NAGA

ANNUAL REPORT 2020

Table of Contents

Letter to the shareholders

Dear Shareholders,
dear friends and supporters of NAGA,

We can look back on a very successful fiscal year 2020: The NAGA Group was able to increase its consolidated revenues to EUR 24,353 thousand (previous year: EUR 7,619 thousand) and significantly improve consolidated EBITDA to EUR 6,570 thousand (previous year: EUR -9,167 thousand). Via our FinTech platform, we recorded new highs in trading volume and the number of real money transactions. Trading volume almost tripled to EUR 121 billion (previous year: EUR 41 billion) and the number of transactions more than doubled to 6.3 million (previous year: 2.9 million), as did the number of active users.

Following the restructuring of the NAGA Group completed in 2019, the successful fiscal year 2020 represents an important interim step for further sustainable growth in 2021 and the following years. In 2020, we have freed ourselves from all legacy burdens from the restructuring and can thus fully focus on our growth targets in 2021.

2021: Strong expansion of Group sales and Group EBITDA expected – record figures achieved in HY1
The pleasing business development from 2020 is continuing in the current fiscal year with accelerated growth momentum. In the first half of 2021, NAGA posted new record values in the core KPIs. Trading revenues increased by almost 100% to EUR 23.2 million (HY1 2020: EUR 11.7 million). Both trading volume at EUR 132 billion (HY1 2020: EUR 50 billion) and the number of real money transactions at 4.8 million (HY1 2020: 2.9 million) more than doubled year-on-year. New registrations expanded particularly strongly: Here, we recorded an increase of 263% to 167,000 (HY1 2020: 46,000). As a result, we reached another important milestone – 1 million registered customers. In addition, the number of copied trades tripled to 2.8 million (HY1 2020: 0.6 million).

This strongest half-year in our company's history underpins our ambitious annual forecast for 2021: we expect a further significant increase in consolidated sales to a range of EUR 50 - 52 million with consolidated EBITDA of between EUR 13 - 15 million.

NAGA expands globally – exciting product updates coming soon
The focus in 2021 will be on three strategic cornerstones:

Firstly, we will continue our increased investment in marketing and sales with the aim of raising awareness of NAGA and attracting customers globally. In the U.S., we applied to OTC Markets Group to cross-trade NAGA shares on the OTCQX Venture market in early April 2021. OTC Markets operates the world's largest electronic interdealer quotation system for U.S. broker-dealers and provides multiple media channels to increase the visibility of OTC-traded companies. We aim to increase visibility and access to NAGA stock for North American investors, thereby expanding the investor base and volume in NAGA stock. For you, dear shareholders, nothing will change as a result. Trading on the U.S. OTCQX market starting in August will have no impact on existing NAGA common shares, and no new shares will be issued as part of the cross-trade.

Second, we are focusing on further improving platform quality and user experience. This will enable us to further extend our competitive advantages in 2021 and subsequent years. The positive feedback from our users will feed into exciting product updates that we will announce in the coming quarters.
In 2020, we successfully launched NAGA Pay and NAGA Pro. The neo-banking app NAGA Pay combines the offering of a prepaid credit card, a European IBAN bank account with limits of up to EUR 200,000 per year and complete banking features, such as SEPA transfers. In addition to real-time money transfers and money management, NAGA customers can trade over 400 equity securities from nine global stock exchanges free of charge, as well as copy other top traders with one click.

The NAGA Popular Investor Program (NPI for short) is brand new. It is aimed specifically at users who already run their own trading community, are aiming for a career as a professional trader or want to build up a business model in trading. NAGA offers NAGA Popular Investors a base monthly compensation and a lucrative performance package if certain criteria are met, creating a unique „digital influencer" model. The NPI is a tool for traders, professionals and for business models around trading that bring or build their community/followers. We want to grow together with our customers.

Third: NAGA's global expansion is progressing successfully. In fiscal 2020, we started to identify and develop further growth markets. Currently, we already have offices in Cyprus, Nigeria (two training centers in Port Harcourt and Lagos) and Thailand. Applications for licenses to start business in Australia (Sydney), South Africa (Cape Town), and Vietnam are currently underway.

We have secured the growth capital required for this on the one hand via the cash capital increase placed in 2020 and on the other hand via the framework agreement concluded with the US fund Yorkville Advisors at the beginning of 2021.
In June/July 2020, we placed 1,846,321 New Shares at EUR 2.50 per share, increasing NAGA's share capital to EUR 42,049,903.00 and raising growth capital of EUR 4.6 million.
The framework agreement with Yorkville includes growth financing of up to EUR 25 million. Yorkville has agreed to subscribe to our convertible bonds under

certain conditions. A first tranche of EUR 8 million was already issued at the end of March 2021.

Clear upward trend also for NAGA shares
Our share also continued its growth course, which started in 2020, with strong momentum in 2021. At its peak in 2021, the NAGA share was already trading above the EUR 9 mark with a significant increase in trading volume: From January to April 2021, stock exchange turnover (XETRA) almost doubled compared to the previous year, despite the fact that the previous year was characterized by the COVID 19 pandemic and the considerable turbulence on the international financial markets.

Despite this strong price performance, analysts believe that the NAGA share has further upside potential. Our share is covered by the renowned analysts Hauck & Aufhäuser Research, GBC Research and SMC Research. The coverage supports NAGA in increasing transparency and makes it possible to show the future opportunities of the NAGA Group to further private and institutional investors.

Thanks to
We would like to thank our shareholders for their trust in NAGA. The successes achieved in 2020 were only the beginning of our growth story, which is impressively underpinned by our high growth speed. We will continue to strengthen our position as a social neo-broker and investment platform and strongly expand our competitive advantages over the competition.

Last but not least, our thanks go to all NAGA employees. It is only thanks to their energetic commitment that we can achieve our growth targets. In addition, we would like to thank all partners who support us in the expansion of the NAGA group of companies, especially abroad.

With kind regards

Benjamin Bilski Andreas Luecke Michalis Mylonas

Report of the Supervisory Board

Dear Shareholders,

2020 was a record year for The NAGA Group AG: with consolidated revenues of EUR 24,259 thousand (previous year: EUR 6,223 thousand), a consolidated EBITDA of EUR 6,546 thousand (previous year: EUR -9,167 thousand) was achieved. Trading volume almost tripled to EUR 120 billion (previous year EUR 44 billion), transactions climbed to 6.3 million (previous year 2.9 million) and the number of active users also more than doubled during the year. While many industries and companies suffered from the negative impact of the COVID-19 pandemic in 2020, it acted as an additional growth driver for NAGA due to the high volatility on the international financial markets.

For 2021, we expect a further significant increase in consolidated revenues to a range of EUR 50 - 52 million with a consolidated EBITDA between EUR 13 - 15 million. NAGA posted new record figures in the first quarter of 2021 with triple-digit growth rates in the core KPIs. These are promising prospects. For further strategic statements and details on the business development, please refer to the Letter to Shareholders and the Group Management Report of the Executive Board.

Cooperation between the Supervisory Board and the Executive Board

In the year under review, the Supervisory Board of The NAGA Group AG again performed the duties incumbent upon it under the law, the Articles of Association and the Rules of Procedure with great care. In the 2020 financial year, for example, the Supervisory Board continuously monitored the management activities of the Executive Board and regularly advised it on the management of the company. In doing so, the Supervisory Board was always able to satisfy itself that the work of the Executive Board was legal, expedient and proper. The Executive Board fulfilled its duties to provide information and regularly informed the Supervisory Board, both outside and within the joint meetings, about the business development, net assets, liquidity and financial position of The NAGA Group AG and all Group companies, the Group's business policy and strategic orientation, profitability, risk situation and risk management system, and corporate planning, including the financial, investment and personnel planning of all Group companies.

In 2020, the joint consultations focused on growth and strategic issues. In particular, the Chairman of the Supervisory Board continuously coordinated his activities with the Executive Board. In particular, business transactions of importance to the company were intensively discussed and checked for plausibility on the basis of oral and written reports from the Executive Board. The Supervisory Board gave its approval to individual business transactions where this was required by law, the Articles of Association and/or the Rules of Procedure of the Executive Board (see below under „Meetings and resolutions of the Supervisory Board"). In this way, the Supervisory Board was always involved in all significant business transactions at an early stage.

Meetings and resolutions of the Supervisory Board

In the year under review, five regular meetings were held on February 6, May 28, June 25 (meeting to approve the financial statements for fiscal year 2019), August 12, and October 26, 2020. Against the background of the COVID 19 pandemic that has been rampant since spring 2020, the majority of these meetings were held as telephone/video conferences. The Supervisory Board had a quorum at all meetings, and at least one member of the Executive Board was also present. Two representatives of the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, were also present at the meeting to approve the financial statements.

The Executive Board and Supervisory Board focused on continuing and intensifying the growth initiated in 2019 by means of strategic realignment. In addition to the development and introduction of growth projects such as NAGA Pay and NAGA Pro, this involved the development and expansion into new markets (including China, Australia and South Africa) as well as the cash capital increase resolved on June 29, 2020 (for details, see below).

In detail, the Supervisory Board dealt with the following topics at its joint meetings with the Executive Board, or passed the following resolutions by written procedure:

- At the first meeting of the reporting year on February 6, 2020, the Executive Board reported to the Supervisory Board on the development of the NAGA Group in fiscal year 2019 and presented the business, liquidity and financial planning for fiscal year 2020.

- On May 28, 2020, the Executive Board and Supervisory Board discussed the 2020 Annual General Meeting and decided to hold it as a virtual Annual General Meeting without the physical presence of shareholders. Another key topic of the Supervisory Board meeting was the discussion of possible capital measures to raise further growth capital for the NAGA Group.

- The Supervisory Board meeting on June 25, 2020, primarily served to approve the financial statements for fiscal 2019. In addition, the Executive Board and Supervisory Board decided on the agenda for the 2021 Annual General Meeting.

- On June 29, 2020, the Supervisory Board approved by way of a circular resolution the resolution proposal of the Executive Board to implement a cash capital increase with subscription rights for shareholders using the Authorized Capital 2018 by an amount of up to EUR 2,000,000.00. A total of 1,846,321 New Shares were placed at EUR 2.50 per share. NAGA's share capital increased accordingly from EUR 40,203,582.00 to EUR 42,049,903.00 (as per commercial register entry on July 24, 2020).

- At the meeting on August 12, 2020, the Executive Board and Supervisory Board resolved to postpone the Annual General Meeting to September 25, 2020 and to make adjustments to the agenda already adopted.

- In addition to the report of the Executive Board on the current business development of all NAGA Group companies, the establishment of the subsidiary Naga Markets Australia PTY Ltd. to develop the Australian market was on the agenda at the last meeting of the reporting year on October 26, 2020.

Committees
The Supervisory Board continues to refrain from forming committees. This would not result in any efficiency gains; the Supervisory Board deals efficiently with all issues in plenary session.

Composition of the Supervisory Board and Executive Board
There were several changes in the composition of the Supervisory Board in the reporting year:
Mr. Stefan Schulte resigned from the Supervisory Board with effect from May 18, 2020, in a letter dated May 2, 2020. Mr. Wieslaw Bilski resigned from the Supervisory Board in a letter dated July 31, 2020, with effect from the end of the Annual General Meeting on September 25, 2020. The vacancies were not filled, as the Annual General Meeting approved the proposed reduction in the size of the Supervisory Board from six to four members with corresponding amendments to the Articles of Association.
Accordingly, since the end of the 2020 Annual General Meeting, the Supervisory Board has been composed of its Chairman Harald Patt, his Deputy Robert Sprogies, and the members Hans-Jochen Lorenzen and Qiang Liu.

There were no personnel changes on the Management Board of The NAGA Group AG in 2020. It consisted unchanged of Benjamin Bilski (NAGA founder & CEO), Andreas Luecke and Michalis Mylonas.

Audit of annual and consolidated financial statements
The auditor of the annual financial statements and the auditor of the consolidated financial statements for the 2020 financial year, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, elected by the Annual General Meeting on September 25, 2020, audited the consolidated financial statements prepared by the Executive Board in accordance with IFRS, including the Group management report, and the annual financial statements of The NAGA Group AG prepared in accordance with the German Commercial Code (HGB), and issued an unqualified audit opinion in each case.

All members of the Supervisory Board were provided with the auditor's audit reports and the aforementioned financial statement documents with sufficient advance notice of the Supervisory Board meeting to approve the financial statements on July 26, 2021. At the meeting convened to approve the financial statements, the auditor's representative reported on the main findings of his audit, specifically addressing the key audit areas previously defined. No significant weaknesses in the internal control system and the risk management system were reported. In addition, the auditor's representative was available to answer supplementary questions and provide information to the Supervisory Board. The audit reports and the 2020 financial statement documents were discussed in detail with the Executive Board. The Supervisory Board concurs with the results of the audit. Following the final results of its own examination, no objections are to be raised. The Supervisory Board approved the 2020 consolidated and annual financial statements prepared by the Executive Board. The annual financial statements of The NAGA Group AG for the 2020 financial year are thus adopted.
This Supervisory Board report was also discussed and resolved at the Supervisory Board meeting to approve the financial statements. Another item on the agenda of the balance sheet meeting was the agenda for the 2021 Annual General Meeting, which is to be held on September 23, 2021 once again as a virtual Annual General Meeting without the physical presence of shareholders. The ongoing COVID 19 pandemic and the uncertainties regarding its further course do not provide any scope for holding an Annual General Meeting in person.

Thanks to
2020 was a very challenging year for all NAGA employees* due to the COVID 19 pandemic. Thanks to their commitment, The NAGA Group AG successfully overcame the challenges and developed very strongly in the reporting year. The Supervisory Board would like to expressly thank all NAGA employees for their hard work and high level of personal commitment. We would also like to thank the Executive Board for its consistently trusting and constructive cooperation. The restructuring completed in 2019 has now been reflected in the strong expansion of the NAGA Group for 9 quarters in a row.

Hamburg, July 26, 2021

The Supervisory Board

Harald Patt
Chairman of the Supervisory Board

Group Management Report

Group Management Report

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, 2020, 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.

1. FUNDAMENTALS OF THE GROUP

1.1. Business model of the Group

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

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

The scope of consolidation of the Group as of December 31, 2020 includes the following companies:

Company	**Shareholdings**	
	31.12. 2020	**31.12. 2019**
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 Brokers GmbH, Hamburg	-	72.16%
Easyfolio GmbH, Frankfurt am Main	-	100%
Naga Global Ltd., Sankt Vincent & Grenadines	100%	100%
NAGA GLOBAL (CY) LTD., Limassol, Cyprus	100%	100%
NAGA Global (NG) LTD., Lagos, Nigeria	99 %	99 %
NAGA FINTECH CO., LTD., Bangkok, Thailand	100 %	100 %
Naga Pay GmbH, Hamburg (since April 30, 2020)	100 %	0 %
NAGA Markets Australia PTY Ltd, Eastwood, Australien (since Dec. 31, 2020)	100 %	0 %

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. The companies p2pfx GmbH, Zack Beteiligungs GmbH and Naga Blockchain GmbH were merged into Naga Technology GmbH in the previous year. 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 restructuring and focusing on the core product Naga Trader, 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 online brokerage. HBS initially held 100% of Naga Brokers GmbH in fiscal year 2020, but the latter was merged into HBS retroactively as of January 1, 2020. HBS specializes in the marketing of CFD trading accounts and the creation of corresponding training content.

- Easyfolio GmbH, Frankfurt am Main, a financial investment broker with an IHK license and the oldest robo advisor on the German market, was deconsolidated as of April 30, 2020 (disposal on May 7, 2020).

- Naga Pay GmbH, Hamburg, Germany, developed the neo-banking app NAGA Pay in 2020, which was launched on Google and Apple on November 15, 2020. The app offers users a free IBAN account, Mastercard and crypto wallet via fully digital onboarding. The company has not commenced operations beyond this in 2020.

- NAGA Markets Australia, Eastwood, Australia, was established with registration on August 19, 2020. However, the start of the Australian business activity can only take place in 2021 after the licenses applied for have been granted. In connection with this, NAGA aims to open a local branch in Sydney.

- Naga Global Ltd. („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 CAPITAL (NG) Ltd, and NAGA FINTECH CO. Ltd, serve as subsidiaries of Naga Global Ltd. and support its business activities in the area of customer acquisition and through internal services and the establishment/operation of training centers.

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 EUR 186k was fully impaired as of December 31, 2020.

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 any branches, but provide a trading platform for CFDs, Forex, ETFs, stock indices and shares on the Internet. Through the direct connection from Naga Trader, the group offers both a traditional and a „social trading" service.

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.

In addition to the brokerage area, the development of blockchain-based technology will play an increasingly important role at NAGA in the future. This is intended, among other things, to realize the global financial inclusion targeted by the Group across all assets, products and continents.

With the cooperation partner Naga Development Association Ltd., Belize City/Belize, („NDAL") the Naga Wallet as well as the Naga Exchange („NagaX"), are operated as further business segments.

In 2020, the neo-banking app NAGA Pay was developed, which for the first time combines mobile banking, trading, social trading and cryptocurrency trading and offers users a free IBAN account, a Mastercard and a crypto wallet via fully digital onboarding. The app is currently undergoing extensive revisions and is expected to be re-released in the third quarter of 2021.

NAGA Pro has been launched as another growth project. NAGA Pro is aimed specifically at users who already run their own trading community, aspire to a career as a professional trader or want to build a business model in trading. NAGA offers NAGA Pro users a basic monthly fee and a lucrative performance package if they meet certain criteria, thus creating a unique „digital influencer" model.

In addition, NAGA held its first „Alpha Trading Event" on September 30, 2020, which was attended by 1,500 students from 16 countries. Given its success and NAGA's new in-house recording studio, the Alpha Trading Event will be followed by regular digital workshops and other events to provide quality education to novice traders.

a) Locations

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

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

b) Products, services, platforms and business processes

in the NAGA Group combine the topics of stock exchange (securities) and Bitcoin (cryptocurrencies). Via the Group's own platform Naga Trader, derivatives, shares, commodities, foreign exchange and cryptocurrencies can be traded from a computer or mobile via iOS and Android. The customer has the option, to compile their own portfolios, share their own trades with the community and be copied by other customers or copy successful traders in turn. Furthermore, it is possible to develop your own trading-strategy with a trading robot.

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 its distribution policy, the

Group focuses on online marketing, affiliate marketing, distribution partners and fully automated customer acquisition processes.

d) General conditions
NAGA's business model is particularly dependent on the development of the capital and financial markets and on the overall European economic situation. High volatility on the financial markets ensures many actively trading customers and thus leads to a high number of transactions 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 achieving positive EBITDA (earnings before interest, taxes, depreciation, and amortization).

Financial targets of the Group

Taking into account the reporting date of December 31, 2020, the targets for the future include an increase in trading revenues and an increase in EBITDA. Furthermore, a stable development of cash and cash equivalents and 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 area is being steadily expanded and improved. Strong growth 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.

NAGA is meeting the overall economic challenges primarily through organic growth thanks to its high willingness to innovate, although it is also observing opportunities for inorganic growth as they arise.

1.3. Value-oriented management and controlling system

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

For the internal management of the Group, attention is paid to EBITDA, as this represents a solid metric for further measures.

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 allow changes to be identified at an early stage so that countermeasures can be initiated in good time.

Corporate planning is based on the level of the Group as a whole and on 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 management. 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 2,510 (previous year: kEUR 1,717). This corresponds to approximately 10.3% of sales. Capitalized additions to intangible assets amounted to kEUR 1,964 (previous year: kEUR 770). The development activities mainly resulted in the expansion of the functionalities as well as the increase of the stability of the Naga Trader App and the corresponding web application, respectively. Costs for the development of the NEO banking app NAGA Pay in the amount of kEUR 352 have been capitalized. The financial significance of these development results for the Group is assessed as very high by the management.

With a programming company from Sarajevo/Bosnia, 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

Global production slumped by 3.6% in the Corona year 2020. After a drastic decline in the first half of 2020, global economic output recovered sharply in the third quarter of 2020, followed by another major step in the final quarter of 2020. While East Asian countries in particular had either already returned to their growth path by the end of 2020

(China) or were only less than 1% away from pre-crisis levels (Japan and Korea), a second wave of infection in winter led to renewed production losses in the USA and above all Europe.

The COVID 19 pandemic also left its mark on the German economy in 2020. Gross domestic product (GDP) fell by 4.9% year-on-year. With the first nationwide lockdown in spring 2020, the German economy suffered a historic 9.7% slump in the second quarter of 2020. The gradual withdrawal of the containment measures in summer 2020 initially led to an 8.5% increase in economic output in the third quarter. However, the recovery that had begun was slowed in the final quarter of 2020 by the second Corona wave and the renewed lockdown at the end of the year. The lockdown measures were reflected in a historic decline in private consumer spending (-6.1%), while that of the government increased by 3.3%, ostensibly contributed to by the procurement of protective equipment and hospital services. Gross fixed capital formation also recorded a sharp decline (-3.1%). Exports (-9.4%) and imports (-8.5%) also declined. The German labor market was not left unscathed by the corona crisis either: At the end of 2020, 44.8 million people were in employment, a year-on-year decline of 1.6%.

Capital Markets

2020 will long be remembered by investors on the international financial markets as one of the most memorable years in history. At the beginning of 2020, Germany's leading index, the DAX, had climbed to a new record high. When, in mid-February 2020, it became clear that the coronavirus, which had previously spread in China, had developed into a global pandemic with initial illnesses in Europe, global stock indices plummeted. Within two weeks, the DAX fell from over 14,000 points to below 9,000. However, this was followed by an equally remarkable and historically rapid recovery in the midst of the COVID 19 pandemic. Pandemic winners were technology stocks, online retailers, delivery services and medical technology manufacturers, while tourism stocks posted sharp losses. At the end of 2020, the DAX even reached a new high, closing the year at 13,718.78 points, a gain of around 4% on the start of the year. The M-DAX recorded a price gain of 8.8% over the year, the Tec-DAX +6.3%. The technology-heavy US Nasdaq 100 index closed 2020 at 12,888 points, marked by a record rally in the second half of the year, with a strong annual gain of 48%. Electric car maker Tesla (+743%), home fitness specialist Peleton Interactive (+434.2%), and vaccine developer Moderna (+434.1%) posted the strongest gains. The S&P 500 and the Dow Jones managed a price gain of + 13% and + 5%, respectively.

This exceptional year on the stock market, with its high volatility, has strongly fueled interest in shares. In Germany, the number of shareholders rose to its highest level in 20 years in 2020. According to the Deutsches Aktieninstitut (DAI), 12.35 million people owned shares in companies and/or equity funds - almost 2.7 million more than a year earlier.

In the area of foreign exchange markets, the euro surpassed the $1.23 mark at the end of 2020 for the first time since spring 2018, benefiting from the weakness of the dollar. The increased risk appetite of investors has resulted in declining demand for the dollar as a global reserve currency. Over the year as a whole, the euro outperformed the US dollar by a strong 9.1%.

At +0.5%, the increase in consumer prices in 2020 was lower than in the previous year (+1.4%). In addition to the temporary reduction in VAT rates, the low annual rate of inflation was primarily attributable to lower energy prices (-4.8%).

2.2. Business performance and position of the Group

In contrast to the previous year 2020, expenses and income in connection with the hedging of trades are reported as „trading costs“ in the financial year under review, as the separate disclosure provides a more transparent presentation of trading revenues and the hedging costs associated with them. In addition, this form of presentation is customary in the industry. The change in presentation was also made retrospectively, which is why trading revenues increased by kEUR 1,396 to kEUR 5,618 in the 2019 financial year. At the same time, trading costs are reported at the same level, so there was no effect on earnings.

The NAGA Group successfully concluded the 2020 financial year with an increase in consolidated sales to kEUR 24,353 (previous year: kEUR 7,619) and an expansion of consolidated EBITDA to kEUR 6,570 (previous year: kEUR -9,167). The consolidated net result for the year improved significantly from kEUR -13,377 in the previous year to kEUR 2,021.

After the restructuring of the NAGA Group was successfully completed in the previous year, the focus in 2020 was on growth topics. The strategy of marketing NAGA globally through increased investments in marketing and sales, as well as focusing on customer support and platform quality, has brought the first clearly positive effects: As of the balance sheet date December 31, 2020, NAGA managed customer assets of EUR 21,784 (previous year: kEUR 17,556), corresponding to an increase of 24%. The number of customers increased significantly from 25,376 to 43,646. At the same time, the number of active users more than doubled over the course of the year. The average number of active users per month increased to 10,549 (previous year: 5,090). The trading volume more than tripled to EUR 120 billion in 2020 (previous year: EUR 41 billion).

NAGA's platform offering was further expanded with the launch of NAGA Stocks in March 2020, NAGA Pro in May 2020, and the neo-banking app NAGA Pay in November 2020.

With the opening of new NAGA offices in Thailand and Nigeria, the NAGA group of companies has continued its global expansion strategy. The aim is to be closer to the customer with an increased global presence, to diversify the customer structure and thus to minimize cluster risks for specific regions and markets. At the same time, this approach also reduces customer acquisition costs.

For the targeted growth and to gain further market shares, NAGA has secured growth capital of

EUR 4.6 million in fiscal year 2020 via the cash capital increase resolved by the Executive Board and Supervisory Board on June 29, 2020 and successfully placed in July 2020. A total of 1,846,321 New Shares were placed at EUR 2.50 per share. NAGA's share capital increased accordingly from EUR 40,203,582.00 to EUR 42,049,903.00 (as per commercial register entry on July 24, 2020).

For NAGA, the successes achieved in 2020 are an important interim step for further strong growth in 2021 (see 4.1 Group Forecast Report).

The NAGA Group responded early to the COVID 19 pandemic and adapted very quickly. The company has set up a full remote working environment while ensuring that the platform works 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 available at all times. There was no negative impact of the COVID 19 pandemic on the business performance and success of the NAGA group of companies in fiscal year 2020.

In addition, the Annual General Meeting on September 25, 2020 approved, among other things, the reduction of the Supervisory Board from six to four members. Mr. Stefan Schulte resigned from the Supervisory Board with effect from May 18, 2020, in a letter dated May 2, 2020. Mr. Wieslaw Bilski resigned from the Supervisory Board with effect from the end of the Annual General Meeting on September 25, 2020 in a letter dated July 31, 2020.

Results of operations Group

Sales development

NAGA generated revenues from its brokerage business („trading revenues"). These are mainly generated in the European and non-European regions. The brokerage business in the non-European region continued to expand strongly in the 2020 financial year.

Trading revenues increased sharply by kEUR 18,641 year-on-year to kEUR 24,259. This positive development is attributable to the high volatility on the capital markets as a result of the Corona pandemic and extensive marketing activities in 2020.

The Group was able to achieve a trading volume of approximately EUR 120 billion in 2020 (previous year: EUR 41 billion).

Apart from trading revenues, no service revenues were generated in connection with the NDAL in the past financial year. Service revenues decreased by a further kEUR 1,907 to kEUR 94 (previous year: kEUR 2,001).

Due to the strong increase in trading revenues, total operating performance in the 2020 financial year amounted to kEUR 26,317 (previous year: kEUR 8,398).

Capitalized programming services

The capitalized programming services of kEUR 1,964 (previous year: kEUR 779) in 2020 relate in particular to Naga Trader with kEUR 1,612. The capitalization rate for development costs in 2020 is 78% (previous year: 45%).

Other operating income

Other operating income increased by kEUR 1,323 to kEUR 1,490 (previous year: kEUR 167). The increase is due in particular to reversals of sales tax liabilities at Naga Markets.

Personnel expenses

Personnel expenses decreased further in the Group by kEUR 470 to kEUR 4,119 (previous year: kEUR 4,589). The reduction is mainly related to the restructuring of the Group.

Marketing expenses

Marketing and advertising expenses amounting to kEUR 6,614 (previous year: kEUR 2,455) increased significantly compared to the previous year, as significantly more marketing expenses were allocated to the Naga products. In particular, marketing activities were concentrated on the non-European market in order to expand it.

Other operating expenses

Other operating expenses decreased from kEUR 4,828 in 2019 to kEUR 4,516 in the reporting year. They mainly include legal and consulting fees of kEUR 1,972 (previous year: kEUR 1,295).

The slight reduction in other operating expenses mainly relates to the reduction in third-party services, travel expenses and rental expenses.

EBITDA development

EBITDA was positive in the past financial year at kEUR 6,570 (previous year: negative kEUR 9,167). This profit is mainly the result of the strong increase in trading revenues, even though operating expenses increased by kEUR 2,759 compared to the previous year.

Depreciation, amortization and write-downs

Depreciation and amortization for 2020 totaled kEUR 3,780 (previous year: kEUR 3,015). Of this amount, the main part relates to the scheduled depreciation of Swipy technology in the amount of kEUR 1,269 (previous year: kEUR 1,269). Furthermore, the Naga Trader was amortized in the amount of kEUR 881 (prior year: EUR 543). 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 write-down of acquired customer relationships in the amount of kEUR 561. In addition, 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 -655 in the 2020 financial year (previous year: EUR -125). Financial expenses in the Group amounted to kEUR 683 in the 2020 financial year (previous year: kEUR 132) and were attributable in particular to shareholder loans and the convertible loan in the amount of kEUR 480 and to the compounding of the convertible loan 2020/2022 in the amount of kEUR 157.

Income taxes and deferred taxes

The income tax expense of kEUR 113 (previous year: kEUR 151) results mainly from the recognition of deferred tax liabilities on internally generated intangible assets. This was offset by deferred tax income from the recognition of deferred tax assets on loss carryforwards of HBS AG and the scheduled amortization of the customer base. The capitalization of deferred taxes on loss carryforwards of HBS AG results from the latest planning calculation, according to which the loss carryforwards have a greater value than assumed in the previous year.

Result for the period

In the 2020 financial year, net profit for the period improved significantly by kEUR 15,398 from kEUR -13,377 in the previous year to kEUR 2,021. The main reason for this was the sharp rise in trading income.

Inflation and exchange rate effects did not have a significant impact on earnings in fiscal year 2020.

Financial position Group

Ensuring comfortable liquidity at all times and the operational management of cash flows are top priorities in financial management. Inflation and exchange rate effects did not have a significant impact on the financial position in the 2020 financial year.

The capital structure of the Group is as follows:

in %	31.12. 2020	31.12. 2019	Change
Equity ratio	86.1	88.5	-2.4
Debt ratio	13.9	11.5	2.4
Debt-equity ratio	16.1	13.0	3.1

Despite the positive result for the period and the capital increase carried out in 2020, the equity ratio decreased slightly by 2.4 percentage points to 86.1%. This is due to further borrowing and the associated increase in total assets by kEUR 10,855 to kEUR 129,834. The additional borrowing is also the reason for the increase in the gearing ratio to 16.1%.

In the 2020 financial year, a positive operating cash flow of kEUR 3,685 (previous year: kEUR -2,402) was generated.

in kEUR	2020	2019
Cashflow from operating activities	3,685	-2,402
Cashflow from investing activities	-7,293	-1,014
Cashflow from financing activities	5,689	2,874
Cash and cash equivalents at the beginning of the period	3,152	3,694
Cash and cash equivalents at the end of the period	**5,233**	**3,152**

Investments of kEUR 7,293 (previous year: kEUR 1,014) mainly relate to intangible assets.

Cash and cash equivalents increased by kEUR 2,081 from kEUR 3,152 to kEUR 5,233 as a result of the positive operating cash flow and the borrowing and capital increase.

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

in kEUR	31.12. 2020	31.12. 2019	Change
Means of payment	5,233	3,152	2,081
less current liabilities	14,390	9,422	4,968
Subtotal	-9,157	-6,270	-2,887
Plus current assets	10,660	6,104	4,556
Surplus / shortfall	**1,503**	**-166**	**1,669**

As of the balance sheet date, the Company's current liabilities are exceeded by its current assets and cash and cash equivalents by an amount of kEUR 1,503.

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

in kEUR	31.12. 2020	31.12. 2019	Change
Equity	111,802	105,294	6,508
Plus medium- and long-term debt	3,641	4,213	-572
Less medium- and long-term committed assets	113,497	109,679	7,080
Surplus / shortfall	**1,946**	**-172**	**-1,144**

Medium- and long-term assets are covered to 99% (previous year: 96%) by equity.

Net assets Group

NAGA's net assets developed as follows in fiscal year 2020:

in kEUR	31.12. 2020	31.12. 2019	Change
Assets	**129,834**	**118,979**	**10,856**
Non-current assets	113,497	109,679	3,818
Current assets	16,338	9,300	7,038
Liabilities	**129,834**	**118,979**	**10,854**
Equity	111,802	105,294	6,508
Non-current liabilities	3,641	4,213	-572
Current liabilities	14,390	9,472	4,918

The increase in non-current assets by kEUR 3,818 is mainly due to capitalized customer acquisition costs and development costs.

Current assets include receivables from NDAL amounting to kEUR 1,446 (previous year: kEUR 1,446). Furthermore, receivables from derivatives amounting to kEUR 7,017 (previous year: kEUR 4,217) are included. In addition, current assets as of December 31, 2020 include credit balances in PayPal accounts, debit cards and credit balances in cryptocurrencies to an insignificant extent.

Non-current loans decreased despite the inclusion of a convertible loan and higher deferred tax liabilities because the loan granted by the main shareholder of Naga AG in the previous year is to be reported as current as of December 31, 2020, as it has a remaining term of less than one year.

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

NAGA had adjusted its 2020 full-year guidance via ad-hoc release on July 27, 2020, following the presentation of strong preliminary half-year 2020 figures. The company had expected significant growth in consolidated revenues to a range between EUR 22 and EUR 24 million as well as EBITDA between EUR 5.5 million and EUR 6 million.

NAGA even slightly exceeded these adjusted forecast values with consolidated sales of kEUR 24,353 (previous year: kEUR 7,619) and consolidated EBITDA of kEUR 6,570 (previous year: kEUR -9,167). 2020 was a very successful business year for NAGA and at the same time an important interim step for further strong growth in 2021.

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

In their Joint Economic Forecast of April 15, 2021, the leading German economic research institutes expect global output to grow by 6.3% in 2021, followed by +4.1% in 2022.
The ongoing Corona crisis is delaying the recovery of the German economy in 2021. While the leading economic research institutes had anticipated a 4.7% increase in German GDP for 2021 in their fall forecast, they now only expect +3.7%. Easing steps for the second nationwide lockdown, which has been in place since November 2020, are not expected until May 2021 at the earliest. Accordingly, the first quarter of 2021 was still characterized by a 1.8% decline in economic output. In the course of the gradual easing of the containment measures, a strong expansion of economic activity is expected for the summer half-year, especially in the service sectors particularly affected by the pandemic. However, there are considerable downside risks with regard to the further development of the pandemic (concerning the supply of vaccines and testing in the event of bottlenecks and delays, along with the threat of setbacks due to the emergence of new virus mutations).

The forecast period used here relates to the fiscal year 2021 and is twelve months. Only continuing operations are included in the forecast, with no further activities that may be added. These internal forecasts are based on our best estimates and reflect the latest developments in fiscal year 2021.

For the NAGA Group, the Executive Board expects a significant increase in consolidated revenues to EUR 50 million to EUR 52 million and a consolidated EBITDA in a range of EUR 13 million - EUR 15 million for the current fiscal year 2021.

This ambitious annual forecast is underpinned by the record growth already achieved in the first half of 2021. NAGA closed the first quarter of 2021 with record results and triple-digit growth rates in its core KPIs. Group revenues expanded by 69% to EUR 11.7 million in Q1 2021 (Q1 2020: EUR 7 million). Trading volume more than doubled to EUR 59 billion (Q1 2020: EUR 23 billion). New registrations increased by 480% to 93,000 in Q1 2021 (Q1 2020: 16,000), resulting in the achievement of another important milestone of 1 million registered customers for NAGA.

The COVID 19 pandemic, with its high volatility on the international financial markets, continues to be an additional growth driver for NAGA. As previously described under 2.1 Macroeconomic and sector-specific conditions in the section on capital markets, the high volatility in 2020 on the international financial markets has led to a significant increase in interest in the capital market in Germany.

To increase awareness of the NAGA group of companies and its products/solutions, the focus in 2021 will be on further investments in marketing, sales and expansion. In addition to existing subsidiaries in Cyprus, China, Thailand and Nigeria, NAGA aims to start business in Australia, South Africa and Vietnam once licenses have been granted. In addition, product updates will be announced in the coming quarters to further improve platform quality and user experience. Along the way, NAGA continues to strengthen its position as a social neo-broker and investment platform. NAGA's growth rate, compared to competitors and private FinTech players, underpins significant upside potential going forward.

NAGA secured the growth capital required for the company's expansion most recently in June/July 2020 with the cash capital increase, but above all with 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. A first tranche of the convertible bond with a volume of EUR 8 million was already issued at the end of March 2021.

Forecast of significant financial performance indicators

Trading revenue
Developments in the first quarter of 2021 indicate a continuation of the strong growth that began last year. Trading revenues have amounted to kEUR 10,167 by March 31, 2021. This already corresponds to approximately 42% of the trading revenues for the entire year 2020. Due to the global expansion of the customer base, we also expect strongly increasing trading revenues for the current financial year compared to the previous year.

Service revenues
It is expected that service revenues will increase significantly compared to the previous year. The main reason for this is the fact that customers are increasingly closing their trades by using the fee-based copy and autocopy function of the NAGA Trader app.

EBITDA
Based on the strong increase in trading revenues and the reduction in costs as a result of the restructuring, we again expect EBITDA to rise sharply in 2021.

Result for the period
We expect net profit for the period in fiscal year 2021 to increase only slightly compared with the past fiscal year. Depreciation and amortization will increase significantly in the future due to the capitalization of customers acquired from partners. While the financial result is expected to increase slightly due to the interest charges for the liabilities taken on, we anticipate a sharp rise in tax expense as a result of the utilization of tax loss carryforwards.

Forecast of significant non-financial performance indicators

As a result of the global expansion of our business, we expect a sharp rise in customer numbers and higher trading volumes compared with the past fiscal year.

4.2. Risk Report

The effects of the coronavirus (COVID-19) must also be classified as a risk for the Group. Unfortunately, it is not possible to estimate the extent to which this risk will affect NAGA. In addition, there are other risks such as a renewed escalation in the trade dispute between the USA and China or geopolitical tensions, for example between the USA and Iran.

In addition, there is a risk of impairment of the intangible assets recognized in the balance sheet. These are linked to the operating results of the Group. A significant deterioration in the operating business may lead to an impairment of the goodwill included in the intangible assets.

Our business model is influenced by many factors, including legal and macroeconomic conditions, the maintenance of permits and licenses, and cooperation agreements with our business partners or 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.

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. The Board of Management incorporates the emerging opportunities and potential risks into its business and risk strategy and adjusts it accordingly as required. At NAGA, monitoring and managing risks are a central component of the company's management tools.

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

For the overall and comprehensive assessment, limitation and management of risks, NAGA has also established a staff unit that has assumed the Group-wide tasks of the risk controlling function in accordance with 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.

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, the Executive Board has access to an overview showing selected key figures (e.g. EBITDA or trading revenues) of NAGA are presented.

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

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

Risk extent	Impact on business activities, net assets, financial situation, earnings situation 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	damaging impact > EUR 1 million EBITDA individual risk

d) Management and limitation of market price risks

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

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

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

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

In addition to the comprehensive measures regarding the monitoring of the Group's market risks, appropriate measures are also taken to manage the other risk categories to which NAGA is exposed 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. Also, deficiencies in data availability, errors or functional problems in the software used and/or server failures caused by hardware or software errors, accidents, sabotage, phishing or for other reasons could lead to considerable image and market disadvantages as well as possible compensation payments for the Group.

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 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. This way, the trading servers were available at all times.

2) Personnel risks

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

3) Legal risks

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

In particular, there is the risk of a fine being imposed by the German Federal Financial Supervisory Authority („BaFin“). At the current 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 was an open legal dispute concerning a service fee with an amount in dispute of kEUR 25.

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.

Since 2020, NAGA has been increasingly focusing on customer support and improving platform quality. By means of targeted investments in the user experience around social trading, NAGA will further expand its competitive advantages in 2021 and the following years. The social trading business is a very strong growth business. The positive user feedback on NAGA‘s unique platform feeds into product updates that will be announced in the coming quarters. NAGA thus ensures that it can always identify changes in customer behavior in good time and respond 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 degree of risk until the ongoing Group restructuring is completed.

i) Country risks

NAGA is increasingly growing globally. In addition to existing subsidiaries in Cyprus, Thailand and Nigeria, NAGA is aiming to start business in Australia, South Africa and Vietnam 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

So far, the corona virus has had a positive impact on the NAGA Group's business development. The high volatility on the stock markets and the increased interest on the capital market, in addition to the decision to make higher investments in the marketing, sales and expansion of the NAGA Group to increase awareness, were drivers of the extremely positive business development in the reporting year and in the current fiscal year 2021. The focus on customer support and the improvement of platform quality has brought the first clear effects. NAGA has now been on a sustainable growth path for nine quarters and recorded triple-digit growth rates in its core KPIs in the first quarter of 2021. NAGA will continue to expand its competitive advantages in 2021 and the following years through further investments in the user experience around social trading. Positive user feedback on NAGA's unique platform will be incorporated into product updates to be announced in the coming quarters.

As a result of the recent expansion steps, NAGA now has local branches in Bangkok (Thailand) and Nigeria (training centers in Port Harcourt and Lagos) in addition to Cyprus. In addition, approval processes are currently underway for the start of business operations in Australia (planned branch in Sydney), South Africa (planned branch in Cape Town) and Vietnam. The development of these growth markets offer tremendous opportunities for the NAGA Group to expand its global customer base, thereby increasing consolidated revenues and significantly boosting the company's valuation. In fiscal year 2020, coverage was initiated by the analysts of Hauck & Aufhäuser Research. This means that coverage is now provided by three renowned analyst firms (in addition to Hauck & Aufhäuser, these are GBC Research and SMC Research). All three analyst firms recommend buying the NAGA share with price targets of EUR 7 to EUR 8.90. In the meantime, the NAGA share has already approached the EUR 8 mark. The coverage supports NAGA in increasing transparency and makes it possible to show further private as well as institutional investors the future opportunities of the NAGA group of companies, which facilitates the implementation of future capital measures and increases their chances of success.

Following the successfully placed cash capital increase in June/July 2020, in which NAGA was able to secure growth capital of EUR 4.6 million, a framework agreement was concluded with the US fund Yorkville Advisors in February 2021 for growth financing of up to EUR 25 million ((non-interest-bearing) convertible bonds). Yorkville has agreed to subscribe to the convertible bonds issued by The NAGA Group AG under certain conditions. A first tranche of EUR 8 million was already issued at the end of March 2021.

In the U.S., NAGA is also seeking to increase awareness via cross-trading of the company's shares on the OTCQX Venture market filed with OTC Markets Group in early April 2021. OTC Markets operates the world's largest electronic interdealer quotation system for U.S. broker-dealers and provides multiple media channels to increase the visibility of OTC-traded companies. The goal is to increase visibility and access to NAGA stock for North American investors, thereby expanding the investor base and volume in NAGA stock. The commencement of trading on the U.S. OTCQX market in mid-June 2021 will have no impact on existing NAGA common shares, and no new shares will be issued as part of the cross-trade. Furthermore, this will not result in any additional reporting obligations. The cross-trade will be provided via OTC Markets Group Inc. in New York, USA.

The app NAGA Pay, developed and launched in 2020, offers great growth potential. The app 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. In addition to real-time money transfers and money management, NAGA customers can trade over 400 equity securities from nine global stock exchanges free of charge, as well as copy other top traders with one click. The offering is completed with the integration of NAGA Wallet as well as NAGAX, allowing customers to buy and sell physical cryptocurrencies and make blockchain-based deposits and withdrawals with NAGA Pay. During the third quarter of 2021, a relaunch of the NAGA Pay app will take place with the new banking partner CONTIS. Through additional functionalities, the attractiveness of the app is to be significantly increased once again compared to the previous version.

Another growth catalyst is NAGA Pro, which is targeted at users who already run their own trading community, are aiming for a career as a professional trader, or want to build a business model in trading. NAGA offers NAGA Pro users a base monthly compensation and a lucrative performance package if they meet certain criteria, creating a unique „digital influencer" model. With NAGA Pro, NAGA clearly differentiates itself from the competition. NAGA Pro is a tool for traders, professionals and for business models around trading that bring or build their community/followers. The goal is that NAGA offers people or entrepreneurs a platform for their own growth and grows together with them.

The global growth of NAGA is to be accelerated, not least with the Alpha Trading Event launched in 2020. NAGA aims to establish itself as an innovative provider of digital financial education. The „Alpha Event", which will be held for the first time on September 30, 2020, will be followed by regular digital workshops and other events to provide high-quality education for beginners in trading.

Against this backdrop, NAGA's Executive Board expects a significant group revenue expansion to EUR 50 million - EUR 52 million in 2021 as well as an increase in EBITDA to a range of EUR 13 million - EUR 15 million. NAGA has all the attributes to successfully participate in the fast-growing international FinTech market. The successful rollout and digital marketing strategy in combination with the unique symbiosis of a trading and social media platform will lead to further strong revenue growth and an increasing EBITDA margin in the coming years.

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

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

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

5. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELATED TO THE CONSOLIDATED FINANCIAL REPORTING PROCESS

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

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

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.

6. OTHER INFORMATION

Responsibility statement by the legal representatives (balance sheet oath)

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

Hamburg, June 30, 2021

The NAGA Group AG
Board of Directors

Benjamin Bilski   Andreas Luecke   Michalis Mylonas

Consolidated Financial Statements

Consolidated balance sheet

as of December 31, 2020

	Notes	31.12.2020 kEUR	31.12.2019 kEUR
ASSETS			
Non-current assets			
Intangible assets	6.a)	112,268	108,832
Property, plant and equipment	6.b)	509	238
Rights of use	6.c)	41	163
Financial investments and other assets	6.d)	146	194
Deferred tax assets	6.i)	533	252
Total non-current assets		**113,497**	**109,679**
Current assets			
Contract assets	6.e)	399	0
Trade receivables	6.e)	1,536	1,484
Other current assets	6.d)	2,094	336
Tax receivables	6.f)	59	111
Receivables from derivatives	6.g)	7,017	4,217
Cash and cash equivalents	6.h)	5,233	3,152
Total current assets		**16,338**	**9,300**
Total assets		**129,834**	**118,979**

	Notes	31.12.2020 kEUR	31.12.2019 kEUR
LIABILITIES			
Equity			
Subscribed capital		42,050	40,204
Capital reserve		100,632	97,992
Balance sheet result		-24,970	-26,226
Equity attributable to the shareholders of the parent company		**117,712**	**111,969**
Non-controlling interests		-383	-1,148
Own shares		-5,526	-5,526
Total equity	**10.**	**111,802**	**105,294**
Non-current liabilities			
Liabilities to shareholders and members of the Board of Management	6.j)	549	3,629
Liabilities from convertible loans to shareholders	6.j)	1,933	0
Deferred tax liabilities	6.i)	1,159	552
Leasing liabilities	6.l)	0	31
Total non-current liabilities		**3,641**	**4,212**
Current liabilities			
Trade accounts payable		1,044	853
Liabilities to shareholders	6.j)	3,080	0
Other current liabilities	6.k)	8,194	7,121
Leasing liabilities	6.l)	4	94
Liabilities from derivatives		1,202	252
Tax liabilities	6.m)	7	668
Other accrued liabilities	6.n)	860	434
Total current liabilities		**14,390**	**9,422**
Contractual liabilities	6.o)	0	50
Total liabilities		**18,031**	**13,684**
Total equity and liabilities		**129,834**	**118,979**

Consolidated Statement of Comprehensive Income

from January 1 to December 31, 2020

	Notes	01.01. - 31.12.2020 kEUR	01.01. - 31.12.2019 kEUR
Trading revenue	6.p)	24,259	5,618
Service revenues	6.p)	94	2,001
Revenues		**24,353**	**7,619**
Capitalized programming services	6.q)	1,964	779
Total output		**26,317**	**8,398**
Direct expenses of trading revenues	6.t)	2,347	1,339
Trading costs	6.u)	1,131	1,396
Gross profit		**22,838**	**5,663**
Other operating income	6.r)	1,490	167
Development expenses	6.s)	2,510	1,717
Personnel expenses	6.v)	4,119	4,589
Marketing and advertising expenses	6.w)	6,614	2,455
Allowance for doubtful accounts from deliveries and services	6.x)	0	1,410
Other operating expenses	6.w)	4,516	4,828
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**6,570**	**-9,167**
Depreciation		3,594	2,745
Amortization of investments (previous year: goodwill)		186	270
Operating result (EBIT)		**2,789**	**-12,182**
Financial income	6.y)	28	7
Financial expenses	6.y)	683	132
Earnings before taxes (EBT)		**2,134**	**-12,307**
Income taxes (expense (+) / income (-))	6.z)	-148	151
Deferred tax assets (expense (+) / income (-))	6.z)	261	919
Profit for the period / total comprehensive income		**2,021**	**-13,377**
Of the consolidated net income, the following are attributable to			
Shareholders of the parent company		1,256	-12,002
Profit attributable to non-controlling interests		765	-1,375
Earnings per share in EUR	**8.**		
Undiluted		0.03	-0.31
Diluted		0.03	-0.31

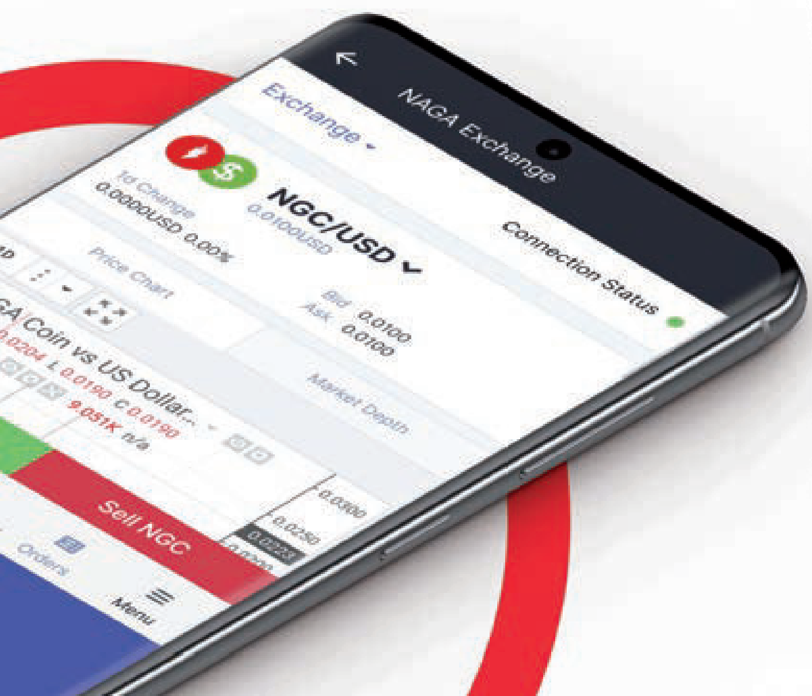

NAGA
ACADEMY
DAILY ANALYSIS
NAGA MESSENGER
NAGA CARD
TUTORIALS
NETFLIX
COMMISSIONS
NAGA STOCKS
MULTILINGUAL
WEBINARS
DAILY SIGNALS
AUTOCOPY
NAGA
Auto Copy

Consolidated statement of changes in equity

from January 1 to December 31, 2020

	Subscribed Capital kEUR	Capital reserve kEUR	Balance sheet result kEUR
Status as of 31.12.2018	**40,204**	**97,993**	**-14,404**
Acquisition of remaining shares in Easyfolio GmbH	0	0	211
Additions Subsidiaries	0	0	-33
Profit for the period/total comprehensive income for the period 01.01.2019 - 31.12.2019	0	0	-12,002
Status as of 31.12.2019	**40,204**	**97,993**	**-26,227**
Capital increase	1,846	2,500	0
Convertible bond issue	0	139	0
Profit for the period/total comprehensive income for the period 01.01.2020 -31.12.2020	0	0	1,257
Status 31.12.2020	**42,050**	**100,632**	**-24,970**

	Equity attributable to shareholders of the Shareholders kEUR	Shares of non Controlling Shareholders kEUR	Own shares kEUR	Total kEUR
	123,792	**439**	**-5,525**	**118,704**
	211	-211	0	0
	-33	0	0	-33
	-12,002	-1,375	0	-13,377
	111,969	**-1,147**	**-5,525**	**105,293**
	4,346	0	0	4,346
	139	0	0	139
	1,257	764	0	2,021
	117,712	**-383**	**-5,525**	**111,802**



Consolidated Cash Flow Statement

from January 1 to December 31, 2020

	Notes	1.1.-31.12.2020 kEUR	1.1.-31.12.2019 kEUR
Cash flow from operating activities			
Earnings before income taxes		**2,134**	**-12,307**
Depreciation, amortization and impairment of non-current assets	6.a)&b)	3,780	3,015
Financial income and financial expenses	6.y)	655	125
Taxes		0	-1,070
Disposal result		-21	0
Other non-cash income and expenses		0	1,410
		6,549	**-8,828**
Cash flow before changes of net working capital			
Decrease in provisions		430	-508
Increase (-) / decrease (+) in trade receivables		-73	201
Increase (-) / decrease (+) in other assets		-4,942	0
Increase (+) / decrease (-) in trade accounts payable and other liabilities		2,183	6,777
Income taxes paid		-461	-43
Operating cash flow		**3,685**	**-2,402**
Cash flow from investing activities			
Proceeds from the disposal of subsidiaries, net of cash disposed of	3.	62	0
Proceeds from disposals of financial assets		70	79
Payments for investments in intangible assets	6.a)	-6,858	-947
Cash outflows for investments in financial assets	6.b)	-208	-11
Payments made for investments in property, plant and equipment	6.b)	-359	-135
Investing cash flow		**-7,293**	**-1,014**
Cash flow from financing activities			
Repayment of financial liabilities		-122	-123
Cash inflows from the raising of loans/convertible bond	6.j)	2,000	3,000
Capital increase	10.a)	4,346	0
interest paid		-535	-3
Financing cash flow		**5,689**	**2,874**
Net increase in cash and cash equivalents and cash equivalents		**2,081**	**-542**
Cash and cash equivalents at the beginning of the period	6.h)	3,152	3,694
Cash and cash equivalents at the end of the period	**6.h)**	**5,233**	**3,152**

Notes to the consolidated financial statements

Notes to the consolidated financial statements

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). As of December 31, 2020, the shares of Naga AG are listed on the Frankfurt Stock Exchange in the over-the-counter market in the „Scale" segment.

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

The consolidated financial statements were submitted to the Supervisory Board for publication on July 23, 2021. Following publication, there is generally no possibility of amending the consolidated financial statements.

2. BASICS OF THE SETUP

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

3. SCOPE OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of The Naga Group AG and its subsidiaries as of December 31, 2020.

The scope of consolidation has changed compared to fiscal year 2019 in that Naga Pay GmbH, Hamburg, has been added to the scope of consolidation as of April 30, 2020, and Naga Markets Australia Pty Ltd, Norwood, Australia, as of December 31, 2020. Both companies were established by NAGA in the 2020 financial year.

Easyfolio GmbH, on the other hand, was deconsolidated as of April 30, 2020. In the course of the disposal, a consideration of kEUR 211 was received, which consisted entirely of cash and cash equivalents.

Furthermore, the subsidiary Naga Brokers GmbH was merged into the subsidiary Hanseatic Brokerhouse Securities AG with retroactive effect as of January 1, 2020. Accordingly, Hanseatic Brokerhouse Securities AG has taken over the business activities of Naga Brokers GmbH (Internal Services).

Company access Naga Pay GmbH

Naga Pay GmbH (Naga Pay) is a limited liability company incorporated under the laws of Germany, registered in the Commercial Register of the District Court of Hamburg under registration number HRB 162653. Naga Pay was incorporated on April 23, 2020.

Naga Pay released a mobile banking and investing app on the Google and Apple App Store on November 15, 2020.

Overview of the scope of consolidation of NAGA as of December 31, 2020

Company	Main business activity	Shareholdings 31.12. 2020	Shareholdings 31.12. 2019
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 %

Company	Main business activity	Shareholdings 31.12. 2020	Shareholdings 31.12. 2019
Naga Brokers GmbH, Hamburg	Internal services	-	72.16 %
Easyfolio GmbH, Frankfurt am Main	Investment brokerage	-	100 %
Naga Global Ltd., Sankt Vincent & Grenadines	Securities Trading	100 %	100 %
NAGA GLOBAL (CY) LTD., Limassol, Cyprus	Internal services	100 %	100 %
NAGA CAPITAL NG) LTD., Lagos, Nigeria	Distribution Company	99 %	99 %
NAGA FINTECH CO., LTD., Bangkok, Thailand	Distribution Company	100 %	100 %
Naga Pay GmbH, Hamburg	mobile bank	100 %	-

As in the previous year, there were no joint arrangements or associated companies as of December 31, 2020.

The functional currency of all subsidiaries is EUR.

The shareholdings correspond to the voting rights.

4. ESTIMATES AND ASSUMPTIONS AS WELL AS ACCOUNTING AND VALUATION METHODS

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

Estimation uncertainties and accounting policies relating to the individual balance sheet items are presented in Note 6 for the respective balance sheet item and in Note 9 for financial management.

In the 2020 financial year, NAGA has adjusted the statement of comprehensive income so that, contrary to the previous year, „Trading costs“ are reported separately. In addition, a new interim result „Gross profit“ has been added. Both adjustments – with no impact on the result for the period – were also made retrospectively for fiscal 2019, affecting the statement of comprehensive income for fiscal 2019 as follows:

in kEUR	Before adjustment	Adjustment	After adjustment
Trading revenue	4,222	1,396	5,618
Revenues	6,223	1,396	7,619
Trading costs	0	1,396	1,396
Gross profit	n/a		5,663
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-9,167	0	-9,167
Operating result (EBIT)	-12,182	0	-12,182
Earnings before taxes (EBT)	-12,307	0	-12,307
Net profit/loss for the period/total comprehensive income	-13,377	0	-13,377

Trading costs are expenses or income in connection with the hedging of customer trades. In particular, the separate disclosure provides a more transparent presentation, as the trading revenues now show the value added that NAGA alone generates by entering into trades. In the previous presentation, this was not clearly recognizable, as it was mixed with effects from hedging high-risk transactions. Furthermore, in the opinion of the management, the new presentation is more comparable with that of the main competitors.

The new interim result „Gross profit“ shows the value added of the Group taking into account directly attributable costs in connection with trading („Direct expenses of trading revenues“) as well as expenses and income from hedging trades („Trading costs“). In addition, „gross profit“ includes „capitalized programming services“, which are an indicator for the further development of the platforms.

Furthermore, the deferred expenses in the amount of kEUR 44, which were recognized as prepaid expenses in the balance sheet in the previous year, are reported as other assets.

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 December 31, 2020 and December 31, 2019 reporting dates, one CGU, the brokerage business, was identified. The brokerage business included all activities related to brokerage of contracts for differences („CFDs") and equities 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 the 2020 financial year. 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 annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (impairment test), based on the CGU to which the goodwill is allocated. 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, 2020 and December 31, 2019, there is goodwill at the Brokerage CGU.

The impairment test for the 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 determined cost of capital rate. The planning covers the subsequent years for a period of 3 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 online brokerage business since the restructuring in the first half of 2019.

The main assumptions made in this context 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 CGU 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 planning parameters were based on the actual values determined for these parameters in the period April 1, 2020 – March 31, 2021 (hereinafter „historical values"). The Executive Board considers the above-mentioned reference period to be representative, as the Company was in a restructuring phase until the end of 2019 and the first quarter of 2020 was characterized by the positive special effects of the Covid 19 pandemic described above.

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 plat-form (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 conversion rate „Signup to MAU" was assumed to be 9.00% (previous year 15.00%) 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 4.45% (previous year: 14.90%), this would result in an impairment for CGU 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.

Based on historical data, revenue per trade was assumed to average EUR 3.44 (previous year EUR 2.50) over the next 3 fiscal years.

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 1.87 (previous year: EUR 2.47), this would result in an impairment for CGU Brokerage.

Acquisition costs per customer (Customer Acquisition Costs = „CAC")

This parameter refers to the average cost of acquiring new customers. In this value, all registrations 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 60 - 70 (previous year EUR 95 - 105).

If the CAC rose to more than EUR 160-180 (previous year EUR 100-110), depending on the target region, this would result in an impairment for 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 6.29 %. (previous year: 7.76 %).

When calculating the sensitivities of the impairment test, even an increase in the discount rate after tax to 14.29% (i.e. +8.00 percentage points) (PY: 8.1% or +0.34 percentage points) would not have resulted in any impairment requirement for the Brokerage cash-generating unit.

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 its business to grow strongly in the detailed planning period. Growth in new target markets outside the EU (in particular Southeast Asia and Australia) is of particular importance. In these target markets, the company expects growth rates to be significantly higher than those in the EU markets in which the company has been active to date.

Furthermore, the planning takes into account significant measures to improve the cost structure that the company initiated at the beginning of fiscal 2019.

With regard to the Brokerage CGU with attributable 5.2 million), unforeseeable changes in key planning assumptions that go beyond the changes described above in the context of the sensitivity analyses could lead to a material impairment of goodwill. This relates in particular to the assumptions made with regard to sales, 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 the management's assessment that the technical and economic feasibility has been demonstrated. In the past fiscal year, the NAGA Trader App, which was launched on the market in 2016, was further developed in key areas and equipped with a total of 18 new functionalities, including the historical display of the customer's trades, expansion of the base currencies to include additional cryptocurrencies and expansion of payment transactions by adding new payment service providers. Against this background, the management sees the technical and economic feasibility as given.

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, 2020 was kEUR 3,659 (prior year: kEUR 2,576).

c) 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 burden.

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 10,399 (previous year: kEUR 22,818). 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 HBS AG have taxable temporary differences or tax planning opportunities, some of which may result in the recognition of deferred tax assets. For this reason, deferred tax assets of kEUR 530 (previous year: kEUR 249) were recognized for tax loss carryforwards at HBS AG. They are capitalized on the basis of the tax result planning for the following three finan-cial years. The increase in deferred tax assets is attributable to improved earnings prospects as a result of lower expenses. At Naga AG, deferred tax assets due to tax loss carryforwards amounting to kEUR 318 (previous year: kEUR 0) were capitalized as a result of sufficient existing taxable temporary differences and netted against deferred tax liabilities.

d) Other estimation uncertainties

In addition, significant assumptions and estimates relate to the uniform determination of useful lives throughout the Group. New information is taken into account as soon as it becomes available. At the time of preparing the consolidated financial statements, it is not assumed that there have been any significant changes to the assumptions and estimates. In this regard, we refer to Note 6.a) on intangible assets.

e) Financial instruments

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

5. CHANGES IN ACCOUNTING POLICIES - AMENDED STANDARDS AND INTERPRETATIONS

The following amendments to standards or interpretations are mandatory for the first time in the 2020 financial year.

The following amended standards are mandatory for the first time as of January 1, 2020

Changes in standards
Amendment to IFRS 16 Coronavirus pandemic related lease concessions.
Amendment to IFRS 3 Definition of a business
Amendment to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform
Amendment to IAS 1 and IAS 8 Definition of material
Amendment of various standards Adjustment of cross-references to the framework in IFRSs

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: Insurance Agreements	01.01.23

Changes in standards	**Date of first application EU**
Amendment IFRS 4: Extension of the exemption from the application of IFRS 9	01.01.21
Amendments to IAS 39, IFRS 9 and IFRS 7 Interest Benchmark Reform - Phase 2	01.01.21
Amendment IFRS 16: Coronavirus pandemic related lease concessions beyond June 30, 2021.	
Amendment to IAS 16: Revenue before intended use	01.01.22
Amendment IAS 37: Onerous contracts - costs for the performance of a contract	01.01.22
Amendment IFRS 3: Reference to the framework concept	01.01.22
Annual Improvements 2018 - 2020	01.01.22
Amendment IAS 1: Classification of debt as current or non-current	01.01.23
Amendment IAS 8: Definition of accounting estimate	01.01.23
Amendment to IAS 12: Deferred taxes relating to assets and liabilities arising from a single transaction	01.01.23
Amendment to IAS 1 and IFRS Practice Statement 2: Notes on accounting and valuation methods	01.01.23

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

6. NOTES TO INDIVIDUAL ITEMS IN THE CONSOLIDATED BALANCE SHEET 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 discount rates (after tax) of between 6.29% and 7.26%. There was no impairment of goodwill or of the intangible assets presented in the financial year under review.

Intangible assets in fiscal year 2020 and in the previous year were as follows:

31.12.2020

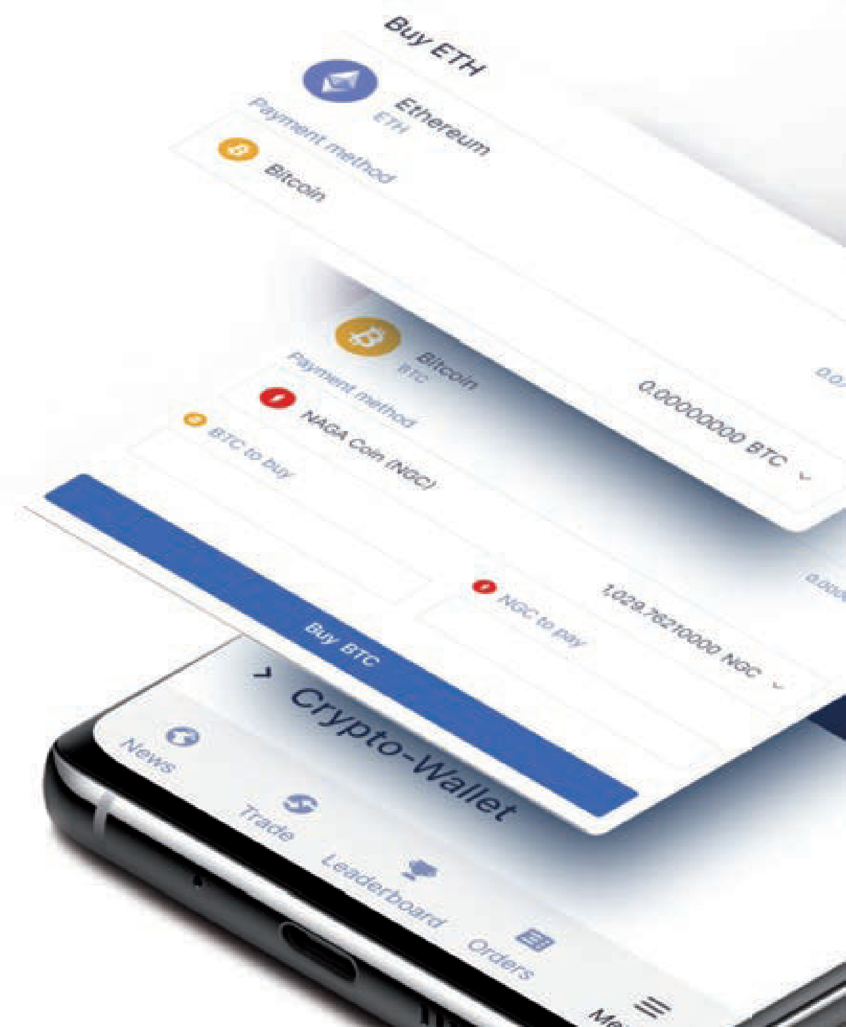
in kEUR	AC/MC as of 01.01.2020	Additions	Additions to business acquisitions	Disposals
Goodwill	95,173	0	0	310
Customer base	2,618	4,652	0	0
Software (incl. technology)	21,091	113	0	0
Capitalized development costs	5,432	1,964	0	0
- thereof completed	5,378	1,964	0	0
- thereof under development	54	0	0	0
Licenses/Domain	653	129	0	0
Intangible assets	**124,967**	**6,858**	**0**	**310**

in kEUR	AC/MC as of 31.12.2020	Accumulated depreciation as of 31.12.2020	Carrying amount as of 31.12.2020	Depreciation and amortization in fiscal year 2020
Goodwill	94,863	0	94,863	0
Customer base	7,270	2,090	5,180	1,086
Software (incl. technology)	21,204	13,419	7,785	1,415
Capitalized development costs	7,396	3,737	3,659	881
- thereof completed	7,342	3,684	3,658	881
- thereof under developmen	54	53	1	0
Licenses/Domain	782	1	781	0
Intangible assets	**131,515**	**19,247**	**112,268**	**3,382**

31.12.2019

in kEUR	AC/MC as of 01.01.2019	Additions	Additions to business acquisitions	Disposals
Goodwill	95,173	0	0	0
Customer base	2,618	0	0	0
Software (incl. technology)	20,791	300	0	0
Capitalized development costs	4,662	770	0	0
- thereof completed	4,608	770	0	0
- thereof under development	54	0	0	0
Licenses/Domain	653	0	0	0
Intangible assets	**123,897**	**1,070**	**0**	**0**

in kEUR	AC/MC as of 31.12.2019	Accumulated depreciation as of 31.12.2019	Carrying amount as of 31.12.2019	Depreciation and amortization in fiscal year 2019
Goodwill	95,173	270	94,903	270
Customer base	2,618	1,004	1,614	524
Software (incl. technology)	21,091	12,004	9,087	1,395
Capitalized development costs	5,432	2,856	2,576	597
- thereof completed	5,378	2,803	2,575	544
- thereof under development	54	53	1	53
Licenses/Domain	653	1	652	1
Intangible assets	**124,967**	**16,135**	**108,832**	**2,787**



The intangible assets relate in particular to the goodwill of EUR 94.7 million (previous year: EUR 94.7 million) of HBS AG as well as the Swipy Technology acquired by way of contribution in kind and the manufacturing costs of Naga Trader.

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. Furthermore, the remaining shares in Easyfolio GmbH were acquired with a total of three acquisition transactions in 2018 and 2019, resulting in goodwill of kEUR 522.

Goodwill is subject to an annual impairment test. The method and assumptions are explained under note 4a). The goodwill of Easyfolio GmbH was written down by kEUR 270 to equity as of December 31, 2019, as this investment was sold at carrying amount in May 2020. In this context, the goodwill attributable to Easyfolio GmbH has been derecognized.

Customer base and customer acquisition costs

With the acquisition of HBS AG, a customer base was acquired that will be amortized over a period of 5 years. The carrying amount as of December 31, 2020 is kEUR 1,091 (previous year: kEUR 1,614).

In addition, expenses for the acquisition of new customers amounting to kEUR 4,652 were capitalized for the first time in the 2020 financial year. 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 3 years.

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

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

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. Swipy Technology is the basic technology with the software code, design and various modules. This software code is used for the Naga Trader app and can be used for other software applications.

The recoverability of the Swipy technology was reviewed and confirmed by means of an impairment test in the fiscal year. The Group's 3 year business plan served as a basis. 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 trades of clients of Naga Markets Ltd. and Naga Global Ltd. by „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 customers 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 2,510 (prior year: kEUR 1,717) was recognized as development expenses. Of this amount, kEUR 1,884 (prior year: kEUR 1,428) relates to Naga Trader. Of this amount, kEUR 1,612 (prior year: kEUR 770) was capitalized and reported in the statement of comprehensive income as capitalized programming services. Furthermore, kEUR 352 of the capitalized programming services is attributable to Naga Pay. Accordingly, development expenses of kEUR 546 (prior year: kEUR 938) remain in the statement of comprehensive income. The capitalization rate for development costs in 2020 is 78% (previous year: 45%). 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 submitted activity reports from 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, such indicators did not exist in the 2020 financial year.

Property, plant and equipment includes office and business equipment.

31.12.2020

in kEUR	AC as of 01.01.2020	Additions	Disposals	AC as of 31.12.2020
Other equipment, factory and office equipment	529	360	0	889
Property, plant and equipment	**529**	**360**	**0**	**889**

in kEUR	Accumulated depreciation as of 31.12.2020	Carrying amount as of 31.12.2020	Depreciation and amortization in fiscal year 2020
Other equipment, factory and office equipment	380	509	89
Property, plant and equipment	**380**	**509**	**89**

31.12.2019

in kEUR	AC as of 01.01.2019	Additions	Disposals	AC as of 31.12.2019
Other equipment, factory and office equipment	398	135	4	529
Property, plant and equipment	**398**	**135**	**4**	**529**

in kEUR	Accumulated depreciation as of 31.12.2019	Carrying amount as of 31.12.2019	Depreciation and amortization in fiscal year 2019
Other equipment, factory and office equipment	291	238	129
Property, plant and equipment	**291**	**238**	**129**

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 depreciation 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 6.I)), initial direct costs incurred, and 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 a two-year term:

Initial evaluation	**246**
Depreciation 2019	-84
Balance sheet amount 31.12.2019	**163**
Depreciation 2020	-123
Balance sheet amount 31.12.2020	**41**

d) Financial assets and other assets and current assets

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

in kEUR	31.12.2020	31.12.2019
Compensation fund for investors	114	114
Deposits	32	80
Long-term	**146**	**194**
Overpayment	846	0
Sales tax receivable	505	7
Deferred expenses	444	44
Short-term loans	142	70
Credit PayPal, Kraken account and credit card	89	56
Deposit	58	87
Other	10	72
Short term	**2,094**	**336**
Total	**2,240**	**530**

In fiscal year 2020, the Group made overpayments of kEUR 946 to a payment service provider that have not yet been reimbursed in accordance with the contractual agreements. The Company instructed its external legal advisor in February 2021 to initiate legal proceedings to recover the amount 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. The external legal advisor 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.

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.

The short-term loans of kEUR 142 (previous year: kEUR 70) are granted to various business partners and are partly secured. The credit default risk and recoverability are explained in Note 9.

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 and contract assets

Trade receivables are generally recognized at nominal value and amount to kEUR 1,536 (prior year: kEUR 1,484) as of the balance sheet 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. No further valuation allowances were recognized in 2020.

The Group recognized contract assets of kEUR 399 for the first time as of December 31, 2020. These result from services rendered but not yet invoiced by NAGA Global Ltd. (CY).

Credit risk and recoverability are explained in Note 9.

f) Tax receivables

The tax receivables of kEUR 59 (prior year: kEUR 111) 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 5,233 (previous year: kEUR 3,152).

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 4,455 (previous year: kEUR 2,887) 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 that serve the liquidity providers to hedge losses of NAGA customers from trading transactions that have been outsourced to liquidity providers.

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

in kEUR	31.12.2020	31.12.2019
A1	274	88
Baa1	1	167
Baa3	0	0
Caa2	0	0
Without rating	4,959	2,897
Total	**5,233**	**3,152**

i) Deferred tax assets and liabilities

In the 2020 financial year, there are temporary differences in the following balance sheet items that lead to the recognized deferred tax assets:

Deferred tax assets

in kEUR	31.12.2020	31.12.2019
Deferred taxes on loss carryforwards	848	252
Deferred taxes on temporary differences	3	0
Total deferred tax assets	**851**	**252**
Offsetting in accordance with IAS 12.74	-318	0
Deferred tax assets according to balance sheet	**533**	**252**

Deferred tax liabilities

in kEUR	31.12.2020	31.12.2019
Intangible assets	1,458	552
Financial instruments	19	0
Total deferred tax liabilities	**1,477**	**552**
Offsetting in accordance with IAS 12.74	-318	0
Deferred tax liabilities according to balance sheet	**1,159**	**552**

Deferred tax assets have increased compared to the previous year, as in the next three years, based on current planning, total tax loss carryforwards (corporate income tax and trade tax) in the amount of kEUR 1,640 (previous year: kEUR 780) are recoverable at HBS AG. In the financial year 2020, losses totaling kEUR 0 (previous year: kEUR 9,392) were generated for which no deferred tax assets were recognized. Furthermore, as of the balance sheet date, loss carryforwards amounting to kEUR 986 (previous year: kEUR 2,575) were provided with deferred tax assets at the level of Naga AG, which are recoverable due to sufficient taxable temporary differences and were offset against these to this extent.

Deferred tax liabilities mainly result from the customer base of HBS Group as part of the purchase price from 2018, as well as capitalized development costs for Naga Trader- software at Naga Technology GmbH.

j) Liabilities to shareholders

In fiscal year 2019, the main shareholder of Naga AG granted a loan in the amount of kEUR 3,000, of which the first tranche was paid in September and the second tranche in November. The loan is not secured and has a term of 2 years. The interest rate is 12% p.a. and is payable in arrears every 6 months.

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 is divided into equal bearer bonds with a nominal value of EUR 100,000.00 each. The convertible bond is not secured and matures on January 15, 2022. The interest rate is 6% p.a. and is payable in arrears every 6 months. The issuance of this convertible loan resulted in an interest advantage compared to alternative financing after deduction of pro rata transaction costs of EUR 206 k. This interest advantage (the equity component) was allocated to the capital reserve in the amount of EUR 67 k, taking into account deferred taxes. Naga AG grants the bondholder the right, during the exercise period, to convert each bond in its entirety into ordinary registered shares of Naga AG with a pro rata amount of Naga AG's share capital of EUR 1.00 attributable to one share on the issue date.

The item also includes liabilities from salary waivers structured as earn-out agreements. The liabilities are paid out in full if a certain EBITDA target is achieved.

k) Other current liabilities

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

in kEUR	31.12.2020	31.12.2019
Customer funds	7,353	5,656
Waiting compensation	290	410
Sales tax current year Naga Markets	0	200
Sales tax 2017 Naga Markets	0	349
Sales tax 2018 Naga Markets	0	206
Liability from wages and salaries	226	205
Interest payable	60	0
Other	265	95
Total current	**8,194**	**7,121**

The item customer funds 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 for the former Spanish permanent establishment of Naga Brokers GmbH.

The waiting allowance is compensation for a former Executive Board member paid during the first quarter of fiscal year 2021.

Liquidity risk is explained in Note 9.

l) Lease liabilities

At the commitment date, the Group recognizes the lease liability at the present value of the lease payments to be made over the term of the lease (rental payments) (please refer to Note 6c) for the related rights of use). 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 that 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. 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	Provision date	Office space	Thereof short-term	Thereof non-current
Initial evaluation	01.05.2019	246		
Rent payments		-123		
Discount 3.23 %		3		
Lease liability as of 31.12.2019		**126**	**31**	**94**
Rent payments		-126		
Discount 3.23 %		4		
Lease liability as of 31.12.2020		**4**	**4**	**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 were recognized in other operating expenses.

Short-term leases of up to one year and leases based on an asset of low value	**kEUR**
Office rent Hamburg	62
Office and business equipment	57

The office rental in Hamburg is a rental agreement valid until March 31, 2021, which was extended by a further year in fiscal year 2021. The office and business equipment relates to a low-value printer with a term of one year. In the financial year, cash outflows for leases amounted to kEUR 245 (previous year: kEUR 152).

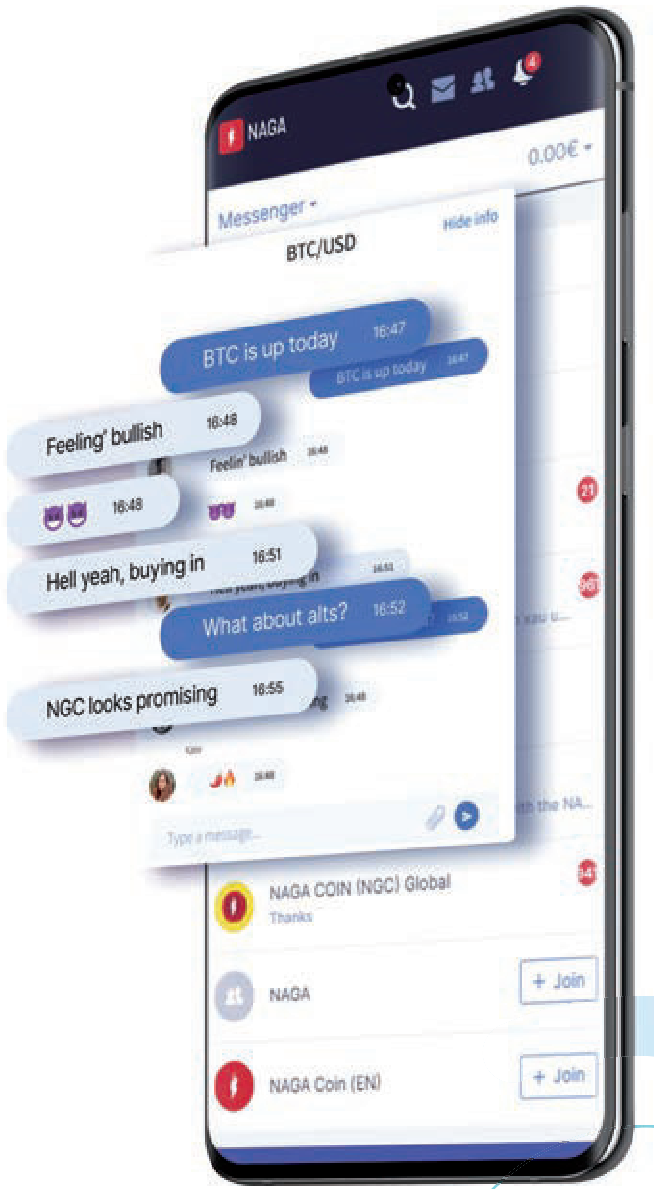
m) Tax liabilities

The expected tax payments amounted to kEUR 7 as of December 31, 2020 (previous year: kEUR 668). The tax liabilities as of December 31, 2019 related in the amount of kEUR 517 to the fiscal year 2018 for the subsidiary Naga Blockchain GmbH, which was merged into Naga Technology GmbH as of January 1, 2019, and in the amount of kEUR 151 to the fiscal year 2019 for the subsidiary Naga Markets. Taxes have been fully offset in 2020.

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 current provisions, an outflow of resources is generally expected within the following twelve months.

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



Provisions developed as follows in fiscal year 2020:

in kEUR	01.01.2020	Provision	Utilization	Reversal	31.12.2020
Vacation accruals	31	27	28	3	27
Annual financial statement, audit costs	236	284	236		284
Other accrued liabilities	167	549	91	76	549
Total	**434**	**860**	**355**	**79**	**860**

in kEUR	01.01.2019	Provision	Utilization	Reversal	31.12.2019
Vacation accruals	213	0	182	0	31
Annual financial statement, audit costs	178	169	90	21	236
Other accrued liabilities	551	137	462	59	167
Total	**942**	**306**	**734**	**80**	**434**

Other accruals mainly relate to accruals for outstanding invoices.

Reimbursements for the aforementioned provisions are not expected.

o) Contractual liabilities

Contract liabilities of kEUR 50 were recognized as of December 31, 2019. Of this amount, kEUR 42 was attributable to revenue generated with end customers through training subscriptions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

p) Revenue recognition

NAGA currently generates revenues from its brokerage business („trading revenues") and from consulting services („service revenues"). In the past fiscal year, approximately 97% (2007: approximately 67.5%) of these revenues were generated from customers in the EU and approximately 3% (2007: approximately 32.5%) from customers outside the EU. Trading revenues may show a negative balance if individual transactions result in losses.

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 sales expansion leads to a constant improvement in the estimates.

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

Trading revenue

Trading revenues result from customers' trading in contracts for difference („CFD"). 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.

In the financial year 2020, NAGA realized trading revenues of kEUR 24,259 (previous year adjusted: kEUR 5,618). Please refer to Note 5 for information on the restatement.

Service revenues

In the 2020 financial year, a total of kEUR 94 (previous year: kEUR 2,001) in revenue was generated from services. The decrease is due to the extensive discontinuation of business relations with NDAL.

q) Capitalized programming services

kEUR 1,964 (prior year: kEUR 779) of the capitalized programming services relates 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 other operating expenses.

r) Other operating income

Other operating income of kEUR 1,490 (previous year: kEUR 167) mainly comprises reversals of sales tax liabilities. In previous years, the income was composed of the reversal of provisions.

s) Development expenses

In the 2020 financial year, development expenses totaled kEUR 2,510 (previous year: kEUR 1,717). Of these, kEUR 1,884 (previous year: kEUR 1,428) mainly related to the Naga Trader application. Of the total development costs, kEUR 1,964 (PY: kEUR 779) were recognized as capitalized programming expenses, leaving development expenses of kEUR 546 (PY: kEUR 938) in the statement of comprehensive income.

t) Direct expenses of trading revenues

The direct expenses of kEUR 2,347 (previous year: kEUR 1,339) are directly related to the trading income.

u) Trading costs

Trading costs of kEUR 1,131 (previous year: kEUR 1,396) relate to expenses and in-come incurred in connection with hedging high-risk trades. These costs are reported in the statement of comprehensive income for the 2020 financial year and the presentation has been adjusted retrospectively (reference is made to Note 5).

v) Personnel expenses

The average number of employees in full-time equivalents for the 2020 financial year is 112 (previous year: 74.5).

	2020	**2019**
Board of Directors	3	3
Accounting	6	2
Customer support	54	44
Management	16	11
Marketing & Training	8	6
Human Resources	4	1
Compliance	11	4
Dealing & Trading	10	4
	112	**75**

Personnel expenses are as follows:

kEUR	**2020**	**2019**
Wages and salaries	3,607	3,974
Retirement benefits	359	438
Social charges	138	81
Other	15	96
Total	**4,119**	**4,589**

In the financial year 2020, contributions of kEUR 359 (previous year: kEUR 438) 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.

w) 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 6,614 (previous year: kEUR 2,455).

Other operating expenses include the following items:

in kEUR	2020	2019
Legal and consulting fees	1,972	1,295
Accounting and closing costs	431	412
Third-party services	191	330
Incidental costs of monetary transactions	174	67
Rental expenses	158	467
Travel expenses	93	198
IT costs	63	28
Expenses for licenses and concessions	42	4
Expenses relating to other periods	31	881
Other	1,361	1,146
Total	**4,516**	**4,828**

Other operating expenses decreased by kEUR 312 compared with the previous year.

The prior-year expenses relating to other periods in the amount of kEUR 881 mainly related to costs incurred in connection with the closure of Naga Brokers‘ Spanish operations.

x) Allowance for doubtful accounts

In the previous year, receivables in the amount of kEUR 1,410 were impaired. Of this amount, kEUR 1,409 related to the impairment of receivables from NDAL. In the 2020 financial year, a reimbursement claim was impaired by kEUR 100 as a result of an overpayment (reference is made to Note 6.d)). Due to the small size of the specific valuation allowance, the expense is reported under other operating expenses.

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

Change in valuation allowances

in kEUR	2020	2019
Status January 1	3,212	1,803
Allowance for expected credit losses	0	1,409
Balance at December 31	**3,212**	**3,212**

y) Financial result

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

The financial result includes interest expenses of kEUR 683 (previous year: kEUR 132) and interest income of kEUR 28 (previous year: kEUR 7). The discounting of leases in accordance with IFRS 16 is also taken into account here.

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

Income tax expense for the period comprises deferred taxes on the one hand and income from current taxes on the other. Income from current taxes is mainly determined by tax refunds for previous years at the subsidiary Naga Markets. Information 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 the tax benefits to be recognized, based on available tax strategies and future taxable income, and to consider other positive and negative influences.

The Executive Board generally assumes that the deferred tax assets recognized as of the reporting date are recoverable. Deferred tax assets were recognized on loss carryforwards.

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

Tax expense in fiscal year 2020 is comprised of the following:

in kEUR	2020	2019
Current income taxes	-148	151
Income from deferred taxes	488	163
Expenses from deferred taxes	749	1,081
Income taxes according to the statement of comprehensive income	**-113**	**-1,069**

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. In Germany, a combined overall tax rate of 32.275% is assumed for Group purposes, as in the previous year, for reasons of simplification.

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

in kEUR	**2020**	**2019**
Earnings before taxes	**2,134**	**-12,307**
1. Expected income tax benefit (prev. year -income) (32.275 %)	689	-3,972
2. Non-deductible operating expenses	598	0
3. Tax-exempt income	-1,012	0
4. Temporary differences on which no deferred taxes were recognized	410	649
5. Taxes relating to other periods	751	0
6. Other permanent differences	60	0
7. Current loss on which no deferred taxes have been recognized	777	2,858
8. Effect from tax rate differences	-1,607	467
9. Capitalized deferred taxes on loss carryforwards from previous years	-280	0
10. Write-down of deferred tax assets on loss carryforwards from previous years	0	1,081
11. Utilization of non-capitalized loss carryforwards	-255	0
12. Other	-17	-14
Total income taxes	**113**	**1,069**

The tax-exempt income mainly results from circumstances at Naga Markets.

The temporary differences on which no deferred taxes were recognized mainly comprise the amortization of Swipy Technology. The effects from tax rate differences relate to NAGA Markets and Naga Global.

Taxes relating to other periods totaling kEUR 751 (previous year: kEUR 0) mainly comprise deferred tax expenses to be recognized (kEUR 902), as the increase in the Fosun Group's investment in Naga AG in 2020 resulted in the loss of tax loss carryforwards and existing temporary differences in intangible assets were remeasured accordingly.

The current losses on which no deferred taxes have been recognized are mainly related to the (pro rata) reversal of current losses of 2020 due to the increase of the Fosun Group's investment in Naga AG during the year.

Furthermore, at the level of HBS AG, it was possible to utilize previously unrecognized loss carryforwards in the amount of kEUR 790 (tax effect kEUR 255) and to capitalize additional loss carryforwards with a tax effect of kEUR 280. In the previous year, kEUR 1,081 were recognized as deferred tax expense, as the capitalized deferred taxes on loss carryforwards were no longer recoverable to that extent.

7. RESTRUCTURING COSTS

In the first half of 2019, NAGA embarked on a strong consolidation course. Among other things, this was due to the negative business environment in the first four months of 2019. Furthermore, it was imperative to create new and simple structures within the Group so that the cost base can also be significantly reduced in the future. As part of a restructuring program, it was therefore necessary for several employees to be made redundant in order to save further costs. However, this resulted in high severance payments impacting earnings. In addition, severance payments were made to terminate contracts prematurely. The following table shows the special charges resulting from the restructuring program.

Statement of restructuring costs

Society	Restructuring measure	Expense type	Amount
Naga Inc.	Reduction Board	Severance pay/retirement pay	410,000.00 €
Naga Inc.	Termination of advertising contract with HSV	Termination payment	365,000.00 €
Naga Inc.	Dissolution of PR consulting contract	Termination payment	18,000.00 €
Naga Inc.	Dissolution research contract	Termination payment	11,400.00 €
Naga Technology	Cancellation of lease contract office space	Termination payment	34,076.00 €
Naga Brokers	Dismissal Spanish employees	Severance payments	267,549.96 €
Naga Brokers	Dismissal German employees	Severance payments	11,000.00 €
Total			**1,117,025.96 €**

8. EARNINGS PER SHARE

As of December 31, 2020, 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 share-holders of Naga AG by the average number of shares. Basic earnings per share for the financial year 2020 are EUR 0.03 (previous year: EUR -0.31).

	2020	2019
Net income for the period attributable to the shareholders of Naga AG (in kEUR)	1,256	-12,002
Weighted average number of shares outstanding (in units)	41,053,396	40,203,582
Basic earnings per share (in EUR)	**0.03**	**-0.31**

For the calculation of diluted earnings per share, the average number of shares outstanding is adjusted by the number of all potentially dilutive shares. This takes into account the maximum number of ordinary shares that can be issued upon exercise of conversion rights under the convertible bond issued on January 15, 2020. The net profit for the period attributable to the shareholders of Naga AG is increased by the amounts spent on the convertible bond.

	2020	2019
Net income for the period attributable to the shareholders of Naga AG (in kEUR)	1,256	-12,002
Plus interest expense convertible bond (in kEUR)	277	0
Less income taxes (in kEUR)	-89	0
Adjusted net income for the period attributable to shareholders of Naga AG (in kEUR)	1,444	-12,002
Weighted average number of shares outstanding (in units)	41,053,396	40,203,582
Potentially dilutive shares (in units)	2,000,000	0
Weighted average number of shares for diluted earnings per share	43,053,396	40,203,582
Diluted earnings per share (in EUR)	**0.03**	**-0.31**

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Financial instruments

From January 1, 2019, the Group classifies financial assets into the following meas-urement 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, 2019 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 depends on NAGA's business model for managing the asset and the cash flow characteristics of the asset. There are three valuation 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 6.d). and 6.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 included in financial income or expense, and impairment losses are presented as a separate line item in the statement of comprehensive income.

3. FVTPL:
Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. 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 arises, 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 instruments 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 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 things, the following factors: 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, 2020 and December 31, 2019.

in kEUR	Carrying amount 31.12.2020	To be attached Current value 31.12.2020	Carrying amount 31.12.2019	To be attached Current value 31.12.2019
To continued Cost of acquisition financial assets	8,330	8,330	4,921	4,921
At fair value through profit or loss Financial assets measured at fair value Assets (Derivatives)	7,017	7,017	4,217	4,217
At fair value through profit or loss Financial assets measured at fair value Liabilities (derivatives and other)	1,751	1,751	801	801
To continued cost of acquisition financial liabilities	6,672	6,672	1,453	1,453

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 17 (previous year: kEUR 0) is recognized in the financial result. Any impairment losses are recognized in profit or loss.

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

Financial assets/liabilities at fair value through profit or loss:
These two items include derivative assets and liabilities.

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 must report annually to the Cypriot banking supervisory authority on whether the measures put in place to protect customer funds are appropriate and are being complied with.

The assets held in trust by NAGA as of December 31, 2020 amount to kEUR 21,784 (previous year: kEUR 17,556).

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, 2020, the Group traded with a large number of customers from different 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 risks
NAGA defines counterparty risk as the risk of losses or lost profits due to unexpected defaults or unforeseeable deteriorations in the creditworthiness of business partners.

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

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

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

Banks and financial institutions are accepted as counterparties only after a thorough review. In addition to an independent rating, Naga Markets' risk committee takes past experience and other factors into consideration when reviewing creditworthiness. Transactions with customers are also handled with the help of banks or financial institutions that specialize in online brokerage and banking.

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

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

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

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

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

As of December 31, 2020, the Group is exposed to the following credit risks, broken down by category:

in kEUR	31.12.2020	31.12.2019
Trade receivables	1,536	1,484
Other current assets	8,578	4,502
- thereof derivatives	7,017	4,217
- thereof financial	1,561	285
Cash and cash equivalents	5,233	3,152
Total	**15,347**	**9,138**

In the 2020 financial year, a specific bad debt allowance of kEUR 100 was recognized on another financial asset (previous year: kEUR 1,409 on a trade receivable). Please refer to notes 6.d) and 6.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 impact. Where the liabilities are interest-bearing, no discounting is applied.

31.12.2020

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
- thereof financial	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**

31.12.2019

in kEUR	less than 1 year	between 1 and 2 years	between 2 and 5 years	more than 5 years
Liabilities to shareholders and members of the Board of Management	0	3,629	0	0
Other liabilities (financial nature)	506	0	0	0
- thereof financial	506	0	0	0
Leasing liabilities	94	31	0	0
Trade accounts payable	853	0	0	0
Total	**1,453**	**3,660**	**0**	**0**

The loan in the amount of kEUR 3,000 and the interest accrued as of December 31, 2020 in the amount of kEUR 80 are due within one year.

The changes in liabilities from financing activities are as follows:

in kEUR	01.01.2020	Change from Capital flows	New Leasing-conditions	Other	31.12.20
Liabilities to shareholders and members of the Board of Management	3,629				3,629
Liabilities from convertible loans to shareholders	0	2,000		-67	1,933
Non-current lease liabilities	31	-31			0
Current lease liabilities	94	-91		1	4
Total	**3,754**	**1,878**	**0**	**-66**	**5,566**

in kEUR	01.01.2019	Change from Capital flows	New Leasing-conditions	Other	31.12.19
Liabilities to shareholders and members of the Board of Management	0	3,000		629	3,629
Non-current lease liabilities	0	-33	62	2	31
Current lease liabilities	0	-93	186	1	94
Total	**0**	**2,874**	**248**	**632**	**3,754**

The cash-effective changes are taken into account accordingly in the cash flow statement.

Capital Management

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

In addition, the Cypriot banking regulator CySEC requires a minimum equity ratio for the Cypriot subsidiary Naga Markets. This amounts to 8% (previous year: 8%) plus a capital conservation buffer of 2.50% (previous year: 1.25%) as of the balance sheet date and a variable percentage for an institution-specific countercyclical capital buffer (as of December 31, 2020: 0.01%). 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.

	31.12.2020			31.12.2019		
in kEUR	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Derivative financial instruments	7,017	0	0	4,217	0	0
Liabilities						
Derivative financial instruments	1,202	0	0	252	0	0
Other liabilities	0	0	549	0	0	549

Both assets amounting to kEUR 7,017 (previous year: kEUR 4,217) and liabilities amounting to kEUR 1,202 (previous year: kEUR 252) are reported in the consolidated balance sheet.

10. EQUITY/DIVIDENDS

a) Equity

As of December 31, 2020, the subscribed capital („share capital") amounts to EUR 42,049,903 and is divided into 42,049,903 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:

Share portfolio

Subscribed capital as of 30.06.2016		**50,001**
Changes in the second short fiscal year 2016		0
Subscribed capital as of 31.12.2016		**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 31.12.2017		**21,008,048**
Changes in the financial year from	Contributions in kind	19,195,534
Subscribed capital as of 31.12.2018		**40,203,582**
Changes in the financial year from		0
Subscribed capital as of 31.12.2019		**40,203,582**
Changes in the financial year from	Cash contribution	1,846,321
Subscribed capital at 31.12.2020		**42,049,903**

Own shares

As in the previous year, 1,137,139 of the total 42,049,903 shares issued are held by HBS AG. As 72.16% of the shares of HBS AG are attributed to the Group, this results in treasury stock of (rounded up) 820,560 shares.

Authorized capital

The authorized capital 2018 was cancelled. By resolution of the Annual General Meeting on September 25, 2020, 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 September 24, 2025, once or several times, by a total of up to EUR 21,024,951.00 by issuing up to 21,024,951 new registered no-par value shares in return for cash contributions and/or contributions in kind, whereby subscription rights may be excluded (Authorized Capital 2020).

Conditional capital

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

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

As of December 31, 2020, Naga AG has not utilized the conditional capital.

b) Dividends

No dividend payment to shareholders will be declared or made for the 2020 financial year.

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 Wirtschaftsprüfungsgesellschaft, Hamburg:

in kEUR	2020	2019
Annual and consolidated financial statements	135	122

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. Wieslaw Bilski, Frankfurt am Main, Managing Director and family (until September 25, 2020)
- Mr. Robert Sprogies, Vaterstetten, Managing Director (Vice Chairman) and family
- Mr. Stefan Schulte, Düsseldorf, lawyer/tax consultant and family (until May 18, 2020)
- Mr. Qiang Liu, Shanghai (China), General Manager and Family

As of December 31, 2020, Mr. Benjamin Bilski or his related parties hold 2,351,872 shares, Mr. Luecke or his related parties hold 355,000 shares, Mr. Mylonas holds 2,472,000 shares, Mr. Patt holds 100,000 shares and Mr. Liu holds 147,787 shares in Naga AG.

Mr. 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 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 year 2020:

Remuneration of the members of the Board of Management

in kEUR	31.12.2020	31.12.2019
Mr. Bilski		
fix	120	120
variable	0	0
Mr. Luecke		
fix	180	80
variable	0	0
Mr. Mylonas**		
fix	120	20
variable	0	0
Mr. Qureshi*		
fix	0	40
variable	0	0
Total	**420**	**260**

* Mr. Yasin-Sebastian Qureshi left the company as of April 30, 2019.
** Mr. Michalis Mylonas was appointed as new member of the Board of Management as of November 1, 2019.

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 57 (previous year: kEUR 57) for their activities in the 2020 financial year. The reduction is based on various voluntary waivers of Supervisory Board compensation by Supervisory Board members, as well as the adjustment of Supervisory Board compensation in accordance with the resolution of the Annual General Meeting on September 25, 2020.

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

Products and services in EUR	Obtained 31.12.2020	Provided 31.12.2020	Obtained 31.12.2019	Provided 31.12.2019
Board of Directors	661,722	0	754,613	0

Liabilities and receivables in EUR	Debt/Loan 31.12.2020	Receivables 31.12.2020	Debt/Loan 31.12.2019	Receivables 31.12.2019
Board of Directors	549,395	25,117	595,645	11,264
Shareholder	3,080,000	0	3,080,000	0

Interest in EUR	Received 31.12.2020	Due 31.12.2020	Received 31.12.2019	Due 31.12.2019
Board of Directors	0	0	0	0
Shareholder	480,000	135,000	0	80,000

The above figures are derived from loan and service agreements between Group companies and related parties. All contracts were concluded at arm's length (reference is made to Note 6.j)).

Naga Group's obligations to directors relate to salary sacrifice liabilities, which are shown as recovery agreements at fair value under other financial liabilities.

13. EVENTS AFTER THE BALANCE SHEET DATE

Master agreement on convertible bond:

On March 8, 2021, the Company 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. On March 8, 2021, the Management Board and Supervisory Board of The NAGA Group AG resolved to issue the first tranche of convertible bonds under the framework agreement with a total nominal value of up to EUR 8 million. The first tranche of the convertible bond was divided into 8,000 equal bearer bonds with a nominal value of EUR 1,000.00 each and issued until March 30, 2021.

Hamburg, June 30, 2021

The Naga Group AG
Board of Directors

Benjamin Bilski   Andreas Luecke   Michalis Mylonas

Independent Auditor's Report

Independent Auditor‘s Report

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, 2020, 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, 2020, and the 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, 2020. 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 IFRS as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB and give a true and fair view of the financial position of the Group as of December 31, 2020 and of its financial performance for the fiscal year from January 1 to December 31, 2020 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 extend to the above-mentioned responsibility statement.

In accordance with Section 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 Section 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.

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 auditor‘s report 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, assess whether the other information is

- are 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 for the Group Management Report

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS 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 has determined are necessary to enable the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the group management report.

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 Section 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 not detecting material misstatements is higher in the case of noncompliance than in the case of inaccuracy, as noncompliance may involve fraud, forgery, intentional omissions, misleading representations, or the 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 IFRS as adopted by the EU, and the additional requirements of German law pursuant to Section 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, supervising and performing 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 s tatements 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, July 26, 2021

Ernst & Young GmbH
Auditing firm

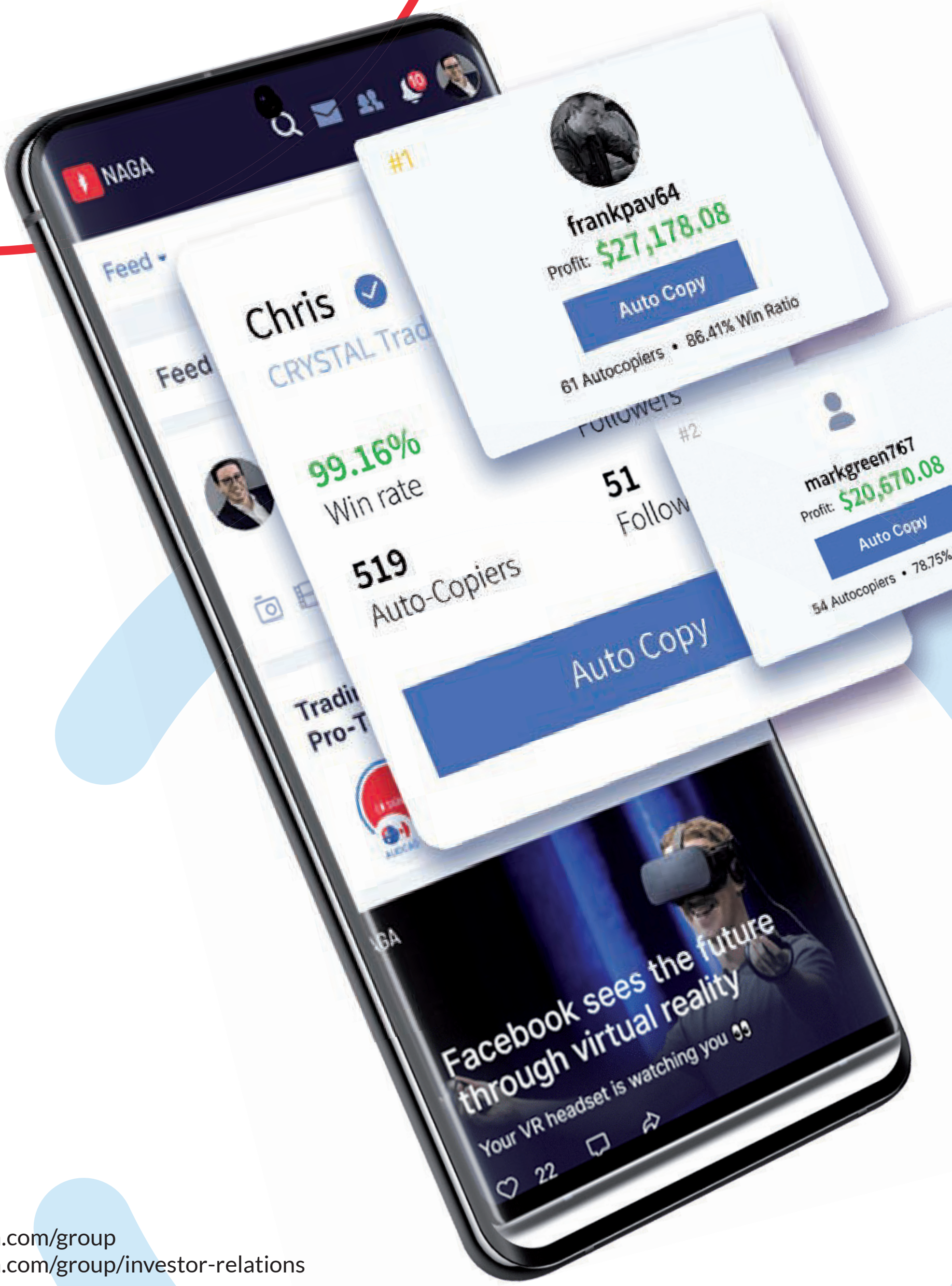
Fleischmann Wirtschaftsprüfer/ Accountant	Klimmer Wirtschaftsprüfer/ Accountant

Imprint

The NAGA Group AG
Hohe Bleichen 12
20354 Hamburg
Deutschland

Phone: +49 40 524 7791 53
e-mail: ir@naga.com

Layout
www.betriebsart.de



NAGA on the Web

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