible loan.

*Income taxes and deferred taxes*

The income from income taxes of kEUR 462 (previous year: kEUR 113 expense) resulted mainly from the reduction in deferred tax liabilities, as intangible assets were amortized and deferred tax assets from tax loss carryforwards arising in fiscal year 2021 were offset against taxable temporary differences. In the opposite direction, deferred tax expenses resulted from the derecognition of deferred taxes on loss carryforwards of HBS AG.

*Result for the period*

The result for the period decreased significantly in fiscal year 2021 compared to the previous year by kEUR 10,932 from kEUR 171 to kEUR -10,761. The main reason for this is the sharp increase in marketing and advertising expenses and depreciation and amortization.

Inflation and exchange rate effects did not have a significant impact on earnings in fiscal 2021.

**Financial position Group**

Ensuring a liquidity cushion 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 fiscal 2021.

The capital structure of the Group is as follows:

| | 12/31/2021 | 12/31/2020 adjusted | Change |
|---|---|---|---|
| Equity ratio | 92.0% | 85.9% | 6.1% |
| Debt ratio | 8.0% | 14.1% | -6.1% |
| Debt-equity ratio | 8.7% | 16.4% | -7.7% |

Despite the negative result for the period and the sharp rise in total assets, the equity ratio increased by 6.1 percentage points to 92.0%. This is due to the capital increases carried out in 2021 and the conversion of the convertible bonds issued. The conversion of the 2020/2022 convertible bond and the repayment of the shareholder loans are also the reasons for the reduction in the gearing ratio to 8.7%.

A positive cash flow of kEUR 3,350 (previous year: kEUR 2,081) was again generated in fiscal year 2021.

| in kEUR | 2021 | 2020 adjusted |
|---|---|---|
| Cash flow from operating activities | -12,900 | 1,612 |
| Cash flow from investing activities | -41,576 | -5,220 |
| Cash flow from financing activities | 57,826 | 5,689 |
| Cash and cash equivalents at the beginning of the period | 5,233 | 3,152 |
| Cash and cash equivalents at the end of the period | 8,583 | 5,233 |

The cash flow from operating activities is strongly negative at kEUR -12,900 (previous year: positive kEUR 1,612), in particular due to the high marketing and advertising expenses. In addition, cash and cash equivalents in the amount of kEUR 3,333 were tied up in the short term for crypto assets as part of market making.

The investments of kEUR 41,576 (previous year: kEUR 5,220) relate on the one hand to intangible assets and on the other hand to the short-term investment of cash and cash equivalents in the amount of kEUR 27,118. In fiscal year 2021, NAGA for the first time built up a strategic portfolio of NGC in the amount of kEUR 7,337, which will be held with the intention of investing to generate medium- to long-term increases in value.

**Attachment 1**

Cash and cash equivalents increased by kEUR 3,350 from kEUR 5,233 to kEUR 8,583 as a result of the capital increases.

The liquidity from cash and cash equivalents at the reporting date developed as follows:

| in kEUR | 12/31/2021 | 12/31/2020 | Change |
|---|---|---|---|
| Means of payment | 8,583 | 5,233 | 3,350 |
| less current liabilities | 14,086 | 14,390 | -304 |
| Subtotal | -5,503 | -9,157 | 3,654 |
| Plus current assets | 49,139 | 10,660 | 38,479 |
| Surplus / shortfall | **43,636** | **1,503** | **42,133** |

As of the balance sheet date, the Company had an excess of current liabilities over current assets and cash and cash equivalents of kEUR 43,636 (previous year: kEUR 1,503). This high excess cover is due to the short-term cash investment of kEUR 27,118.

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

| in kEUR | 12/31/21 | 12/31/20 adjusted | Change |
|---|---|---|---|
| Equity | 163,099 | 109,952 | 53,839 |
| Plus medium- and long-term debt | 183 | 3,641 | -3,458 |
| Less medium- and long-term committed assets | 120,339 | 111,646 | 57,297 |
| **Surplus / shortfall** | **42,943** | **1,947** | **-6,916** |

Medium- and long-term assets are covered to 136% (previous year: 98%) by equity.

**Net assets Group**

NAGA's net assets developed as follows in fiscal year 2021:

| in kEUR | 12/31/2021 | 12/31/2020 adjusted | Change |
|---|---|---|---|
| **Assets** | **177,369** | **127,984** | **49,385** |
| Non-current assets | 120,339 | 111,646 | 8,693 |
| Current assets | 57,030 | 16,338 | 40,692 |
| | | | |
| **Liabilities** | **177,369** | **127,984** | **49,385** |
| Equity | 163,099 | 109,952 | 53,147 |
| Non-current liabilities | 183 | 3,641 | -3,458 |
| Current liabilities | 14,086 | 14,390 | -304 |

The increase in non-current assets by kEUR 8,693 is mainly due to capitalized customer acquisition costs and development costs as well as the investments in the strategic portfolio of NGC.

As of December 31, 2021, current assets for the first time include short-term cash investments in the amount of kEUR 27,118 and crypto assets in the amount of kEUR 3,333. In addition, current assets include receivables from NDAL in the amount of kEUR 1,446 (previous year: kEUR 1,446). Furthermore, receivables from derivatives amounting to kEUR 9,379 (previous year: kEUR 7,017) are included.

As a result of the conversion of the convertible loan to shareholders and the settlement of the liability to a former member of the Board of Management, non-current liabilities decreased to kEUR 183, which exclusively include deferred tax liabilities as of December 31, 2021.

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

For the financial year 2021, NAGA's Executive Board had originally expected consolidated revenues in a range of EUR 50 million and EUR 52 million and consolidated EBITDA in a range of EUR 13.0 million to EUR 15.0 million.

With consolidated sales of kEUR 52,877 (previous year: kEUR 24,353), NAGA slightly exceeded its sales forecast. However, the EBITDA forecast of kEUR -4,201 (previous year: kEUR 6,570) was significantly undercut. This was due to the extensive investments in marketing and advertising, which form the basis for NAGA's continued dynamic growth.

## 3. Supplementary report

Events after the balance sheet date are explained in Note 13 to the consolidated financial statements.

## 4. Forecast, opportunity and risk report

### 4.1. Forecast report of the Group

#### Macroeconomic forecast

The global economy, still weakened by the Corona pandemic, will be hampered in its recovery in 2022 by several crises. These include high inflation and tighter financial conditions, the impact or consequences of the Russian war of aggression on Ukraine, and China's strict zero-covid policy. Due to the gloomy outlook for 2022 and also for 2023, the International Monetary Fund (IMF) cut its growth forecasts for the global economy in its latest report from the end of July 2022. The global economy is expected to grow by only 3.2% in 2022 (0.4 percentage points less than in the previous forecast from April 2022) and by only 2.9% in 2023 - inhibited by monetary policy. The IMF emphasizes that the downside risks to this outlook, resulting from the Ukraine war and fears of a complete halt to Russian gas supplies to Europe, a further sharp rise in inflation, tighter global financing conditions (which could lead to debt problems in emerging and developing countries) or even renewed outbreaks of the coronavirus and containment measures or lockdowns, predominate.[11] According to its fall report from September 2022, the Kiel Institute for the World Economy (IfW Kiel) even expects global economic growth rates of only +2.9% in 2022, followed by +2.2% in 2023.[12]

According to IfW Kiel, the euro area is heading for recession. Despite the war in Ukraine, the economic recovery from the Corona pandemic continued until mid-2022, but high inflation (especially the energy price shock) with correspondingly reduced purchasing power of companies and private households as well as supply-side shortages (shortage of skilled workers and materials) are likely to cause overall economic output to contract slightly for several quarters. In the first two quarters of 2022, economic output in the euro zone was still up by 0.7% and 0.8% respectively. Meanwhile, in July 2022 unemployment in the euro zone fell to its lowest level since the establishment of the monetary union (6.6%). The upward pressure on prices, fueled by further increases in electricity and gas prices, requires monetary policy responses. The European Central Bank initially hesitated for a long time with appropriate measures in 2022, but then raised key interest rates from 0% to 0.5% for the first time in July 2022. With the euro recently coming under pressure and the US Federal Reserve starting its tightening cycle earlier and moving ahead with large interest rate steps, the ECB is increasingly under pressure to take further measures. An interest rate step in the range of 0.5% to 0.75% currently seems possible. [13] The IfW in Kiel also sees the German economy in a downward spiral. Contrary to its previous assumptions, the buoyant forces from the pandemic-related recovery appear to be losing ground to the burdens from the Ukraine war, the gloomier global economic outlook since the summer with negative effects on exports and investment activity, and high inflation with correspondingly reduced purchasing power of private households. As a result, instead of German GDP growth of 2.1% in 2022, IfW Kiel expects growth of only 1.4%, followed by +2.6% in 2023 (-0.7 percentage points compared with the summer forecast). [14]

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[11] Cf. https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022
[12] Cf. https://www.ifw-kiel.de/de/themendossiers/konjunktur/#m-tab-0-welt
[13] Cf. https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_94_2022_Q3_Euroraum_DE.pdf page 3, 6, 8
[14] Cf. https://www.ifw-kiel.de/de/publikationen/kieler-konjunkturberichte/2022/deutsche-wirtschaft-im-herbst-2022-konjunktur-auf-entzug-0/

After an initially optimistic start into the year 2022, which the German leading index DAX had initiated with an all-time record, the war in Ukraine with its newly created geopolitical and economic facts led to an upheaval on the international financial markets. Not only shares, but also gold and cryptocurrencies recorded strong price or value losses.[15] The Dow Jones, for example, lost around 14% in value by its 2022 low to date on May 19 at just under 31,250 points (as of the beginning of the year: 36,322 points). The S&P 500 posted its worst losing streak since 2001 through the end of May 2022, bottoming out at just over 3,900 points on May 20 - down around 22% from the start of the year at 4,773 points.[16] After several years of ultra-loose monetary policy, the underlying data are now changing significantly: Fears of further supply bottlenecks, an energy policy shock and soaring inflation and its impact on the economy are weighing on the international stock markets. In view of the far too high inflation, the U.S. Federal Reserve has already raised the key interest rate significantly in several steps this year (March 2022: +0.25 percentage points, May 2022: +0.5 percentage points, June 2022: +0.75 percentage points).[17] As already mentioned, the ECB has so far taken only one interest rate step this year. Others are likely to follow in the near future.

For the current fiscal year 2022, the Executive Board expects revenues for the NAGA Group to exceed the consolidated revenues achieved in 2021, but also to be significantly below the original and since withdrawn forecast (range of EUR 95 to EUR 105 million). This updated forecast takes into account the expected trading revenues, but no revenues from the crypto business due to the current high market volatility. Due to the marketing and development costs for the launch of the crypto business, EBITDA will remain negative despite the strong increase in revenues and will therefore also be significantly below the original forecast.

By the end of August 2022, revenues of EUR 39.7 million were generated, exceeding the previous year's revenues in the same period (EUR 31.7 million) by more than 25%.

[15] Cf. https://www.focus.de/finanzen/boerse/geldanlage/kurse-fallen-fast-ueberall-der-beginn-eines-massiven-boersenbebens-was-experten-jetzt-raten_id_97020966.html

[16] Cf. https://www.businessinsider.de/wirtschaft/finanzen/michael-burry-sagt-dass-ihn-2022-an-einen-flugzeugabsturz-erinnert-und-an-die-finanzkrise-2008-a/ and course retrieval at https://www.comdirect.de/inf/indizes/detail/chart.html?timeSpan=6M&ID_NOTATION=35803364 and https://www.comdirect.de/inf/indizes/US2605661048?ID_NOTATION=324977

[17] Cf. https://www.br.de/nachrichten/deutschland-welt/us-notenbank-fed-staerkste-leitzinserhoehung-seit-knapp-30-jahren,T8eAx6o

After a decline in active customers in the first half of 2022 due to the withdrawal from the UK market at the end of 2021, the active customer base and registrations have been growing again since June 2022. These figures underline the success of the growth strategy for the brokerage area.

The continuing high volatility on the financial markets, resulting from the war in Ukraine, continues to be an additional growth driver for NAGA. As previously outlined in 2.1 Macroeconomic and Sector Conditions in the Capital Markets section, private investors have shown increased interest in the stock market since the beginning of the year. All of NAGA's platforms are now live and have a clear monetization model. The focus is now on concentrating marketing activities on the areas with the greatest revenue potential.

In 2022, NAGA will continue to accelerate its global business growth in a targeted manner. The Board expects to be among the fastest growing neo-brokers in 2022 by gaining further market share in existing markets, but also expanding into new markets. Against this backdrop, NAGA is focused on expanding its regulatory licenses in all business areas. The Estonian crypto license for NAGAX was granted in the last week of March. Two additional licenses for crypto-asset services are being sought.

NAGA is building the crypto space as another growth sector with its NAGAX platform launched on March 7, 2022. NAGAX launched its NFT marketplace NAGAX NFT in May, which is based on a proprietary blockchain called NXNFT. This allows music, images or collectibles to be tokenized without fees and then traded without blockchain fees.

The focus is also increasingly on global M&A activities and partnerships. In 2021, NAGA was already able to win new strategic and long-term investors. The partnership with Apeiron Investment Group Ltd. and its Elevat3 strategy represents an absolute milestone for NAGA. The NAGA Group is actively looking for strategic acquisitions in Europe and Southeast Asia, among others.
NAGA has secured the growth capital required for the company's expansion via several capital measures in 2021, including the largest equity financing round in the company's history, thus further strengthening its capital base. The framework agreement concluded in February 2021 with the US fund Yorkville Advisors for growth financing in the amount

of up to EUR 25 million enables further issuances of tranches of the convertible bond in the amount of EUR 17 million.

In the course of the significant price declines of all relevant cryptocurrencies since the beginning of the year, the Naga Coin (NGC) has also strongly decreased in value in the first half of 2022. As a result of these developments, as of June 30, 2022, the Group recognized impairment losses of EUR 5.6 million on cryptocurrencies held for investment purposes (Naga Coin) recognized as of December 31, 2021 and of EUR 2.4 million on cryptocurrencies held for trading purposes (Naga Coin) recognized as of June 30, 2022. In addition, as of June 30, 2022, the Group also recognized impairment losses of EUR 3.2 million on Naga Coin holdings acquired in the first half of 2022.

As of the date of the financial statements, the Naga Coin price has continued to decline. However, the Management Board does not expect any substantial changes in the crypto market during the remainder of fiscal 2022, but does expect the Naga Coin price to recover by the end of this fiscal year, so it does not anticipate any additional significant impairment losses as of the December 31, 2022 reporting date. In addition, market making was reduced as much as possible in the second half of fiscal 2022, and Naga Coin holdings held for investment purposes were also not further increased.

**Attachment 1**

**Forecast of significant financial performance indicators**

*Brokerage*

In the first eight months of the current fiscal year 2022, NAGA has already succeeded in significantly exceeding the sales level of the same period of the previous year (EUR 31.7 million): Up to and including August 31, 2022, NAGA has generated trading revenues in the amount of EUR 39.7 million. As a result of the targeted global growth and the further expansion of the customer base, NAGA expects strongly increasing trading revenues for 2022.

*Crypto and Payments*

As the two new business segments, Crypto and Payments, were launched in H1 FY2022, NAGA does not currently provide a revenue forecast for these business segments. As shown by the new registrations on the NAGA Pay and NAGAX platforms (see also above under 1.2), the new offerings are being accepted by market participants.

*Group sales*

Overall, Group net sales are expected to rise sharply year-on-year in fiscal 2022.

*EBITDA*

Despite the strong growth in Group sales, the Executive Board expects only a moderate increase in Group EBITDA in 2022, which will remain negative.

**Forecast for the significant non-financial performance indicators**

Due to the withdrawal from the UK market at the end of 2021, a relevant market for the company has disappeared. As a result, core KPIs such as transactions, volume, active customers, and registrations declined slightly in the first eight months of fiscal year 2022 compared with the prior-year period. However, these metrics have increased strongly in other target markets, resulting in higher profitability per transaction, among other things. The Company plans to re-enter the UK market at the end of fiscal 2022.

## 4.2. Risk Report

NAGA's business model is influenced by many factors, including legal and macroeconomic conditions, the maintenance of permits and licenses, as well as cooperation with our business partners and other contractual relationships. On this basis, we make assumptions about our development and profitability, transaction volumes and revenues, cost items, staffing, financing, and significant balance sheet items that may prove to be inaccurate or incomplete. In particular, our continued growth depends on whether and to what extent we will be able to attract new customers who will take advantage of Naga's offer to expand our existing offerings and establish new distribution channels.

In the worst case, the business model could prove to be unprofitable or no longer feasible. This could require impairment losses, particularly on capitalized non-current assets, and have further material adverse effects on NAGA's net assets, financial position and results of operations.

In addition to the individual risks described below, the effects of the coronavirus (COVID-19) and the war in Ukraine on overall economic development and the international financial markets must also be classified as risks for the NAGA Group. Their impact on the business success and the earnings, net assets and financial position of the NAGA Group cannot be estimated at present. So far, the international turbulence has increased trading activity, from which NAGA has benefited. By contrast, NAGA is only marginally affected by inflation, which is also rising sharply.

Due to the commencement of proprietary trading in crypto assets in the past fiscal year, NAGA is subject to risks arising from fluctuations in the value of crypto assets held for proprietary trading. These have had a negative impact on the results of operations, net assets and financial position of the NAGA Group in the first half of fiscal year 2022.

### a) Features of the risk management system

NAGA operates in a regulated market with the Naga Trader application in the CFD, Forex, ETF and equity markets. In addition to the constant changes in the company's economic environment, changes in the legal or regulatory framework are therefore also essential for the company's success. Current developments are constantly monitored and carefully analyzed. For example, the EU is currently working on a new EU crypto regulation. The new rules, which have not yet been finally agreed with the EU member states, cover transparency, disclosure, approval and monitoring of crypto transactions. Among other things, companies trading crypto assets are to better inform consumers about risks, costs and fees.[18] NAGA is monitoring the political debate very closely, but does not see any risks for the business success of the NAGA Group in the current deliberations on new regulations.

The Executive Board incorporates emerging opportunities and potential risks into its business and risk strategy and adjusts it accordingly as required. At NAGA, monitoring and controlling 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 control of risks, NAGA has also established a staff unit that has assumed, in particular, the Group-wide tasks of the risk controlling function in accordance with the Minimum Requirements for Risk Management (MaRisk) AT 4.4.1 of BaFin. 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.

[18] Cf. https://www.europarl.europa.eu/news/de/headlines/economy/20220324STO26154/die-gefahren-von-kryptowahrungen-und-der-nutzen-der-eu-gesetzgebung

Attachment 1

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.

### b) 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 (country risks)

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

### c) 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, an overview is available to the Executive Board in which selected key figures (such as e.g. EBITDA or the revenues of the three divisions Brokerage, Crypto and Payment) 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. At the time of preparing this risk report, no immediate risks that could jeopardize the continued existence of the company have been identified, also with regard to possible concentration risks.

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:

| Probability of occurrence | Description |
|---|---|
| < 5% | very low |
| 5-25% | low |
| > 25 - 50% | medium |
| > 50% | high |

| Extent of risk | Impact on business activities, net assets, financial position, results of operations and reputation |
|---|---|
| low | limited impact < kEUR 50 EBITDA Individual risk |
| medium | some impact > kEUR 50 EBITDA Individual risk |
| high | significant impact > kEUR 200 EBITDA Individual risk |
| very high | harmful effects > kEUR 1,000 EBITDA Individual risk |

### d) Management and limitation of market price risks

NAGA defines market price risks as loss risks due to changes in market prices (share prices, exchange rates, precious metal/commodity prices, interest rates, cryptocurrency prices) 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.

In addition, market price risks arise from the acquisition of crypto assets, as the holdings built up in these assets are to be devalued in the event of negative price development. NAGA counters these risks by investing evenly over longer periods of time and using the "cost average" effect, which allows the Company to benefit from rising prices of the acquired crypto assets in the long term.

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 in the course 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.

### e) Management and limitation of 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 and services.

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. NAGA estimates the extent of the resulting risks as very high, but the associated probability of occurrence as very low.

### f) 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. 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 other reasons could also lead to considerable image and market disadvantages and possible compensation payments for the Group. There is also 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 in order 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.

In 2020, NAGA responded early to the COVID-19 pandemic and the turmoil caused in the international financial markets. NAGA established a full remote working environment while ensuring that the platform would function without interruptions. On the technology side, NAGA increased system capacity. This allowed them to easily meet increasing customer demands and transaction volumes. In this way, the trading servers were and are available at all times.

2) Personnel risks

NAGA uses the monitoring and communication processes that have been set up to limit these risks, which are particularly personnel-related. Nevertheless, individual mistakes by individual employees and the termination of employees in key positions 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 proceedings, both of which were initiated by BaFin several years ago, have not yet been formally concluded. However, the Company does not expect BaFin to continue either process.

4) Litigation risks

As of the balance sheet date, there were two open legal disputes, one concerning a service fee with an amount in dispute of kEUR 25 and another concerning the recovery of a Bitcoin payment of kEUR 86. Both proceedings have not been concluded yet.

### g) 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.

NAGA has increased its focus on customer support and platform quality improvement since 2020. To date, NAGA has registered a significant improvement in customer satisfaction, team structure and product innovation. Branding initiatives are working well. As awareness and brand power grow, NAGA is well on its way to sustainably consolidating its market position.

User feedback on NAGA's unique platforms is incorporated into product updates. In this way, NAGA ensures that it always recognizes changes in customer behavior in good time and reacts to them appropriately by means of product updates.

### h) 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 as a result of reduced customer loyalty.
NAGA takes general business risks 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 level of risk until the ongoing Group restructuring is completed.

### i) Country risks

NAGA is increasingly growing globally. In addition to existing branches in Cyprus (Limassol and Nicosia), sales and training locations in Bangkok, Thailand and Nigeria, NAGA is aiming to start business in Sydney, Australia, once a license has been granted. Expansion into new markets involves economic and political risks, resulting among other things from different legal systems, regulations, social and political stability, and the state of the infrastructure. In Nigeria, for example, risks exist in corruption and in difficult market development. NAGA always develops new local markets with selected partners who are familiar with local conditions and bring with them an excellent network of contacts.

## 4.3. Opportunities Report

The forecast for the financial year 2022 given in section 4.1. was prepared conservatively in view of the current volatile development on the international financial markets. Potential revenues from the crypto business were not included (but their costs were). In this respect, there is further revenue and earnings potential from the generation of revenues in the crypto business. Within the next few years, we see the potential in this area to generate significant additional revenues in addition to the existing brokerage business. Despite the current slowdown in the crypto market, we are very confident that the next major cycle is coming. NFT plays a crucial role in bringing a broader demographic to the crypto ecosystem.

NAGA has recorded a solid development of the key KPIs until August 2022 and the new platforms NAGA Pay and NAGAX are enjoying a high level of popularity (see previously presented under 4.1. Forecast Report).

NAGA's share price came under pressure in 2022 amid the international market turbulence, in line with many other technology stocks. From formerly over EUR 7 at the beginning of 2022, the NAGA share was last quoted at just under EUR 1.5 at the end of August. At the beginning of the year, the analysts at SMC Research and Hauck & Aufhäuser Research still saw considerable price potential and recommended the NAGA share as a buy with a price target of EUR 11.20 and EUR 16, respectively. At the same time, the analysts underlined the high potential of NAGA's growth initiatives. On July 19, 2022, NAGA adjusted its revenue and earnings forecasts for 2021 and 2022 via an ad hoc announcement due to the current negative developments on the crypto markets and adjusted accounting for cryptocurrency holdings. In an ad hoc announcement dated September 2, 2022, NAGA also adjusted its revenue and earnings forecast for 2021 again. The reason for this was excessive capitalization of expenses for customer acquisition in so-called "affiliate marketing". Since the publication of the aforementioned ad hoc announcements, no new research update has been issued by the analysts. These will only be prepared and published after the publication of these consolidated financial statements.

One of the main priorities in 2022 is to accelerate international growth by gaining market share in existing markets, but also by expanding into new markets. Therefore, in view of the successes already achieved in the first half of the year, we expect to be among the fastest growing neo-brokers globally in 2022. The recently granted crypto license in Estonia for NAGAX and the targeted two additional licenses for crypto asset services are only the prelude to our aim of securing licenses for the international business with our innovative platforms as comprehensively as possible. We aim to achieve further growth through global M&A activities as well as partnerships. Among other things, we are actively looking for strategic acquisitions in Europe and Southeast Asia, which, in addition to opening up new markets, should also enable us to re-enter the UK market. We have the necessary growth capital through several extensive capital measures in 2021 (see details under 4.1. Forecast report).

**Attachment 1**

**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 neither one of the individual risks mentioned nor the risks in the group pose a threat to the company as a going concern as of the reporting date and up to the time of preparation of the consolidated financial statements.

NAGA is convinced that it can continue to exploit opportunities as they 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:

The present NAGA consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as applicable in the European Union, as well as in accordance with the supplementary provisions of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB). In addition, the accounting-related ICS also pursues the goal of ensuring that the annual financial statements of The NAGA Group AG are prepared in accordance with the provisions of 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 influence the achievement of objectives. 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 uses 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.

**Attachment 1**

## 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.
of the expected development of the Group are described.

Hamburg, October 13, 2022

The NAGA Group AG
Board of Directors

B. Bilski A. Luecke M. Mylonas

# IFRS Consolidated financial statements of The Naga Group AG, Hamburg, for the fiscal year 2021

- Consolidated balance sheet as of December 31, 2021
- Consolidated statement of comprehensive income from January 1 to December 31, 2021
- Consolidated statement of changes in equity from January 1 to December 31, 2021
- Consolidated cash flow statement from January 1 to December 31, 2021
- Notes to the consolidated financial statements for the fiscal year from January 1 to December 31, 2021

# Consolidated balance sheet of The Naga Group AG, Hamburg, as of December 31, 2021

| | Notes | 12/31/2021<br>kEUR | 12/31/2020<br>adjusted<br>Section 3.<br>kEUR |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 7.a) | 119,594 | 110,417 |
| Property, plant and equipment | 7.b) | 550 | 509 |
| Rights of use | 7.c) | 38 | 41 |
| Financial investments and other assets | 7.d) | 157 | 146 |
| Deferred tax assets | 7.i) | 0 | 533 |
| **Total non-current assets** | | **120,339** | **111,646** |
| **Current assets** | | | |
| Contract assets | 7.e) | 0 | 399 |
| Crypto Assets | 7.e) | 3,333 | 0 |
| Trade receivables | 7.e) | 1,557 | 1,536 |
| Other current assets | 7.d) | 34,127 | 2,094 |
| Tax receivables | 7.f) | 50 | 59 |
| Receivables from derivatives | 7.g) | 9,379 | 7,017 |
| Cash and cash equivalents | 7.h) | 8,583 | 5,233 |
| **Total current assets** | | **57,030** | **16,338** |
| **Total assets** | | **177,369** | **127,984** |

## Attachment 2

| | Notes | 12/31/2021<br>kEUR | 12/31/2020<br>adjusted<br>Section 3.<br>kEUR |
|---|---|---|---|
| **Equity** | | | |
| Subscribed capital | | 54,048 | 42,050 |
| Capital reserve | | 151,943 | 100,632 |
| Balance sheet result | | -41,877 | -26,821 |
| Currency translation reserve | | -7 | 0 |
| **Equity attributable to shareholders of the parent company** | | **164,106** | **115,862** |
| Non-controlling interests | | -1,006 | -383 |
| Own shares | | 0 | -5,526 |
| **Total equity** | **11.** | **163,100** | **109,952** |
| **Non-current liabilities** | | | |
| Liabilities to shareholders and members of the Board of Management | 7.j) | 0 | 2,482 |
| Deferred tax liabilities | 7.i) | 183 | 1,159 |
| **Total non-current liabilities** | | **183** | **3,641** |
| **Current liabilities** | | | |
| Trade accounts payable | | 4,236 | 1,044 |
| Liabilities to shareholders | 7.j) | 48 | 3,080 |
| Other current liabilities | 7.k) | 8,411 | 8,194 |
| Leasing liabilities | 7.l) | 0 | 4 |
| Liabilities from derivatives | | 982 | 1,202 |
| Tax liabilities | 7.m) | 0 | 7 |
| Other accrued liabilities | 7.n) | 408 | 860 |
| **Total current liabilities** | | **14,086** | **14,390** |
| **Total liabilities** | | **14,269** | **18,031** |
| **Total equity and liabilities** | | **177,369** | **127,984** |

## Consolidated Statement of Comprehensive Income of The Naga Group AG, Hamburg, from January 1 to December 31, 2021

| | Notes | 01/1/2021 – 12/31/2021<br>kEUR | 01/1/2020 – 12/31/2020<br>adjusted<br>Section 3.<br>kEUR |
|---|---|---|---|
| Trading revenue | 7.p) | 52,877 | 24,259 |
| Service revenues | 7.p) | 0 | 94 |
| **Revenues** | | **52,877** | **24,353** |
| Activated programming services | 7.q) | 2,785 | 1,964 |
| **Total output** | | **55,661** | **26,317** |
| Direct expenses of trading revenues | 7.t) | 7,264 | 2,347 |
| Trading costs | 7.u) | 1,188 | 1,131 |
| **Gross profit** | | **47,210** | **22,838** |
| Other operating income | 7.r) | 991 | 1,490 |
| Development effort | 7.s) | 3,484 | 2,510 |
| Personnel expenses | 7.v) | 7,998 | 4,119 |
| Marketing and advertising expenses | 7.w) | 32,468 | 8,687 |
| Allowance for trade receivables | 7.x) | 440 | 0 |
| Other operating expenses | 7.w) | 8,012 | 4,516 |
| **Earnings before interest, taxes, depreciation and amortization (EBITDA)** | | **-4,201** | **4,496** |
| Depreciation | | 5,346 | 3,371 |
| Write-downs of investments | | 0 | 186 |
| **Operating result (EBIT)** | | **-9,548** | **939** |
| Financial income | 7.y) | 14 | 28 |
| Financial expenses | 7.y) | 1,682 | 683 |
| **Earnings before taxes (EBT)** | | **-11,216** | **284** |
| Income taxes (expense (+) / income (-)) | 7.z) | -462 | 113 |
| **Result for the period** | | **-10,754** | **171** |
| Equity difference from currency translation | | -7 | 0 |
| **Overall result** | | **-10,761** | **171** |

| | | | |
|---|---|---|---|
| **Of the net profit for the period, the following are attributable to** | | | |
| Shareholders of the parent company | | -10,103 | -594 |
| non-controlling interests | | -651 | 765 |
| | | | |
| **Of the total result, the following are attributable to** | | | |
| Shareholders of the parent company | | -10,111 | -594 |
| non-controlling interests | | -651 | 765 |
| | | | |
| **Earnings per share in EUR** | 9. | | |
| Undiluted | | -0.23 | -0.01 |
| Diluted | | -0.23 | -0.01 |

# Consolidated Statement of Changes in Equity
# of The Naga Group AG
# from January 1 to December 31, 2021

| | Subscribed capital<br>kEUR | Capital reserve<br>kEUR | Balance sheet result<br>kEUR | Currency trans-lation reserve<br>kEUR | Equity attributable to shareholders of the par-ent company<br>kEUR | Non-controlling interests<br>kEUR | Own shares | Total<br>kEUR |
|---|---|---|---|---|---|---|---|---|
| **Status as of 12/31/2019** | **40,204** | **97,993** | **-26,227** | **0** | **111,969** | **-1,147** | **-5,525** | **105,293** |
| Capital increase | 1,846 | 2,500 | 0 | | 4,346 | 0 | 0 | 4,346 |
| Convertible bond issue | 0 | 139 | 0 | | 139 | 0 | 0 | 139 |
| Profit for the period/total comprehensive income for the period<br>01/1/2020 -12/31/2020 (adjusted) | 0 | 0 | -594 | | -594 | 765 | 0 | 171 |
| **Status 12/31/2020 (adjusted)** | **42,050** | **100,632** | **-26,821** | **0** | **115,862** | **-382** | **-5,525** | **109,952** |
| Cash capital increase | 8,428 | 48,065 | | | 56,493 | | | 56,493 |
| Costs of the capital increase | | -2,926 | | | -2,926 | | | -2,926 |
| Conversion of convertible bonds | 3,570 | 6,172 | | | 9,742 | | | 9,742 |
| Reduction in equity from sale of treasury shares | | | -4,927 | | -4,927 | | | -4,927 |
| Disposal of treasury shares from sale | | | | | 0 | | 5,525 | 5,525 |
| Profit for the period/total comprehensive income for the period<br>01/1/2021 – 12/31/2021 | | | -10,130 | -7 | -10,137 | -624 | | -<br>10,761 |
| **Status 12/31/2021** | **54,048** | **151,943** | **-41,877** | **-7** | **164,106** | **-1,006** | **0** | **163,100** |

**Consolidated Cash Flow Statement**
**of The Naga Group AG**
**from January 1 to December 31, 2021**

| | Notes | 01/1/ - 12/31/2021 | | 01/1/ - 12/31/2020 adjusted | |
|---|---|---|---|---|---|
| | | kEUR | | kEUR | |
| **Cash flow from operating activities** | | | | | |
| **Earnings before income taxes** | | **-11,216** | | **284** | |
| Depreciation, amortization and impairment of non-current assets | 7.a)&b) | 5,346 | | 3,557 | |
| Financial income and financial expenses | 7.y) | 1,668 | | 655 | |
| Disposal result | | 0 | | -21 | |
| Other non-cash income and expenses | 7.x) | 440 | | 0 | |
| | | **-3,761** | | **4,475** | |
| **Cash flow before changes of net working capital** | | | | | |
| Decrease in provisions | | -451 | | 430 | |
| Increase (-) / decrease (+) in trade receivables | | -462 | | -73 | |
| Increase (-) / decrease (+) in other assets | | -10,886 | | -4,942 | |
| Increase (+) / decrease (-) in trade accounts payable and other liabilities | | 2,640 | | 2,183 | |
| Income taxes received (prior year: paid) | | 20 | | -461 | |
| **Operating cash flow** | | | **-12,900** | | **1,612** |
| **Cash flow from investing activities** | | | | | |
| Proceeds from the disposal of subsidiaries, net of cash disposed of | 4. | 0 | | 62 | |
| Proceeds from disposals of financial assets | | 0 | | 70 | |
| Payments made for investments in intangible assets | 7.a) | -14,271 | | -4,785 | |
| Disbursements for investments in money market funds | 7.d) | -27,118 | | | |
| Cash outflows for investments in financial assets | 7.b) | -11 | | -208 | |
| Payments made for investments in property, plant and equipment | 7.b) | -176 | | -359 | |
| **Investing cash flow** | | | **-41,576** | | **-5,220** |
| **Cash flow from financing activities** | | | | | |
| Repayment of financial liabilities | | -3,087 | | -122 | |
| Repayment of lease liabilities | | -118 | | 0 | |
| Cash inflows from the raising of loans/convertible bond | 7.j) | 7,600 | | 2,000 | |
| Capital increase | 11.a) | 53,567 | | 4,346 | |
| Sale of treasury shares | | 600 | | 0 | |
| interest paid | | -736 | | -535 | |
| **Financing cash flow** | | | **57,826** | | **5,689** |

**Net increase in cash and cash equivalents**

| | | | |
|---|---|---|---|
| **and cash equivalents** | | **3,350** | **2,081** |
| Cash and cash equivalents | | | |
| At the beginning of the period | 7.h) | 5,233 | 3,152 |
| **Cash and cash equivalents** | | | |
| **At the end of the period** | 7.h) | **8,583** | **5,233** |

**Notes to the consolidated financial statements of The Naga Group AG, Hamburg,**

**for the fiscal year from January 1 to December 31, 2021**

## Content

## 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, Hohe Bleichen 12, Germany (Hamburg Local Court, HRB 136811). The shares of Naga AG were listed on the Frankfurt Stock Exchange in the open market in the "Scale" segment until October 7, 2022. Since October 7, 2022, the shares of the Company have been included in the Basic Board segment of the open market.

The Group's business activities include brokerage of contracts for differences ("CFD") and equities, development of technology for the financial sector, and use of blockchain technology.

The consolidated financial statements were submitted to the Supervisory Board for publication on October 13, 2022.

## 2. Basics of the lineup

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 consolidated financial statements in accordance with IFRS.

The 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 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 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 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 (kEUR), which may result in rounding differences.

## 3. Error correction

In fiscal year 2020, NAGA capitalized expenses for the acquisition of new customers in the amount of kEUR 4,652 for the first time. A prerequisite for capitalization is that the expenses can be directly allocated to a new customer. In contrast, the Group also recognized expenses relating to existing customers as intangible assets. Consequently, the intangible assets were overstated. As part of the preparation of the consolidated financial statements for fiscal year 2021, NAGA determined that not all payments made as part of "affiliate marketing" meet the requirements for capitalization as customer acquisition costs under IFRS 15.

The error has been corrected by adjusting each of the affected items as follows for the prior year:

| in kEUR | Before adjustment | Correction | After adjustment |
|---|---|---|---|
| Consolidated balance sheet | | | |
| Intangible assets | 112,268 | -1,851 | 110,417 |
| Balance sheet result | -24,970 | -1,851 | -26,821 |
| Balance sheet total | 129,834 | -1,851 | 127,984 |
| | | | |
| Consolidated Statement of Comprehensive Income | | | |
| Marketing and advertising expenses | 6,614 | 2,073 | 8,687 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 6,570 | -2,073 | 4,496 |
| Depreciation | 3,594 | -223 | 3,371 |
| Net profit/loss for the period/total comprehensive income | 2,021 | -1,851 | 171 |
| thereof attributable to | | | |
| Shareholders of the parent company | 1,256 | -1,851 | -594 |
| Profit attributable to non-controlling interests | 765 | 0 | 765 |
| | | | |
| Consolidated Cash Flow Statement | | | |
| Operating cash flow | 3,685 | -2,073 | 1,612 |
| Payments for investments in intangible assets | -6,858 | 2,073 | -4,785 |
| Investing cash flow | -7,293 | 2,073 | -5,220 |
| | | | |
| Earnings per share | | | |
| Basic earnings per share (in EUR) | 0.03 | -0.04 | -0.01 |
| Diluted earnings per share (in EUR) | 0.03 | -0.04 | -0.01 |

The adjustment had no effect on other comprehensive income or financing cash flow in 2020.

## 4. Scope of consolidation

The consolidated financial statements include the financial statements of The Naga Group AG and its subsidiaries as of December 31, 2021.

The scope of consolidation has changed compared to fiscal year 2020 in that NAGA Pay UK Ltd, London/UK, has been added to the scope of consolidation as of February 27, 2021, NAGA X LTD, Limassol/Cyprus, as of August 17, 2021, and NAGA Markets UK LTD, London/UK, as of September 10, 2021. The aforementioned companies were founded by NAGA in fiscal year 2021.

**Overview of the scope of consolidation of NAGA as of December 31, 2021**

| Society | Main business activity | Shareholdings 12/31/2021 | Shareholdings 12/31/2020 |
|---|---|---|---|
| The Naga Group AG, Hamburg (parent company) | Holding of participations | - | - |
| NAGA Markets Ltd, Limassol, Cyprus | Securities Trading | 100% | 100% |
| Naga Technology GmbH, Hamburg | Software development | 100% | 100% |
| Naga Virtual GmbH, Hamburg | Software development | 100% | 100% |
| Hanseatic Brokerhouse Securities AG (HBS), Hamburg | Holding of participations | 72.16% | 72.16% |
| Naga Global Ltd, Saint Vincent & Grenadines | Securities Trading | 100% | 100% |
| NAGA GLOBAL (CY) LTD, Limassol, Cyprus | Internal services | 100% | 100% |
| NAGA Global West Africa LTD, Lagos, Nigeria | Distribution Company | 99% | 99% |
| NAGA FINTECH CO., LTD., Bangkok, Thailand | Distribution Company | 100% | 100% |
| Naga Pay GmbH, Hamburg | Mobile Bank | 100% | 100% |
| NAGA Markets Australia PTY Ltd, Eastwood, Australia | Distribution Company | 100% | 100% |
| NAGA Pay UK LTD, London, Great Britain | Distribution Company | 100% | - |
| NAGA Markets UK LTD, London, Great Britain | Distribution Company | 100% | - |
| NAGA X LTD, Limassol, Cyprus | Software development | 100% | - |

As in the previous year, there were no joint arrangements or associated companies as of December 31, 2021.

With the exception of NAGA Pay UK LTD., NAGA Markets Australia PTY Ltd. and NAGA FINTECH Co., LTD. the functional currency of the subsidiaries is EUR. The functional currency of NAGA Pay UK LTD. is GBP, of NAGA Markets Australia PTY Ltd. AUD and of NAGA FINTECH Co., LTD THB. Due to the minor significance of the three companies, no further disclosures on currencies are made.

The shareholdings correspond to the voting rights.

## 5. 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 7 for the respective balance sheet item and in Note 9 for financial management.

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

### a) 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, 2021 and December 31, 2020, one CGU, the brokerage business, was identified. The brokerage business included all activities related to CFD and equity brokerage and related services. The goodwill acquired in fiscal year 2018 was fully allocated to the Brokerage CGU.

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"). Despite the Corona pandemic, as in the previous year there was no indication of impairment in fiscal 2021. On the contrary, the Corona pandemic had a positive impact on NAGA's business development, as NAGA was able to benefit from the high volatility experienced on the capital markets in the wake of the Corona pandemic. In the meantime, volatility on the capital markets has returned to roughly the pre-crisis level.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired company at the date of acquisition. Goodwill arising on acquisition is classified as an intangible asset. Capitalized goodwill is not amortized but tested for impairment at least once a year based on the CGU to which it is allocated as well as on an ad hoc basis. The impairment tests are performed to determine whether the recoverable amount exceeds the carrying amount of the tested units including the goodwill allocated to them. As of December 31, 2021 and December 31, 2020, there is goodwill at the Brokerage CGU.

The impairment test for goodwill of the Brokerage CGU is based on the fair values less costs to sell. This is determined on the basis of a discounted cash flow (DCF) method by discounting the forecast cash flows, derived from the multi-year plan approved by management, using a cost of capital rate determined as of the reporting date. The planning covers the subsequent years for a period of 4 years. This is followed by the perpetual annuity. The valuation method used to determine the fair values is allocated to level 3 of the fair value hierarchy.

**Basic assumptions for the calculation of fair value and sensitivity analysis of assumptions made**

NAGA has been focusing on its core business of online brokerage since the restructuring in the first half of 2020.

The main assumptions made for the detailed planning period therefore take into account, in particular, the estimate of the future development of trading revenues and costs, as well as the resulting derivation of earnings before interest and taxes (EBIT) and the assumed cost of capital (WACC).

The key planning parameters underlying trading revenues for ZGE Brokerage are as follows:

- Number of active customers,
- average sales per trading transaction,
- Acquisition costs per customer, and
- Discount rates.

A change in these key planning parameters has a significant effect on the determination of fair value less costs to sell and ultimately on the amount of any impairment loss that may be required on goodwill or indefinite-lived brands, which is presented below.

The following planning parameters were based on actual values ("historical data")

**Number of active customers (Monthly Active Users = "MAU")**

The development of this key figure depends largely on the extent to which you succeed in converting customers into active customers after they have registered on the platform (conversion rate).

A customer registered for the first time via the Company's applications will be activated for a real money deposit only after going through an extensive registration process. After the deposit and then the first real money trade, the customer is classified as "active" and is then an Active User. The conversion period can range from 10 minutes to 60 days. A customer is considered "inactive" once the customer has not deposited, traded or logged in for 90 days. The "Signup to MAU" conversion rate was assumed to be between 7.00% and 10.50% (prev. year 9.00%) based on historical data.

A lower conversion rate means fewer active users, fewer trades and consequently less revenue. If the conversion rate fell to less than 8.8% (previous year: 4.45%), this would result in an impairment for ZGE Brokerage.

**Average sales per trade ("Revenue per Trade")**

The revenue per trade results from the number of closed trades and the revenue generated within a period of time.

Revenue per trade was assumed to average EUR 5.50 (previous year EUR 3.44) over the next 4 fiscal years based on historical data.

If trading revenues fall in relation to closed trading transactions, this has a negative impact on revenue and profit. If the ratio fell to less than EUR 4.30 (previous year: EUR 1.87), this would result in an impairment for ZGE Brokerage.

**Acquisition costs per user (Cost Per Lead = "CPL")**

This parameter refers to the average cost of acquiring new users of the NAGA platforms. In this value, all registrations on the NAGA platforms in the period are set in relation to the company-wide expenditure on marketing & sales.

Based on historical data and depending on the target region, the Company assumes amounts between EUR 63 - 96 (previous year EUR 60 - 70).

If the CPL increased to more than EUR 95 (previous year EUR 160-180), depending on the target region, this would result in an impairment for the CGU Brokerage.

**Discount rates and perpetuity**

The discount rates represent current market assessments of the specific risks, taking into account the time value of money and the risks specific to the asset for which the estimated future cash flows have not been adjusted. The calculation of the discount rate takes into account the specific circumstances of the Group and its business segment and is based on its weighted average cost of capital (WACC). The weighted average cost of capital considers both debt and equity. The cost of equity is derived from the expected return on equity of the Group's equity investors. The cost of debt is based on the interest-bearing debt on which the Group has to service.

Segment-specific risk is included by applying individual beta factors. The beta factors are determined annually on the basis of publicly available market data.

In the perpetual annuity, management assumes moderate growth overall. A capitalization interest rate with a growth discount of 0.5% (previous year: 0.5%) per year was applied in each case. The calculation of cash flows was based on past experience and takes future developments into account. Risk-oriented, market-based interest rates were used to determine the fair value less costs to sell. The after-tax discount rate (WACC) is 6.19 %. (previous year: 6.29 %).

The data used by management is based on empirical values from previous financial years, as well as on internal analyses and forecasts. Management bases its planning on its own estimates, as NAGA is active in a new FinTech segment, "social trading" or "social investing". No external sources could be used for the planning, as such sources do not exist or existing sources refer to non-comparable business areas and companies.

NAGA expects strong growth in business in the detailed planning period (average approx. 40% p.a.). Growth in new target markets outside the EU (in particular Southeast Asia, Great Britain and Australia) is of particular importance. In these target markets, the Company expects growth rates to be significantly higher than in the EU markets in which it has been active previously.

With regard to the Brokerage CGU with attributable goodwill of EUR 94.9 million (previous year: EUR 94.9 million), unforeseeable changes in key planning assumptions that go beyond the changes described above in the sensitivity analyses could lead to a material impairment of goodwill. This relates in particular to the assumptions made regarding revenues in connection with the necessary marketing expenses, the key planning parameters described in more detail above, and the estimate of the respective cost of capital (WACC), provided that the other parameters of the impairment test are assumed to be constant.

### b) Development costs

The Group capitalizes the costs of software development. The initial capitalization of the costs is based on management's assessment that the technical and economic feasibility has been demonstrated. As the development costs are mainly attributable to the NAGA Trader trading platform, which has already been on the market since June 2016, management considers this condition to be met.

For the purpose of determining the amounts to be capitalized, the amounts attributable to development work were determined from the submitted activity statements of the contracted development companies. The carrying amount of capitalized development costs as of December 31, 2021 was kEUR 4,821 (previous year: kEUR 3,659).

### c) Customer acquisition costs

The Group capitalizes costs for the acquisition of new customers incurred in connection with affiliate marketing as intangible assets. The capitalization is based on the fact that these costs are directly attributable to the new customers and on management's assessment that the new customers will generate revenues at least in the amount of the customer acquisition costs.

Based on historical data, it was derived that these new customers execute trades on the NAGA platforms for an average of 36 months. Accordingly, the amortization period for customer acquisition costs was set at 36 months.

### d) Crypto Assets

Crypto assets held by NAGA are intangible assets as they are identifiable non-monetary assets without physical substance. Management treats crypto assets as current assets when they are held for market making. They are recognized as intangible assets if they have been acquired with the intention of generating medium- to long-term price increases.

The crypto assets are listed on a public market. The price quoted on the public market is used for the impairment test in accordance with IAS 38.

### e) 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.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required in determining the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income and future tax planning strategies.

The Group has corporate income tax and trade tax loss carryforwards totaling kEUR 21,913 (previous year: kEUR 10,399). These exist at Naga AG and at subsidiaries with a history of losses. The loss carryforwards do not expire and cannot be offset against taxable income of other group companies. Both Naga AG and Naga Pay have taxable temporary differences, some of which may result in the recognition of deferred tax assets. Due to a deterioration in the earnings outlook, deferred tax assets on tax loss carryforwards were no longer recognized at HBS AG, after deferred tax assets of kEUR 530 were recognized on tax loss carryforwards in the previous year. Deferred tax assets on tax loss carryforwards amounting to kEUR 1,338 (previous year: kEUR 318) were capitalized at

Naga AG and kEUR 217 (previous year: kEUR 0) were capitalized at Naga Pay as a result of sufficiently existing taxable temporary differences and netted against the deferred tax liabilities in each case.

### f) 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.

In addition to trade receivables and trade payables, NAGA mainly reports derivative financial instruments and loan liabilities. For further details, please refer to Note 9.

## 6. Changes in accounting policies - Amended standards and interpretations

The following amendments to standards or interpretations are mandatory for the first time in fiscal year 2021.

**The following amended standards are mandatory for the first time as of January 1, 2021**

| Changes to standards |
|---|
| Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16<br>Interest Rate Benchmark Reform - Phase 2 |
| Amendment to IFRS 4<br>Extension of the exemption from the application of IFRS 9 |

The changes had no material impact on the accounting policies.

**New or amended standards and interpretations not yet applied**

**Future innovations and changes in accounting**

| New standards | Date of first application EU |
|---|---|
| IFRS 17:<br>Insurance contracts | 01/1/2023 |

| Changes to standards | Date of first application EU |
|---|---|
| Amendment IFRS 16:<br>Coronavirus pandemic related lease concessions beyond June 30, 2021. | 01/1/2022 |
| Amendment to IAS 16:<br>Revenue before intended use | 01/1/2022 |
| Amendment IAS 37:<br>Onerous contracts - costs for the performance of a contract | 01/1/2022 |
| Amendment IFRS 3:<br>Reference to the framework concept | 01/1/2022 |
| Annual Improvements 2018 - 2020 | 01/1/2022 |
| Amendment IAS 1:<br>Classification of debt as current or non-current | 01/1/2023 |

| | |
|---|---|
| Amendment to IAS 8:<br>Definition of accounting estimate | 01/1/2023 |
| Amendment to IAS 12:<br>Deferred taxes relating to assets and liabilities arising from a single transaction | 01/1/2023 |
| Amendment to IAS 1 and IFRS Practice Statement 2:<br>Notes on accounting and valuation methods | 01/1/2023 |

NAGA does not expect any effects from the future innovations and amendments to the above-mentioned standards. Furthermore, NAGA will only implement the amendments with mandatory first-time application.

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

## Consolidated balance sheet

### 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. Goodwill, intangible assets and intangible assets not yet available for use are subject to an annual impairment test. If an asset does not generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets, the impairment test is not performed at the level of an individual asset, but at the level of the cash-generating unit. For the purpose of impairment testing, fair values less costs to sell are determined using the discounted cash flow method. The calculation is based on current business plans, a long-term growth rate of 0.5% and a discount rate (after tax) of 6.19%. There was no impairment of goodwill or of the intangible assets presented in the financial year.

Since the fourth quarter of 2021, NAGA has been acquiring NAGA Coin (NGC) to a significant extent. These are crypto assets that are recognized as intangible assets at amortized cost if the NGC are acquired with investment intent with a medium to long holding period. The NGC are not subject to amortization as a useful life cannot be determined. An impairment test is therefore performed when impairment indicators exist, but at least annually, by comparing the carrying amount with the ascertainable price. For the NGC held with investment intent, there was no impairment in the fiscal year.

Intangible assets are as follows in fiscal 2021 and in the previous year:

| **12/31/2021**<br>in kEUR | AC/MC as of 01/1/2021 | Additions | Additions to business acquisitions | Disposals | AC/MC as of 12/31/2021 | Accumulated depreciation as of 12/31/2021 | Carrying amount as of 12/31/2021 | Depreciation and amortization in fiscal year 2021 | |
|---|---|---|---|---|---|---|---|---|---|
| Goodwill | 94,863 | 0 | 0 | 0 | 94,863 | 0 | 94,863 | 0 | 94,864 |
| Customer base | 5,197 | 3,927 | 0 | 0 | 9,124 | 3,906 | 5,217 | 2,039 | 5,219 |
| Software (incl. technology) | 21,204 | 452 | 0 | 0 | 21,656 | 14,851 | 6,805 | 1,432 | 6,804 |
| Crypto-Assets | 0 | 7,108 | 0 | 0 | 7,108 | 0 | 7,108 | 0 | 7,108 |
| Capitalized development costs | 7,396 | 2,785 | 0 | 0 | 10,181 | 5,360 | 4,821 | 1,623 | 4,819 |
| - thereof completed | 7,342 | 2,785 | 0 | 0 | 10,127 | 5,307 | 4,820 | 1,623 | 4,819 |
| - thereof under development | 54 | 0 | 0 | 0 | 54 | 53 | 1 | 0 | 0 |
| Licenses/Domain | 782 | 0 | 0 | 0 | 782 | 1 | 781 | 0 | 781 |
| **Intangible assets** | **129,442** | **14,272** | **0** | **0** | **143,714** | **24,118** | **119,594** | **5,094** | **119,595** |

| **12/31/2020**<br>adjusted<br>in kEUR | AC/MC as of 01/1/2020 | Additions | Additions to business acquisitions | Disposals | AC/MC as of 12/31/2020 | Accumulated depreciation as of 12/31/2020 | Carrying amount as of 12/31/2020 | Depreciation and amortization in fiscal 2020 | |
|---|---|---|---|---|---|---|---|---|---|
| Goodwill | 95,173 | 0 | 0 | 310 | 94,863 | 0 | 94,863 | 0 | 94,864 |
| Customer base | 2,618 | 2,579 | 0 | 0 | 5,197 | 1,867 | 3,330 | 863 | 3,330 |
| Software (incl. technology) | 21,091 | 113 | 0 | 0 | 21,204 | 13,419 | 7,785 | 1,415 | 7,785 |
| Capitalized development costs | 5,432 | 1,964 | 0 | 0 | 7,396 | 3,737 | 3,659 | 881 | 3,658 |
| - thereof completed | 5,378 | 1,964 | 0 | 0 | 7,342 | 3,684 | 3,658 | 881 | 3,658 |
| - thereof under development | 54 | 0 | 0 | 0 | 54 | 53 | 1 | 0 | 0 |
| Licenses/Domain | 653 | 129 | 0 | 0 | 782 | 1 | 781 | 0 | 781 |
| **Intangible assets** | **124,967** | **4,785** | **0** | **310** | **129,442** | **19,024** | **110,418** | **3,159** | **110,418** |

**Goodwill**

As of January 31, 2018, Naga AG had acquired 60% of the shares in HBS AG and thus goodwill of EUR 94.7 million. The goodwill is subject to an annual impairment test. The method and assumptions are explained under note 4a).

**Customer base and customer acquisition costs**

With the acquisition of HBS AG, a customer base was acquired which will be amortized over a period of 5 years. The remaining useful life as of December 31, 2021 is one year (previous year: two years). The carrying amount as of December 31, 2021 is kEUR 567 (previous year: kEUR 1,091).

In addition, expenses for the acquisition of new customers amounting to kEUR 3,927 (previous year: kEUR 2,579) were capitalized in the fiscal year 2021. The expenses can only be capitalized if they can be directly allocated to a new customer, which is possible due to the "affiliate marketing" started in 2020. Traditional advertising and marketing campaigns continue to be expensed. Customer acquisition costs are amortized over a period of 36 months. The average remaining useful life as of December 31, 2021 is 26 months (previous year: 31 months).

**Software**

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 the technical innovations can generate additional sales revenue.

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.

**Swipy technology**

Swipy technology is designed to create a cohesive trading environment so that any broker can join this platform. The software has a "self-learning algorithm" and was built in different modules with the focus for mobile application. The Swipy technology is the basic technology with the software code, design and different modules.This software code is used for the Naga Trader app and can be used for other software applications.

The technology is also allocated to the cash-generating unit, the brokerage business.

**Naga Trader**

Naga Trader is an app built on Swipy technology. The app serves as a user interface for the trading transactions ("trades") of clients of Naga Markets Ltd. and Naga Global Ltd. By "swiping" (swiping) on the screen, clients can select trades of other clients and copy selected trades. At the same time, the app serves as a social network where clients can share investment trends, -strategies and the like.

**Naga Pay**

The Neo-Banking app NAGA Pay combines the offer of a prepaid credit card, a European IBAN bank account with limits of up to EUR 200,000 per year and complete banking functions, such as SEPA transfers, real-time money transfers and money management. Furthermore, NAGA customers can trade over 400 equity securities from nine global stock exchanges free of charge using Naga Pay.

**Capitalized development costs**

A total of kEUR 3,484 (previous year: kEUR 2,510) was recognized as development expenses. Of this amount, kEUR 2,731 (prior year: kEUR 1,884) relates to Naga Trader. Of this amount, kEUR 2,441 (prior year: kEUR 1,612) was capitalized and reported in the statement of comprehensive income as capitalized programming services. Furthermore, kEUR 344 (previous year: kEUR 352) of the capitalized programming services relates to Naga Pay. Accordingly, development costs of kEUR 699 (previous year: kEUR 546) remain in the statement of comprehensive income. The capitalization rate for development costs in 2021 is 80% (PY: 78%). The classification of whether an activity is to be regarded as development or maintenance/bug-fixing is made by the Executive Board on the basis of the activity reports submitted by the external service providers.

## b) 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. As in the previous year, no such indicators existed in the fiscal year 2021.

Property, plant and equipment includes office and business equipment.

| 12/31/2021<br>in kEUR | AC as of 01/1/2021 | Additions | Disposals | AC as of 12/31/2021 | Accumulated depreciation as of 12/31/2021 | Carrying amount as of 12/31/2021 | Depreciation and amortization in fiscal year 2021 |
|---|---|---|---|---|---|---|---|
| Other equipment, factory and office equipment | 889 | 176 | 0 | 1,065 | 516 | 550 | 136 |
| **Property, plant and equipment** | **889** | **176** | **0** | **1,065** | **516** | **550** | **136** |

| 12/31/2020<br>in kEUR | AC as of 01/1/2020 | Additions | Disposals | AC as of 12/31/2020 | Accumulated depreciation as of 12/31/2020 | Carrying amount as of 12/31/2020 | Depreciation and amortization in fiscal 2020 |
|---|---|---|---|---|---|---|---|
| Other equipment, factory and office equipment | 529 | 360 | 0 | 889 | 380 | 509 | 89 |
| **Property, plant and equipment** | **529** | **360** | **0** | **889** | **380** | **509** | **89** |

### c) Rights of use

The Group recognizes rights of use at the date of provision. Rights-of-use assets are measured at cost less any accumulated amortization and any accumulated impairment losses, adjusted for any revaluation of the lease liability.

The cost of rights-of-use assets includes the recognized lease liability (see Note 7.I), the initial direct costs incurred and the lease payments made at or before the date of origination, less any lease incentives received. Rights of use are amortized on a straight-line basis over their expected useful lives.

For the Group, the following recognition arises for the past fiscal year for the use of an office building in Cyprus provided on May 1, 2019 with an original term of two years, which was extended by one year at the beginning of 2021:

| | |
|---|---|
| **Balance sheet amount 12/31/2019** | **163** |
| Depreciation 2020 | -123 |
| **Balance sheet amount 12/31/2020** | **41** |
| Additions | 114 |
| Depreciation 2021 | -118 |
| **Balance sheet amount 12/31/2021** | **38** |

## d) Financial assets and other assets and current assets

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

**Financial investments and other assets**

| in kEUR | 12/31/2021 | 12/31/2020 |
|---|---|---|
| Compensation fund for investors | 115 | 114 |
| Deposits | 40 | 32 |
| Other | 2 | 0 |
| Long-term | 157 | 146 |
| Short term investment | 27,118 | 0 |
| Crypto Assets | 599 | 0 |
| Receivables from customers | 2,460 | 0 |
| Deferred expenses | 913 | 444 |
| Overpayment | 1,054 | 846 |
| Sales tax receivable | 495 | 505 |
| Merchandise | 316 | 0 |
| Credit PayPal, Kraken account and credit card | 57 | 89 |
| Short-term loans | 25 | 142 |
| Deposit | 0 | 58 |
| Other | 1,090 | 10 |
| Short term | 34,127 | 2,094 |
| **Total** | **34,284** | **2,240** |

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.

NAGA has invested cash and cash equivalents not yet invested in the amount of kEUR 27,118 in short-term investments, consisting of variable-interest, listed securities (money market funds). The cash investments are measured at amortized cost. The recognition of a valuation allowance was not necessary due to the very good credit rating and the short-term nature of the investments.

In fiscal years 2020 and 2021, the Group made overpayments of kEUR 1,154 (prior year: kEUR 946) to a payment service provider that have not yet been reimbursed in accordance with the contractual agreements. The Company engaged its external legal counsel in February 2021 to recover the amount due. Currently, the external legal counsel is negotiating with the lawyers of the other party about the settlement of the receivable. In assessing the recoverability of the receivable, the Company performed its assessment in accordance with IFRS 9 and recognized expected credit losses of kEUR 100 using the weighted average of the different scenarios. Supported by external legal advisors, the Management Board assumes that the success of the receivable is considered almost certain once the lawsuit is filed. Management will reassess the status of the litigation at each reporting date and adjust the amount of the ECL on the receivable amount accordingly.

**Credit quality of financial assets**

The credit quality of financial assets that are neither past due nor past due but not impaired can be assessed using external information such as credit ratings or empirical values on default risks. In cases where no rating is available, the Company makes an assessment of future risks based on historical experience with the counterparty and known circumstances.

### e) Trade receivables, contract assets and crypto assets

**Trade receivables**

Trade receivables are generally recognized at nominal value and amount to kEUR 1,557 (prior year: kEUR 1,536) as of the reporting date. Of this amount, kEUR 1,446 (prior year: kEUR 1,446) are trade receivables from Naga Development Association Ltd, Belize City/Belize ("NDAL"). In cooperation with NDAL, NAGA conducted an initial token sale ("ITS") in 2017. In this context, NDAL had accessed various consulting services of NAGA as well as trademark rights "NAGA", "SwipeStox" and "Switex", which resulted in the receivables.

The receivables from NDAL were impaired in the amount of kEUR -1,409 in 2019. In 2021, Naga AG, has advanced listing fees for the NGC for NDAL in the amount of kEUR 440. The resulting receivable was fully impaired in the reporting year. No further valuation allowances were recognized in 2020.

**Contract assets**

The Group reported non-recurring contract assets of kEUR 399 as of December 31, 2020. These resulted from services rendered but not yet invoiced by NAGA Global Ltd (CY).

Credit risk and recoverability are explained in Note 10.

**Crypto Assets**

In addition to NGC held with investment intent (in this regard, reference is made to Note 7.a), NAGA also holds NGC with trading intent. These NGC are used for market making and generating liquidity on the market. They are acquired and sold at very short notice. The NGC have a quoted price in the market.

These NGC are measured at the lower of cost and net realizable value. As of December 31, 2021, the acquisition cost amounted to kEUR 3,333 (previous year: kEUR 0). There was no need for impairment as of the balance sheet date.

### f) Tax receivables

Tax receivables amounting to kEUR 50 (previous year: kEUR 59) mainly relate to HBS AG.

### g) Receivables from derivatives

The derivative assets correspond to open positions in contracts for differences (CFDs) held mainly in a number of currency pairs with the customer. NAGA acts as 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").

### h) Cash and cash equivalents

Cash and cash equivalents consist exclusively of short-term bank deposits of kEUR 8,583 (previous year: kEUR 5,233).

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.

Funds amounting to kEUR 4,410 (previous year: kEUR 4,455) are deposited with liquidity providers.

In contrast to customer funds held in trust, which are not reported as cash and cash equivalents, the reported position is own funds used by the liquidity providers to hedge losses incurred by NAGA customers from trading transactions outsourced to liquidity providers.

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

| in kEUR | 12/31/2021 | 12/31/2020 |
|---|---|---|
| A1 | 789 | 274 |
| Baa1 | 0 | 1 |
| Baa3 | 0 | 0 |
| Caa2 | 0 | 0 |
| Without rating | 7,794 | 4,959 |
| **Total** | 8,583 | 5,233 |

## i) Deferred tax assets and liabilities

In fiscal year 2021, there are temporary differences in the following balance sheet items that result in the recognized deferred tax liabilities:

**Deferred tax assets**

| in kEUR | 12/31/2021 | 12/31/2020 |
|---|---|---|
| Deferred taxes on loss carryforwards | 1,555 | 851 |
| **Total deferred tax assets** | **1,555** | **851** |
| Offsetting in accordance with IAS 12.74 | -1,555 | -318 |
| **Deferred tax assets according to balance sheet** | **0** | **533** |

**Deferred tax liabilities**

| in kEUR | 12/31/2021 | 12/31/2020 |
|---|---|---|
| Intangible assets | 1,738 | 1,458 |
| Financial instruments | 0 | 19 |
| **Total deferred tax liabilities** | **1,738** | **1,477** |
| Offsetting in accordance with IAS 12.74 | -1,555 | -318 |
| **Deferred tax liabilities according to balance sheet** | **183** | **1,159** |

In contrast to the previous year, no deferred tax assets are capitalized on loss carryforwards of HBS AG, as it is no longer probable on the basis of current planning that tax loss carryforwards can be utilized. In the previous year, it was still expected that tax loss carryforwards totaling kEUR 1,640 could be used.

In the financial year 2021, corporate tax losses of kEUR 4,555 (previous year: kEUR 0) and trade tax losses of kEUR 4,793 (previous year: kEUR 0) were generated, for which no deferred tax assets were recognized. Furthermore, at the level of Naga AG and Naga Pay GmbH, deferred tax assets were recognized for corporate tax loss carryforwards amounting to kEUR 3,798 (previous year: kEUR 986) and trade tax loss carryforwards amounting to kEUR 3,798 (previous year: kEUR 1,056), which are recoverable due to sufficient taxable temporary differences. In the previous year, deferred tax assets were also recognized at the level of HBS AG for corporate income tax and trade tax loss carryforwards of kEUR 1,640 each. The tax loss carryforwards relate to Germany and can be used indefinitely.

Deferred tax liabilities mainly resulted from the customer base of HBS Group identified and valued as part of the acquisition in 2018 and capitalized development costs for Naga Trader software at Naga Technology GmbH and Naga Pay app at Naga Pay GmbH.

### j) Liabilities to shareholders

In fiscal 2019, Naga AG's major shareholder, Fosun Fintech Holdings (HK) Ltd, Hong Kong, China, granted a loan of kEUR 3,000 with an interest rate of 12%. The loans were repaid in fiscal year 2021.

In addition, the main shareholder of Naga AG subscribed to a convertible bond in the amount of kEUR 2,000 in fiscal year 2020, which was divided into equal bearer bonds with a nominal value of EUR 100,000.00 each. The convertible bond was not secured and had a maturity date of January 15, 2022. The interest rate was 6% p.a. and was payable in arrears every 6 months. The convertible bond was fully converted in fiscal year 2021. As of the reporting date, there is still an interest liability of kEUR 48.

In addition, the item included liabilities from salary waivers structured as earn-out agreements, which were paid in 2021.

### k) Other current liabilities

Other current liabilities, partly of a financial nature, are composed as follows:

| in kEUR | 12/31/2021 | 12/31/2020 |
|---|---|---|
| Customer funds | 5,216 | 7,353 |
| OTC Trade | 1,673 | 0 |
| Liability from wages and salaries | 337 | 226 |
| Credit card | 245 | 0 |
| Sales tax | 52 | 0 |
| Waiting compensation | 0 | 290 |
| Interest payable | 0 | 60 |
| Other | 888 | 265 |
| **Total current** | **8,411** | **8,194** |

The item customer deposits shows the balance of gains and losses on trading transactions with customers and of receivables and liabilities based on transfers from/to liquidity provider(s).

Liabilities from wages and salaries still mainly relate to outstanding wage tax and social security contributions.

The previous year's compensation for termination of service was compensation for a former Executive Board member paid during the first quarter of fiscal year 2021.

Liquidity risk is explained in Note 10.

### l) Lease liabilities

At the commitment date, the Group recognizes the lease liability at the present value of the lease payments (rental payments) to be made over the term of the lease (for related rights of use, see Note 7c). Lease payments include fixed payments less any lease incentives to be received, variable lease payments linked to an index or (interest) rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of the lease payments, the Group uses its incremental borrowing rate at the commitment date because the interest rate implicit in the lease cannot be readily determined. After the commitment date, the amount of the lease liability is increased to reflect the higher interest expense and decreased to reflect the lease payments made.

Furthermore, the Group also makes use of the exemption for short-term leases (whose term does not exceed twelve months from the date of provision). In addition, the exemption for leases based on an asset of low value is applied. Lease payments for short-term leases and for leases based on an asset of low value are expensed on a straight-line basis over the term of the lease.

NAGA has a lease agreement (rental agreement) for office premises in Cyprus, which must be taken into account in accordance with IFRS 16. This relates to the subsidiary Naga Markets and has a term of two years and an extension option for a further two years, which has since been exercised. The provision date was May 1, 2019 and the marginal borrowing rate is 3.23%. Rent is paid in advance for one year at a time. The following table shows the development of the lease liability:

| in kEUR | Office space | Thereof short-term | thereof non-current |
|---|---|---|---|
| **Lease liability as of 12/31/2019** | **126** | **31** | **94** |
| Rent payments | -126 | | |
| Discount 3.23% | 4 | | |
| **Lease liability as of 12/31/2020** | **4** | **4** | **0** |
| Access | 113 | | |
| Rent payments | -118 | | |
| Discount 3.23% | 1 | | |
| **Lease liability as of 12/31/2021** | **0** | **0** | **0** |

The calculated interest expense from the lease liability was taken into account in the consolidated statement of income and is reported under financial expenses.

In addition, NAGA still has leases that are not recognized in the balance sheet because they have a term of up to twelve months or are of low value. These rental expenses have been recognized in other operating expenses.

| Short-term leases of up to one year and leases based on an asset of low value | kEUR |
|---|---|
| Office space | 117 |
| Office and business equipment | 74 |

The office lease in Hamburg is a lease agreement which was valid until March 31, 2021, and was extended by a further year in the financial year 2021. In the financial year, cash outflows for leases amounted to kEUR 309 (previous year: kEUR 245).

### m) Tax liabilities

The expected tax payments as of December 31, 2021 amount to kEUR 0 (previous year: kEUR 7).

### n) Other provisions

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 all 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 year 2021:

| in kEUR | 01/1/2021 | Feed | Consump-tion | Resolution | 12/31/2021 |
|---|---|---|---|---|---|
| Vacation accruals | 27 | 24 | 27 | 0 | 24 |
| Annual financial statement, audit costs | 284 | 287 | 280 | 4 | 287 |
| Other accrued liabilities | 549 | 97 | 549 | 0 | 97 |
| **Total** | **860** | **408** | **856** | **4** | **408** |

| in kEUR | 01/1/2020 | Feed | Consump-tion | Resolution | 12/31/2020 |
|---|---|---|---|---|---|
| Vacation accruals | 31 | 27 | 28 | 3 | 27 |
| Annual financial statement, audit costs | 236 | 284 | 236 | 0 | 284 |
| Other accrued liabilities | 167 | 549 | 91 | 76 | 549 |
| **Total** | **434** | **860** | **355** | **79** | **860** |

Other accruals mainly relate to accruals for outstanding invoices.

Reimbursements for the aforementioned provisions are not expected.

## Consolidated Statement of Comprehensive Income

### o) Revenue recognition

NAGA currently generates revenues from its brokerage business ("trading revenues") and from consulting services ("service revenues"). In the past fiscal year, approximately 54% (PY: approximately 97%) of these revenues were generated from customers in the EU and approximately 46% (PY: approximately 3%) from customers outside the EU. Of the aforementioned sales, approximately 20% (2007: approximately 13%) are attributable to customers in Germany. Trading revenues may show a negative balance if individual transactions result in losses. In addition, since 2021, trading revenues include revenues from the sale of NGC held for trading purposes. In the financial year 2021, trading revenues break down as follows:

| in kEUR | 2021 | 2020 |
| --- | --- | --- |
| Brokerage business | 48,820 | 24,259 |
| NGC trade | 4,057 | 0 |
| Trading revenue | 52,877 | 24,259 |
| Service revenue | 0 | 94 |
| **Total** | **52,877** | **24,353** |

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 the senior executives with regard to the respective collection and the amount of revenue. In doing so, they rely on trading statistics from the company's own database, taking into account the specifications of the risk management department. The increase in data material resulting from the longer history and expansion of sales leads to a steady improvement in the estimates.

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

**Trading revenues - brokerage business**

Trading revenues from the brokerage business result from customers' trading in CFDs. Here, NAGA acts as 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.

**Trading revenues - NGC trading**

Trading revenues from NGC trading result from the sale of NGC held for short-term trading purposes (market-making). They include the realized sales prices.

The acquisition costs for NGC that have already been resold and any impairment losses are reported as direct expenses of trading revenues.

### p) Capitalized programming services

The capitalized programming services of kEUR 2,785 (previous year: kEUR 1,964) relate to the capitalizable programming services of external service providers. 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 in development expenses.

### q) Other operating income

Other operating income of kEUR 991 (previous year: kEUR 1,490) is recognized on an accrual basis in accordance with the provisions of the underlying contracts. Other operating income mainly includes income relating to other periods from the collection of a previously impaired receivable from NDAL in the amount of kEUR 580. In the previous year, the income consisted of the reversal of sales tax liabilities.

### r) Development expenses

In fiscal year 2021, development expenses totaled kEUR 3,484 (previous year: kEUR 2,510). Of this amount, kEUR 2,731 (previous year: kEUR 1,884) mainly related to the Naga Trader application. Of the total development costs, kEUR 2,785 (prior year: kEUR 1,964) were recognized as capitalized programming expenses, leaving development expenses of kEUR 699 (prior year: kEUR 546) in the statement of comprehensive income.

### s) Direct expenses of trading revenues

The direct expenses of kEUR 7,264 (previous year: kEUR 2,347) for trading revenues include transaction costs and costs for trading platforms.

### t) Trading costs

Trading costs of kEUR 1,188 (previous year: kEUR 1,131) relate to expenses and income incurred in connection with the hedging of high-risk trades.

### u) Personnel expenses

The average number of employees in full-time equivalents for the 2021 financial year is 147 (previous year: 112).

| | 2021 | 2020 |
|---|---|---|
| Board of Directors | 3 | 3 |
| Accounting | 8 | 6 |
| Customer support | 88 | 54 |
| Management | 11 | 16 |
| Marketing & Training | 8 | 8 |
| Human Resources | 4 | 4 |
| Compliance | 9 | 11 |
| Dealing & Trading | 16 | 10 |
| | **147** | **112** |

Personnel expenses are as follows:

| in kEUR | 2021 | 2020 |
|---|---|---|
| Wages and salaries | 7,045 | 3,607 |
| Retirement benefits | 42 | 77 |
| Social charges | 834 | 420 |
| Other | 77 | 15 |
| **Total** | **7.998** | **4.119** |

In the financial year 2021, contributions of kEUR 42 (previous year: kEUR 77) were paid into defined contribution plans. These were contributions to the statutory pension scheme. As in the previous year, no bonus payments were made in the past financial year.

### v) Marketing and advertising expenses and other operating expenses

NAGA's business model is designed for broad-based growth and requires a high level of marketing and advertising expenditure to attract customers on a sustained basis.

Marketing and advertising expenses totaled kEUR 32,468 (previous year: kEUR 8,687).

Other operating expenses include the following items:

| in kEUR | 2021 | 2020 |
|---|---|---|
| Legal and consulting fees | 2,847 | 1,972 |
| Web services | 793 | 593 |
| Accounting and closing costs | 458 | 431 |
| Expenses for licenses and concessions | 451 | 42 |
| Third-party services | 408 | 191 |
| Travel expenses | 288 | 93 |
| Rental expenses | 191 | 158 |
| IT costs | 157 | 63 |
| Incidental costs of monetary transactions | 91 | 174 |
| Expenses relating to other periods | 15 | 31 |
| Other | 2,313 | 768 |
| **Total** | **8,012** | **4,516** |

### w) Allowance for trade receivables

In the previous year, a refund claim was impaired by kEUR 100 as a result of an overpayment (reference is made to Note 7.d). Due to the small size of the specific valuation allowance, the expense is reported under other operating expenses.

In fiscal year 2021, a receivable from NDAL in the amount of kEUR 440 was impaired (reference is made to Note 7.e). No further impairment losses were recognized in fiscal year 2021.

The change in the allowance for expected credit losses on trade receivables is shown below:

| in kEUR | 2021 | 2020 |
|---|---|---|
| Status January 1 | 3,212 | 3,212 |
| Allowance for expected credit losses | 440 | 0 |
| **Balance at December 31** | **3,652** | **3,212** |

### x) Financial result

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

The financial result includes financial expenses of kEUR 1,682 (previous year: kEUR 683) and financial income of kEUR 14 (previous year: kEUR 28). The financial expenses include expenses of kEUR 1,199 in connection with the convertible bond 2021/2022 ("Yorkville"). The discounting in accordance with IFRS 16 on the leases is also taken into account here.

### y) Taxes on income and earnings

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 temporary differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and the amounts used for tax purposes.

Taxes on income for the financial year 2021 comprise deferred taxes on the one hand and tax refunds for previous years to the subsidiary Naga Technology GmbH on the other. The disclosures on the measurement of deferred taxes can be found in section 4 c).

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 tax benefits to be recognized based on future taxable income and available tax strategies.

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.

Tax expense in fiscal 2021 is comprised of the following:

| in kEUR | 2021 | 2020 |
|---|---|---|
| Current income taxes | -18 | -148 |
| Income from deferred taxes | -974 | -280 |
| Expenses from deferred taxes | 530 | 541 |
| **Income taxes according to the statement of comprehensive income** | **-462** | **113** |

In Germany, as in the previous year, current taxes are calculated on the basis of a corporate income tax rate of 15% and a solidarity surcharge of 5.5%. In addition, as in the previous year, trade tax is levied on profits generated in Germany in accordance with the Hamburg assessment rate of currently 470%. As in the previous year, the trade tax assessment amount is not apportioned as there is no other permanent establishment. As in the previous year, the total tax rate applied is 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 kEUR | | 2021 | 2020 adjusted |
|---|---|---|---|
| | **Earnings before taxes** | -11,216 | **284** |
| 1. | Expected income tax income (prior year -expense) (32.275 %) | -3,620 | 92 |
| 2. | Non-deductible operating expenses | 1,369 | 598 |
| 3. | Tax-exempt income | -1,393 | -1,012 |
| 4. | Temporary differences on which no deferred taxes were accrued | 410 | 410 |
| 5. | Taxes relating to other periods | -18 | 751 |
| 6. | Other permanent differences | -1,103 | 60 |
| 7. | Current losses on which no deferred Taxes were formed | 1,972 | 777 |
| 8. | Effects from tax rate differences | 1,316 | -1,010 |
| 9. | Capitalized deferred taxes on loss carryforwards from previous years | 0 | -280 |
| 10. | Devaluation of deferred tax assets on loss carryforwards from previous years | 530 | 0 |
| 11. | Utilization of non-capitalized loss carryforwards | -6 | -255 |
| 12. | Other | 81 | -17 |
| **Total income taxes** | | **-462** | **113** |

The temporary differences for which no deferred taxes were recognized mainly comprise the amortization of Swipy technology. The other permanent effects result in particular from the capital increase costs of kEUR 2,926 recognized directly in equity in the consolidated financial statements. The effects from tax rate differences mainly relate to NAGA Markets and Naga Global.

Taxes relating to other periods totaling kEUR 18 (previous year: kEUR 751) included deferred tax expense (kEUR 902) to be recognized mainly in 2020, as tax loss carryforwards were lost due to the increase in the Fosun Group's investment in Naga AG in 2020 and existing temporary differences in intangible assets were remeasured accordingly.

The current losses on which no deferred taxes were recognized relate in particular to Naga AG. In the previous year, they were mainly related to the expiration of tax loss carryforwards in 2020 and the pro rata current loss of 2020 due to the increase of the Fosun Group's investment in Naga AG during the year.

In addition, kEUR 530 was recognized as deferred tax expense in fiscal year 2021, as the capitalized deferred taxes on loss carryforwards at HBS AG were no longer recoverable to that extent. In the financial year 2020, it was possible to utilize previously unrecognized loss carryforwards at the level of HBS AG in the amount of kEUR 790 (tax effect kEUR 255) and additionally capitalize loss carryforwards with a tax effect in the amount of kEUR 280.

## 8. Earnings per share

As of December 31, 2021, 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 are calculated voluntarily in accordance with IAS 33.

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of Naga AG by the average number of shares. The basic earnings per share for the financial year 2021 are EUR -0.22 (previous year: EUR -0.01).

| | 2021 | 2020 adjusted |
|---|---|---|
| Net income for the period attributable to the shareholders of Naga AG (in kEUR) | -10,103 | -594 |
| Weighted average number of shares outstanding (in units) | 43,703,853 | 41,053,396 |
| **Basic earnings per share (in EUR)** | **-0,23** | **-0,01** |

In the calculation of dilutive earnings, potentially dilutive shares, for example from convertible instruments, are taken into account if they have a dilutive effect. This is not the case in the event of a Group loss. If conversion had occurred, the number of potentially dilutive shares would have increased by 2,000,000 in the previous year. All convertible instruments existing in the meantime in fiscal year 2021 were converted during the year.

## 9. Financial instruments and financial risk management

## a) Financial instruments

Since January 1, 2019, the Group classifies financial assets into the following measurement categories:

- those to be measured at amortized cost.
- those measured at fair value (either through OCI or by profit or loss) are to be valued

**Classification**

The Group's financial instruments are classified into the following measurement categories as of December 31, 2021 in accordance with the classification in IFRS 9:

- Amortized cost
- Assets measured at fair value through other comprehensive income with reclassification (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVOCI)

The classification and subsequent measurement of financial assets depends on: (a) the entity's business model for managing the related portfolio assets and (b) the cash flow characteristics of the asset. At initial recognition, NAGA may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise occur.

All other financial assets are classified as measured at FVTPL.
Gains and losses on assets measured at fair value are recognized either in profit or loss or directly in equity.

## Financial assets - recognition and derecognition

All purchases and sales of financial assets that are required to be made by regulation or market convention are recognized as of the trade date. This is the date on which NAGA commits to deliver a financial instrument. All other purchases and sales are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and Naga has transferred substantially all risks and rewards of ownership.

## Financial assets - valuation

Upon initial recognition, NAGA measures a financial asset at fair value plus transaction costs. Transaction costs of financial assets recognized at FVTPL are recognized in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is recognized only if there is a difference between the fair value and the transaction price that can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose input includes only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when it is determined that their cash flows are solely payments of principal and interest.

## Debt securities

The subsequent measurement of debt instruments held depends on NAGA's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which NAGA classifies its debt instruments:

**1. amortized cost:**

Assets held for the collection of contractual cash flows and where these cash flows are solely principal and interest payments are measured at amortized cost. Interest income from these financial assets is included in financial income. Any gain or loss on derecognition is recognized directly in profit or loss and reported in other operating income/expenses together with foreign exchange gains and losses. Impairment losses are presented in the statement of comprehensive income as a separate item or in other operating expenses (see notes 7.d and 7.x).

Financial assets measured at amortized cost include: Cash and cash equivalents, bank balances with an original maturity of more than 3 months, trade receivables and financial assets at amortized cost.

**2ND FVOCI:**

Assets held to collect contractual cash flows and held for sale financial assets whose cash flows represent solely payments of principal and interest are measured using FVOCI. Changes in the carrying amount are recognized in other comprehensive income (OCI), except for the recognition of impairment losses, interest income and foreign currency income and expense, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in finance costs or finance income. Interest income from these financial assets is included in financial income. Foreign currency gains and losses are reported under financial income or expense, and impairment losses are reported as a separate line in the statement of comprehensive income.

**3. FVTPL:**

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL, i.e. fair value through profit or loss. A gain or loss on a debt security that is subsequently measured at FVTPL is recognized in profit or loss and reported net within "Other operating income / expenses" in the period in which it occurs, unless it is revenue.

**Financial assets - Impairment - Allowance for expected credit loss (ECL)**

NAGA measures "expected credit loss" (ECL) in accordance with IFRS 9 for financial assets (including loans) measured at amortized cost and FVOCI, and the risk arising from loan commitments and financial guarantees. NAGA measures ECL and records the allowance for loan losses at each balance sheet date. The measurement of ECL reflects (a) an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, (b) the time value of money, and (c) all reasonable and supportable information available without undue cost or effort at the end of each reporting period about past events, current conditions, and projections of future conditions.

The carrying amount of financial assets is reduced using an allowance account.

Debt securities measured at amortized cost are presented in the balance sheet net of the allowance for ECL.

For debt instruments at FVOCI, an allowance for ECL is recognized in profit or loss and affects the gains or losses recognized in OCI rather than the carrying amount of these instruments.

Expected losses are recognized and measured using one of the two following approaches: general approach or simplified approach.

For trade and other receivables, NAGA applies the simplified approach permitted by IFRS 9, under which the expected losses are to be recognized in relation to the total term from the initial recognition of the financial assets.

For all other financial assets subject to impairment under IFRS 9, Naga applies the general approach - a three-step impairment model.

**Stage 1:**

A financial instrument that is not creditworthy at initial recognition is classified in Level 1. For financial assets in Level 1, the ECL is measured at an amount equal to the portion of the lifetime ECL arising from default events that occur within the next 12 months or until the contractual maturity date, whichever is shorter ("12-month ECL").

**Stage 2:**

If NAGA identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is moved to Level 2 and its ECL is assessed based on the total duration of the instrument, - to contractual maturity, taking into account expected prepayments - ,if any ("Lifetime ECL").

**Stage 3:**

If NAGA determines that a financial asset is no longer creditworthy, the asset is transferred to Level 3 and its ECL is assessed as lifetime ECL. NAGA's definition of credit-impaired assets and the definition of default are explained in Financial Risk Management.

### Financial assets - reclassification

Financial instruments are only reclassified if the business model for managing these assets changes. The reclassification is prospective and takes place from the beginning of the first reporting period after the change.

### Financial assets - amortization

Financial assets are written off in full or in part when NAGA has exhausted all practical remediation efforts and has concluded that there is no reasonable prospect of recovery. The write-off is a derecognition event. NAGA may write off financial assets that are still subject to foreclosure activities if the Company wishes to collect amounts contractually due but there is no reasonable expectation of collection.

### Financial assets - modification

NAGA sometimes renegotiates or otherwise changes the contractual terms of financial assets. The Group assesses whether the change in contractual cash flows is material, taking into account, among other factors, the followin: new contractual provisions that significantly affect the risk profile of the asset (e.g., profit sharing or equity-based return), material change in interest rate , change in currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of credit when the borrower is not in financial difficulty.

### Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at banks and cash held with liquidity providers. Cash and cash equivalents are carried at amortized cost because: (a) they are held to collect contractual cash flows and these cash flows represent SPPI, and (b) they are not designated at FVTPL.

### Financial assets at amortized cost

These are held for the purpose of collecting NAGA's contractual cash flows and their cash flows represent payments of principal and interest only. Accordingly, they are measured at amortized cost using the effective interest method less impairment losses. Financial assets measured at amortized cost are classified as current assets if they are due within one year or less (or if they have a longer maturity, in the normal operating cycle). If not, they are recognized as non-current assets.

### Financial liabilities - measurement categories

Financial liabilities are initially measured at fair value and classified as at amortized cost, except for (a) financial liabilities at FVTPL. This classification relates to derivatives as well as financial liabilities held for trading (e.g. short positions in securities) and potential consideration by an acquirer in a business combination and other financial liabilities designated as such upon initial recognition, and (b) financial guarantee contracts and loan commitments.

## Trade accounts payable and other liabilities

Trade accounts payable and other liabilities are measured initially at fair value and subsequently at amortized cost using the effective interest method.

## Customer funds

Customer funds are not recognized as assets because they are not resources controlled by the Company and the significant risks and rewards of ownership of these funds remain with the customer.

The following table shows the carrying amounts and fair values by measurement category of financial instruments as of December 31, 2021 and December 31, 2020

| in kEUR | Carrying amount 12/31/2021 | Fair Value 12/31/2021 | Carrying amount 12/31/2020 | Fair Value 12/31/2020 |
|---|---|---|---|---|
| Financial assets measured at amortized cost | 41,944 | 41,944 | 8,330 | 8,330 |
| Financial assets at fair value through profit or loss (derivatives). | 9,379 | 9,379 | 7,017 | 7,017 |
| Financial liabilities at fair value through profit or loss (derivatives and other) | 982 | 982 | 1,751 | 1,751 |
| Financial liabilities measured at amortized cost | 5,469 | 5,469 | 6,672 | 6,672 |

**Financial assets measured at amortized cost:**
This item includes cash and cash equivalents, trade receivables and other financial assets. They are measured at amortized cost using the effective interest method. Interest amounting to kEUR 0 (previous year: kEUR 17) 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, as well as default or payment delays are taken into account as an indicator of the existence of impairment.

**Financial assets/liabilities at fair value through profit or loss:**
These two items include derivative assets and liabilities. Any gains or losses on these items are recognized as revenue (see Note 7.p).

**Financial liabilities measured at amortized cost:**
This category includes trade accounts payable and other financial liabilities. They are measured at amortized cost using the effective interest method.

## 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 has to report annually to the Cypriot banking supervisory authority whether the measures established for the protection of customer funds are appropriate and complied with.

The assets held in trust by NAGA as of December 31, 2021 amount to kEUR 31,841 (previous year: kEUR 21,784).

## b) 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.

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 the 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**

NAGA is mainly exposed to market price risk from fluctuations in foreign currencies, commodities and equity instruments due to open positions in CFDs held by Naga Markets as a counterparty with its customers, which are classified as derivative financial instruments in the statement of financial position. NAGA itself does not take proprietary positions based on the expectation of market movements, but takes positions with liquidity providers to financially hedge a portion of its open client contracts on a trade-by-trade basis.

To manage price risk, the Group has a formal risk policy set by the management of Naga Markets Ltd (hereinafter "NM Management"), which includes limits or a method for setting limits for each individual financial market in which the Company trades, as well as for specific market groups and markets, and for groups of financial instruments that NM Management considers to be correlated. NM management continuously monitors the Company's exposure to these limits.

NAGA benefits from a number of factors that also reduce the volatility of its revenues and protect it from market shocks, such as the diversification of its client base and product range, as NAGA acts as a market maker in a number of trading instruments (mainly CFDs on foreign currency pairs, equities, commodities and indices). This diversification of the product offering tends to result in reduced concentration risk within the market risk portfolio. During the year ended December 31, 2021, the Group traded with a large number of customers from various countries. This large international client base has a number of different trading strategies that result in the Corporation enjoying a hidden level of natural hedging between clients. This "portfolio net effect" leads to a significant reduction in the Group's net market risk.

Another factor that is continuously considered and monitored in connection with the risk limits is the own funds that NAGA must maintain in accordance with the requirements of the local regulatory authorities. This relates to the subsidiary Naga Markets and CySEC.

NAGA's price risk is primarily dependent on short-term market conditions and customer activity during the trading day, and therefore the exposure at each balance sheet date may not be representative of the price risk the Company faces over the year.

**Foreign currency risks**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the U.S. dollar. The Company's management continuously monitors exchange rate fluctuations and acts accordingly. The Company is mainly exposed to foreign currency risk due to its foreign currency CFD positions.

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 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 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 its predominant activity as a market maker, the Group is not exposed to any significant risk 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, 2021, the Group is exposed to the following credit risks, broken down by category:

| in kEUR | 12/31/2021 | 12/31/2020 |
|---|---:|---:|
| Trade receivables | 1,557 | 1,536 |
| Other current assets | 41,183 | 8,578 |
| - Thereof derivatives | 9,379 | 7,017 |
| - thereof financial | 31,804 | 1,561 |
| Cash and cash equivalents | 8,583 | 5,233 |
| **Total** | **51,323** | **15,347** |

In the financial year 2020, a specific valuation allowance of kEUR 100 was recognized on another financial asset. In fiscal year 2021, a specific valuation allowance of kEUR 440 was recognized on a trade receivable. Reference is made to Notes 7.d) and 7.x).

**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 effect. Where the liabilities are interest-bearing, no discounting is applied.

| 12/31/2021<br>in kEUR | less than 1 year | Between 1 and 2 years | between 2 and 5 years | more than 5 years |
|---|---|---|---|---|
| Liabilities to shareholders | 48 | 0 | 0 | 0 |
| Other liabilities (financial nature) | 1,185 | 0 | 0 | 0 |
| Leasing liabilities | 0 | 0 | 0 | 0 |
| Trade accounts payable | 4,236 | 0 | 0 | 0 |
| **Total** | **5,469** | **0** | **0** | **0** |

| 12/31/2020<br>in kEUR | less than 1 year | Between 1 and 2 years | Between 2 and 5 years | more than 5 years |
|---|---|---|---|---|
| Liabilities from convertible loans to shareholders | 120 | 2,060 | 0 | 0 |
| Liabilities to shareholders | 3,080 | 549 | 0 | 0 |
| Other liabilities (financial nature) | 615 | 0 | 0 | 0 |
| Leasing liabilities | 4 | 0 | 0 | 0 |
| Trade accounts payable | 1,044 | 0 | 0 | 0 |
| **Total** | **4,859** | **2,609** | **0** | **0** |

The changes in liabilities from financing activities are as follows:

| in kEUR | 01/1/2021 | Change from capital flows | New contracts | Other | 12/31/2021 |
|---|---|---|---|---|---|
| Liabilities to shareholders and members of the Board of Management | 3,629 | -3,629 | 0 | 48 | 48 |
| Liabilities from convertible loans | 0 | 7,593 | 0 | -7,593 | 0 |
| Liabilities from convertible loans to shareholders | 1,933 | 0 | 0 | -1,933 | 0 |
| Current lease liabilities | 4 | -118 | 113 | 1 | 0 |
| **Total** | **5,566** | **3,846** | **113** | **-9,477** | **48** |

| in kEUR | 01/1 2020 | Change from capital flows | New contracts | Other | 12/31/2 020 |
|---|---|---|---|---|---|
| Liabilities to shareholders and members of the Board of Management | 3,629 | 0 | 0 | | 3,629 |
| Liabilities from convertible loans to sharehold-ers | 0 | 2,000 | 0 | -67 | 1,933 |
| Non-current lease liabilities | 31 | -31 | 0 | | 0 |
| Current lease liabilities | 94 | -91 | 0 | 1 | 4 |
| **Total** | **3,754** | **1,878** | **0** | **-66** | **5,566** |

The cash-effective changes are taken into account accordingly in the cash flow statement as part of the cash flow from financing activities. Changes in cash and cash equivalents also include interest payments. In the financial year 2021, the other changes mainly relate to the conversions of convertible loans.

**Capital Management**

NAGA is in a growth and development phase. Capital management is therefore focused on financing further expansion through equity and debt instruments. In addition to securing sufficient financing for planned sales activities, this includes further investment in software developments.

On March 8, 2021, NAGA entered into a master agreement with Yorkville Advisors Global LP, New Jersey, USA, for the issuance of (non-interest-bearing) convertible bonds with a total nominal value of up to EUR 25 million within a time frame of three years. Under the terms of the agreement, Yorkville undertakes to subscribe to the convertible bonds issued by The NAGA Group AG under certain conditions. The issuance of the first tranche of convertible bonds (hereinafter: "Convertible Bond 2021/2022") on the issue date March 15, 2021 comprised a total nominal value of EUR 8 million. The framework agreement allows for further issuances of tranches in the amount of EUR 17 million.

In addition, the Cypriot banking regulator CySEC requires a minimum equity ratio for the Cypriot subsidiary Naga Markets. Compared to last year, the approach has changed, which was calculated as the ratio of own funds to total risk exposures and requires a minimum of 8% plus a capital conservation buffer of 2.50% and a variable percentage for an institution-specific countercyclical capital buffer. Now, own funds must be available in accordance with certain limits, comprising the sum of Common Equity Tier 1 capital, Additional Tier 2 capital and Tier 2 capital. 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 regulators 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.

The following items measured at fair value are reported in the consolidated statement of financial position:

| | 12/31/2021 | | | 12/31/2020 | | |
|---|---|---|---|---|---|---|
| in kEUR | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Assets** | | | | | | |
| Derivative financial instruments | **9,379** | **0** | **0** | **7,017** | **0** | **0** |
| | | | | | | |
| **Debt** | | | | | | |
| Derivative financial instruments | **982** | **0** | **0** | **1,202** | **0** | **0** |
| Other liabilities | **0** | **0** | **0** | **0** | **0** | **549** |

## 10. Equity/dividends

### a) Equity

As of December 31, 2021, the subscribed capital ("share capital") amounts to EUR 54,047,924 and is divided into 54,047,924 no-par value registered shares. There are no separate preferential rights for certain shares, nor are there any restrictions on trading the shares (Section 68 AktG).

The subscribed capital developed as follows:

| | | |
|---|---|---|
| **Subscribed capital as of 06/30/2016** | | **50,001** |
| Changes in the second short fiscal year 2016 | | 0 |
| **Subscribed capital as of 12/31/2016** | | **50,001** |
| Changes in the financial year from | Cash contribution | 12,413 |
| Changes in the financial year from | Company funds | 17,975,232 |
| Changes in the financial year from | Convertible bond | 1,970,402 |
| Changes in the financial year from | IPO (initial public offering) | 1,000,000 |
| **Subscribed capital as of 12/31/2017** | | **21,008,048** |
| Changes in the financial year from | Contributions in kind | 19,195,534 |
| **Subscribed capital as of 12/31/2018** | | **40,203,582** |
| Changes in the financial year from | | 0 |
| **Subscribed capital as of 12/31/2019** | | **40,203,582** |
| Changes in the financial year from | Cash contribution | 1,846,321 |
| **Subscribed capital at 12/31/2020** | | **42,049,903** |
| Change in fiscal year from | Convertible bond | 2,000,000 |
| Change in fiscal year from | Convertible bond | 1,569,781 |
| Change in fiscal year from | Cash contribution | 8,428,240 |
| **Subscribed capital at 12/31/2021** | | **54,047,924** |

**Own shares**

In the previous year, HBS AG held 1,137,139 shares in Naga AG. These were sold in fiscal year 2021 at the price on the day the contract was concluded for a total of kEUR 600 and the treasury shares with a carrying amount of kEUR 5,526 were thus derecognized. The balance sheet result was reduced accordingly by the difference of kEUR 4,927 with no effect on profit or loss. As of December 31, 2021, the Group no longer holds any treasury shares.

**Authorized capital**

By resolution of the Annual General Meeting on October 11, 2021, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital of Naga AG in the period up to October 10, 2026, once or several times by a total of up to EUR 23,127,446.00 by issuing up to 23,127,446 new registered no-par value shares against cash and/or non-cash contributions, whereby the subscription right may be excluded (Authorized Capital 2021).

As of December 31, 2021, Naga AG has utilized the authorized capital in the amount of EUR 4,223,250.00.

**Conditional capital**

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 II).

As of December 31, 2021, Naga AG has utilized the conditional capital in the amount of EUR 3,569,781.00.

The share capital of Naga AG is further conditionally increased by resolution of the Annual General Meeting of October 11, 2021 by up to EUR 12,390,817.00 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 12,390,817 no-par value registered shares (Conditional Capital 2021).

### b) Dividends

As in the previous year, no dividend payment will be resolved or made to shareholders for fiscal 2021.

## 11. Auditor's fees

The following fees have been recognized for the services rendered by the auditor of the consolidated financial statements, Ernst & Young GmbH Wirtschafsprüfungsgesellschaft (Auditing Company), Hamburg:

| in kEUR | 2021 | 2020 |
|---|---|---|
| Annual and consolidated financial statements | 195 | 135 |

## 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:

- Benjamin Bilski, Limassol (Cyprus), Business Economist (M. Sc.), (Chairman) and Family
- Andreas Luecke, Hamburg, Lawyer, Tax Consultant and Family
- Michalis Mylonas, Nicosia (Cyprus), Managing Director, and family

Supervisory Board members and persons closely associated with them:

- Mr. Harald Patt, Friedrichsdorf, Managing Director (Chairman) and family
- Mr. Hans-Jochen Lorenzen, Hamburg, Certified Public Accountant/Tax Advisor and Family
- Mr. Robert Sprogies, Vaterstetten, Managing Director (Vice Chairman) and family
- Mr. Qiang Liu, Shanghai (China), Managing Director and Family
- Mr. Christian Angermayer, London (United Kingdom), Managing Director and family (since November 16, 2021)

As of December 31, 2021, to the Company's knowledge, Mr. Bilski or his related parties hold 2,945,441 shares, Mr. Luecke or his related parties hold 573,181 shares, Mr. Mylonas holds 3,050,570 shares, Mr. Patt holds 100,000 shares, Mr. Liu holds 147,787 shares and Mr. Angermayer or his related parties hold 800,000 shares in Naga AG.

Mr. Andreas Luecke is a member of the Management Board of Hanseatic Brokerhouse Securities AG.

Mr. Benjamin Bilski is Chairman of the Supervisory Board of Hanseatic Brokerhouse Securities AG.

A related party of Naga AG is also Fosun Fintech Holdings (HK) Ltd., Hong Kong, China, and its related shareholders, who are able to exercise a controlling influence over Naga AG due to their equity interest of 39% (previous year: 49%), a voting agreement and their representation on the Supervisory Board. The company is included in the consolidated financial statements of FOSUN International Ltd, Hong Kong, China, which are available on the Company's website (https://ir.fosun.com/corporate-reports). The ultimate controlling shareholder is Mr. Guo Guangchang.

**Compensation of the members of the Board of Management**

The members of the Executive Board of NAGA received the following short-term remuneration in fiscal 2021 and 2020, respectively:

**Remuneration of the members of the Board of Management**

| in kEUR | | 12/31/2021 | 12/31/2020 |
|---|---|---|---|
| Mr. Bilski | | | |
| | fix | 120 | 120 |
| | variable | 0 | 0 |
| Mr. Luecke | | | |
| | fix | 200 | 180 |
| | variable | 0 | 0 |
| Mr. Mylonas** | | | |
| | fix | 120 | 120 |
| | variable | 0 | 0 |
| Mr. Qureshi* | | | |
| | fix | 0 | 0 |
| | variable | 0 | 0 |
| **Total** | | **440** | **420** |

There were neither share-based payments nor entitlements from pension plans.

Yasin Qureshi, the Executive Board member who left the company on April 30, 2019, has claims to severance pay and compensation for waiting periods totaling kEUR 360 (previous year: kEUR 410) on the basis of the termination agreement concluded between him and the company on the occasion of his departure, which were settled in spring 2021. A partial payment of kEUR 50 was made in the 2020 financial year.

In addition to reimbursement of their expenses, the members of the Supervisory Board received remuneration totaling kEUR 58 (previous year: kEUR 57) for their activities in fiscal year 2021.

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

| Products and services in EUR | Received 12/31/2021 | Provided 12/31/2021 | Received 12/31/2020 | Provided 12/31/2020 |
|---|---|---|---|---|
| Board of Directors | 994,633 | 0 | 661,722 | 0 |

| Liabilities and receivables in EUR | Debt/Loan 12/31/2021 | Receivables 12/31/2021 | Debt/Loan 12/31/2020 | Receivables 12/31/2020 |
|---|---|---|---|---|
| Board of Directors | 0 | 0 | 549,395 | 25,117 |
| Fosun Fintech Holdings (HK) Ltd. | 47,609 | 0 | 3,080,000 | 0 |

| Interest in EUR | Received 12/31/2021 | Due 12/31/2021 | Received 12/31/2020 | Due 12/31/2020 |
|---|---|---|---|---|
| Shareholder | 397,609 | 47,609 | 480,000 | 135,000 |

The above figures are derived from loan and service agreements between Group companies and related parties or companies in which the latter hold a majority interest. All contracts were concluded at arm's length (reference is made to Note 7.j).

In the previous year, Naga Group's obligations to members of the Management Board related to liabilities arising from salary waivers in exchange for betterment agreements, which were repaid during the fiscal year.

In the reporting year, the Management Board members Mr. Bilski and Mr. Mylonas acquired the 1,137,139 shares in Naga AG formerly held by HBS AG. The purchase price amounted to kEUR 600.

## 13. events after the balance sheet date

The attack by the Russian Federation on neighboring Ukraine in February 2022 has led to a complete reassessment of relations at political, economic and cultural level. How the effects of the war in Ukraine and the subsequently imposed far-reaching sanctions against the Russian Federation will impact the economy and markets as a whole cannot be reliably assessed at the present time. The markets in the two countries have only a minor impact on the Group's business.

In the course of the significant price declines of all relevant cryptocurrencies since the beginning of the year, the Naga Coin (NGC) has also strongly decreased in value in the first half of 2022. As a result of these developments, the Group recognized impairment losses as of June 30, 2022 of EUR 5.6 million on the cryptocurrencies held for investment (Naga Coin) as of December 31, 2021 and of EUR 2.4 million on the cryptocurrencies held for trading (Naga Coin) as of December 31, 2021. In addition, as of June 30, 2022, the Group recognized impairment losses of EUR 3.2 million on Naga Coin holdings acquired in the first half of 2022.

As of the date of the financial statements, the Naga Coin price has continued to decline. However, the Management Board does not expect any substantial changes in the crypto market during the remainder of fiscal 2022, but does expect the Naga Coin price to recover by the end of this fiscal year, so it does not anticipate any additional significant impairment losses as of the December 31, 2022 reporting date. In addition, market making was reduced as much as possible in the second half of fiscal 2022, and Naga Coin holdings held for investment purposes were also not further increased.

Hamburg, October 13, 2022

The Naga Group AG
Board of Directors

B. Bilski A. Luecke M. Mylonas

Independent auditor's opinion

To The Naga Group AG

Audit Opinions

We have audited the consolidated financial statements of The Naga Group AG, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the group management report of The Naga Group AG for the financial year from January 1 to December 31, 2021. In accordance with German legal requirements, we have not audited the content of the responsibility statement of the legal representatives included in section 6 of the group management report.

In our opinion, based on the findings of our audit, the consolidated financial statements are as follows

- the accompanying consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e (1) HGB and give a true and fair view of the financial position of the Group as of December 31, 2021, and of its financial performance for the fiscal year from January 1 to December 31, 2021 in accordance with these requirements.

- the accompanying Group management report as a whole provides a suitable view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the above-mentioned responsibility statement.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the propriety of the consolidated financial statements and the group management report.

**Basis for the audit judgments**

We conducted our audit of the consolidated financial statements and the group management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those provisions and standards is further described in the section "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report" of our auditor's report. We are independent of the Group companies in accordance with German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the group management report.

**Note highlighting a matter - Significant impairments of recognized cryptocurrencies after the balance sheet date (Naga Coin).**

We refer to section "13. Events after the balance sheet date" in the notes to the consolidated financial statements and " 4.1 Forecast report of the Group" in the Group management report, in which the Executive Board describes that in the course of the significant price declines for all relevant cryptocurrencies since the beginning of the year, the Naga Coin (NGC) has also lost significant value in the first half of 2022. As a result of these developments, the Group recognized impairment losses as of June 30, 2022 of EUR 5.6 million on the cryptocurrencies held for investment (Naga Coin) as of December 31, 2021 and of EUR 2.4 million on the cryptocurrencies held for trading (Naga Coin) as of December 31, 2021. In addition, as of June 30, 2022, the Group recognized impairment losses of EUR 3.2 million on Naga Coin holdings acquired in the first half of 2022.

As of the date of the preparation of the financial statements, the Naga Coin price has continued to decline. The Board of Directors does not expect any substantial changes in the crypto-market during the remainder of fiscal year 2022, but does expect the Naga Coin price to recover by the end of this fiscal year, so it does not expect any additional significant impairments as of the reporting date of December 31, 2022.

Our audit opinions on the consolidated financial statements and the group management report have not been modified with respect to this matter.

**Other information**

The Supervisory Board is responsible for the Report of the Supervisory Board. Otherwise, the legal representatives are responsible for the other information. The other information comprises the above-mentioned assurance by the legal representatives in accordance with Section 297 (2) sentence 4 HGB and Section 315 (1) sentence 5 HGB, as well as the following other components intended for the annual report, which are expected to be made available to us after the audit opinion has been issued, in particular:

- the report of the Supervisory Board and
- the letter from the Executive Board to the shareholders

but not the consolidated financial statements, the group management report disclosures included in the substantive audit, and our audit opinion thereon.

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit, we have a responsibility to read the other information and, in doing so, evaluate whether the other information is

- materially inconsistent with the consolidated financial statements, the group management report or our knowledge obtained in the audit, or
- otherwise appear to be materially misrepresented.

**Management's Responsibility for the Consolidated Financial Statements and the Group Management Report**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law. § The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with German principles of proper accounting and with Sec. 315e (1) HGB and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for accounting on a going concern basis unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position, is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the arrangements and measures (systems) that it determines are necessary for the preparation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion and provide a basis for our audit opinion.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the Group management report.

**Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report**

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and with our audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise professional judgment and maintain a critical attitude. In addition

- Identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

The risk of material misstatement not being detected is higher for noncompliance than for misstatement because noncompliance can involve fraud, forgery, intentional omissions, misrepresentations, or override of internal controls;

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and the arrangements and actions relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems;

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- we conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may prevent the Group from continuing as a going concern;

- We assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB;

- Obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for directing, monitoring, and Conducting the audit of the consolidated financial statements. We are solely responsible for our audit opinions;

- We assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the view it conveys of the Group's position;

- We perform audit procedures on the forward-looking statements made by management in the group management report. Based on sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by management and assess the appropriateness of the reasoning behind the forward-looking statements made on the basis of these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

Hamburg, 14. October 2022

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

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| Möbus | Klimmer |
| Wirtschaftsprüfer | Wirtschaftsprüfer |