NAGA

ANNUAL REPORT 2019

Content

Letter to the shareholders

Dear Shareholders,
dear friends and supporters of NAGA,

In the current 2020 financial year, the consolidation course we have embarked on has taken effect: NAGA is growing again sustainably and at a high pace. The focus on our core platform NAGA has already been reflected in strong growth in trades, active accounts, customer deposits, improved customer satisfaction and new customer acquisition since the fourth quarter of 2019, and even more so in 2020.

In order to accelerate our growth, we are currently raising new capital through a capital increase with subscription rights for our shareholders. By increasing our share capital by up to EUR 2 million through the issue of up to 2 million new shares at a subscription price of EUR 2.50 per share, we aim to generate gross proceeds of up to EUR 5 million. Our existing shareholders have already announced that they will only participate in the capital increase to a negligible extent, so we are broadening our shareholder base. Prior to the subscription period running from July 3 to July 16, 2020, we intend to offer shares to institutional investors in a pre-placement. The net issue proceeds from the capital increase are to be used mainly to finance global growth and marketing measures.

In April 2019, with the approval of the Supervisory Board, we launched a comprehensive restructuring program for the NAGA Group. In addition to cost reductions of up to 70% compared to 2018, the focus was directed to the profitable social investing platform NAGA Trader, in order to lead NAGA to profitability primarily through organic growth of customer base and revenues. We have concentrated all operational tasks in Cyprus and reduced staff at the Spanish and Hamburg locations, combined with changes in the Executive Board. Ben Bilski, co-founder of the group and previously responsible for Product & Marketing, has taken over the position of CEO. Ben places particular emphasis on high customer satisfaction, an innovative and unique product, and digital, measurable and scalable growth, which is essential for NAGA to generate additional market share and sustainable growth. In order to accommodate the company's growth, we have also expanded the Board of Directors to include Mr. Michalis Mylonas, who has already been Chief Executive of the regulated market maker NAGA Markets Ltd. in Cyprus since the beginning of 2017. He will take over the regulatory department within the NAGA Group.

The restructuring process successfully completed at the end of the third quarter has given us a considerable boost.

Focus and energy cost. The weak sales figures of the first half of 2019 and the high restructuring costs resulted in consolidated sales of EUR 6,223 thousand (prior year: EUR 16,119 thousand), earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR -9,167 thousand (prior year: EUR 270 thousand) and a operating result (EBIT) of EUR -12,307 thousand (prior year: EUR -4,959) is reflected in this figure. At EUR -13,377 thousand (prior year: EUR -4,401 thousand), the consolidated net loss was also significantly worse than in the previous year. But the restructuring process has already had a clearly positive effect on our costs in 2019. As part of the restructuring, we have sustainably reduced current operating costs, especially personnel, legal and consulting costs.

Our main shareholder FOSUN supports us in our growth course and has provided us with growth capital of EUR 5 million in the year under review. Of this, EUR 3 million is accounted for by a shareholder loan and the remaining EUR 2 million by a convertible bond.

2020: Significant sales and earnings growth planned - focus on further business expansion

In the first four months of the current year, NAGA has already achieved its primary goal for 2020: we are running a self-sustaining business. Our cost and operating structure is now very lean and dynamic. The first quarter of 2020 was the strongest in the company's history with record sales revenues of EUR 7.0 million (Q1/2019: EUR 0.6 million) and a preliminary net profit of EUR + 2.1 million (Q1/2019: EUR -3.9 million loss). Trades climbed to an all-time high of EUR 1.2 million and we recorded a record trading volume of EUR 23 billion. This strongly positive trend continued in April and May. We were able to increase our trading volume and the number of new customers by a further 50% and are now investing more heavily around the globe through digital marketing activities.

Concentrating on our core business also meant that we sold our stake in robotics pioneer Easyfolio. This has further strengthened our cash position and allows us to fully focus on our social investing platform NAGA.COM.

Against the background of the excellent start to the year, we are planning a strong increase in trading revenues for the full year 2020, driven by the expansion of our business into the non-European market. Service revenues will decline significantly due to the concentration on the core business. Taking into account reduced costs, we expect a strong increase in EBITDA for 2020. Despite a deterioration in the financial result with regard to long-term liabilities, the financial result will also strongly increase our net income for the period in connection with reduced depreciation and amortization in 2020.

Free stock trading with NAGA Stocks

We successfully completed the beta phase for commission-free securities trading via NAGA stocks at the beginning of the year, thus completing our platform offering. This was preceded by a development period of around 16 months. With NAGA Stocks, all European customers have been able to trade shares on the platform free of charge since January 2020. More than 400 shares from 9 global stock exchanges are offered as well as access to more than 40,000 financial instruments (the entire product range of CFDs, FX, ETFs and cryptos), which can be added according to customer interest.

NAGA continues to expand globally - office openings in Uruguay, Thailand and China

We expect growth effects from the recently launched initiatives in Uruguay, Thailand and China. With the opening of new NAGA offices in these countries, we are aiming to be closer to our customers, diversify our customer structure and thus minimize cluster risks for certain regions and markets. At the same time we are reducing the costs for customer acquisition. NAGA Stocks is a clear alternative to the existing direct brokers in Germany.

All in all, the focus is now on further improving the platform, especially with regard to the user experience for our desktop and mobile apps. The most popular feature remains the auto copy tool, which allows our users to copy the trades of our best traders in real-time. Traders can copy each other's trades and earn bonuses in return. We want to continue to market this globally and further expand our unique selling proposition as a social trading tool.

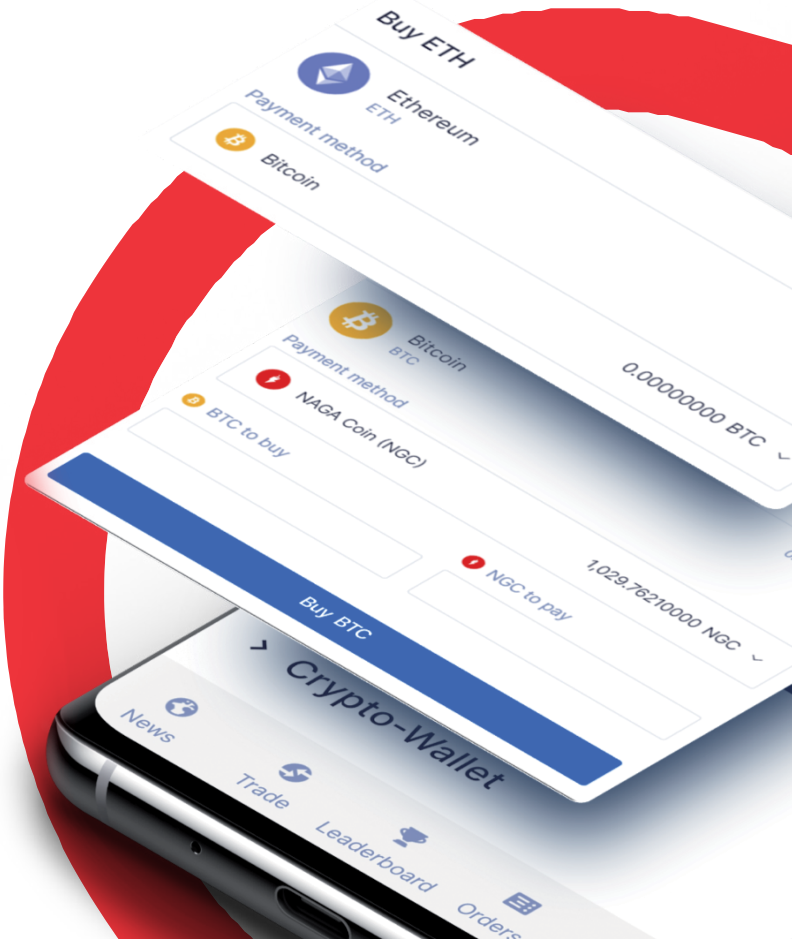
Finally, a look at our shares: The pleasing development of the NAGA share price proves that you, our shareholders and the market have confidence in our growth story. We would like to thank you for your loyalty and your trust in us. We would also like to thank all NAGA employees for their untiring commitment and their contribution to the company's success.

With kind regards

Benjamin Bilski

Andreas Luecke

Michalis Mylonas



Report of the Supervisory Board

Dear Shareholders,

In fiscal year 2019, the Executive Board and Supervisory Board began a comprehensive restructuring of the NAGA Group and successfully completed it in the fourth quarter of 2019. As a result, operating costs were significantly reduced and trading revenues increased continuously throughout the year. The number of transactions also increased visibly and customer acquisition costs were reduced. However, the positive effects of the restructuring will only be reflected in the results of the 2020 financial year. Due to the weak business development at the beginning of the year and the restructuring costs incurred in fiscal year 2019, the consolidated net result deteriorated to EUR -13,377 thousand (prior year: EUR -4,100 thousand).

Cooperation between Supervisory Board and Board of Management

In the 2019 reporting year, the Supervisory Board again monitored the management of the Executive Board and advised the Executive Board on the management of the Company. The Executive Board regularly informed the Supervisory Board, both during and outside the joint meetings, both orally and in writing, about the business policy, the profitability of the Company, the risk situation and the risk management system, corporate planning including financial, investment and personnel planning, and the net assets, financial position and liquidity situation of the Company and the Group. In particular, the Chairman of the Supervisory Board also maintained a close exchange with the Executive Board outside of the meetings. The focus in 2019 was on preparing and implementing the restructuring of the NAGA Group. The Board of Management continuously reported to the Supervisory Board on the progress made and its impact on the NAGA Group's revenue and earnings development. In doing so, the Supervisory Board closely followed the strategic development of the NAGA Group. The Supervisory Board was thus involved in all important business transactions at an early stage and, where necessary, examined the Board of Management's proposed resolutions and passed resolutions (see below under "Meetings and resolutions of the Supervisory Board"). The Supervisory Board performed all its duties under the law, the Articles of Association and the rules of procedure with great care.

Meetings and resolutions of the Supervisory Board

In the 2019 reporting year, the Supervisory Board of The NAGA Group AG held a total of 4 ordinary meetings in the form of face-to-face meetings and conference calls, which were held on January 7, June 24 (with subsequent dates on June 28 and July 19), August 30 and November 7th. The Supervisory Board had a quorum at all its meetings and at least one member of the Executive Board participated in all meetings. The meeting on June 24 (with follow-up meetings on June 28 and July 19) served to adopt the balance sheet.

In 2019, the focus of the discussions between the Executive Board and the Supervisory Board was the restructuring of the NAGA Group. At its extraordinary meeting on April 18, 2019, the Supervisory Board approved the restructuring program of the Board of Management. The extensive package of measures, including cost reductions of 60% to 70% (compared to 2018), the focus on the profitable social investing platform NAGA Trader, the concentration of all operational tasks at the Cyprus location and the reduction of functions and personnel at the Hamburg and Spanish locations, also included changes in the Executive Board (see below under "Changes in the Supervisory Board and Executive Board").

In addition, the Supervisory Board dealt with the following topics at its meetings or adopted the following resolutions by written procedure:

At the first meeting of the reporting year on January 7, 2019, the Supervisory Board dealt with the annual planning for 2019 and discussed with the Executive Board several options for capital measures on a debt and equity basis.

In addition to the discussion of the consolidated financial statements for 2019, the agenda for the Annual General Meeting on August 30, 2019, was also resolved on June 24, 2019.

In August 2019, NAGA's major shareholder, Fosun Fintech Holdings (HK) Ltd (hereinafter referred to as FOSUN), entered into an agreement to increase its shareholding to become a majority shareholder. In addition to acquiring shares from NAGA's management team, FOSUN has agreed to invest EUR 3 million through a shareholder loan and EUR 2 million through a convertible bond, thereby providing NAGA with growth capital. By resolution in the written procedure of August 21/22, 2019, the Supervisory Board approved the conclusion of the shareholder loan (finalization of the agreements with FOSUN took place on August 26) and by resolution in the meeting on 7 November 2019 (see below) to the issue of the convertible bond.

At the Supervisory Board meeting on August 30, 2019, which took place after the Annual General Shareholders' Meeting, the Supervisory Board was constituted following the election of Mr. Harald Patt (see below under "Changes in the Supervisory Board and Board of Management").

At its meeting on November 7, 2019, the Management Board, with the consent of the Supervisory Board, resolved the key data for the issue of the convertible bond to the main shareholder FOSUN, excluding the shareholders' statutory subscription right. The convertible bond with a volume of EUR 2 million, divided into 20 convertible bonds with a nominal value of

EUR 100,000.00 each, has a coupon of 6% for a term of 2 years and is convertible into up to 2,000,000 registered shares with a pro rata amount of share capital of EUR 1.00 per share.

By decision of written procedure on November 20, 2019, the Supervisory Board appointed Mr. Michalis Mylonas as an additional member of the Management Board and redefined the terms of office of the Management Board members Andreas Luecke and Benjamin Bilski, so that the terms of office of all three members of the Management Board now run until 31 December 2022.

Committees

The Supervisory Board did not form any committees in fiscal year 2019 either. All topics are dealt with efficiently in the plenary sessions. However, on April 17, 2019, the Executive Board and the Supervisory Board decided to establish an Advisory Board whose task it is to advise the Company in the areas of strategy, innovation, business development and M&A. Mr. Yasin Qureshi is the Chairman of the Advisory Board.

Changes in the Supervisory Board and Board of Management

There were changes in both the Supervisory Board and the Executive Board of the Company in the year under review:

Hans Manteuffel, the Chairman of the Supervisory Board to date, resigned from his office as a member of the Supervisory Board on August 1, 2019, with effect from the end of August 15, 2019. At the Annual General Meeting on August 30, 2019, Mr. Harald Patt, Friedrichsdorf, Managing Director of Fosun Management (Germany) GmbH, was elected to the Supervisory Board in his place. Following the Annual General Meeting, the Supervisory Board reconstituted itself at its meeting as follows: Mr. Patt was elected Chairman, Mr. Robert Sprogies was elected Deputy Chairman. In addition, the Supervisory Board consisted of the members Wieslaw Bilski, Qiang Liu (as well as Mr. Sprogies, who was delegated to the Supervisory Board by the main shareholder FOSUN), Hans-Jochen Lorenzen and Stefan Schulte.

As part of the restructuring measures resolved in the first half of 2019, the Management Board and the Supervisory Board concluded that changes to the Management Board were reasonable. Mr. Yasin Qureshi resigned as of April 30, 2019, from his position on the Executive Board in agreement with the Supervisory Board and joined the Advisory Board newly established by the Company as Chairman.

On November 20, 2019, the Supervisory Board appointed Mr. Michalis Mylonas, who has already been Chief Executive Officer of the market maker NAGA Markets Ltd. in Cyprus since the beginning of 2017, to the Management Board. Mr. Mylonas will assume responsibility for finance and regulatory affairs within the Group.

Andreas Luecke (Head of Legal) and Benjamin Bilski (CEO) were members of the Board of Directors of The NAGA Group AG throughout the entire year under review.

Audit of annual and consolidated financial statements

At the Annual General Shareholders' Meeting on August 30, 2019, the shareholders elected Ernst & Young GmbH Auditing company, Hamburg, as auditors of the financial statements and consolidated financial statements for fiscal year 2019 (hereinafter referred to as Ernst & Young or the auditors). The Supervisory Board satisfied itself of the independence of the auditor and issued the corresponding audit mandate. Ernst & Young audited the consolidated financial statements and Group management report prepared by the Executive Board in accordance with IFRS 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 received the auditor's reports and the above-mentioned documents for their own review with sufficient time prior to the Supervisory Board meeting on June 25, 2020, at which the financial statements were adopted. In the presence of the representative of Ernst & Young, who reported on the main results of his audit and in particular on previously determined focal points of the audit, the financial statement documents were discussed in detail with the Board of Management on June 25, 2020. The auditor answered all questions of the Supervisory Board. Following its own comprehensive review, the Supervisory Board concurred with the findings of the auditor and raised no objections. The Supervisory Board approved the annual and consolidated financial statements of The NAGA Group AG for fiscal year 2019, which means that the annual financial statements for 2019 are adopted.

The Supervisory Board would like to thank all employees of the NAGA Group and the Management Board of The Naga Group AG for their personal commitment and dedication to the benefit of the company. NAGA has been successfully put back on a growth path through their contributions.

Hamburg, June 25, 2020

The Supervisory Board

Harald Patt
Chairman of the Supervisory Board

Group Management Report

Group Management Report

PRINCIPLES OF PRESENTATION

This consolidated management report of The Naga Group AG (hereinafter either "NAGA" or the "Group") was prepared in accordance with Sections 315 and 315e of the German Commercial Code (HGB) and the German Accounting Standard ("GAS") 20. All report contents and statements refer to the closing date December 31, 2019, i.e. the fiscal year ending on this date.

FORWARD-LOOKING STATEMENTS

This Group Management Report may contain forward-looking statements and information which are qualified by formulations such as "expect", "want", "anticipation", "intend", "plan", "believe", "aim", "estimate", "will" or similar terms are recognizable. 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. NAGA's actual results may differ materially from those set forth in such forward-looking statements. NAGA assumes no obligation to update these forward-looking statements or to correct them in the event of developments other than those anticipated.

1. PRINCIPLES OF THE GROUP

1.1. Business model of the Group

NAGA is a German Fintech company listed in the stock exchange segment "Scale" with headquarters in Hamburg. The core business of the group is online brokerage. Here NAGA offers besides the classical trading also the own social trading platform "Naga Trader". The investments in the subsidiaries result in further business models on the group level, which are based on the development of innovative financial technology ("Fintech") and block chain technology.

NAGA wants to create and offer an easy access to financial markets, as well as to trade with virtual goods and crypto currencies for everyone.

The consolidated companies of the Group as of December 31, 2019, include the following companies:

Company	Shareholdings 31.12. 2019	31.12. 2018
The Naga Group AG, Hamburg (parent company)	-	-
NAGA Markets Ltd, Limassol, Cyprus	100%	100%
Naga Technology GmbH, Hamburg (formerly SwipeStox GmbH)	100%	100%
Naga Virtual GmbH, Hamburg (formerly Switex GmbH, Frankfurt am Main)	100%	100%
Hanseatic Brokerhouse Securities AG (HBS), Hamburg	72,16%	72,16%
Naga Brokers GmbH, Hamburg	72,16%	72,16%
Easyfolio GmbH, Frankfurt am Main	100%	50,02%
Naga Global Ltd, Saint Vincent & Grenadines (from 01.01.2019)	100%	-
NAGA GLOBAL (CY) LTD, Limassol, Cyprus (from 01.01.2019)	100%	-
NAGA CAPITAL (NG) LTD, Lagos, Nigeria (from 09.04.2019)	99%	-
NAGA FINTECH CO., LTD, Bangkok, Thailand (from 09.11.2019)	100%	-

The operating subsidiaries of NAGA AG are as follows:

- 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 brokerage and provides its clients with trading platforms for CFDs, Forex, ETFs and stock indices.

- 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 with Naga Technology GmbH in the current fiscal year. Naga Technology GmbH operates the Naga Trader and has a 100% share in Naga Markets Ltd. The Naga Trader is available for iOS, Android and as Web Trader with thousands of active users. The innovative social network provides easy and fast access to trade Forex, CFDs, ETFs, stocks and crypto currencies.

- Naga Virtual GmbH, Hamburg (formerly Switex GmbH, Frankfurt am Main) operates the world's first independent, transparent and legal marketplace for virtual goods such as in-game items since 2018. In the course of restructuring and focusing on the core product Naga Trader, the further development and marketing of the platform was postponed until further notice and is in maintenance mode since then.

- p2pfx GmbH did not have any operating activities in fiscal year 2019 and was merged with Naga Technology GmbH retroactively as of January 1, 2019.

- Naga Blockchain GmbH, Hamburg (formerly Trafex GmbH, Hamburg) did not have any operating activities in fiscal year 2019 and was merged with Naga Technology GmbH retroactively as of January 1, 2019.

- Hanseatic Brokerhouse Securities AG ("HBS") was consolidated in the Naga Group for the first time as of February 1, 2018. HBS is a stock corporation founded in 1999 and is active in the field of online brokerage. HBS also holds 100% of Naga Brokers GmbH. The specialization of HBS is the marketing of CFD trading accounts and the creation of corresponding training content.

- Easyfolio GmbH, Frankfurt am Main, is a financial investment broker with an IHK license and is considered the oldest Robo Advisor on the German market. With Easyfolio GmbH, Easyfolio offers an online-based offer for financial investments on an ETF basis for financial advisors and private investors. Structured ETF portfolios are offered in the form of funds of funds. Easyfolio GmbH was founded on the December 31, 2018 consolidated for the first time. The remaining shares in Easyfolio were acquired in December 2019.

- Naga Global Ltd. operates online brokerage for customers outside the EU and provides its customers with trading platforms for CFDs, Forex, ETFs and stocks. The company was consolidated for the first time on January 1, 2019.

- The companies NAGA GLOBAL (CY) Ltd., NAGA CAPITAL (NG) Ltd. and NAGA FINTECH CO. Ltd., are subsidiaries of Naga Global Ltd., whose business is customer acquisition and internal services.

Business activities of the Group

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

Naga Markets' discount pricing model sets it apart from most competitors, making it an alternative to branch or direct banking for both average investors and very active traders.

In addition to brokerage, the development of block chain-based technology will play an increasingly important role at NAGA in the future. Among other things, this will enable the Group to achieve its goal of global financial inclusion across all assets, products and continents.

With the cooperation partner NDAL, the Naga Wallet as well as the Naga Exchange ("NagaX") are operated as further business areas.

a) **Locations**
The headquarters of the company is Hamburg. Naga Markets is also located in Limassol, Cyprus.

b) **Products, services, platforms and business processes in the Group**
NAGA combines the topics stock exchange (securities) and Bitcoin (crypto currencies). Over the company-owned platform Naga Trader can be traded derivatives, shares, raw materials, foreign exchange and crypto currencies from the computer or mobile by iOS and Android. The customer has the possibility to put together his own portfolios, share his own trades with the community and be copied by other customers or copy successful traders. Furthermore, it is possible to develop an own trading strategy with a trading robot.

c) **Markets, Customers and Distribution Policy**
NAGA markets its products and services worldwide, primarily targeting the global markets for trading financial instruments. In terms of distribution policy, the Group focuses on online marketing, sales 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 as well as the overall economic situation in Europe. A high volatility in the financial markets provides for many actively trading customers and thus leads to a high number of transactions and revenues.

1.2. Goals and strategies

The Group's goal is to become a leading provider of innovative technologies in certain areas 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 a positive EBITDA (earnings before interest, taxes, depreciation and amortization).

Financial targets of the Group

Looking ahead to the reporting date of December 31, 2019, the objectives for the future include an increase in trading revenues and an increase in EBITDA. Furthermore, a stable development of liquid funds and equity should be maintained.

Strategies to achieve the goals

The main strategies for achieving the goals at Group level are outlined below:

- Focus on core competencies: The Group's core business is based on the online brokerage of Naga Markets and Naga Global. This business segment is constantly being expanded and improved. Strong growth is expected by opening up markets outside the EU.
- The entire customer support will be expanded and improved, so that customer satisfaction can be increased and more customers can be acquired.
- The goal 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 through customer-oriented action and to provide technological support to other companies with their ideas.

NAGA meets the macroeconomic challenges with its high level of innovation primarily through organic growth, but also observes opportunities for organic growth.

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 is a solid measure for further measures.

Monthly reporting is the central control instrument of the Group accounting system. In this reporting, all financial and operating figures of the Group companies are recorded and analyzed each month. Plausibility checks are used to identify changes at an early stage to enable countermeasures to 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 adapted to the market environment, new product developments and structural changes. At group level, the management finalizes the planning. Newly added business units 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 Board of Directors. The majority of development activities are commissioned by us and carried out in close cooperation with business partners. The Board of Directors controls the development and ensures the integration of new products and applications into the NAGA ecosystem.

The total amount of development expenses in the Group amounted to EUR 1,717 thousand in the reporting period (prior year: EUR 2,605 thousand). This corresponds to approximately 27.5% of sales revenues. Capitalized additions to intangible assets amounted to TEUR 770 (prior year: TEUR 1,595). The development activities mainly led to the expansion of the functionalities as well as to the increase of the stability of the Naga Trader App and the corresponding web application. The financial significance of these development results for the Group is estimated by the management to be very high.

With a programming company from Sarajevo/Serbia, NAGA has a strong partner at its side to carry out the essential development and maintenance. Due to the flexible and solution-oriented cooperation, NAGA is very well prepared 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-related conditions

Overall economic environment

According to the International Monetary Fund ("IMF"), the global economy grew by 3.0% in 2019. This means that growth has lost some of its momentum compared to the previous year's 3.6%. Gross domestic product (GDP) grew by 0.6% in 2019 (previous year: +1.5%). The German economy thus grew for the tenth year in succession.

Capital Markets

The DAX, Germany's most important stock market index, developed very positively in calendar year 2019. It closed trading on December 31, 2019, at 13,249 points 10,559 points compared to December 31, 2018. The MDAX closed the 2019 trading year at 28,312 points. This represents an increase of 6,754 points compared with the previous year at 21,558 points. The TecDAX closed the 2019 trading year at 3,014 points. This represents an increase of 564 points compared to the previous year at 2,450 points. In the international environment, the Dow Jones closed 2019 at 28,538 points compared to 23,327 points in the previous year, while the S&P 500 closed at 3,230 points compared to the previous year at 2,506 points. The Nasdaq 100 closed at 8,733 points compared to 6,329 points in the previous year. The indices have a direct influence on the number of transactions as well as the risk appetite of customers.

Even though 2019 was burdened by political tensions, the withdrawal of Great Britain from the EU and the trade conflict between the USA and China, the stock indices developed positively.

On the foreign exchange markets, the euro closed 2019 with a decline of approximately 2% against the US dollar. Factors contributing to the decline are the weak growth in the euro zone, in contrast to the US, and the discussions about the UK's withdrawal from the European Union. In addition, the euro may have come under pressure from the uncertain policy of the US and continuing political instability in Italy.

consumer prices in Germany rose on average by 1.4% in 2019 compared with 2018. the annual inflation rate in 2019 was thus lower than in the previous year (1.9%).

2.2. Business Development and Situation of the Group

The Group closed the year 2019 with a negative EBITDA of EUR -9,167 thousand (prior year: EUR 270 thousand) and a net result of EUR -13,377 thousand (prior year: EUR -4.401) is completed. In the past fiscal year, NAGA had to contend with very weak trading revenues, especially in the first four months. This was due to the very long lateral movements on the financial markets. The Group also embarked on a strong consolidation course. Depreciation and amortization at Group level remains very high, which has a negative impact on the annual result. However, NAGA has managed to reorganize itself as part of its restructuring and to expand its core business. The positive results of this are already visible in the first quarter of 2020.

As of December 31, 2019, NAGA manages customer assets of EUR 17,556 thousand (prior year: EUR 16,000 thousand) The number of customers increased from 22,353 to a total of 25,376 The average number of active users rose to 5,090 (prior year: 4,300) per month in the past fiscal year, an increase over the prior year. The average monthly trading volume showed slight year-on-year growth.

In contrast to the previous year, income from consulting services in connection with Naga Coin, Naga Wallet and Naga Exchange with the cooperation partner NDAL did not significantly contribute to the earnings situation.

Group earnings situation

Sales development

NAGA generated revenues from its brokerage business ("trading revenues"). These revenues are primarily generated in Europe and non-European countries. In fiscal year 2019, the brokerage business was strongly expanded in the non-European region.

Trading revenues decreased sharply by EUR 3,897 thousand year-over-year to EUR 4,222 thousand. This negative development is due to the difficult business environment in 2019.

In 2019, the Group achieved a trading volume of approximately EUR 41 billion (previous year: EUR 36 billion).

In addition to trading revenues, significantly lower service revenues were generated in connection with NDAL in the past fiscal year. These fell by EUR 6,000 thousand to EUR 2,001 thousand (prior year: EUR 8,001 thousand).

Due to the weak sales development, a total operating performance of just under EUR 7,002 thousand (prior year: EUR 17,715 thousand) was generated in fiscal year 2019.

Capitalized programming services

Capitalized programming services of EUR 770 thousand in 2019 (previous year: EUR 1,595 thousand) relate exclusively to the Naga Trader. The capitalization rate for development costs in 2019 is 45% (prior year: 61%).

Other operating income

Other operating income increased by TEUR
4,552 thousand to EUR 167 thousand (prior year: EUR 4,719 thousand). This is due to the fact that there was no cost allocation of purchased services when compared to the prior year.

Commission expenses

NAGA's commission expenses for the past fiscal year amount to TEUR 0 (prior year: TEUR -29). There is no commission agreement with third parties.

Personnel expenses

Personnel expenses in the Group decreased by EUR 2,230 thousand to EUR 4,589 thousand (prior year: EUR 6,819 thousand). The reduction is mainly related to the restructuring resulting from cost savings and staff reductions in the Group.

Marketing expenditure

The marketing and advertising expenses of TEUR 2,455 (previous year TEUR 1,774) increased moderately compared to the previous year, since considerably more marketing expenses went into the Naga products. In particular, marketing activities were concentrated on the non-European market in order to expand this market.

Other operating expenses

Other operating expenses developed essentially as follows:

in TEUR	2019	2018	Changes
Legal and consulting fees	1.295	1.451	-156
External services	330	503	-173
Other	3.203	3.567	-364
Total	**4.828**	**5.521**	**-693**

The reduction in other operating expenses mainly relates to the reduction in legal and consulting costs, travel expenses and rental expenses.

EBITDA development
EBITDA was negative at EUR 9,167 thousand in the past fiscal year (prior year: positive at EUR 270 thousand). This loss is mainly due to the sharp reduction in trading and service revenues. Although operating expenses fell sharply year-on-year by EUR 6,126 thousand, this was not enough to offset the negative result.

Depreciation and value adjustments
Depreciation and amortization totaled EUR 3,015 thousand for 2019 (prior year: EUR 5,086 thousand). The main part of this amount is attributable to the depreciation of Swipy Technology amounting to TEUR 1,269 (previous year TEUR 2,538). Furthermore, the Naga Trader was depreciated at TEUR 543 (previous year: TEUR 675). In addition, there is the amortization of the HBS Group customer base of TEUR 524 (previous year TEUR 480). The depreciation and amortization of TEUR 93, which was recognized in accordance with IFRS 16, was also taken into account. In addition, the acquired goodwill of Easyfolio GmbH was written down by TEUR 270.

Financial results
The financial result for fiscal year 2019 was EUR -125 thousand (prior year: EUR -143 thousand). Financial expenses in the Group amounted to EUR 132 thousand in fiscal year 2019 (prior year: EUR 161 thousand).

Income taxes and deferred tax assets
The income tax expense of EUR 151 thousand (previous year: EUR 447 thousand) results from the income tax payable for the Cypriot subsidiary Naga Markets Ltd. Deferred tax expenses of EUR 918 thousand (previous year: income of EUR 1,307 thousand) result from the reversal of deferred tax assets. The sharp reduction in deferred tax assets is due to the fact that, according to the latest planning calculation, the loss carryforwards of HBS AG are not recoverable, as assumed in the previous year. The change in planning results from the restructuring of the Group implemented in the financial year. A corresponding correction was made to deferred taxes.

Net income for the period
Net loss for the period in fiscal year 2019 decreased from EUR -4,401 thousand by EUR 8,976 thousand to EUR -13,377 thousand when compared to the prior year. The main reason is the strong reduction of trade and service income. These worsened by EUR 9,896 thousand when compared to the prior year. Other operating income of TEUR 167 was also lower than in the prior year.

Inflation and exchange rate effects did not have a significant impact on the earnings situation in fiscal year 2019.

Financial Position Group

Ensuring a comfortable level of liquidity at all times and the operational control of financial flows have top priority in financial management. Inflation and exchange rate effects did not have a significant impact on the financial position in fiscal year 2019.

The Group's capital structure is as follows:

in TEUR	31.12. 2019	31.12. 2018	Diff.
Equity ratio	88,5%	95,7%	-7,2%
Debt ratio	11,5%	4,3%	7,2%
Gearing	13,0%	4,5%	8,5%

Due to the poor result for the period, the equity ratio decreased by 7.2% year-on-year. Due to the loan from Fosun in the amount of TEUR 3,000, the gearing ratio increased by 8.5%.

A negative operating cash flow of EUR -2,402 thousand (prior year: EUR -2,883 thousand) was generated in fiscal year 2019.

in TEUR	2019	2018
Cash flow from operating activities	-2.402	-2.883
Cash flow from investing activities	-1.014	-2.151
Cash flow from financing activities	2.874	0
Cash and cash equivalents at the beginning of the period	3.694	8.728
Cash and cash equivalents at the end of the period	**3.152**	**3.694**

Investments of TEUR 1,014 (prior year: TEUR 2,151) mainly relate to intangible assets.

Cash and cash equivalents decreased slightly by EUR 542 thousand from EUR 3,694 thousand to EUR 3,152 thousand.

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

in TEUR	31.12. 2019	31.12. 2018	Diff.
Means of payment	3.152	3.694	-542
less current liabilities	9.422	4.229	5.193
Subtotal	-6.270	-535	-5.735
plus Short-term committed company	6.104	7.911	-1.807
Excess/shortfall in cover	**-166**	**7.376**	**-7.542**

As of the balance sheet date, the Company has a shortfall of TEUR 166 in current liabilities due to short-term assets and cash and cash equivalents.

The cover ratio of medium- and long-term tied assets and medium- and long-term capital is shown in the following overview:

in TEUR	31.12. 2019	31.12. 2018	Diff.
Equity	105.294	118.704	-13.410
plus medium and long-term debt	4.213	715	3.498
less medium and long-term assets	109.679	112.354-2	.675
Excess/shortfall in cover	**-172**	**7.065**	**-7.237**

Medium and long-term assets are covered to 96 % (previous year: 106 %) by equity.

Net assets of the Group

NAGA's financial position developed as follows in fiscal year 2019:

in TEUR	31.12. 2019	31.12. 2018	Verän- of
Assets	**118.979**	**124.034**	**-5.055**
plus medium and long-term debt	109.679	112.354-2	.675
less medium and long-term assets	9.300	11.680-2	.380
Liabilities	**118.979**	**124.034**	**-5.055**
Equity	105.294	118.704	-13.410
Non-current liabilities	4.213	715	3.498
Current liabilities	9.472	4.6154	.857

The reduction of TEUR 2,675 in non-current assets is mainly due to depreciation and amortization.

Current assets include receivables from NDAL in the amount of EUR 1,446 thousand (prior year: EUR 2,690 thousand). Furthermore, they include receivables from derivatives in the amount of EUR 4,217 thousand (prior year: EUR 3,050 thousand). In addition, current assets as of December 31, 2019, include balances on PayPal accounts, debit cards and balances in crypto currencies totaling EUR 292 thousand (prior year: EUR 1,393 thousand).

The increase in non-current liabilities is mainly due to the long-term loan granted by the main shareholder of Naga AG in the amount of TEUR 3,000 and an interest rate of 12% p. a. The loan is not secured and has a term of 2 years.

Current liabilities increased by EUR 5,193 thousand compared to the previous year. The increase is due to the change in the clearing account for customer gains and losses and for transfers from and to trading partners (so-called liquidity providers) of Naga Markets Ltd. in the amount of EUR 5,565 thousand. Trade payables decreased by EUR 491 thousand year-on-year due to payments and amounted to EUR 853 thousand (prior year: EUR 1,344 thousand) at the balance sheet date. In addition, there are other accruals of EUR 434 thousand (previous year: EUR 942 thousand) for outstanding incoming invoices, vacation not taken and the preparation and audit of the annual and consolidated financial statements.

Inflation and exchange rate influences did not have a significant impact on the asset situation in the 2019 financial year.

2.3. General statement on the course of business and the situation of the Group

Compared to the original expectations of a slight reduction in trading revenues compared to the previous year, these have fallen sharply.

The forecast for EBITDA and net profit for the period 2019 made in the Annual Report 2018 was achieved as expected. EBITDA and net profit for the period were expected to fall sharply compared to the previous year, and this was reflected in negative EBITDA of EUR -9,167 thousand (previous year: EUR 270 thousand) and a net loss for the period of a negative net result for the period of EUR -13,377 thousand (prior year: EUR -4,401 thousand).

Overall, NAGA was able to increase the number of customers in online brokerage in the past fiscal year from 22,353 to a total of 25,376.

In the past financial year, the Group was able to establish a new, high-growth structure and considers itself well positioned for the future. The first positive effects were already achieved in the first quarter of 2020.

3. SUPPLEMENTARY REPORT

Events after the balance sheet date are explained in the notes to the consolidated financial statements under item 13.

4. FORECAST, OPPORTUNITIES AND RISK REPORT

In the following, the corona pandemic ("COVID-19") will be discussed in greater detail.

The Corona pandemic did not affect the past fiscal year. This fact is to be classified as value-based and its effect will have an impact on the result in the following year and possibly in the 2021 financial year.

In December 2019, the respiratory disease COVID-19 became noticeable for the first time in the city of Wuhan in the Chinese province of Hubei. In January 2020 the virus developed into an epidemic in China. In its reports of February 28, 2020, the WHO estimated the risk at the global level to be very high, only to officially declare it a pandemic on March 11, 2020. In this context, far-reaching political measures were taken to curb the spread of the virus.

4.1. Report on Expected

Developments of the Group

Macroeconomic forecast

The economic outlook for 2020 has deteriorated massively worldwide due to the corona pandemic. Uncertainty among companies and consumers as well as far-reaching political measures to stem the spread of the virus are now significantly restricting public and economic life. It is already foreseeable today that the German economy will go through a recession in the first half of 2020. The further development of the corona pandemic is decisive for the overall outlook for 2020. At the time the balance sheet was drawn up, the Federal Ministry of Economics and Technology, which is in charge of the report, is expecting GDP to fall by 6.3% in 2020. Growth of 5.2 % is expected in 2021 in the course of the catching-up process. Moreover, the ifo business climate index fell to its lowest level ever measured in April 2020. It therefore remains to be seen how the corona pandemic develops.

The forecast period used here for the course of business relates to the 2020 financial year and is twelve months. Only continuing operations are taken into account in the forecast, without any other activities that may be added. These internal forecasts are based on our best estimates and reflect the latest developments in fiscal year 2020.

We do not expect Naga AG to generate further revenues from services. At the beginning of fiscal year 2019, an extensive restructuring plan and staff reduction was implemented, which provides for considerable cost savings compared to the past fiscal year.

Due to the corona pandemic, it is difficult to make a forecast for fiscal year 2020, as the duration and the overall economic impact cannot yet be predicted. However, NAGA has so far started with record sales in the first 4 months of 2020. The high volatility in the financial markets due to the Corona Pandemic has been a very big advantage for NAGA's business.

We therefore expect stable growth for NAGA, as all these uncertainties in the financial markets usually have a positive effect on NAGA's business. However, this assumes that NAGA continues to operate in the markets with the right strategy.

The development of the non-European area in the past fiscal year was a positive development for the Group and leads to a strong expansion of the business segment. This will be further expanded in the coming years and will lead to a positive development of the Group.

Forecast of significant financial performance indicators

Trading revenues

The developments in the first quarter of 2020 point to a much stronger year. Trading revenues amounted to TEUR 6,469 as at March 31, 2020. This already corresponds to approx. 153% of the trading revenues for the entire year 2019. Due to the expansion of the business to the non-European market, we expect strongly increasing trading revenues compared to the previous year.

Service revenues

It is to be expected that service revenues will decrease significantly compared to the past year. The reason for this is the concentration on NAGA's core business.

EBITDA

Based on the strong increase in trading revenues and the reduction of costs through restructuring, we expect EBITDA to rise sharply in 2020.

Net income for the period

In line with EBITDA, we expect a strong increase in net profit for the period in fiscal 2020 compared with the past fiscal year. Depreciation and amortization will be lower in future, as the depreciation period for Swipy Technology and the Naga Trader was reassessed in financial year 2019 and therefore extended. The financial result will deteriorate slightly due to the interest burden of long-term liabilities.

Forecast of significant non-financial performance indicators

By expanding our business to non-European countries, we expect a strong increase in the number of customers and a higher trading volume compared to the past fiscal year.

4.2. Risk Report

The effects of the corona virus (COVID-19) are also classified as a risk for the Group. Unfortunately, it is not possible to assess 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 such as between the USA and Iran.

To this end, there is a risk that the intangible assets reported in the balance sheet may be impaired. These are linked to the Group's operating result. 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 - among others by the legal and overall economic framework, the maintenance of permits and licenses as well as cooperation with our business partners and other contractual relationships. On this basis, we make assumptions regarding our development and profitability, transaction volumes and revenues, cost items, staffing, financing and material balance sheet items that may prove to be incorrect or incomplete. In particular, further growth depends on whether and to what extent we will be able to acquire new customers who will take advantage of Naga's offer, expand our existing range of products and services and establish new sales channels.

In the worst case, the business model could prove to be unprofitable or no longer feasible. This could necessitate write-downs, particularly of capitalized non-current assets, and could have other 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 stock markets. In addition to the constant changes in the economic environment of the company, changes in the legal and regulatory framework are therefore also essential for the success of the company. Current developments are constantly monitored and carefully analyzed. The Board of Management incorporates emerging opportunities and potential risks into its business and risk strategy and adjusts it accordingly if necessary. The monitoring and control of risks is a central component of NAGA's management instruments.

Management and employees are highly risk conscious in all relevant business processes and observe the Group's high ethical standards. Furthermore, the limitation of risks is one of the key objectives for all NAGA executives 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 set up a staff unit which, in particular, is responsible for the group-wide tasks of the risk control function in accordance with the minimum requirements of the 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 of the management. 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 updated as required. This enables NAGA to classify 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
- Counterparty default risks
- operational risks
- Liquidity risks
- other risks (country risks)

The risk assessment takes into account the 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 Board of Management has access to an overview in which selected key figures (such as EBITDA or trading revenues) of NAGA are presented.

In its own assessment, the measures taken to analyze and monitor NAGA's risk situation are appropriate. The risk-bearing capacity was ensured at all times during the period under review. No direct risks that could jeopardize the continued existence of the Company as a going concern could be identified at the time the present risk report was prepared, also with regard to possible concentration risks.

In the following, the main risks to which NAGA is exposed in the course of its operational business activities are described in more detail. The following evaluation methodology, presented in table form, is used to assess the probability of occurrence and the extent of risk:

Entry Probability Description
< 5% very low
5 - 25% small
> 25 - 50% medium
> 50% high

Risk measure	Effects on business activity, assets, Financial and earnings position and reputation
minimal impact	< TEUR 50 EBITDA Individual risk
moderate effects	> TEUR 50 EBITDA individual risk
highly significant effects	> TEUR 200 EBITDA Individual risk
very highly damaging effects	> EUR 1 Mio. EBITDA Individual risk

d) Management and limitation of market price risks

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

At NAGA, market price risks arise in the trading book of Naga Markets, which is located in the brokerage department. Naga Markets acts as a counterparty to its customers in trading 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 equity of the Company and its risk profile. Compliance with these limits is monitored on a daily basis. If they are exceeded, appropriate countermeasures are initiated immediately.

NAGA considers the remaining market price risks and their probability of occurrence to be low.

In addition to the comprehensive measures for monitoring 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 operations. The adequacy of these measures is monitored on an ongoing basis. Changes in the assessment of the underlying risks as well as 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.

NAGA does not consider the additional risk of exchange rates (currency risk) arising from financial instruments to be significant, since most of its trading is 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 declining interest among investors. The trading activity of the customers of the Group companies is dependent on general stock exchange turnover and market volatility.

e) Management and limitation of counterparty default risks

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

Counterparty default risks at NAGA result primarily from the business and settlement partners in brokerage and services.

NAGA's business partners are reviewed on the basis of firmly defined criteria, which can be adapted to current conditions if necessary and which are based on specific characteristics of the business partners. In addition, an ongoing credit assessment is carried out 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, the operational risk exists in particular due to the dependence of its operations on the IT infrastructure and related services. This also includes the dependence on the faultless provision of services by third-party service providers ("outsourcing"). IT operational risks can be divided into hardware, software and process risks. Extensive IT and Internet systems are used throughout the Group, which are essential for the proper conduct of business. The Group is particularly dependent on the smooth functioning of these systems. Despite comprehensive measures for data backup and bridging system failures, disruptions and/or complete failure of the IT and Internet systems cannot be ruled out. Defects in data availability, errors or functional problems in the software used and/or server failures due to hardware or software errors, accidents, sabotage, phishing or for other reasons could also lead to significant image and market disadvantages and possible compensation payments for the Group.

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

Throughout the Group, considerable investments are being made in IT equipment to ensure, on the one hand, that the considerably increased volume of business can be processed accordingly and, on the other hand, that adequate protection against breakdowns is guaranteed. The probability of the occurrence of an event resulting from the dependence on software and IT risks is estimated to be low, while the extent of possible damage is estimated to be medium.

2) Personnel risks

NAGA uses the monitoring and communication processes set up to limit these risks, especially those arising from personnel. Nevertheless, individual mistakes by individual employees can never be completely ruled out. We consider the probability of the occurrence of events resulting from personnel risks to be very low, and the extent of possible damage to be low.

3) Legal risks

NAGA operates as a regulated financial services provider in a rapidly changing legal environment. Legal violations can result in fines or litigation risks. NAGA counteracts these legal risks by constantly monitoring the legal environment, maintaining internal legal know-how and, if necessary, relying on external legal expertise. We consider the probability of the occurrence of events arising from legal risks to be low, and the extent of the risk to be medium.

The risk of being fined by the Federal Financial Supervisory Authority ("BaFin") must be mentioned in detail. At present, two cases are still pending with BaFin from NAGA and a positive outcome is expected.

4) Litigation risks

At the balance sheet date, there was one open legal dispute arising from a labor court case. This was ended in May 2020 by a settlement against a severance payment of EUR 9 thousand.

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 on time from the available financial resources.

In view of the sufficient liquidity available 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 due to changes in general conditions. These include, for example, the market environment, customer behavior and technological progress.

Technical innovations and changing customer retention patterns can have a significant impact on the conditions in the financial services markets. This may create opportunities for the products and services offered by NAGA, but may also have a negative impact on the demand for its products and reduce the Group's financial success.

NAGA is constantly monitoring changes in the legal and regulatory environment, customer behavior and technological progress with special attention and is constantly reviewing the resulting strategic implications. We consider the probability of events occurring due to dependencies on technical developments and customer behavior to be low and the potential extent of damage to be medium.

h) Reputation risks

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

As a matter of principle, the Group companies endeavor to achieve a high level of customer loyalty through a good reputation in order to gain a competitive advantage over their rivals. Many of the in addition to the direct financial effects, the above-mentioned risks also entail the danger of damaging the Group's reputation and leading to financially disadvantageous consequences for the Group due to reduced customer loyalty.

NAGA considers general business risks and reputation risks, in particular by setting out these in its strategic guidelines and by using its risk management processes to monitor the relevant environment on an ongoing basis. Associated risk assessments are carried out as part of the assessment of the Group's operational risks, which are conservatively assigned a medium probability of occurrence and, in accordance with the principle of prudence, a high degree of risk until the ongoing restructuring of the Group is completed.

i) Country risks

Since NAGA is also active in countries such as Nigeria, there are risks of corruption and the risk of difficult market development.

4.3. Opportunities Report

The coronavirus not only poses risks for the Group, but also potential opportunities, as the financial markets are very volatile and volatility is high, which is good for NAGA's business model.

Opportunities for the company are analyzed at regular intervals and reported to the Executive Board. Management has identified significant opportunities, particularly those arising from synergies from the acquisition of Naga Markets in the past fiscal year. It is highly probable that these will lead to income in the millions in the next two fiscal years.

We observe the trends and developments in our product fields and identify operational opportunities. Our lean structures enable us to react quickly to customer requirements and market developments through short decision-making channels.

By working with NDAL on the Naga Wallet and Naga Exchange, there is a great opportunity to generate additional customers for the NAGA ecosystem. However, this depends strongly on the development of the markets for crypto currencies.

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

In an environment of limited growth figures, new customers can only be won over in addition to a convincing price offer if new standards such as easy-to-use platforms, convincing and powerful service and a stable technical infrastructure are met by the providers.

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

We see the assessment of the overall risk situation as a cumulative consideration of all significant risk categories or individual risks. NAGA is convinced that neither any of the individual risks mentioned nor the risks within the Group as a whole pose a threat to the continued existence of the Group as a going concern as of the balance sheet date or after the date of preparation of the consolidated financial statements.

NAGA believes that it can continue to take advantage of future opportunities without incurring undue risk. Overall, a balanced relationship between opportunities and risks is sought.

5. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELATING TO THE GROUP ACCOUNTING 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 Board of Management. The functionality and effectiveness of the ICS within the Group and at the individual companies are regularly reviewed by the Board of Management.

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

The present consolidated financial statements of NAGA 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 additional provisions of German commercial law to be observed pursuant to Section 315e (1) HGB. In addition, the accounting-related ICS also aims to ensure that the annual financial statements of The Naga Group AG are prepared in accordance with the provisions of German commercial law.

In principle, no matter how an ICS is specifically designed, there is no absolute certainty that it will achieve its goals, since IT-related failures or human error or misconduct can influence the achievement of goals. In relation to the accounting-related ICS, there can therefore only be a relative, but not an absolute certainty that material misstatements in accounting will be avoided or detected.

The Financial Accounting and Controlling departments manage the processes for Group accounting and management reporting. Laws, accounting standards and other pronouncements are continuously analyzed to determine whether and to what extent they are relevant and how they affect accounting. This is supported by standardized reporting formats, IT systems and IT-supported reporting and consolidation processes in order to achieve uniform and proper Group accounting.

If necessary, NAGA uses external service providers in the form of experts. The employees involved in the accounting process are regularly trained. They ensure that their accounting related processes and systems run properly, on time and on schedule.

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

- IT-supported and manual reconciliations
- Separation of functions, especially of external and internal accounting
- Principle of dual control
- 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.

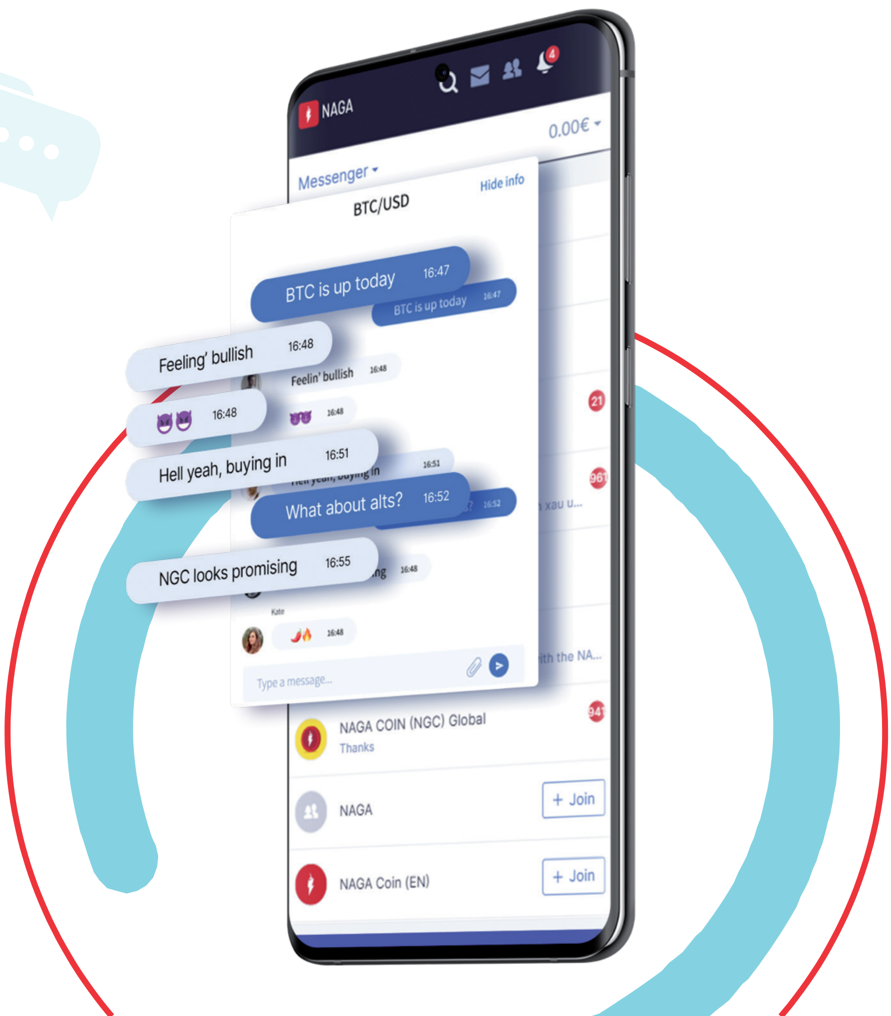
Hamburg, June 25, 2020

The Naga Group AG
Management Board

Benjamin Bilski

Andreas Luecke

Michalis Mylonas



Consolidated Financial Statements

Consolidated Balance Sheet

as of December 31, 2019

	Appendix	31.12.2019 TEUR	31.12.2018 TEUR
ASSETS			
Assets			
Non-current assets			
Intangible assets	6.a)	108.832	110.548
Property, plant and equipment	6.b)	238	236
Rights of use*	6.c)	163	0
Financial investments and other assets	6.d)	194	263
Deferred tax assets	6.i)	252	1.307
Total non-current assets		**109.679**	**112.354**
Current assets			
Receivables from deliveries and services	6.e)	1.484	3.095
Other current assets	6.d)	292	1.393
Tax receivables	6.f)	111	373
Receivables from derivatives	6.g)	4.217	3.050
Cash and cash equivalents	6.h)	3.152	3.694
Total current assets		**9.256**	**11.605**
Prepaid expenses and accrued income		**44**	**75**
Total assets		**118.979**	**124.034**

*First-time adoption of IFRS 16

	Appendix	31.12.2019 TEUR	31.12.2018 TEUR
LIABILITIES			
Equity			
Subscribed capital		40.204	40.204
Additional paid-in capital		97.992	97.992
Balance sheet result		-26.226	-14.404
Equity attributable to shareholders of the parent company		**111.969**	**123.792**
Non-controlling interests		-1.148	438
Treasury stock		-5.526	-5.526
Total equity		**105.294**	**118.704**
Non-current liabilities			
Liabilities to shareholders and members of the Executive Board	6.j)	3.629	0
Deferred tax liabilities	6.i)	552	715
Leasing liabilities*	6.l)	31	0
Total non-current liabilities		**4.212**	**715**
Current liabilities			
Liabilities from deliveries and services		853	1.344
Other current liabilities	6.k)	7.121	1.254
Leasing liabilities*	6.l)	94	0
Liabilities from derivatives		252	75
Provisions for taxes	6.m)	668	614
Other accruals	6.n)	434	942
Total current liabilities		**9.422**	**4.229**
Contractual liabilities	6.o)	50	388
Total debts		**13.684**	**5.332**
Total equity and liabilities		**118.979**	**124.034**

*First-time adoption of IFRS 16

Consolidated Statement of Comprehensive Income

January 1 to December 31, 2019

	Appendix	31.12.2019 TEUR	31.12.2018 TEUR
Trading revenues	6.p)	4.222	8.119
Revenues from services	6.p)	2.001	8.001
Sales		**6.223**	**16.119**
Capitalized programming services	6.q)	779	1.595
Total output		**7.002**	**17.715**
Other operating income	6.r)	167	4.719
Purchased services	6.s)	0	2.899
Development expenses	6.t)	1.717	2.605
Direct expenses of trading revenues	6.u)	1.339	1.071
Commission expenses	6.v)	0	-29
Personnel expenses	6.w)	4.589	6.819
Marketing and advertising expenses	6.x)	2.455	1.774
Allowance for trade receivables	6.y)	1.410	1.803
Other operating expenses	6.x)	4.828	5.521
Earnings before depreciation and amortization (EBITDA)		**-9.167**	**270**
Depreciation of property, plant and equipment and amortization of intangible assets*		2.745	5.086
Amortization of goodwill		270	0
Operating result (EBIT)		**-12.182**	**-4.816**
Financial income	6.z)	7	18
Financial expenses	6.z)	132	161
Earnings before taxes (EBT)		**-12.307**	**-4.959**
Income taxes (expense (+) / income (-))	6.aa)	151	447
Deferred taxes (expense (+) / income (-))	6.aa)	919	-1.307
Net income/loss for the period / comprehensive income		**-13.377**	**-4.401**
Of the consolidated net income			
Shareholders of the parent company		-12.002	-4.345
Profit attributable to non-controlling interests		-1.375	-56


NAGA
5304 4642 1234 5678
09/20
JOHN WHITE
mastercard
STATEMENTS
April
March
February
Load More
JOHN WHITE
Expiry
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Ending
XXXX 5678
€98.75
+ Top Up

Consolidated Statement of Changes in Equity

January 1 to December 31, 2019

	Subscribed Capital TEUR	Additional paid-in capital TEUR	Losses carried forward TEUR
Status as of 01.01.2018 (as reported)	**21.008**	**8.849**	**-9.556**
Correction by adjustment of sales tax liability and receivable (Note 4)	0	0	-467
Status on 01.01.2018 (corrected)	**21.008**	**8.849**	**-10.023**
Acquisition of companies against issue of shares	11.777	89.143	0
Capital increase from contributions in kind	7.418	0	0
Acquisition of a subsidiary with non-controlling interests (Easyfolio GmbH)	0	0	0
Acquisition of remaining shares in Naga Virtual GmbH	0	0	-37
Net income/total comprehensive income for the period Jan. 1, 2018 - Dec. 31, 2018	0	0	-4.345
Status as of 31.12.2018	**40.204**	**97.993**	**-14.404**
Acquisition of remaining shares in Easyfolio GmbH	0	0	211
Additions to subsidiaries	0	0	-33
Net income/total comprehensive income for the period Jan. 1, 2019 - Dec. 31, 2019	0	0	-12.002
Status as of 31.12.2019	**40.204**	**97.993**	**-26.227**

	Equity attributable to shareholders of the parent company TEUR	Non-controlling interests TEUR	Treasury stock TEUR	Total TEUR
	20.301	**-37**	**0**	**20.264**
	-467	0	0	-467
	19.834	**-37**	**0**	**19.797**
	100.920	283	-5.526	95.677
	7.418	0	0	7.418
	0	211	0	211
	-37	37	0	0
	-4.345	-56	0	-4.401
	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**

Consolidated Cash Flow Statement

January 1 to December 31, 2019

	Appendix	01.01.-31.12.2019 TEUR	01.01.-31.12.2018 TEUR
Cash flow from operating activities			
Income before income taxes		**-12.307**	**-4.959**
Depreciation and impairment losses of fixed assets6	6.a) & b)	3.015	5.086
Financial income and expenses	6.w)	125	161
Taxes		-1.070	870
Expenses (+) and allowances for bad debts		1.410	1.803
		-8.828	**2.961**
Cash flow before changes in net working capital			
Increase (-) / decrease (+) in provisions	6.l)	-508	92
Increase (-) / decrease (+) in trade receivables and other assets6	6.e)	201	-822
Increase (+) / decrease (-) in trade payables and other liabilities		6.777	-4.619
Income taxes paid		-43	-494
Operating cash flow		**-2.402**	**-2.883**
Cash flow from investing activities			
Proceeds from disposal of financial assets		79	0
Payments for investments in the intangible assets6	6.a)	-947	-2.172
Payments from the acquisition of subsidiaries less acquired cash and cash equivalents3	3.	0	239
Payments made for investments in financial assets	6.b)	-11	-83
Payments made for investments in property, plant and equipment	6.b)	-135	-135
Cash flow from investing activities		**-1.014**	**-2.151**
Cash flow from financing activities			
Proceeds (+) from borrowings		3.000	0
Payments (-) from the repayment of leasing liabilities		-123	0
Interest paid (-) for leasing liabilities		-3	0
Financing cash flow		**2.874**	**0**
Net increase in cash and cash equivalents		**-542**	**-5.034**
Cash and cash equivalents at the beginning of the period6	6.h)	3.694	8.728
Cash and cash equivalents at the end of the period	6.h)	**3.152**	**3.694**

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. INFORMATION ABOUT THE COMPANY

These consolidated financial statements are the consolidated financial statements of The Naga Group AG ("Naga AG") and its subsidiaries (collectively, the "Group" or "NAGA"). Naga AG is located in Hamburg, Hohe Bleichen 12, Germany (Hamburg Local Court, HRB 136811). Naga AG's shares are listed on the Frankfurt Stock Exchange in the "Scale" segment of the Open Market on December 31, 2019.

The Group's business activities consist of brokerage of contracts for differences (CFD), development of technologies for the financial sector and the use of block chain technology. In fiscal year 2019, the Group's own broker, Naga Markets Limited, Limassol/Cyprus ("Naga Markets"), significantly expanded its business operations by linking up with stock trading.

The consolidated financial statements were submitted to the Supervisory Board for publication on June 25, 2020. Following publication, there is generally no possibility of amending the consolidated financial statements.

2. PRINCIPLES OF THE PREPARATION

NAGA is currently not required to prepare IFRS consolidated financial statements as it is traded on the Open Market (Segment Scale). NAGA has, however, made use of the option under Section 315e (3) HGB and is willing to prepare consolidated financial statements in accordance with IFRS.

The consolidated financial statements were prepared using the consolidated financial statements have been prepared in accordance with § 315e HGB and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The requirements of the applied standards were fulfilled, so that a true and fair view of the net assets, financial position and results of operations is provided. The consolidated financial statements of NAGA were prepared on a going concern basis. The valuation is based on historical acquisition costs with the exception of derivatives.

The financial statements of the subsidiaries are prepared using uniform accounting policies. The nature of expense method was chosen for the consolidated statement of comprehensive income.

The consolidated financial statements are prepared in EUR, the Group's functional currency. Unless otherwise indicated, financial information is presented rounded to the nearest thousand (EUR thousand), which may result in rounding difference.

3. CONSOLIDATED COMPANIES

The consolidated financial statements comprise the financial statements of The Naga Group AG and its subsidiaries as of December 31, 2019.

The scope of consolidation has changed compared to fiscal year 2018 in that Naga Global Ltd., Saint Vincent and the Grenadines, is consolidated as of
1 January 2019.

Furthermore, the subsidiaries Naga Blockchain GmbH, p2pfx GmbH and Zack Betei- ligungs GmbH were merged into the subsidiary Naga Technology GmbH retroactively as of January 1, 2019.

Company access Naga Global Ltd.

Naga Global Ltd. is a company incorporated under the laws of Saint Vincent and the Grenadines under registration number 24501 IBC 2018 and was incorporated on February 1, 2018. By trust agreement dated January 7, 2019, the founder (as trustee) transferred beneficial ownership of the company to Naga AG (as settlor) effective January 1, 2019. Naga Global did not conduct any business activities until that date.

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

Overview of NAGA's scope of consolidation as of December 31, 2019

Company	Main-business-activity	Shareholdings 31.12.2019	Shareholdings 31.12.2018
The Naga Group AG, Hamburg	Holding of (parent company) investments	-	-
NAGA Markets Ltd, Limassol, Cyprus	Securities Trade	100%	100%
Naga Technology GmbH, Hamburg	(formerly Software SwipeStox GmbH) development	100%	100%
Naga Virtual GmbH, Hamburg	(formerly Switex GmbH Software-Frankfurt am Main) development		
Hanseatic Brokerhouse Securities AG,		100%	100%
	Holding of (HBS), Hamburg Interests	72,16%	72,16%

Company	Main-business-activity	Shareholding 31.12.2019	Shareholding 31.12.2018
Naga Brokers GmbH, Hamburg	Internal Service services	72,16%	72,16%
Easyfolio GmbH, Frankfurt am Main	Investment - Meditation	100%	50,02%
Naga Global Ltd, Saint Vincent & Grenadines (from 01/01/2019)	Securities-trade	100%	-
NAGA GLOBAL (CY) LTD, Limassol, Cyprus Int. (from 01.01.2019)	Services services	100%	-
NAGA CAPITAL NG) LTD., Lagos Nigeria Sales- (as of 04/09/2019)	company	99%	-
NAGA FINTECH CO., LTD., Bangkok, Thailand Sales- (from 09.11.2019)	company	100%	-

In the 2019 fiscal year, the shares in Easyfolio GmbH were also increased to 100% of the shares in order to preserve their status.

As of December 31, 2019, there were neither joint ventures nor associated companies.

The shareholdings correspond to the voting rights quota.

Naga Development Association Ltd.

NAGA, in cooperation with the Naga Development Association Ltd., Belize City/Belize ("NDAL"), has carried out a so-called Initial Token Sale ("ITS") in 2017. Through the ITS, NDAL has raised funds - mainly in the form of crypto-currencies - in the amount of approximately USD 50 million (market value as of 31.12.2017) from tens of thousands of investors. The goal of the ITS was to generate funds to expand and improve the Naga ecosystem and increase the value of the Naga Coin ("NGC"). The latter did not materialize due to the decline in the crypto-currency market.

The cooperation partner NDAL is a company that has no corporate relationship with Naga AG or its subsidiaries. NDAL initiated the ITS on its own account, making use of various consulting services provided by NAGA as well as the trademark usage rights "NAGA", "SwipeStox" and "Switex". Accordingly, NDAL is exposed to the opportunities and risks from possible exchange rate fluctuations of the crypto currencies received.

The NDAL decides on the use of the funds received in the course of the ITS ("ITS funds") with the aim of realizing the highest possible share price increase in favor of the investors. NAGA has the right to suggest possible development or marketing projects.

However, due to the concept of ITS, as defined in the ITS White Paper, the common goal is to establish or expand the use of the NGC on NAGA trading platforms and to increase the awareness of the NGC. Therefore, the cooperation partners have agreed that the release of ITS funds can only be decided jointly. The entire 50 million US dollars are subject to this joint decision. Furthermore, at the beginning of 2018 it was decided to exchange a substantial part of the crypto-currency proceeds for Fiat currency. This was the basis for the payment of service revenues in 2017 and 2018.

In addition to making the best possible use of ITS funds, NDAL is also developing and operating NAGA WALLET, an electronic purse for crypto currencies, and is also participating in a university in Cyprus. The financing of the other business areas is mainly financed by ITS funds and a strategic reserve of NGC.

NAGA continues to generate service revenues with NDAL in 2019, primarily related to the distribution and technical development of the Naga Coin, Naga Wallet and Naga Exchange.

In fiscal year 2019, receivables from NDAL in the amount of EUR 1,409 thousand (prior year: EUR 1,700 thousand) were written down due to non-payment (see Note 6e).

4. ESTIMATES AND ASSUMPTIONS AND ACCOUNTING POLICIES

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

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

In fiscal year 2019, the Company determined that Naga Markets had made an incorrect calculation in the area of sales tax in relation to the last three fiscal years. Due to the Company's only pro-rata right to deduct input tax, the Company has to pay VAT amounts for fiscal years 2016 - 2019.

The corresponding corrections were made retrospectively in accordance with IAS 8.42. The following balance sheet and earnings adjustments were made for the prior-year period:

Balance sheet item (in TEUR)	Balance sheet values before changes as of 01.01.2018	Change	Balance sheet values after changes as of 01.01.2018
Other current assets	2.509	-117	2.392
Losses carried forward	9.556	467	10.023
Other current liabilities	646	349	995

Balance sheet item (in TEUR)	Balance sheet values before changes as of 31.12.2018	Changes per 01.01.2018	Changes per 31.12.2018	Balance sheet values after changes as of 31.12.2018
Other current assets	1.606	-117	-96	1.393
Consolidated income statement as of 12/31/2018	-4.100	0	-301	-4.401
Losses carried forward	13.636	467	0	14.103
Other current liabilities	699	349	206	1.254

For the years 2016 to 2017, there were earnings effects from sales tax of EUR 467 thousand. These were recognized directly in the opening balance sheet as of January 1, 2018 (via the loss carryforwards). The effect for the year 2018 in the amount of EUR 301 thousand was also retroactively recognized in the balance sheet as of December 31, 2018 and in the result for 2018.

Sales tax liabilities are reported under the balance sheet item "Other current liabilities". The sales tax expense is reported under "other operating expenses". With regard to the business model, the following accounting methods in particular are significantly affected by estimates and the exercise of discretion:

a) Impairments

At each reporting date, property, plant and equipment and intangible assets are reviewed by comparing the recoverable amount and the carrying amount to determine whether there are any indications of impairment. Examples of such indications are 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. One CGU, the brokerage business, was identified as of the reporting date on 31 December 2019. The goodwill acquired in the 2018 fiscal year was allocated in full to the Brokerage CGU, to which Naga Markets also belongs.

In the case of intangible assets with indefinite useful lives or intangible assets not yet in use, an impairment test is performed at least once a year and additionally if there are indications of impairment ("triggering event"). There was no indication of impairment in the 2019 financial year.

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 from the acquisition of a company is allocated to intangible assets. Capitalized goodwill is not subject to scheduled amortization but is rather subject to an impairment test based on the CGU to which it is allocated at least once a year and whenever required. The impairment tests involve checking whether the recoverable amount exceeds the carrying amount of the tested units, including the goodwill allocated to them. As of the reporting date on December 31, 2019, and as of
At 31 December 2018, goodwill exists for the Brokerage CGU.

The impairment test for goodwill in the Brokerage CGU is based on the fair values to be attributed less costs to sell. This is determined using a discounted cash flow method (DCF method) by discounting the projected cash flows, derived from the multi-year plan approved by management, using a calculated cost of capital rate. The planning covers the following years for a period of 3 years. This is followed by the perpetual annuity. The valuation method used to determine the fair values is to be allocated to level 3 of the hierarchy for determining the fair values.

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

In the first half of 2019, NAGA has started a strong consolidation course. This was partly 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. Since its restructuring, NAGA has been concentrating on its core business of online brokerage.

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

- Number of active customers,
- average revenue per trading transaction,
- acquisition costs per customer, and
- discount rates.

A change in these key planning parameters has a material effect on the calculation of the fair value less costs to sell and ultimately on the amount of any necessary impairment of goodwill or brands with indefinite useful lives, which is presented below.

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

The development of this key figure depends largely on the extent to which customers are converted into active customers after they have logged on to the platform (conversion rate). A customer registered for the first time via the company's applications is only activated for a real money deposit account after completing 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 time can be from 10 minutes to 60 days. A customer is considered "inactive" as soon as the customer does not deposit, trade or log in for 90 days. The Conversion Rate "Signup to MAU" was assumed to be 15.00% based on historical data.

A lower conversion rate means fewer active users, fewer trades and consequently less turnover. If the conversion rate were to fall below 14.90%, the Brokerage CGU would be impaired.

Average revenue per trade

Revenue per trade results from the number of completed trades and the revenue generated within a period.

The revenue per trade was assumed to be EUR 2.50 based on historical data.

If trading revenues fall in relation to the closed trading businesses, this has a negative effect on sales and profits. If the ratio fell to less than EUR 2.47, this would result in an impairment for the Brokerage CGU.

Customer Acquisition Costs per Customer (CAC)

This parameter refers to the average cost of acquiring new customers. At this value, all registrations in the period are put in relation to the company-wide expenses for marketing & sales.

Based on historical data and depending on the target region, the Company expects amounts ranging from EUR 95 - 105.

If the CAC rose to more than EUR 100 - 110, depending on the target region, this would result in an impairment for the Broke- rage CGU.

Discount rates and perpetuity

The discount rates reflect current market assessments of the risks specific to the asset, 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 average weighted cost of capital takes into account both debt and equity. The cost of equity is derived from the expected return on capital from the Group's equity providers. The cost of debt capital is based on the interest-bearing debt capital for which the Group has to service its debts.

The 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 perpetuity, the management expects moderate growth overall. A capitalization interest rate with a growth discount of 0.5% per year was applied in each case. The determination of the cash flows is based on 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 interest rate (WACC) amounts to 7.76% (2007/2008: 6.72%).

An increase in the discount rate after taxes to 8.1% (i.e. +0.34 percentage points) would result in an impairment loss for the Brokerage cash-generating unit.

The data used by management is based on empirical values from previous fiscal years as well as on internal analyses and forecasts. The management bases its planning on its own estimates, as Naga operates in a new FinTech segment, "Social Trading" or "Social Investing". No external sources could be used for the planning, as such sources are not available or existing sources refer to non-comparable business areas and companies.

Against this background, Naga expects strong growth of the business in the detailed planning period. Growth in new target markets outside of the EU (especially Southeast Asia) is of particular importance. Due to the market conditions in these target markets, the Company expects growth rates in these markets to be significantly higher than in the EU markets in which the Company has been active so far.
The planning also takes into account significant measures to improve the cost structure, which the company introduced at the beginning of the 2019 financial year.

With regard to the Brokerage CGU with an attributable goodwill of EUR 95.2 million, unforeseeable changes in key planning assumptions could lead to a significant impairment of goodwill. This applies in particular to the assumptions made with regard to revenue, 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 costs is based on management's assessment that technical and economic feasibility has been demonstrated. Since the development costs are attributable to the NAGA Trader trading platform, which has been on the market since June 2016, management believes that this is a given. In order to determine the amounts to be capitalized, the amounts attributable to development work were determined from the invoices of the development companies commissioned. The book value of the capitalized development costs amounted to December 31, 2019 TEUR 3,669 (prior year: TEUR 3,321).

c) Taxes

Significant assumptions and estimates are required to determine income tax liabilities, as the ultimate tax outcome of a number of transactions and calculations is uncertain. Where the final tax outcome is different from the amounts that were recorded, such differences will affect current and deferred income taxes. The Group uses external service providers to determine its income tax charge.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable income will be available against which the losses carried forward can actually be utilized. Significant management judgment is required to determine 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 tax loss carryforwards of EUR 22,818 thousand (2018: EUR 14,667 thousand). This exist at subsidiaries with a history of losses. The losses carried forward do not expire and cannot be offset against taxable income of other Group companies. The subsidiaries have neither taxable temporary differences nor tax planning opportunities, some of which could lead to the recognition of deferred tax assets. Therefore, no deferred tax assets were recognized for tax loss carryforwards.

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 compared with the assumptions and estimates. Please 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 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 which are acquired or sold at normal market conditions are generally recognized on the trading date.

5. CHANGES IN ACCOUNTING POLICIES - AMENDED STANDARDS AND INTERPRETATIONS

The following amendments to standards or interpretations are mandatory for the first time in financial year 2019.

Application of the following new or amended standards is mandatory for the first time as of January 1, 2019

New standards

IFRS 16 Leases
IFRIC Interpretation 23: Uncertainties regarding income tax treatment

Amendment of Standards

Amendment to IFRS 9:
Prepayment regulations with negative compensation

Amendment to IAS 28:
Long-term investments in associated companies and joint ventures

Amendment to IAS 19:
Plan adjustments, plan reductions or plan settlements

Annual IFRS Improvements Process

- IFRS 3 Business combinations - previously held interests in jointly controlled entities
- IFRS 11 Joint Agreements - previously held interests in a joint venture
- IAS 12 Income Taxes - income tax consequences of payments on financial instruments classified as equity
- IAS 23 Borrowing costs - capitalizable borrowing costs

IFRS 16: Leases

In January 2016, the IASB published IFRS 16, which replaces IAS 17 and IFRIC 4, among others. IFRS 16 abolishes the previous classification of leases as operating or finance leases for lessees. Instead, IFRS 16 introduces a uniform accounting model according to which lessees are obliged to recognize an asset for the right of use and a lease liability for the outstanding rental payments for all leasing contracts. This means that in future, all leasing relationships - largely comparable with the current accounting treatment of finance leases - must be recognized in the consolidated balance sheet.

However, IFRS 16 provides the option of not recognizing the right of use and the lease liability for lease agreements with a term of up to twelve months or for lease agreements for low-value assets. NAGA makes use of this option. The lease payments associated with these leases are to be recognized as an expense either on a straight-line basis over the term of the lease or on another systematic basis.

NAGA will apply the standard as of January 1, 2019, based on the modified retrospective method. Prior-year figures have not been adjusted. Due to the very small number of leasing relationships, the initial application of the standards had hardly any overall implications.

IFRIC Interpretation 23: Uncertainties regarding income tax treatment

IFRIC 23 clarifies the accounting treatment of uncertainties relating to income taxes and is effective for reporting periods beginning on or after January 1, 2019.

The interpretation is to be applied to the accounting of income taxes in accordance with IAS 12 Income Taxes if there are uncertainties regarding the income tax treatment. It does not apply to taxes or duties which do not fall within the scope of IAS 12 and does not contain any provisions on interest and late payment penalties in connection with uncertain tax treatment. The interpretation deals in particular with the following topics:

- Deciding whether an entity should assess uncertain tax treatments on an individual basis
- assumptions made by an entity in relation to the review of tax treatments by the tax authorities
- Determination of the taxable profit (tax loss), the tax book values, the unused tax losses, the unused tax credits and the tax rates
- Consideration of changes in facts and circumstances

The Group must determine whether to assess each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

The Group currently assumes that the tax authorities will accept the chosen tax treatment.

Furthermore, there have been changes to the following standards, which are not explained further due to their lack of relevance for the consolidated financial statements:

- Amendments to IFRS 9: Prepayment Regulations with Negative Settlement
- Amendments to IAS 19: Plan adjustments, curtailments or settlements
- Amendments to IAS 28: Non-current Investments in Associates and Joint Ventures

Annual improvement process (2015-2017)

The following standards were revised as part of the annual improvement process:

- IFRS 3 Business Combinations
- IFRS 11 Joint Agreements
- IAS 12 Income taxes
- IAS 23 Borrowing costs

Due to their lack of relevance for the consolidated financial statements, they are not explained further.

New or amended standards and interpretations not yet applied

Future innovations and changes in invoicing

Changes to standards	Date of first application EU
Amendment to IFRS 3: Definition of a Business operations	01.01.2020
Amendment to IAS 1 and IAS 8: Definition of materiality	01.01.2020
Changes to IAS 39, IFRS 9 and IFRS7: Interest Benchmark Reform	01.01.2020
Amendment to IFRS 16: Accounting for rental concessions at the lessee	01.06.2020
Amendment to IAS 37: onerous contracts - costs for the performance of a contract	01.01.2022

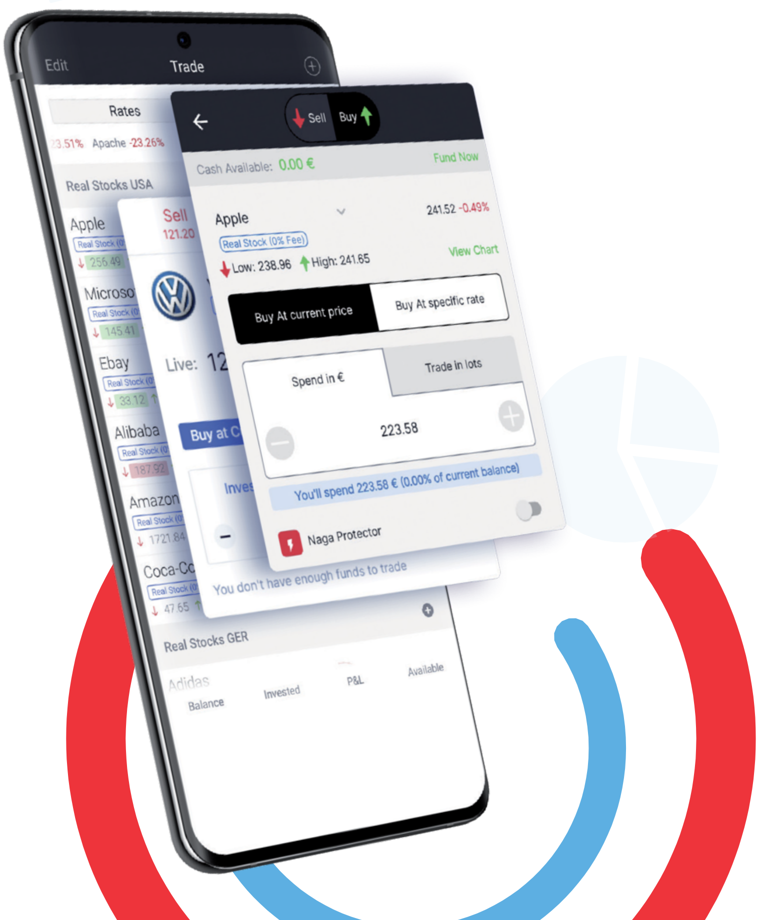
NAGA does not expect any effects from the future innovations and changes of the above mentioned standards.

6. NOTES TO INDIVIDUAL ITEMS OF 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 recognized 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 ready 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 performed at the level of the cash-generating unit rather than at the level of an individual asset. For the impairment test, the 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 taxes) between 7.76% and 7.26%. There was no significant impairment of goodwill or the intangible assets presented in the year under review.



Intangible assets in fiscal year 2019 and in the prior year are as follows:

31.12.2019

in TEUR	AK/HK to 01.01.2019	Access	Additions Acquisition of companies	Disposals
Goodwill	95.173	0	0	0
Customer base	2.618	0	0	0
Software (including 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 TEUR	AK/HK to 31.12.2019	Accumulated depreciation as of Dec 31, 2019	Book value at 31.12.2019	Depreciation and amortization in the business year year 2019
Goodwill	95.173	270	94.903	270
Customer base	2.618	1.004	1.614	524
Software (including 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**

31.12.2018

in TEUR	AK/HK to 01.01.2018	Access	Accesses Sub-Acquisition of shares	Disposals
Goodwill	203	0	94.970	0
Customer base	0	0	2.618	0
Software (including technology)	20.778	15	0	2
Capitalized development costs	3.142	1.595	0	75
- thereof completed	3.067	1.541	0	0
- thereof under development	75	54	0	75
Licenses/Domain	90	563	0	0
Intangible assets	**24.213**	**2.173**	**97.588**	**77**

in TEUR	AK/HK to 31.12.2018	Accumulated depreciation as of Dec 31, 2018	Book value at 31.12.2018	Depreciation and amortization in the business year year 2018
Goodwill	95.173	0	95.173	0
Customer base	2.618	480	2.138	480
Software (including technology)	20.791	10.609	10.182	2.787
Capitalized development costs	4.662	2.259	2.403	1.603
- thereof completed	4.608	2.259	2.349	1.603
- thereof under development	54	0	54	0
Licenses/Domain	653	1	652	1
Intangible assets	**123.897**	**13.349**	**110.548**	**4.871**

Intangible assets relate in particular to the goodwill of HBS AG in the amount of EUR 94.7 million, the Swipy technology acquired by way of a contribution in kind and the acquisition costs of the Naga Trader.

Goodwill

As of 31 January 2018, Naga AG had acquired 60% of the shares in HBS AG and thus a goodwill of EUR 94.7 million. In addition, the remaining shares in Easyfolio GmbH were acquired in a total of three transactions in 2018 and 2019, resulting in goodwill of EUR 522 thousand.

Goodwill is subject to an annual impairment test. The method and assumptions are explained in Note 4a). The goodwill of Easyfolio GmbH was written down by EUR 270 thousand to equity as of December 31, 2019, since this investment was sold at its carrying amount in May 2020.

Customer base

With the acquisition of HBS AG, a customer base was acquired which will be amortized over a period of 5 years.

Software

Software concerns new applications and essential extensions or improvements of existing applications. Development costs are capitalized under the following conditions:

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

The future economic benefit is probable if additional sales revenues can be generated with the technical innovations. The sales forecasts for these new products are based on the best estimates at the time of valuation.

If a development project has not yet been completed, an impairment test is performed annually. Otherwise, a possible need for impairment is only tested if there are impairment indicators.

Swipy Technology

The Swipy technology is designed to create a cohesive trading environment so that every broker has the opportunity to join this platform. The software has a "self-learning algorithm" and was built in different modules with a focus on mobile applications. The Swipy technology is the base technology with the software code, the design and the different 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 verified and confirmed by an impairment test during the financial year. The Group's 3-year business plan served as the basis for this test. The technology is also allocated to the cash-generating unit, the brokerage business.

Extension of the useful life of the Swipy technology

In financial year 2019, the useful life of the Swipy technology was reviewed. Previously, the Company assumed a useful life of 5 years. On the basis of the reassessment, a useful life of 8 years is assumed from 1. January 2019. This reduces depreciation for the current year by EUR 1,269 thousand. The residual carrying amount of the Swipy technology at the balance sheet date was EUR 8,883 thousand. The change was accounted for prospectively as a change in estimate in accordance with IAS 8.

Naga Trader

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

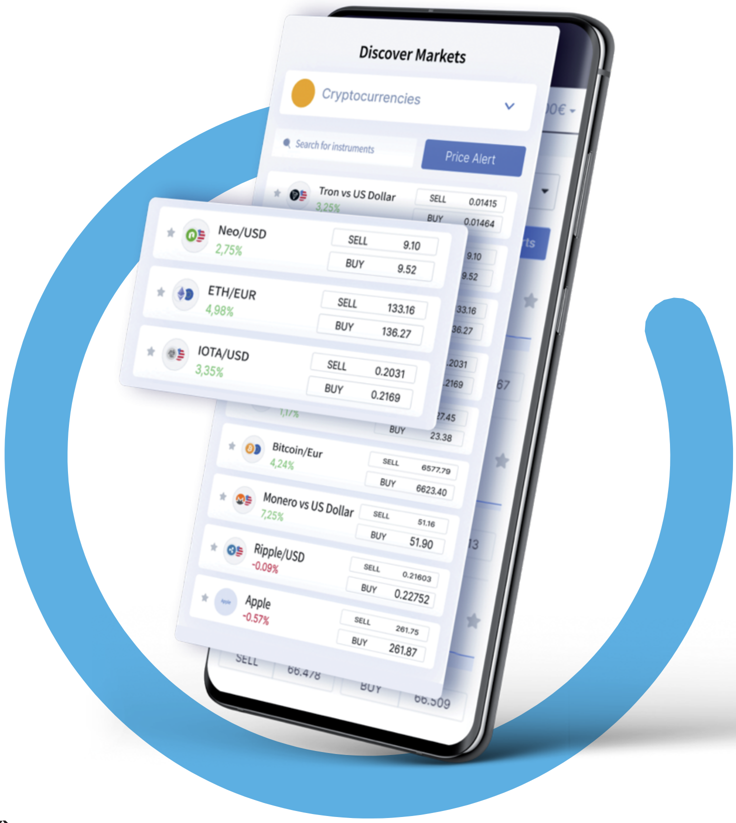
Extension of the useful life of the Naga Trader

In fiscal 2019, the useful life of the Naga Trader was also reviewed. Until now, the Company assumed a useful life of 5 years from June 1, 2016. Based on the reassessment, a useful life of another 5 years from January 1, 2019 is assumed. This is based on the fact that after the Naga Trader software has reached market maturity in 2016, considerable investments have been made in the further development of this software in the following three years. The capitalized further development costs amounted to TEUR 993 in 2017, TEUR 885 in 2018 and 2019
770 thousand, with a slightly decreasing tendency, is planned to invest in the further development of the software in the following years as well. As a result, the useful life of the software is continuously extended, i.e. it is subject to less wear and tear due to technological obsolescence than initially assumed. This reduces depreciation for the current year by EUR 132 thousand to EUR 543 thousand. The net book value of the Naga Trader amounts to EUR 2,575 thousand at the balance sheet date. The change was accounted for prospectively as a change in estimate in accordance with IAS 8.

Capitalized development costs

A total of EUR 1,717 thousand (prior year: EUR 2,605 thousand) was recognized as development expenses. Of this amount, TEUR
1,428 thousand (prior year: ' 1,456 thousand) the Naga Trader. Of this

EUR 770 thousand (prior year: EUR 1,595 thousand) were capitalized and reported in the statement of comprehensive income as capitalized programming services, so that development expenses of EUR 938 thousand (prior year: EUR 1,009 thousand) remain in the statement of comprehensive income. The capitalization rate for development costs will be 45% in 2019 (prior year: 61%). 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 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 economic life 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. There were no such indications in the 2019 financial year.

Property, plant and equipment includes office and business equipment.

Composition of property, plant and equipment (FY)

31.12.2019

in TEUR	AK to 01.01.2019	Access	Disposals	AC as of 12/31/2019
Other equipment, furniture and fixtures	398	135	4	529
Property, plant and equipment	**398**	**135**	**4**	**529**

in TEUR	Accumulated depreciation as of Dec 31, 2019	Book value at 31.12.2019	Depreciation and amortization in the business year 2019
Other equipment, furniture and fixtures	291	238	129
Property, plant and equipment	**291**	**238**	**129**

31.12.2018

in TEUR	AK to 01.01.2018	Access	Disposals	AC as of 12/31/2018
Other equipment, furniture and fixtures	185	213	0	398
Property, plant and equipment	**185**	**213**	**0**	**398**

in TEUR	Accumulated depreciation as of Dec 31, 2018	Book value at 31.12.2018	Depreciation and amortization in the business year year 2018
Other equipment, furniture and fixtures	162	236	90
Property, plant and equipment	**162**	**236**	**90**

c) Rights of use

For the first time, NAGA is accounting for rights of use according to the new standard IFRS 16. Rights of use are measured at cost less any accumulated amortization and any accumulated impairment losses and are adjusted for any revaluation of the lease liability. The cost of rights of use comprises the recognized lease obligations, the initial direct costs incurred and the lease payments made at or before the date of delivery, less any incentives received. Rights of use are amortized on a straight-line basis over their expected useful life. For the Group, the following amounts are recognized for the past financial year for the use of an office building in Cyprus with a lease term of two years:

in TEUR	Provisioning date	Right of use Office space
Initial evaluation	May 01, 19	246
Depreciation		-84
Balance sheet value 12/31/2019		**163**

d) Financial investments and other assets and current assets

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

in TEUR	31.12.2019	31.12.2018*
Compensation fund for investors	114	123
Deposits	80	140
Long term	**194**	**263**
Balance PayPal, Kraken account and credit card	56	848
Short-term loans	70	85
Sales tax receivable	7	144
Deposit	87	101
Miscellaneous	72	215
Short term	**292**	**1.393**
Total	**486**	**1.656**

*Previous year has been adjusted in accordance with Note 4.

The obligation to deposit monies with the Investor Compensation Fund arises from regulatory requirements of the Cyprus Securities and Exchange Commission ("CySEC"). The long-term assets are subject to restrictions on disposal.

The short-term loan of TEUR 70 is secured. The credit default risk and the 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 experience of credit risk. 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) Receivables from deliveries and services

Trade receivables are generally carried at their nominal amount and amounted to EUR 1,484 thousand (prior year: EUR 3,095 thousand) at the balance sheet date. Thereof, trade receivables of TEUR 1,446 (prior year: TEUR 2,690) are due from NDAL.

Receivables from NDAL were written down in 2019 in the amount of EUR -1,409 thousand (previous year: EUR 1,700 thousand).

The credit risk and impairment are explained under Note 9.

f) Tax receivables

The tax receivables of TEUR 111 relate to HBS AG. These receivables relate to tax prepayments for the years 2017 and 2018 for which a refund claim exists due to the losses generated in these financial years. The tax returns for these fiscal years are currently being assessed by the tax office.

g) Receivables from derivatives

Derivative assets correspond to open positions in contracts for difference (CFDs), which are mainly held with the customer in a number of currency pairs. NAGA acts as the counterparty to open positions held with the liquidity provider. In this way, NAGA partially hedges against financial risks from its open customer transactions.

h) Cash and cash equivalents

Cash and cash equivalents consist exclusively of short-term bank balances of EUR 3,152 thousand (prior year: EUR 3,694 thousand).

The amounts of cash and cash equivalents included in the cash flow statement correspond to the corresponding item in the balance sheet.

There are restraints on disposal in the amount of TEUR 2,887 (prior year: TEUR 1,305) because these funds are deposited with liquidity providers as collateral.

In contrast to customer funds held in trust, which are not reported as cash and cash equivalents, the reported item is own funds which are used by the liquidity providers to hedge against losses of NAGA customers from trading activities that have been outsourced to liquidity providers.

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

in TEUR	31.12.2019	31.12.2018
A1	88	1.555
Baa1	167	454
Baa3	0	0
Caa2	0	0
without rating	2.897	1.685
Total	**3.152**	**3.694**

i) Deferred tax assets and liabilities

In financial year 2019, temporary differences exist in the following balance sheet items which lead to the recognized deferred tax assets:

Deferred tax assets

in TEUR	31.12.2019	31.12.2018
Deferred taxes on losses carried forward	252	1.307
Total deferred tax assets	**252**	**1.307**
Offsetting in accordance with IAS 12.74	0	0
Deferred tax assets according to balance sheet	**252**	**1.307**

Deferred tax liabilities

in TEUR	31.12.2019	31.12.2018
Intangible assets	552	715
Total deferred tax liabilities	**552**	**715**
Offsetting in accordance with IAS 12.74	0	0
Deferred tax liabilities according to balance sheet	**552**	**715**

Deferred tax assets have decreased compared to the previous year due to a valuation allowance on the loss carryforwards of the HBS Group. In the next three years, losses of EUR 780 thousand in total are recoverable at the HBS Group. In fiscal year 2019, the HBS Group generated total losses of EUR 9,392 thousand for which no deferred tax assets were recognized.

The deferred tax liabilities result from the customer base of the HBS Group within the scope of the purchase price from 2018.

j) Liabilities to shareholders

In the past financial year, the main shareholder of Naga AG granted a loan of EUR 3,000 thousand, of which the first tranche was paid in September and the second 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.

This item also includes liabilities from salary waivers in the form of compensation from future profits. The liabilities are paid out in full if a certain EBITDA target is reached.

k) Other current liabilities

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

in TEUR	31.12.2019	31.12.2018*
Customer funds	5.656	0
Compensation for maternity leave	410	0
Sales tax current year Naga Markets	200	0
Sales tax 2017 Naga Markets	349	349
Sales tax 2018 Naga Markets	206	206
Liabilities from wages and salaries	205	542
Miscellaneous	95	150
Other short-term loans	0	7
Total short-term	**7.121**	**1.254**

*Previous year has been adjusted in accordance with Note 4.

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

The audit of Naga Markets for the past fiscal year revealed a change in the area of sales tax. Therefore, the sales tax amounts from the years 2016 to 2019 have been corrected. It is expected that the sales tax will be due in the current fiscal year.

Liabilities from wages and salaries mainly relate to the outstanding wage tax and social security contributions for the former Spanish branch of Naga Brokers GmbH. These liabilities were settled in the first quarter 2020.

The compensation for maternity leave is a compensation for a former member of the Executive Board which is due at the end of the 2020 financial year.

During the 2019 financial year, the members of the Board of Management waived their salaries in return for a debtor warrant. As soon as the debtor warrant is issued, the outstanding salaries become due for payment. The expenses for this are already shown in the past fiscal year.

The liquidity risk is explained under Note 9.

l) Leasing liabilities

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

On the date of commitment, the Group recognizes the lease liability at the present value of the lease payments (rental payments) to be made over the term of the lease (rental agreement). Lease payments comprise fixed payments less any incentives 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 inception date of the lease, as the interest rate underlying the lease cannot be determined without further analysis. After the commitment date, the amount of lease liabilities is increased to reflect the increase in interest expense and decreased to reflect the lease payments made. All leasing obligations existing as of December 31, 2019, were only entered into during the 2019 financial year. The leasing relationships as of 31. The options granted on December 31, 2018 expired completely in fiscal year 2019 or were terminated earlier by way of a deferred payment.

The Group also makes use of the exemption for short-term leases (with a maximum term of twelve months from the date of commitment). In addition, the exemption is applied to leases that are based on an asset of minor value. Leasing payments for short-term leasing relationships and for leasing relationships based on an asset of minor value are recognized as expenses on a straight-line basis over the term of the leasing relationship.

NAGA has a leasing contract (rental agreement) for office space in Cyprus, which must be taken into account in accordance with IFRS 16. This concerns the subsidiary Naga Markets and has a term of 2 years. The provision date was May 1, 2019 and the marginal borrowing rate is 3.23%. The rent is paid for one year in advance. The following table shows the development of the lease liability

in TEUR Dates Non-current Current	Availability date	Offices	short	long
First-evaluation	May 01, 19	246		
Rental payments		-123		
Discounting 3.23%		3		
Leasing liabilities as of 12/31/2019		**126**	**31**	**94**

In the consolidated income statement, the rental payments for the office building in the amount of EUR 76 thousand were corrected from other operating expenses and recorded as a depreciation of the right of use in the amount of EUR 84 thousand in accordance with IFRS 16.

The calculated interest expense from the leasing liability has been taken into account in the consolidated income statement and is shown under financial expenses.

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

Short-term leases of up to one year

Office rent Hamburg TEUR 27

Leases less value than	between I year	with little I-5 years
Office and business premises Equipment	TEUR 2	TEUR 2

The office rent in Hamburg is a rental agreement which is valid until 30.06.2020 and can be extended thereafter. The office and business equipment is a printer of low value and has a term of 2 years.

m) Tax liabilities

Of the expected tax liabilities of EUR 668 thousand (prior year: EUR 614 thousand), EUR 517 thousand relate to fiscal year 2018 for the subsidiary Naga Blockchain GmbH, which was merged into Naga Technology GmbH as of January 1, 2019. This company generated taxable profits under German tax law. The tax returns are in the assessment. Tax liabilities of EUR 151 thousand relate to the current taxes for fiscal year 2019 of the subsidiary Naga Markets.

n) Other accruals

The recognition of provisions requires an estimate of the amount and probability of cash outflows. Any differences between the original estimate and the actual outcome may have an impact on the net assets, financial position and results of operations of the Group in the respective period. Short-term provisions are generally recognized with an outflow of funds within the following twelve months calculated.

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 2019:

in TEUR	01.01.2019	Feeding	Consumption	Resolution	31.12.2019
Vacation accruals	213	0	182	0	31
Annual financial statement, audit costs	178	169	90	21	236
Other accruals	551	137	462	59	167
Total	**942**	**306**	**734**	**80**	**434**

in TEUR	01.01.2018	Feeding	Consumption	Resolution	31.12.2018
Vacation accruals	179	70	36	0	213
Annual financial statement, audit costs	197	169	153	34	178
Other accruals	170	476	87	8	551
Total	**546**	**715**	**276**	**42**	**942**

Other provisions mainly relate to outstanding invoices.

No refunds for the above-mentioned provisions are expected.

o) Contractual liabilities

In the past fiscal year, deferred income in the amount of EUR 375 thousand was released to increase profits. This relates to license income whose term is terminated as of the balance sheet date. The corresponding funds have already been received in 2018. A deferred income item of EUR 50 thousand (previous year: EUR 388 thousand) remains. EUR 42 thousand of this amount relates to sales revenues generated with end customers through training subscriptions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

p) Revenue recognition

Currently, NAGA generates revenues from brokerage ("trading revenues") and consulting services ("service revenues"). In the past fiscal year, approx. 67.5% of these revenues were generated by customers in the EU area and approx. 32.5% by customers outside the EU. Trading revenues can have a negative balance if individual transactions result in losses.

Sales are measured at the fair value of the consideration received or expected to be received less discounts and sales tax and are recognized as trade receivables which are part of the ordinary business of the Company.

Sales are recognized as soon as the remuneration can be reliably determined and there are no material obligations to the customer and the collection of the receivable is considered probable. This assessment is a discretionary process in which NAGA relies, among other things, on the experience of its senior executives regarding the respective contribution and the amount of revenue.

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

Trading revenues

Trading revenues result from customer trading in contracts for difference ("CFD", "Contract for Difference"). NAGA acts as the counterparty to trades executed by customers. In order to minimize risks, trading contracts are sometimes passed on to third parties (so-called liquidity providers).

The Group generates revenues primarily from flow management, commissions and swap interest income arising from the Group's role as a market maker for CFD trading. 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 end-of-period valuation of open and closed positions are recognized as trading income.

In the case of open positions, the profit or loss may differ considerably from the amount reported on the reporting date, as the underlying instrument 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 fiscal year 2019, NAGA realized trading revenues of TEUR 4,222 (prior year: TEUR 8,119).

Revenues from services

In fiscal year 2019, a total of EUR 2,001 thousand (prior year: EUR 8,001 thousand) in revenues from services was generated. Thereof, EUR 1,446 thousand (prior year: EUR 7,562 thousand) was generated with the business partner NDAL.

q) Capitalized programming services

Capitalized programming services in the amount of EUR 770 thousand (prior year: EUR 1,595 thousand) relate to the programming services of external service providers that can be capitalized. In the course of programming, NAGA bears the economic risk of an unsuccessful realization of the project. It also controls the progress of the project, which is why the capitalized programming services are reported separately from the expenses recorded under other operating expenses.

r) Other operating income

Other operating income of TEUR 167 is recognized on an accrual basis in accordance with the provisions of the underlying contracts. The income mainly consisted of income from the reversal of provisions.

s) Purchased services

Naga did not have any purchased services in the past fiscal year and therefore could not count on any further services. In the prior year, purchased services in the areas of marketing, development and external work were purchased for NDAL in the amount of TEUR 2,899. These purchased services were charged to NDAL at a 5% surcharge. In the prior year, these costs were recognized under other operating income.

t) Development expenses

Development expenses totaled EUR 1,717 thousand (prior year: EUR 2,605 thousand) in fiscal year 2019. Of this amount, EUR 1,428 thousand (prior year: EUR 1,456 thousand) mainly related to the Naga Trader application. Of the total development costs, EUR 770 thousand (previous year: EUR 1,595 thousand) were recognized as capitalized programming expenses, leaving development expenses of EUR 938 thousand (previous year: EUR 1,009 thousand) in the statement of comprehensive income.

u) Direct expenses of trading revenues

The direct expenses of trading revenues in the amount of EUR 1,339 thousand (previous year: EUR 1,071 thousand) are directly related to trading revenues.

v) Commission expenses

There were no commission expenses to third parties in the past fiscal year (previous year: EUR -29 thousand).

w) Personnel expenses

The average number of full-time equivalent employees amounted to 74.5 in the 2019 financial year (previous year: 91.5). The sharp reduction is due to the restructuring measures initiated in the past financial year.

Personnel expenses are as follows and have decreased significantly compared to the previous year due to the restructuring. The proportionate personnel expenses associated with the restructuring are explained in more detail under point 7.

in TEUR	2019	2018
Wages and salaries	3.974	6.087
Social security contributions	519	678
Miscellaneous	96	54
Total	**4.589**	**6.819**

In fiscal year 2019, EUR 438 thousand (prior year: EUR 376 thousand) in contributions were paid into defined contribution plans. These were contributions to the statutory pension scheme. No bonus payments were made in the past fiscal year (prior year: EUR 500 thousand).

The HBS Group's personnel expenses including severance payments amounted to EUR 781 thousand (previous year: EUR 1,742 thousand).

x) 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 effort to win customers on a sustainable basis.

Total marketing and advertising expenses amounted to EUR 2,455 thousand (prior year: EUR 1,774 thousand).

Other operating expenses include the following items:

in TEUR	2019	2018
Legal and consulting fees	1.295	1.451
Expenses unrelated to the accounting period	881	88
Rental expenses	467	651
Accounting and acquisition costs	412	186
External services	330	503
Travel expenses	198	475
Incidental costs of monetary transactions	67	8
IT costs	28	30
Expenses for licenses and concessions	4	11
Other	1.146	2.118
Total	**4.828**	**5.521**

Other operating expenses decreased by TEUR 693 compared to the previous year.

The expenses relating to other periods in the amount of EUR 881 thousand (previous year: EUR 88 thousand) mainly relate to costs in connection with the closure of Naga Brokers' Spanish operations.

The other item mainly includes costs for various web services in the amount of EUR 500 thousand (previous year: EUR 684 thousand) and communication costs in the amount of EUR 129 thousand.

y) Allowance for doubtful accounts

In the fiscal year, receivables in the amount of EUR 1,410 thousand were written down. Of this amount, EUR 1,409 thousand was due to the allowance for doubtful accounts of receivables from NDAL.

The following table shows the change in the allowance for expected credit losses on trade receivables

in TEUR	2019	2018
Stand 1 . January	1.803	0
Allowance for expected credit losses	1.409	1.803
As at 31 December	**3.212**	**1.803**

z) Financial results

Interest is recognized on an accrual basis using the effective interest method. In the past financial year, interest was paid on the Group's clearing accounts.

The financial result includes interest expenses of EUR 132 thousand (prior year: EUR 161 thousand) and interest income of EUR 7 thousand (prior year: EUR 18 thousand). The discounting in accordance with IFRS 16 on leases is also taken into account here.

aa) Taxes on income and earnings

Taxes are generally recognized in the income statement. 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 values of existing assets and liabilities in the consolidated financial statements and the values recognized for tax purposes.

The income tax expense for the period is composed of deferred taxes and current tax expense for the 2019 assessment period of the subsidiary Naga Markets. Information on the measurement of deferred taxes is provided in section 4 c).

The proof of recoverability is deemed to have been provided with reference to the unlimited carryforward of tax losses in Germany, taking into account the minimum taxation, insofar as the deferred tax assets are offset by deferred tax liabilities in the same tax object.

Otherwise, this requires the management to assess the recoverability of the tax benefits to be accounted for, which result from the tax strategies available and the future taxable income, as well as taking into account other positive and negative influences.

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

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and if 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 local authorities, while corporate income tax and the solidarity surcharge are levied by the federal government. For reasons of simplification, deferred and current taxes are netted.

The tax expense in fiscal year 2019 is composed as follows:

in TEUR	2019	2018
Current income taxes	151	447
Income from deferred taxes	163	1.307
Expenses from deferred taxes	1.081	0
Income taxes according to statement of comprehensive income	**-1.069**	**860**

In Germany, current taxes are calculated on the basis of a corporation tax rate of 15% and a solidarity surcharge of 5.5%. In addition, the profits generated in Germany are subject to trade tax at the Hamburg assessment rate of currently 470 %. A breakdown of the trade tax base is not possible, as there is no other permanent establishment. The total tax rate applied is currently 32.275%.

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

in TEUR	2019	2018
Earnings before taxes	**-12.307**	**-4.959**
1. Expected yield-tax income (32.275%)	-3.972	-1.601
2. Non-removable Operating expenses	0	17
3. Temporary differences on which no latent taxes were formed	649	-136
4. Other permanent Differences	0	912
5. Current losses on that do not include deferred taxes were formed	2.858	-212
6. Effect from tax rate differences	467	0
7. Deferred tax assets Taxes on losses lectures from previous years	0	21
8. Devaluation of active deferred taxes on Loss carryforwards from previous years	1.061	0
9. Other	-14	138
Total income taxes	**1.069**	**-860**

The temporary differences on which no deferred taxes were recognized mainly include the amortization of the Swipy technology and the Naga Trader.

In the past fiscal year, a total of EUR 1,081 thousand was booked as deferred tax expense, as deferred tax assets on loss carryforwards capitalized in the previous year were no longer recoverable at the balance sheet date.

7. RESTRUCTURING COSTS

In the first half of 2019, NAGA has started a strong consolidation course. This was partly 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 to lay off several employees in order to save further costs. However, this had the consequence that high severance payments had a negative impact on earnings. Furthermore, compensation payments were made to terminate contracts prematurely. The following table shows the special charges from the restructuring program.

Statement of restructuring costs

Company	Measure of the Restructuring	Expense type	Amount
Naga AG	Reduction Management Board	Severance pay/cancellation.	410.000,00 €
Naga AG	Dissolution of advertising contract with HSV	Indemnity payment	365.000,00 €
Naga AG	Dissolution of PR consulting contract	Indemnity payment	18.000,00 €
Naga AG	Dissolution of research contract	Indemnity payment	11.400,00 €
Naga Technology	Cancellation of office space lease agreement	Indemnity payment	34.076,00 €
Naga Brokers	Dismissal Spanish employees	Compensation	267.549,96 €

8. EARNINGS PER SHARE

As of December 31, 2019, Naga AG's shares are listed in the "Scale" segment of the Frankfurt Stock Exchange's open market. Since this is not an organized market within the meaning of Section 2 (5) of the German Securities Trading Act (WpHG), disclosure of earnings per share is also not mandatory. In order to provide a transparent depiction of NAGA's earnings power, earnings have been voluntarily calculated pursuant to IAS 33 on the basis of a time-weighted number of 40,203,582 shares issued (2006 / 2007: 36,809,144 shares). For the fiscal year, basic and diluted earnings per share amount to EUR -0.31 (prior year: EUR -0.11).

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Financial Instruments

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

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

Classification

The Group 's financial instruments are measured at
As of December 31, 2019, the Group is divided into the following measurement categories according to the classification in IFRS 9:

- Amortized cost
- Assets at fair value through profit or loss with reclassification (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value with no effect on income (FVOCI)

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

All other financial assets are classified as measured at FVTPL. Gains and losses on assets measured at fair value are not recognized in profit or loss or in equity.

Financial assets - recognition and derecognition

All purchases and sales of financial assets that are subject to regulation or market conventions are recognized on the trade date. This is the date on which NAGA undertakes 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

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

Financial assets with embedded derivatives are recognized in their entirety when it is determined that their cash flows will ultimately be payments of principal and interest.

Debt instruments

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 measurement categories into which NAGA classifies its debt instruments:

1. Amortized cost:
Assets that are held for the purpose of collecting contractual cash flows and for which these cash flows consist solely of principal and interest payments are measured at amortized cost. Interest income from these financial assets is included in other income. Any gain or loss arising from derecognition is recognized directly in profit or loss and reported in other gains / (losses) together with foreign exchange gains and losses. Impairment losses are shown as a separate item in the statement of comprehensive income.

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

2. FVOCI:
Assets that are held to collect contractual cash flows and to sell financial assets and whose cash flows represent solely payments of principal and interest are measured in accordance with FVOCI. Changes in the carrying amount are recognized in other comprehensive income (OCI), with the exception of the recognition of impairment losses, interest income and foreign currency income and expenses, which are recognized in the income statement. 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 included in other comprehensive income. Interest income from these financial assets is included in other income. Foreign currency gains and losses are reported under "Other gains / (losses)" and impairment losses are reported as a separate 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 bond that is subsequently measured at FVTPL is recognized in the income statement and is reported net within the item
"Other gains / (losses)" are reported.

Financial assets - impairment - provision for expected credit loss (ECL)

Since January 1, 2018, Naga has measured in accordance with IFRS 9 "expected credit loss (ECL) for financial assets (including loans) measured at amortized cost and FVOCI, and the risk from loan commitments and financial guarantees. NAGA measures ECL and records the allowance for credit losses at each balance sheet date. The measurement of ECL reflects: (a) an unbiased and probability-weighted amount determined by assessing a range of possible outcomes, (b) the time value of money, and (c) all reasonable and supportable information available without undue expense 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 through the use of an allowance account.

Debt instruments measured at amortized cost are reported in the balance sheet net of the impairment for ECL.

For debt instruments issued by FVOCI, an impairment loss on ECL is recognized in the income statement 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 following two approaches: general approach or simplified approach.

For trade and other receivables, Naga applies the simplified approach permitted by IFRS 9, under which expected losses are recognized based on 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 model for impairment.

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

Level 2:
If Naga identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Level 2 and its ECL is measured based on the total life of the instrument, up to the contractual maturity, taking into account expected prepayments, if any ("lifetime ECL").

Level 3:
If NAGA determines that a financial asset is creditworthy, the asset is transferred to Level 3 and its ECL is valued as a lifetime ECL. NAGA's definition of credit-impaired assets and the definition of default is 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 is made from the beginning of the first reporting period following the change.

Financial assets - amortization

Financial assets are fully or partially written off when NAGA has exhausted all practical remedial efforts and concluded that there is no reasonable prospect of recovery. Amortization is a derecognition event. NAGA may write off financial assets that are still subject to foreclosure activities if the Company has a contractual obligation to collect amounts due under the contract but no reasonable expectation of recovery.

Financial assets - modification

NAGA sometimes renegotiates or otherwise modifies the contractual terms of financial assets. The Group assesses whether the change in the contractual cash flows is significant, taking into account factors such as new contractual terms that significantly affect the risk profile of the asset (e.g. profit-sharing or equity-based yield), a significant change in interest rates, a change in currency denomination, new collateral or credit enhancements that significantly affect the credit risk associated with the asset, or a significant extension of a loan when the borrower is not in financial difficulty.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash at banks and cash held by liquidity providers. Cash and cash equivalents are reported 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 costs

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 rate 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 classified 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 and financial liabilities held for trading (e.g. short positions in securities) and possible 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 payables and other liabilities are initially measured at fair value and subsequently at amortized cost using the effective interest method.

Customer funds

Client funds are not recognized as assets because they do not represent resources controlled by the Company and the significant risks and rewards of ownership of these funds remain with the client.

The following table shows the carrying amounts and fair values by measurement category of the financial instruments as of December 31, 2019 and December 31, 2018

in TEUR	Book value 31.12.2019	To be attached Fair value 31.12.2019	Book value 31.12.2018	To be attached Fair value 31.12.2018
Loans and receivables	4.921	4.921	7.739	7.739
Financial assets at fair value through profit or loss (derivatives)	4.217	4.217	3.049	3.049
Financial liabilities at fair value through profit or loss (derivatives and other)	801	801	75	75
Financial liabilities measured at amortized cost	1.908	1.908	2.598	2.598

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. The interest is reported under net financial expenses. Any impairment losses are recognized in profit or loss.

Financial difficulties of the debtor, the probability that the debtor will declare insolvency or undergo restructuring, and default or delayed payment are taken into account as indicators of impairment.

Financial assets/liabilities at fair value through profit or loss: Derivatives include assets and liabilities under these two items.

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

Fiduciary transactions

NAGA manages liquid assets of customers in its own name and on behalf of third parties in separately managed bank accounts for the processing of customer orders. NAGA acts as trustee and the liquid funds are not part of the assets or liabilities of the Group.

NAGA currently provides these services through its Cypriot subsidiary Naga Markets and is subject to the regulatory requirements of the Cyprus Banking Commission ("CySEC"). Accordingly, an auditor has to report annually to the Cypriot banking supervisory authority whether the measures implemented to protect customer funds are adequate and whether they are being observed.

The assets held in trust by NAGA as of December 31, 2019, amount to TEUR 17,556 (prior year: TEUR 15,798).

b) Financial Risk Management

The Group's business activity is associated with a significant risk and is also subject to regulatory requirements. Consequently, NAGA has implemented a risk management system.

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

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

a) Adequacy and effectiveness of the Company's risk management policies and procedures;
b) the compliance of the Group and the responsible personnel with the regulations, processes and mechanisms never specified in the risk management guidelines;
c) Adequacy and effectiveness of the measures used to eliminate deficiencies in processes and systems;
d) Identification, evaluation and management of financial risks in close cooperation with the company's operating units.

Financial risk factors

The Group is exposed to the following financial risks due to its business activities:

a) Market risks (including exchange rate risks, currency risks, fair value interest rate risks and cash flow interest rate risks);
b) Counterparty default 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 primarily exposed to market 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 clients, which are classified on the balance sheet as derivative financial instruments. NAGA itself does not take positions of its own based on the expectation of market movements, but does take positions with liquidity providers to financially hedge a portion of its open customer contracts on a trade-by-trade basis.

In order to control the price risk, the Group has a price risk management system established by the management of Naga Markets Ltd. (hereinafter "NM Management"), which contains 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 the NM Management considers to be correlated. The 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 earnings and protect it from market shocks, such as diversifying its customer base and product range, as NAGA acts as a market maker in a number of trading instruments (primarily CFDs on foreign currency pairs, stocks, commodities and indices). This diversification of product offerings tends to reduce concentration risk within the market risk portfolio. In the fiscal year ended December 31, 2019, the Group traded with a large number of customers from different countries. This large international customer base has a number of different trading strategies, which result in the company enjoying a hidden level of natural hedging between customers. This "portfolio net effect" leads to a significant reduction in the Group's net market risk.

Another factor that is continuously taken into account and monitored in connection with the risk limits is the equity capital that NAGA must maintain in accordance with the requirements of the local regulatory authorities. This affects 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, therefore the risk at each balance sheet date may not be representative of the price risk faced by the Company over the year.

Market conditions	usual Currency pairs	unusual and exotic Currency pairs	CFSs
Normal	3 million	1.5 million	5 million
Extreme	2 million	1 million	3 million

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

Possible changes in exchange rates do not have a significant impact on the Group's net assets and results of operations.

The effects of changes in exchange rates on the Group's CFDs are part of the price risk, as it relates directly to the Group's business activities.

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

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

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

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

NAGA's business partners are reviewed on the basis of firmly defined criteria, which can be adapted to current conditions if necessary and which are based on specific characteristics of the business partners. In addition, an ongoing bonus check is carried out on the basis of publicly accessible 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 only accepted as contractual partners after thorough examination. In addition to an independent rating, the Naga Markets Risk Committee takes past experience and other factors into account when assessing creditworthiness. Transactions with customers are also conducted with the help of banks or financial institutions that specialize in online brokerage and banking.

A credit risk affecting customers arises in particular when losses from loss-making trading positions exceed the minimum capital resources to be provided by the customer, i.e. a customer threatens to lose 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 systemically and through traders. Customer positions are closed out automatically by the system as soon as the available account balances used to cover losses fall below a defined minimum value.

If, for example due to large, unforeseeable price jumps, a situation nevertheless occurs in which the losses incurred exceed a customer's deposit, a so-called "Negative Balance Pro- tection Policy" applies, according to which NAGA pays private customers for all claims exceeding the deposit.

However, due to its predominant activity as a market maker, the Group is not exposed to any significant risk from the "Negative Balance Protection Policy". This is due to the fact that NAGA currently passes on only an insignificant proportion of trading contracts to external liquidity providers. NAGA acts as counterparty for the majority of the trading contracts. In this case, the waiver of the settlement of customer positions which are in deficit only leads to an imputed loss, since realized profits are waived in this respect. Only in the case of direct forwarding does the risk of a liability to the liquidity provider arise, with simultaneous loss of receivables from the customer.

Contracts with an imminent obligation to make additional contributions and at the same time to forward them to a liquidity provider are therefore subject to separate internal controls linked to the stress tests. To minimize risk, NAGA can re-open the position to prevent a loss of liquidity beyond the customer's deposit.

As of December 31, 2019, the Group is exposed to the following credit risks, broken down by category:

in TEUR	31.12.2019	31.12.2018
Receivables from deliveries and services	1.484	3.095
Other current assets	4.502	4.000
- thereof derivatives	4.217	3.050
- of which financial nature	285	950
Cash and cash equivalents	3.152	3.694
Total	**9.138**	**10.789**

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

Ongoing and forward-looking policies and procedures are implemented to assess and manage the Group's net financial position in order to reduce liquidity risk.

The following table shows the Group's financial liabilities in relevant maturity groups based on remaining maturities as of the balance sheet date. The amounts shown in the table represent the contractual undiscounted cash outflows. If the liability is due within twelve months, the carrying amount is equal to the cash outflows as discounting does not have a significant impact. If the liabilities are interest-bearing, they are not discounted.

31.12.2019

in TEUR	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 Executive Board	0	3.629	0	0
Other liabilities (financial)	506	0	0	0
- of which financial nature	506	0	0	0
Liabilities from deliveries and services	853	0	0	0
Total	**1.359**	**3.629**	**0**	**0**

31.12.2018

in TEUR	less than 1 year	between 1 and 2 years	between 2 and 5 years	more than 5 years
Other liabilities (financial)	1.254	0	0	0
- of which financial nature	1.254	0	0	0
Liabilities from deliveries and services	1.344	0	0	0
Total	**2.598**	**0**	**0**	**0**

The loan in the amount of EUR 3,000 thousand and the interest accrued as of December 31, 2019, in the amount of EUR 80 thousand are due between 1 and 2 years.

The changes in liabilities from financing activities are as follows

in TEUR	01.01.2019	Change from capital-rivers	New leasing conditions	Other	31.12.2019
Liabilities to shareholders and members of the Executive Board	0	3.000	0	629	3.629
Non-current leasing liability	0	-33	62	2	31
Current leasing liabilities	0	-93	186	1	94
Total	**0**	**2.874**	**248**	**632**	**3.754**

The changes affecting cash flow have been accounted for accordingly in the cash flow statement.

Capital Management

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

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

Estimation of fair value

The following table shows the financial instruments measured at fair value in accordance with the measurement method applied. The various input factors were defined as follows:

- Level 1: In active markets accessible to the company at the balance sheet date for identical assets or liabilities (not adjusted);
- Level 2: Input factors other than the market price quotations included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Input factors that are not observable for the asset or liability.

in TEUR	31.12.2019 level 1	level 2	level 3	31.12.2018 level 1	level 2	level 3
Assets						
Derivative financial instruments	4.217	0	0	3.050	0	0
Debts						
Derivative financial instruments	252	0	0	75	0	0

Both assets of EUR 4,217 thousand (prior year: EUR 3,050 thousand) and liabilities of EUR 252 thousand (prior year: EUR 75 thousand) are reported in the consolidated balance sheet.

10. EQUITY/DIVIDENDS

a) Equity

As of December 31, 2019, the subscribed capital ("share capital") amounts to EUR 40,203,582 and is divided into 40,203,582 no-par value registered shares. There are no separate preferential rights for certain shares. According to the Articles of Association dated May 24, 2017, the shares no longer have restricted transferability in the fiscal year and therefore, there are no restrictions on trading the shares (Section 68 AktG).

The subscribed capital developed as follows:

subscribed capital on June 30, 2016		**50.001**
Changes in the second short fiscal year 2016		0
Subscribed capital on 12/31/2016		**50.001**
Changes during the fiscal year from	Cash contribution	12.413
Changes during the fiscal year from	Company mean	17.975.232
Changes during the fiscal year from	Convertible Bond	1.970.402
Changes during the fiscal year from	IPO (IPO)	1.000.000
Subscribed capital at 12/31/2017		**21.008.048**
Changes during the fiscal year from	Contributions in kind	19.195.534
Subscribed capital at 12/31/2018		**40.203.582**
Changes during the fiscal year from		0
Subscribed capital at 12/31/2019		**40.203.582**

Treasury stock

Of the total 40,203,582 shares issued, 1,137,139 are held by HBS AG. Since 72.16% of the shares in HBS AG are attributable to the Group, this results in treasury stock of (rounded up) 820,560 shares.

Authorized Capital

The authorized capital 2017 was cancelled. By resolution of the General Shareholders' Meeting on August 31, 2018, the Executive Board is authorized to increase the capital stock of Naga AG in the period until August 30, 2023, with the approval of the Supervisory Board, once or several times by a total of up to EUR 20,101,791.00 by issuing up to 20,101,791 new registered shares against cash and/or contributions in kind, whereby the subscription right can be excluded (Authorized Capital 2018).

Conditional capital

The share capital of Naga AG is conditionally increased by up to EUR 1,369,860.00 by issuing up to 1,369,860 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 a resolution of the Shareholders' Meeting on March 22, 2017 (Conditional Capital 2017 I).

The capital stock of Naga AG was increased by resolution of the Annual General Meeting on May 24, 2017, by up to EUR 8,634,164.00 for convertible bonds and / or bonds with warrants issued on the basis of the authorization resolution of the Annual General Meeting on the same day by issuing up to 8,634,164 no-par value registered shares (Conditional Capital 2017).

As of December 31, 2019, Naga AG had not utilized the conditional capital.

b) Dividends

No dividend payment to shareholders will be resolved or made for fiscal 2019.

11. AUDITOR'S FEES

The following fees have been recorded for the services rendered by the auditor of the consolidated financial statements, Ernst & Young GmbH Wirtschafsprüfungsgesellschaft, Hamburg:

in TEUR	2019	2018
Annual and consolidated financial statements	99	98

12. INFORMATION ON RELATIONSHIPS WITH RELATED PARTIES

The balances and transactions between Naga AG and its subsidiaries, which are related parties, were eliminated in the consolidation and are not explained in these notes. Details of transactions between the Group and other related parties are given below

Related parties are the members of the Executive 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.

Members of the Board of Management and persons closely associated with them:

- Yasin Sebastian Qureshi, Hamburg, businessman (Chairman, until April 30, 2019) and family
- 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, (since November 1, 2019) and family

Supervisory Board members and related parties:

- Mr. Hans J. M. Manteuffel, Werne, lawyer (former Chairman until August 30, 2019) and family
- Mr. Harald Patt, Friedrichsdorf, Managing Director from August 31, 2019 (Chairman) and family
- Mr. Hans-Jochen Lorenzen, Hamburg, auditor/tax consultant and family
- Mr. Wieslaw Bilski, Frankfurt am Main, managing director and family
- Mr. Robert Sprogies, Vaterstetten, Managing Director (Deputy Chairman) and family
- Dr. Jian Liang, Frankfurt am Main, businesswoman (until November 7, 2019) and family
- Mr. Stefan Schulte, Düsseldorf, lawyer/ tax consultant and family
- Mr. Quiang Liu, Shanghai (China), Managing Director (since November 8, 2019) and family

As of December 31, 2019, Mr. Qureshi and companies related to him hold the following shares in Naga AG 8,299,393 shares and Mr Bilski 1,326,593 shares.

Mr. Luecke is a member of the executive board at Hanseatic Broker- house Securities AG and managing director at Naga Brokers GmbH.

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

Furthermore, Fosun Fintech Holdings (HK) Ltd, Hong Kong, China, and its affiliated shareholders, who can exercise significant influence on Naga AG due to their 34% shareholding and their representation on the Supervisory Board, are considered related parties of Naga AG.

Remuneration of the Management Board

The members of NAGA's Executive Board received the following remuneration in fiscal year 2019:

in TEUR	2019	2018
Mr. Bilski		
fix	120	455
variable	0	250
Mr Luecke		
fix	80	199
variable	0	0
Mr. Mylonas*		
fix	20	0
variable	0	0
Mr. Qureshi**		
fix	40	450
variable	0	250
Mr. Brück***		
fix	0	19
variable	0	0
Total	**260**	**1.623**

*Mr. Michael Mylonas was appointed as a new member of the Board of Management as of November 1, 2019.

** Mr. Yasin-Sebastian Qureshi left the Company on April 30, 2019.

*** Mr. Christoph Brück resigned from the Executive Board of NAGA AG on January 15, 2018. To January 16, 2018 Mr. Andreas Luecke joined the board of directors of Naga AG.

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

Yasin Qureshi, who left the Executive Board as of April 30, 2019, is entitled to severance and compensation for non-compliance in the total amount of TEUR 410, which is due until December 31, 2020, due to the termination agreement concluded between him and the Company on the occasion of his departure.

In addition to the reimbursement of their expenses for their activities in fiscal year 2019, the members of the Supervisory Board received a total remuneration of EUR 57 thousand (prior year: EUR 106 thousand). The reduction is based on various voluntary waivers of Supervisory Board remuneration by the Supervisory Board members.

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

Products and services in EUR	Related 31.12.2019	Performed 31.12.2019	Related 31.12.2018	Performed 31.12.2018
Board of Directors	755,446	46.250	218.000	9.125

Liabilities and receivables in EUR	Debts/loans 31.12.2019	Claims 31.12.2019	Debts/loans 31.12.2018	Claims 31.12.2018
Board of Directors	549,395	11.250	149.300	11.750
Shareholders with significant influence	3.410.000	0	0	0

Interest in EUR	Receive 31.12.2019	Due 31.12.2019	Receive 31.12.2018	Due 31.12.2018
Board of Directors	0	0	0	0
Shareholder	0	80.000	0	0

In detail, the above figures result from loan and service agreements between Group companies and related parties. All contracts were concluded at arm's length conditions.

The obligations of the Naga Group to the Management Board relate to liabilities from salary waivers, which are shown as compensation from future profits at fair value under other financial liabilities.

13. EVENTS AFTER THE BALANCE SHEET DATE

COVID-19/Coronavirus

The Corona pandemic did not affect the past fiscal year. This fact is to be classified as value-based and its impact will have an impact on earnings in the following year and possibly in fiscal year 2021.

In December 2019, the respiratory disease COVID-19 became noticeable for the first time in the city of Wuhan in the Chinese province of Hubei. In January 2020 the virus developed into an epidemic in China. At
In its reports from February 28-28, 2020, the WHO estimated the risk at global level to be very high, only to officially declare it a pandemic on March 11, 2020. In this context there were far-reaching political measures to contain the spread of the virus.

The effects of the corona pandemic are explained further in the Group Management Report under item 4 Forecast, Opportunities and Risks Report.

Move

The Company moved to new business premises at Hohe Bleichen 12, 20354 Hamburg, Germany, effective April 1, 2020. The reason for this is the closure of the office premises (sale and refurbishment) by the other party to the contract. Therefore, no relocation costs were incurred by the Company.

Convertible Bond

At the end of the fiscal year, a subscription agreement for a convertible bond in the amount of EUR 2,000,000 was concluded with FOSUN Fintech Holding (HK) Limited. This convertible bond was already paid into the business account of Naga AG on January 20, 2020 and bears interest at 6% p.a. The term is 2 years. For accounting purposes, the convertible bond will be split into a bond component and a conversion component. The conversion component will be recognized as an equity instrument within equity.

Sale of participation

The investment in Easyfolio GmbH was sold on
7 May 2020 at a price of TEUR 211. The resulting expense from the amortization of the Easyfolio goodwill was already fully recognized in fiscal year 2019, as it is a fact that will brighten the value.

Hamburg, June 25, 2020

The Naga Group AG
Management Board

Benjamin Bilski

Andreas Luecke

Michalis Mylonas

Auditors' report

the independent auditor

Independent auditor's report

Audit opinions

We have audited the consolidated financial statements of The Naga Group AG, Hamburg, and its subsidiaries (the Group), comprising the consolidated balance sheet as of December 31, 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the consolidated management report of The Naga Group AG for the fiscal year from January 1 to December 31, 2019. We have not audited the contents of the assurance by the legal representatives contained in Section 6 of the Group Management Report.

In our opinion, based on the findings of our audit

- the accompanying consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and give a true and fair view of the net assets and financial position of the Group as at December 31, 2019, and of its results of operations for the fiscal year from January 1 to December 31, 2019, in accordance with these requirements; and

- the attached group management report provides a suitable understanding 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 assurance given by the legal representatives.

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

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with the audit was conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Auditors (IDW). Our responsibility under these rules and principles is described in more detail in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" in our audit opinion. We are independent of the group companies in accordance with the German commercial 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 opinion 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 other information. The other information includes the above-mentioned assurance of the legal representatives according to § Section 297 (2) Sentence 4 HGB and Section 315 (1) Sentence 6 HGB, as well as the following additional components envisaged for the annual report, which will probably be made available to us after the audit opinion has been issued, in particular

- the report of the Supervisory Board and

- the letter of the Management Board to the shareholders

but not the consolidated financial statements, not the Group management report information included in the content of the audit and not our associated audit opinion.

Our audit opinion on the consolidated financial statements and the group management report does not extend to the other information and, accordingly, we do not express an audit opinion or any other form of conclusion on these financial statements and the group management report.

In connection with our audit, we have a responsibility to read the other information and assess whether the other information

- contain material inconsistencies with the consolidated financial statements, the group management report or our audit findings, or

- otherwise appear significantly misrepresented.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § In our opinion, the consolidated financial statements comply in all material respects with the provisions of Section 315e (1) HGB and 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 these provisions.

Further Management is responsible for the internal control relevant to the preparation and fair presentation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing any matters relating to the Group's ability to continue as a going concern, where applicable. Furthermore, they are responsible for accounting for the going concern principle unless there is an intention to liquidate the Group or to cease operations or there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary to enable the preparation of a Group management report in accordance with the applicable German legal regulations and to provide sufficient suitable evidence for the statements made in the Group management report.

The Supervisory Board is responsible for monitoring the Group's accounting 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 whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error - misstatements and whether the group management report as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development in all material respects in accordance with the consolidated financial statements and the findings of the audit, as well as to issue an audit opinion which includes our audit opinions on the consolidated financial statements and the group management report.

Adequate assurance is a high degree of certainty but is no guarantee that an audit conducted in accordance with § 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institute of Auditors (IDW) will always reveal a material misstatement. Misrepresentations can result from violations or inaccuracies and are regarded as material if it can be reasonably expected that they will individually or collectively influence the economic decisions of the addressees made on the basis of these consolidated financial statements and group management report.

During the audit we exercise due discretion and maintain a critical attitude. Beyond that

- we identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, plan and perform the audit procedures to respond to these risks and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinion. The risk that material misstatements will not be detected is higher for noncompliance than for inaccuracies, because non-compliance may involve fraudulent collusion, falsification, intentional omissions, misrepresentations, misleading statements or the overriding of internal controls;

- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the procedures and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the systems;

- we evaluate the appropriateness of accounting policies used by the legal representatives as well as the reasonableness of accounting estimates and related disclosures made by the legal representatives;

- We draw conclusions about the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to include a note in our audit opinion on the related disclosures in the consolidated financial statements and the group management report or, if these disclosures are not reasonable, to modify our audit 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 circumstances may result in the Group being unable to continue its operations;

- We have assessed the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements present fairly, in all material respects, the underlying transactions and events.

that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU, and the additional requirements of German law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code];

- we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to enable us to express an opinion on the consolidated financial statements and the Group management report. We are responsible for instructing, monitoring 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 legal representation and the picture of the group's situation conveyed by it;

- we perform audit procedures on the future-oriented statements in the Group Management Report presented by the legal representatives. On the basis of sufficient suitable audit evidence, we verify in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent audit opinion on the forward-looking statements and the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

We discuss with those responsible for supervision the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

Hamburg, June 25, 2020

Ernst & Young GmbH
Auditing company

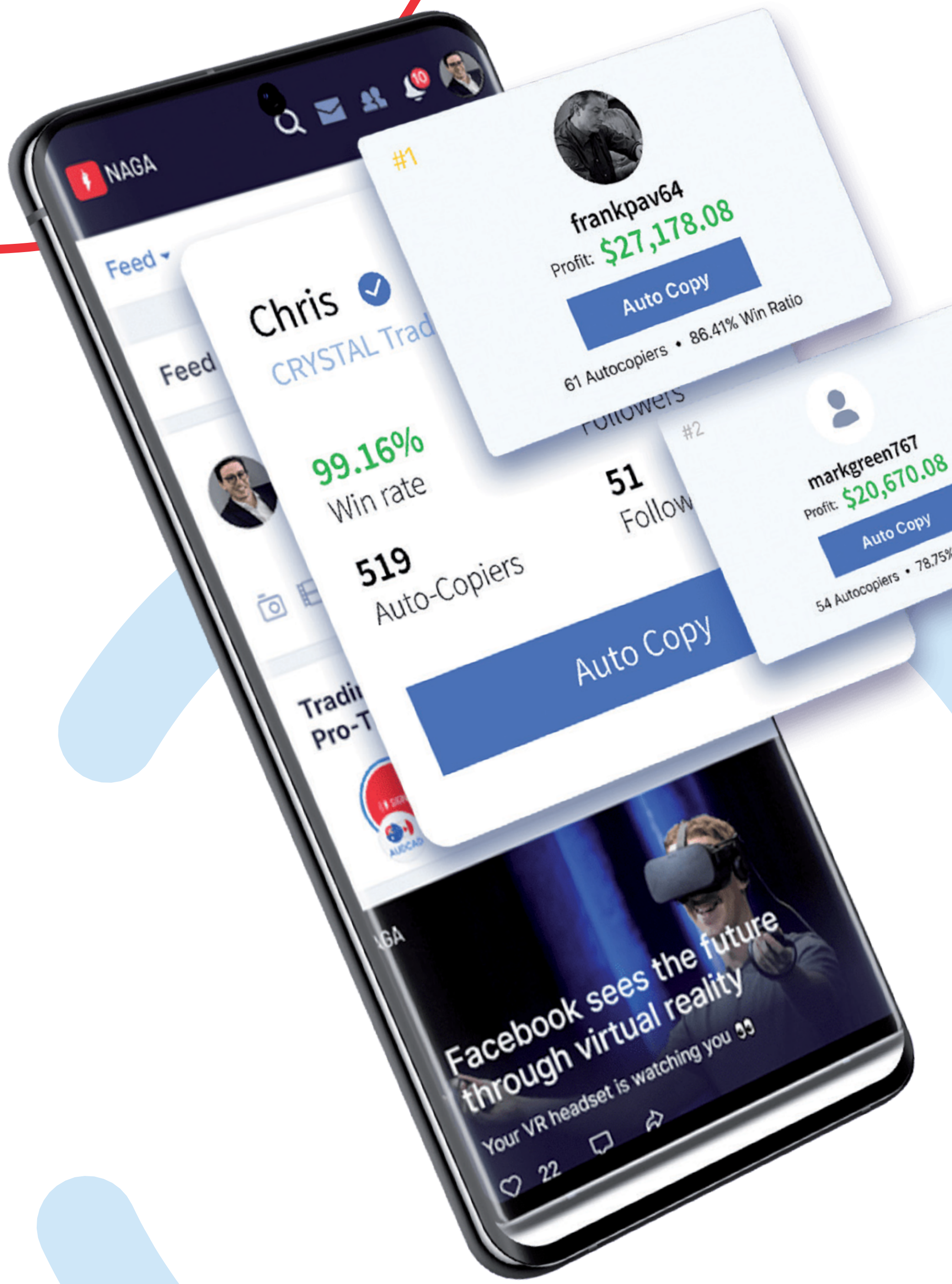
Fleischmann Auditor	Klimmer Auditor

Publisher
The Naga Group AG
Hohe Bleichen 12
20354 Hamburg
Germany

Phone: +49 40 524 7791 0
Fax: +49 40 524 7791 11

E-mail: ir@naga.com
www.naga.com

Concept, editing, layout & typesetting
www.betriebsart.de



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