NAGA

ANNUAL REPORT 2023

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Letter to the Shareholders

Dear Shareholders,
dear friends and supporters of NAGA,

In the past financial year 2023, The NAGA Group AG (NAGA) successfully managed to develop in line with its forecast for 2023 and achieved the planned turnaround in earnings at EBITDA level. Revenue decreased as expected, in particular due to reduced marketing and sales measures in a challenging market environment for online brokers and the discontinuation of NAGA Coin trading. At the Group level, revenue totaling EUR 39.7 million (previous year: EUR 57.6 million) was generated in the 2023 reporting date. EBITDA also improved as planned in the reporting year to EUR 8.4 million (previous year: EUR -13.7 million).

The improvement in EBITDA of around EUR 22.2 million in absolute terms was achieved through the cost-cutting measures initiated, which enabled all cost items to be reduced year-on-year. The largest effect resulted from the targeted reduction in expenditure for marketing and sales costs from EUR 28.3 million in the financial year 2022 to EUR 4.6 million in the financial year 2023. This caused customer acquisition costs – gross costs per newly financed trading account – to fall to an average of EUR 380 (previous year: EUR 1,510). The second-highest absolute savings of around EUR 4.2 million were realized through staff reductions, which reduced personnel expenses to EUR 6.5 million (previous year: EUR 10.7 million). The Management Board would have liked to have avoided having to make this decision and the associated personnel cuts. However, given the tense economic environment and the associated challenging economic situation, we saw the need to reduce the number of employees, meaning that at the end of the financial year 2023, NAGA still had 100 (previous year: 173) employees.

The entire Management Board would like to take this opportunity to once again expressly thank our former and highly valued colleagues for their commitment to NAGA and for the trust and understanding they have shown in this difficult situation.

As in the financial year 2022, high non-cash and extraordinary depreciation and amortization in particular led to a further deterioration in the consolidated result to EUR -61.0 million after EUR -44.1 million in the previous year. The largest single effect was the need to recognize an impairment loss on the goodwill of the Brokerage business – of EUR 57.0 million (previous year: EUR 15.3 million) – as determined by an impairment test.

Overall, the audited consolidated financial statements for 2023 fully reflect the effect of the change in strategy we initiated in the financial year 2022 with a focus on improving EBITDA in the wake of the changed market conditions.

On the way to the „new“ NAGA

Overall, the financial year 2023 brought numerous innovations and changes for NAGA. At the beginning of the year, we announced that NAGA was in negotiations about a possible merger with a multinational brokerage company. In fact, three Companies expressed interest since then in a strategic M&A with NAGA which resulted, after eleven months of intensive negotiations, in a detailed term sheet being reached and announced on the 19th of December 2023 with Key Way Group Ltd., which operates on the market under the CAPEX.com brand.

That it did not remain a detailed term sheet is primarily thanks to you, esteemed shareholders. At the extraordinary general meeting on April 12, 2024, you voted 99.81 % in favor of the merger of the two companies through a capital increase in kind, thereby paving the way for a new, promising, and prosperous chapter for NAGA together with Key Way Group Ltd.

As a result of the merger, the future group‘s core business in the online brokerage will have five licenses on four continents. The planned regional expansion is to be driven in particular in the emerging markets of Latin America (LATAM), the Middle East/North Africa (MENA), and South East Asia (SEA). With this strategic focus on markets outside the EU, NAGA expects strong growth in trading revenues. In addition, the merged group will have two licenses for crypto services in Europe and the MENA region, creating a solid regulatory basis for the further expansion of this business area.

The new chapter will be significantly shaped and crafted by Octavian Patrascu, the founder of CAPEX.com and a successful entrepreneur with over 15 years of experience in the fintech and neo-brokerage industry. In his role as CEO of the „new“ NAGA, he will explain exactly what this means and the direction NAGA will take during the first virtual capital markets day on July 11, 2024.

On behalf of the entire management team, we cordially invite you, esteemed shareholders, to participate in the Capital Markets Day. We look forward to welcoming many of you and providing you with insights into NAGA‘s strategic vision and growth plans.

You can register on the website at:
https://group.naga.com/capitalmarketsday?lang=en

Thank you for your loyalty

Dear shareholders, we – the entire Management Board team – would like to once again express our sincere gratitude for the trust you have placed in us in these challenging times. Without your approval, we would not be able to embark on the path of the „new" NAGA.

We would therefore like to reaffirm once again that we are working hard and consistently to achieve the set goals. We are receiving active support from all our employees, to whom we are also deeply indebted for their tireless commitment and loyalty.

We cordially invite you to help shape the next chapter of our NAGA.

Yours sincerely,

Your Management Board

C.-O. Patrascu M. Mylonas A. Luecke


What do you think is next for the markets?
10 min ago
I'd wait for the earnings release before deciding.
1 min ago

Report of the Supervisory Board

Dear Shareholders,

2023 was an eventful and significant financial year for The NAGA Group AG. The focus of the joint intensive consultations between the Management Board and the Supervisory Board was the merger with Key Way Group Ltd., operator of the multi-asset trading FinTech platform Capex.com. As published in January 2023, discussions on the strategic transaction, the details of which had not yet been clarified at that time, dragged on for almost the entire reporting year. The Management Board kept the Supervisory Board informed on the status of the discussions and the due diligence review, after which the Supervisory Board approved the signing of a detailed letter of intent (term sheet) in December 2023. The Extraordinary General Meeting on April 12, 2024 approved the business combination via a capital increase in kind with a volume of EUR 170,597,590.00 by contributing all shares in Key Way Group Ltd. The increase in the share capital to EUR 225,645,514.00 in the commercial register will take place in the 3rd quarter of 2024. The merged company will retain the NAGA brand name and the stock exchange listing. For further strategic statements and the outlook for the current financial year, the Supervisory Board refers to the information provided by the Management Board in the letter to shareholders and in the Group management report.

In addition, the Supervisory Board focused on financing issues and approved the issuance of two convertible bonds in the year under review (as shown below). Another key topic was the improvement of NAGA's profitability through significant cost reductions while maintaining its growth course. With a consolidated EBITDA of EUR 8,445 thousand (previous year: EUR -13,732 thousand), a significantly improved earnings level could be achieved that exceeded expectations.

Unfortunately, the Supervisory Board was once again unable to concentrate solely on these important strategic and operational issues in the year under review. The audit of the 2022 annual financial statements dragged on until the beginning of November 2023 (see below for explanations under Meetings and Resolutions of the Management Board), which is why the preparation of the 2023 half-year financial report was also significantly delayed and was not completed until December 2023.

In the 2023 financial year, the Supervisory Board continued to perform its tasks and duties in accordance with the law, the Articles of Association and the Rules of Procedure with great care. The Supervisory Board continuously monitored the Management Board in its management and advised it on the management and strategic development of the company as well as on key decisions. At and outside of the joint meetings, the Executive Board has always complied with its duties to provide information and, in addition to the above-mentioned key topics, has informed the Supervisory Board orally and in writing about all material aspects of the business development and planning of the Group as a whole, including the financial and liquidity development and progress in NAGA's global expansion, market developments, the risk situation and risk management, the strategy and the most important business events. On this basis, the Supervisory Board was always promptly informed of important news and was able to discuss them. The Supervisory Board has passed resolutions required by law, the Articles of Association and/or the Rules of Procedure on the basis of the resolutions proposed by the Management Board (see below under Meetings and Resolutions of the Supervisory Board).

Meetings and resolutions of the Supervisory Board

In the 2023 financial year, the Supervisory Board held 9 Supervisory Board meetings on 22 March, 25 August, 21, 23 and 25 October, 3 and 30 November and 3 and 18 December. With the exception of the meeting on December 18, 2023, at which one member was absent (due to necessary resolutions, a subsequent vote of the absent member by e-mail followed), the Supervisory Board had a quorum at all meetings and all members of the Board of Management attended the meetings. In addition, a representative of the auditor MSW GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Berlin, was present as a guest on November 3, 2023 .

In addition to the above-mentioned topics, the Supervisory Board dealt with the following issues at its joint meetings with the Executive Board and passed the following resolutions in written proceedings:

- The first meeting of the reporting year took place on 22 March 2023. The Supervisory Board has been reconstituted following the reduction of the body from five to three members previously decided by the Annual General Meeting. Mr. Harald Patt was elected Chairman of the Supervisory Board and Mr. Qiang Liu was elected as his deputy. The Management Board reported on the business performance in the fourth quarter of 2022 and presented the business planning for 2023 to the Supervisory Board. In addition, the Supervisory Board approved an amendment of a loan agreement.
- On April 21, 2023, the Supervisory Board approved the issuance of convertible bonds („Convertible Bond 2023") with a total nominal amount of USD 8,200,000.00 with a coupon of 11%, a term of 6 months (April 28, 2023 to October 30, 2023) and a conversion price of USD 1.97 on the basis of the Management Board's proposed resolution dated April 15, 2023, excluding the statutory subscription rights

for shareholders. The issue price corresponded to 100% of the nominal amount.

- On June 16, the Supervisory Board approved Mr. Bilski's resignation from office, effective June 1, 2023. The Executive Board employment contract with Mr. Bilski was terminated and a new employment contract as Chief Information Officer (CIO) was concluded instead.

- The resolution passed on July 26, 2023 concerned the approval of a consulting contract.

- At the meeting on August 25, 2023, the Management Board first reported to the Supervisory Board on the business development in the first half of 2023 and then presented the planning for the second half of 2023. In addition, the schedule for the preparation, auditing and publication of the delayed 2022 annual financial statements was discussed. The Executive Board and Supervisory Board also discussed the date and subjects of the upcoming Annual General Meeting in 2023. The Management Board then informed the Supervisory Board about activities in the area of M&A and capital raising.

- The meetings on 21, 23 and 25 October 2023 were held solely to refinance the 2023 convertible bond.

- Due to delays in the preparation of the 2022 annual financial statements (caused by technical problems in the accounting recording of business transactions with cryptocurrencies), the meeting for the 2022 financial year to approve the balance sheet did not take place until November 3, 2023. In addition to the financial statements, the Supervisory Board and the Executive Board dealt with the preparation of the Annual General Meeting on December 29, 2023, and the Supervisory Board approved the conclusion of a consulting agreement.

- The meetings on November 30 and December 3, 2023 served to discuss the term sheet of the planned merger with the Capex group of companies at that time. At its meeting on December 18, 2023, the Supervisory Board approved the term sheet submitted by the Management Board on the merger of the two groups of companies via a non-cash capital increase with a volume of around EUR 170 million to be proposed to the Annual General Meeting. In addition, the Supervisory Board approved the issuance of convertible bonds („Convertible Bond 2024/2025") without interest (zero coupon) with a maturity of 12 months with a total issue volume of up to EUR 8.2 million. The subscription offer for the convertible bond ran from December 22, 2023 (00:00 a.m.) to January 5, 2024 (12:00 a.m.). In total, the convertible bond 2024/2025 was issued with a total nominal amount of EUR 8,226,000.00, divided into 8,226,000 bonds with a nominal amount of EUR 1.00 each.

Committees

The Supervisory Board of The NAGA Group AG continues to form no committees. All topics are dealt with efficiently in the full Supervisory Board.

Composition of the Supervisory Board and Management Board

The Annual General Meeting on December 29, 2023 resolved to expand the Supervisory Board from three to four members, with shareholder Fosun Holdings Limited continuing to have the right to second a Supervisory Board member. Against the background of the expansion of the Supervisory Board, the shareholders have therefore elected Mr. Stefan Schütze, Managing Partner of C 3 Management GmbH, Bodolz, to the Supervisory Board.

The expansion of the Supervisory Board did not require a new constitution. For this reason, the Supervisory Board – as in the entire year 2023 – continued to consist of its Chairman Mr. Harald Patt, his deputy Mr. Qiang Liu and member Richard Byworth beyond the election of the fourth member.

After the balance sheet date, the following personnel changes occurred: Supervisory Board members Harald Patt and Richard Byworth resigned from office with effect from the end of the Extraordinary General Meeting on April 12, 2024. Mr. Qiang Liu, who was seconded to the Supervisory Board by the shareholder Fosun Fintech Holdings (HK) Limited, was recalled at the end of the Extraordinary General Meeting on April 12, 2024 to allow for the election of substitute members for these three members. Accordingly, the agenda of the Extraordinary General Meeting on April 12, 2024, included Supervisory Board elections and the election of substitute members. The shareholders re-elected Mr. Harald Patt, Mr. Qiang Liu and Mr. Richard Byworth to the Supervisory Board. Mr. Barry D. Rudolph, resident of North Carolina, USA, President of the Interface Financial Group, Bethesda, USA; Mr. Eyal Wagner, residing in Gibraltar, Managing Director of Castle Rock Limited Ltd., Gibraltar; and Dr. Christian Remaklus, residing in Friedberg, Co-Head Corporate Banking of China Construction Bank Corp., Frankfurt am Main and Managing Director of Alternative Invest Consult GmbH, Friedberg; were elected as substitute members. In the event that a Supervisory Board member resigns before the end of his or her term of office, the substitute members shall become members of the Supervisory Board for the remainder of the retiring member's term of office in the order set out above.

On the Management Board of The NAGA Group AG, Mr. Benjamin Bilski moved from the Management Board to the NAGA management team as CIO (Chief Information Officer) by mutual agreement with effect from June 1, 2023, Mr. Michalis Mylonas took over the position of CEO. In the course of the company merger with Key Way Group Ltd., which was still planned at that time, it was agreed – as announced on December 19, 2023 via an ad hoc announcement – to appoint the managing partner of Key Way Group Ltd., Mr. Octavian Patrascu, as Chairman of the Management Board of The NAGA Group AG. As of the balance sheet date of

December 31, 2023, this project had not yet been implemented. At its meeting on January 26, 2024, the Supervisory Board appointed Mr. Octavian Patrascu as a member of the Management Board with immediate effect for a term of office until January 25, 2027, and also appointed him as Chief Executive Officer. Mr. Michalis Mylonas has been appointed Deputy Chairman of the Board.

Audit of the consolidated annual financial statements

The auditor of the financial statements and consolidated financial statements for the 2023 financial year, MSW GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Berlin, elected at the Annual General Meeting on December 29, 2023, audited the consolidated financial statements prepared by the Management Board in accordance with IFRS, including the Group Management Report of The NAGA Group AG for the 2023 financial year, and issued an unqualified audit opinion.

Immediately after it was drawn up, the Supervisory Board received the annual and consolidated financial statements, including the Group management report, and the auditor's report. At the meeting of the Supervisory Board on 24 June 2024, the Supervisory Board dealt intensively with the aforementioned financial statements in the presence of a representative of the auditor. He reported on the timing, scope, priorities and main results of the audit and was available to the Supervisory Board for additional information. Furthermore, the auditor's representative confirmed that the risk management system set up by the Management Board is suitable for detecting developments at an early stage that could jeopardize the continued existence of the company and that no material weaknesses in the internal control system and risk management system were identified with regard to the accounting process.

After its own thorough review, the Supervisory Board endorsed the results of the audit. According to the final result of this examination, no objections are to be raised. The Supervisory Board approved the annual financial statements and the consolidated financial statements for 2023. The 2023 annual financial statements of The NAGA Group AG have thus been adopted in accordance with Section 172 of the German Stock Corporation Act (AktG).

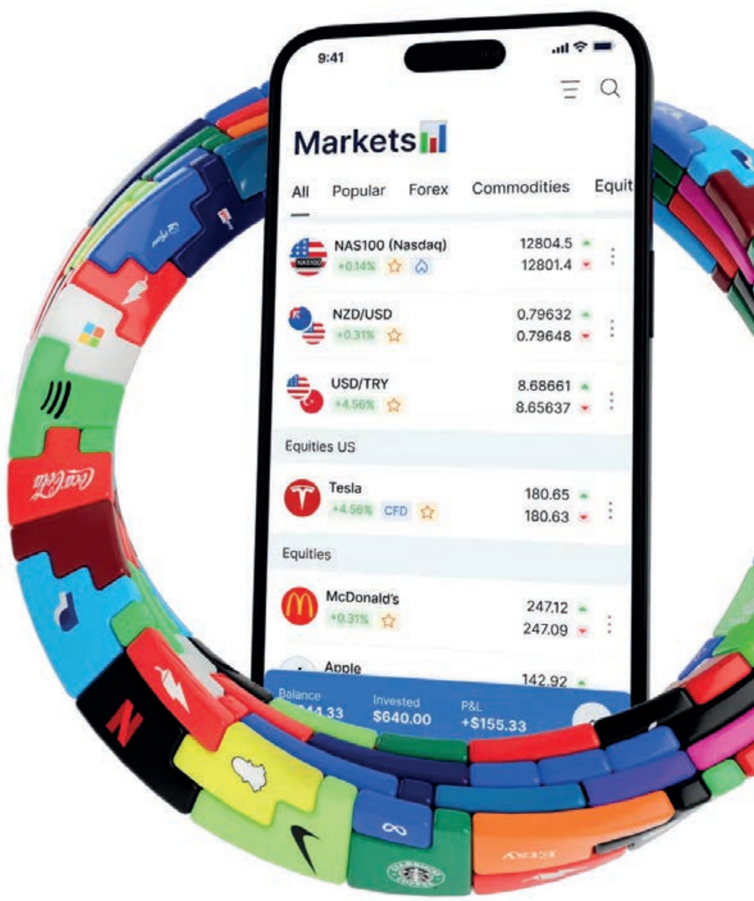
In addition, the present report of the Supervisory Board was discussed and resolved.

Thanks

2023 was a pivotal year, NAGA now stands on a broad growth foundation for accelerated global expansion after the merger with the Capex Group. The Supervisory Board would like to thank all NAGA employees and the Executive Board for their strong personal commitment in the 2023 financial year.

Hamburg, 24 June 2024
The Supervisory Board

Harald Patt
Chairman of the Supervisory Board



Group Management Report

Group Management Report

PRESENTATION BASICS

This Group Management Report of The Naga Group AG (hereinafter referred to as „NAGA" or „Group") has been prepared in accordance with Sections 315 and 315e of the German Commercial Code (HGB) and the German Accounting Standard („DRS") 20. All report content and disclosures relate to the balance sheet date of December 31, 2023 or the fiscal year ending on that date.

FORWARD-LOOKING STATEMENTS

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

1. FUNDAMENTALS OF THE GROUP

1.1. The Group's business model

NAGA is a German fintech company based in Hamburg, which is listed on the over-the-counter market of Deutsche Börse AG. The core business of the group is online brokerage. In addition to traditional trading, NAGA also offers its own social trading platform „Naga Trader". The investments in subsidiaries will result in further business models at Group level based on the development of innovative financial technology („fintech") and blockchain technology.

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

The 2023 financial year was significantly influenced by the preparations for the corporate merger with Key Way Group AG, operator of the multi-asset trading platform FinTech platform Capex.com. In January 2023, NAGA announced ongoing discussions on a strategic transaction in an ad hoc announcement, the details of which, together with the due diligence process, lasted almost the entire reporting year. Following the completion of the due diligence process, a detailed term sheet on the merger of the two groups was completed, as announced in an ad hoc announcement dated December 19, 2023. The merger will take place via the non-cash capital increase with a volume of EUR 170,597,590.00 resolved by the Extraordinary General Meeting on April 12, 2024 through the contribution of all shares in Key Way Group Ltd., which is expected to be entered in the commercial register in the course of the third quarter of 2024 after the necessary regulatory approvals have been granted. Further strategic and forward-looking statements in connection with the business combination can be found in this Section 1. Fundamentals of the Group and Section 4.

The scope of consolidation of the Group as of December 31, 2023 comprises the following companies:

Company	Shareholdings 31.12. 2023	Shareholdings 31.12. 2022
The Naga Group AG, Hamburg (parent company)	-	-
NAGA Markets Europe Ltd., Limassol, Cyprus	100 %	100 %
Naga Technology GmbH, Hamburg	100 %	100 %
Naga Virtual GmbH, Hamburg	100 %	100 %
Hanseatic Brokerhouse Securities AG (HBS), Hamburg	60 %	72,16 %
Naga Global LLC, Saint Vincent & The Grenadines	100 %	100 %
NAGA GLOBAL (CY) LTD., Limassol, Cyprus	100 %	100 %
NAGA Global West Africa LTD., Lagos, Nigeria	99 %	99 %
NAGA FINTECH CO., LTD., Bangkok, Thailand	100 %	100 %
Naga Pay GmbH, Hamburg	100 %	100 %
NAGA Markets Australia PTY Ltd, Eastwood, Australia (until 23 March 2023)	/	100 %
NAGA Pay UK LTD., London, United Kingdom	100 %	100 %
NAGA Pay (CY) LTD., Limassol, Cyprus	100 %	100 %
NAGA X LTD., Limassol, Cyprus	100 %	100 %
NAGA X Europe OÜ, Tallinn, Estonia (until 22 December 2023)	/	100 %
NAGA Capital Ltd., Mahe, Seychelles	100 %	100 %

The operating subsidiaries of The Naga Group AG are:

- NAGA Markets Europe Ltd („Naga Markets") is based in Limassol, Cyprus, and is a securities trading bank authorised 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. Naga Technology GmbH operates the Naga Trader and holds 100 % of the shares in Naga Markets Europe Ltd. Naga Trader is available for iOS, Android and as a web trader with several thousand active users. The innovative social network offers quick and easy access to trading Forex, CFDs, ETFs, stocks, and cryptocurrencies.

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

- Hanseatic Brokerhouse Securities AG („HBS") is a stock company founded in 1999 that is active in the field of online brokerage. In the 2020 financial year, HBS initially held 100 % of Naga Brokers GmbH, which was merged with HBS with retroactive effect from 1 January 2020. HBS's activities consist of managing the client base built up by Naga Brokers GmbH for Naga Markets Europe Ltd.

- Naga Pay GmbH, Hamburg, developed and launched the neo-banking app NAGA Pay in 2020. In the fourth quarter of 2021, the NAGA Pay app was relaunched after an extensive revision. NAGA Pay combines an IBAN account, a VISA debit card, a stock deposit, copy trading, and physical crypto wallets. Naga Pay GmbH holds a 100 % stake in Naga Pay UK Ltd. and Naga Pay (CY) Ltd.

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

- Naga Pay (CY) Ltd, Limassol, Cyprus, was incorporated with registration on February 21, 2022. It provides internal services related to the Naga Pay product for other Group companies.

- NAGA Markets Australia PTY Ltd, Eastwood, Australia, was established upon registration on August 19, 2020. The start of operations in Australia was planned for 2021. However, after the Australian Securities and Investments Commission (ASIC) delayed the granting of the securities trading license applied for indefinitely, the application was discontinued and a decision to liquidate the company was made at the end of 2022, which took effect on March 23, 2023.

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

- The companies NAGA GLOBAL (CY) Ltd. and NAGA Global West Africa Ltd. (formerly: NAGA Global (NG) LTD.) act as subsidiaries of Naga Global LLC. and support its business activities in the area of customer acquisition and internal services as well as the establishment/operation of training centers. At the end of 2023, the liquidation of NAGA FINTECH CO Ltd, a former subsidiary of Naga Global LLC, was resolved, which became effective on January 4, 2024.

- Naga X LTD, Limassol Cyprus, was incorporated with registration on August 17, 2021. The company holds a license for trading and holding cryptocurrencies (Crypto Asset Service Provider = CASP) from CySec.

- NAGA X Europe OÜ (formerly LTC Pipe OÜ), Tallinn, Estonia, operated the Web3 crypto social trading platform for cryptocurrencies and NFTs, launched in March 2022. With a purchase agreement dated December 22, 2023, the shares in the company were sold and transferred to a non-group acquirer.

- On 6 October 2022, the shares in NAGA Capital Ltd. (formerly: FT Invest Ltd.), Mahe, Seychelles, were acquired. With the securities trading license granted to the company in Seychelles in 2021, NAGA can grow more strongly outside Europe and, as B2B business increases, offer multiple payment processors that are essential in many markets such as Latin America or Southeast Asia. NAGA has already been able to build up a lot of customer interest there, which can be monetized thanks to the license and the newly available methods.

With the completion of the merger with Key Way Group Ltd. (see above), the group of companies will be expanded by a total of eight companies, consisting of a holding company based in Gibraltar and seven operating companies based in Cyprus, Abu Dhabi (UAE), Romania, South Africa, Mauritius and the Seychelles.

Operations of the Group

BisSo far, the group has been mainly active in the brokerage sector and is in direct B2C contact. The brokerage business is handled by the subsidiaries Naga Markets Europe, Naga Global and Naga Capital. As online-only brokers, the companies do not maintain branches, but provide an online trading platform for CFDs, Forex, ETFs, stock indices and stocks. As part of the brokerage app „Naga Trader", the group offers both a traditional and a „social trading" service. In addition to the brokerage sector, the product range includes the neobanking app „NAGA Pay", as well as the „NAGA X" app, a crypto wallet and a crypto exchange. The goal is to merge all apps and their social media functionalities into an integrated financial super app in the current fiscal year 2024, offering a holistic financial ecosystem that effortlessly combines aspects of social life, trading, investing, cryptocurrencies and all-encompassing financial management. Further information on revenue recognition can be found in Note 7.p) of the Notes to the Consolidated Financial Statements.

a) Locations

The company's headquarters are located in Hamburg. There are also the following locations:

- Limassol and Nicosia, Cyprus
- Mahe, Seychelles
- Sales and training location in Lagos, Nigeria

The previous locations in Tallinn, Estonia, and Bangkok, Thailand, were closed in June 2023 and in January 2024, respectively.

With the completion of the merger with Key Way Group Ltd. (see above for details), further locations in Gibraltar, Cyprus, Abu Dhabi (UAE), Romania, South Africa, Mauritius and the Seychelles will be added.

b) Products, services, platforms and business processes in the NAGA Group combine the topics of stock exchange (securities), blockchain (cryptocurrencies) and payment transactions (payment services). Derivatives, stocks, commodities, foreign exchange and cryptocurrencies can be traded via the company's own Naga Trader platform from a computer or mobile via iOS and Android. Clients can build their own portfolios, share their own trades with the community, and be copied by other clients or copy successful traders. It is also possible to develop your own trading strategy with a trading robot. The Naga Pay and NAGAX platforms complement the product range in the areas of payment services and cryptocurrencies. The financial super app under development will integrate all existing platforms to provide customers with a holistic financial ecosystem that effortlessly combines aspects of social life, trading, investing, cryptocurrencies, and comprehensive financial management.

c) Sales markets, customers and sales policy

NAGA distributes its products and services globally and primarily targets the global markets for trading financial instruments. In its sales policy, the Group focuses on online marketing, affiliate marketing, sales partners and fully automated customer acquisition processes. The completion of the merger with Key Way Group Ltd (see above for details) is intended in particular to drive regional expansion in the emerging markets of Latin America (LATAM), Middle East/North Africa (MENA) and Southeast Asia (SEA), as the achievable margins in these regions are higher than in the European home market.

d) Framework conditions

NAGA's business model is particularly dependent on the development of the capital and financial markets and the overall economic situation in Europe. High volatility in the financial markets is attractive to many actively risk-oriented clients and therefore leads to a high number of transactions and turnover.

1.2. Goals and strategies

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

Group's financial targets

Taking into account the balance sheet date of December 31, 2023 and against the backdrop of the completion of the merger with Key Way Group Ltd. (see 1.1 above for details), the targets for the future include the profitable further development of the brokerage business and the achievement of positive EBITDA. In addition, a stable development of cash and equity is to be maintained.

Strategies for achieving goals

The key strategies for achieving the objectives at Group level are presented below, assuming the completion of the merger with Key Way Group Ltd. (see 1.1 above for details):

- Focus on core competencies and emerging markets: The Group's core business is based on online brokerage, which will have 5 licenses on 4 continents after the merger with Key Way Group, which will enable the Group to continuously expand and improve this business area. By focusing on markets outside the EU, strong growth in trade revenues is expected.

- As part of the merger of NAGA Group and Key Way Group, synergies are to be exploited across all organizational levels, which will lead to cost savings of around USD 10 million per year.

- The aim is to maintain the high level of innovation in IT activities and to further develop the business model through new products and product applications. The introduction of the Finance Super App is intended to set new standards in the field of financial market technologies.

- In the crypto business, the product offering includes a spot exchange, a derivatives trading platform, staking, an NFT platform, and a social crypto feed. With the completion of the merger of NAGA Group and Key Way Group, the Group has two licenses for crypto services for the Europe and Middle East/North Africa (MENA) regions and thus has the regulatory basis for the further expansion of this business area.

- Following the merger with Key Way Group, NAGA will continue to pursue global M&A activities and enter into partnerships to achieve growth leaps beyond organic development.

NAGA meets the macroeconomic challenges through its high willingness to innovate, especially through organic growth, but also sees opportunities for inorganic growth.

1.3. Value-oriented management and controlling system

In order to achieve the overarching corporate goals listed in the previous section, the implementation of the strategy formulated by the Board of Management is to be supported by a management and controlling system that is continuously being further developed.

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

Monthly reporting is the central control instrument of Group Controlling. In this reporting, all key financial and operating figures of the companies belonging to the Group are recorded and analysed on a monthly basis. Plausibility checks serve to detect anomalies at an early stage so that countermeasures can be initiated in good time.

Corporate planning is carried out at Group level and is based on planning at subsidiary level. Corporate planning is continuously adapted to the market environment, new product developments and structural changes.

At Group level, the planning is finalized by the Executive Board. New business units and subsidiaries are integrated into the planning process.

The management and control system described above is to be continued after the completion of the merger with Key Way Group Ltd. (see 1.1 above for details).

1.4. Development

Development activities have a high priority at NAGA and are controlled and monitored directly by the Executive Board. The majority of the development activities are commissioned by the company and carried out in close cooperation with business partners. The Board of Directors manages 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 3,352 thousand in the reporting period (previous year: EUR 6,688 thousand), which corresponds to around 8.4 % (previous year: 11.6 %) of sales. Capitalized additions to intangible assets amounted to EUR 2,148 thousand (previous year: EUR 5,882 thousand). The development activities mainly led to the expansion of the functionalities and increase the stability of the Naga Trader app and the corresponding web application. In addition, costs for the development of the NEO banking app NAGA Pay in the amount of EUR 399 thousand (previous year: EUR 545 thousand), for the Naga X platform in the amount of EUR 57 thousand (previous year: EUR 3,259 thousand) and for the development of the company's website as well as for a marketing analysis tool in the amount of EUR 175 thousand (previous year: EUR 0 thousand) were capitalised. The Management Board considers the financial significance of these development results for the Group to be very high.

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

2. ECONOMIC REPORT

2.1. Macroeconomic and sector-specific framework conditions

Macroeconomic environment

The global economy has proven surprisingly resilient amid numerous crises and persistently high but recently falling inflation. In 2023, global economic output grew by 3.2 %, according to the International Monetary Fund (IMF) in its World Economic Outlook published in April 2024. Global headline inflation fell to an annual average of 6.8 % in 2023, with the rise in inflation not triggering an uncontrolled wage-price spiral despite its severity and the associated cost-of-living crisis.

In Europe, economic development was dampened by weak consumer sentiment, persistently high energy prices and the weakness of interest-rate-dependent industrial and corporate investment. According to the report, gross domestic product (GDP) in the euro area rose only slightly by 0.4 %, while consumer prices in the European Union rose by 6.4 % on average for the year.

Central banks raised their key interest rates several times in the year under review. The US Federal Reserve (Fed) last raised its key interest rate to a range of 5.25 % to 5.50 % in July 2023, while the European Central Bank (ECB) has kept its key interest rate at 4.5 % since September 2023.

In the midst of a difficult global economic environment, German economic output largely stagnated in the first three quarters of 2023 and then ended the year with a decline of 0.3 % in the final quarter (compared to the third quarter of 2023). As a result, Germany's gross domestic product (GDP) fell by 0.3 % in 2023 as a whole. Persistently high prices in all sectors of the economy, higher interest rates with correspondingly unfavourable financing conditions and low demand from Germany and abroad weighed on economic output. High consumer prices dampened private consumption (-0.8 %), and general government also reduced its final consumption expenditure (-1.7 %) for the first time in almost 20 years. On the investment side, declining construction investment (-2.1 %) was offset by rising investment in equipment (+3.0 %). Imports (-3.0 %) fell more sharply than exports (-1.8 %). Despite the difficult environment, the German labour market remained robust – the number of persons in employment rose again by 0.7 % to an average of 45.9 million.Consumer prices rose by 5.9 % year-on-year in 2023,falling short of the year-on-year all-time high of +6.9 %, but remain at a high level.

Capital markets and industry environment

2023 was a strong year on the stock markets, ending with a pronounced year-end rally and steady new records on Wall Street and in Germany. The Dow Jones and Nasdaq 100 posted annual gains of 14 % and 54 %, respectively, while Germany's benchmark DAX index gained nearly 20 %. The overarching theme was the evolution of policy rates on both sides of the Atlantic (see the previous section on the macroeconomic environment for details), accompanied by numerous global crises and uncertainties. In March, the US banking crisis and the feared spillover into Europe weighed on the financial markets and led to sharp price losses. In the course of the year, concerns about the weakening global economy were added, followed by the escalating conflict in the Middle East from October. In the autumn, previous concerns about long-term high interest rates turned into hopes of falling interest rates and equity markets began to rise in the fourth quarter of 2023.

DZ Bank estimates that price gains on the stock markets contributed significantly to the fact that private financial assets in Germany rose by 6 % to 7.9 trillion euros in 2023. Price gains would have led to an increase in value of around 200 billion euros.

On the foreign exchange markets, the US dollar benefited from expectations of further interest rate hikes in the US until the beginning of October, causing the euro to fall to USD 1.045. In the final quarter of 2023, the trend was reversed. The US dollar was now weighed down by the high US national debt, which is likely to be increasingly difficult to finance due to higher interest rates. The euro recovered to an exchange rate of USD 1.114 shortly before the end of the year and ended 2023 at USD 1.104. According to an analysis by PwC (based on a study by Technavio), the global market volume on the foreign exchange market is expected to have increased by around 8 % to USD 816 billion in 2023.

Not only did the crypto market recover from the volatile 2022, in which the bankruptcy of crypto exchange FTX caused significant market turbulence, but it also saw significant growth in the 2023 reporting year. The market capitalization in the global crypto market doubled to $1.8 trillion in the reporting year, largely due to Bitcoin's sharp 155 % rise to $42,220. Ethereum also rose sharply in value (+90.5 %). Growing optimism about the possible approval of Bitcoin exchange-traded funds (ETFs) led to a bull market in the final quarter. In fact, the U.S. Securities and Exchange Commission (SEC) gave the green light to Bitcoin ETFs on January 11, 2024. Global crypto trading volume not only saw the first quarterly growth of the year in the last quarter of 2024, but also increased significantly by 53.1 % to $10.3 trillion. In contrast, NFT trading volume of the 10 largest blockchains in 2023 amounted to USD 11.8 billion, less than half of the previous year's figure (previous year: USD 26.3 billion). The first quarter of 2023 was still $4.5 billion, followed by significant volume declines in the second and third quarters of 2023 to $2.7 billion and $1.4 billion, respectively. In the final quarter, NFT trading volume then rose again to $3.2 billion, helped by the strong trading volume of Bitcoin Ordinals. According to the report, the number of users in the European cryptocurrency market is likely to have risen sharply by around 43 % to 141.0 million.

The global neobroker market is expected to have seen nearly 22 % user growth to 507.8 million in 2023, while global assets under management (AUM) have increased by nearly 25 % to $891.5 billion. In Europe, the number of users is expected to have increased by 19 % to 52.5 million, while assets under management have increased by almost 9 %.

2.2. Business development and situation of the Group

In the 2023 financial year, NAGA achieved the planned turnaround in earnings in the midst of a difficult market environment by achieving significant cost savings as part of a consolidation course: With consolidated revenues of EUR 39,728 thousand (previous year: EUR 57,597 thousand), a significantly improved consolidated EBITDA of EUR 8,445 thousand (previous year: EUR -13,731 thousand) was generated, which exceeded expectations.

All key cost items were reduced compared to the previous year. Marketing costs fell particularly sharply, reducing from EUR 28,345 thousand to EUR 4,647 thousand, resulting in the best gross cost per acquisition to date of EUR 380 (previous year: EUR 1,510) per newly financed trading account.

At the same time, most of the key performance indicators were higher than in the previous year. In 2023, NAGA recorded over 132,000 account openings (previous year: 243,000) and more than 9.2 million trades (previous year: 8.6 million), of which 4.8 million were copy trades (previous year: 3.5 million). The traded volume amounted to 143 billion euros (previous year: 137 billion euros). The number of active users at the end of the year was over 21,000 (previous year: 18,700). As a result, all metrics per user showed a strong upward trend with higher average activity, portfolio size, and lifetime value.

In addition to focusing on regaining profitability, the main focus in the 2023 financial year was on preparing for the corporate merger with Key Way Group AG, operator of the multi-asset trading platform FinTech platform Capex.com. Details can be found in sections 1. Fundamentals of the Group and 4. Forecast, Opportunities and Risk Report.

Financing issues were also on the agenda. On April 15, 2023, the Management Board, with the approval of the Supervisory Board on April 21, 2023, resolved to issue a convertible bond with an aggregate principal amount of USD 8,200,000.00, a coupon of 11 %, a conversion price of USD 1.97 and a term of six months (from April 28, 2023 to October 30, 2023) excluding the statutory subscription rights of shareholders.

NAGA has agreed with the holder of the Convertible Bonds to amend the terms of the Bond. Accordingly, the majority of the issued convertible bond with a volume of USD 6,000,000.00 was redeemed on October 30, 2023. The balance of USD 2,200,000.00 plus accrued interest was repaid on January 30, 2024. The holder of the convertible bond has not exercised his conversion right. For the partial repayment in October 2023, NAGA has taken out a loan without conversion rights with a term of 12 months from an institutional investor, which was extended to 25 months by a supplementary agreement concluded in December 2023.

In accordance with the agreements made in the term sheet, the proposed business combination will be accompanied by the issuance of an additional non-interest-bearing convertible bond (zero coupon) with a maturity of 12 months. The subscription offer for the convertible bond ran from December 22, 2023

(00:00 a.m.) to January 5, 2024 (12:00 a.m.). In total, the 2024/2025 Convertible Bonds were issued with an aggregate principal amount of EUR 8,226,000.00, divided into 8,226,000 Notes with a nominal amount of EUR 1.00 each, subscribed for in the amount of EUR 8,131,300.00 by Netcore Investments Ltd., Gibraltar, the majority shareholder of Key Way Group Ltd. and future principal shareholder of the Company.

The merger also had an impact on the composition of the Board of Management. It was agreed to appoint the Managing Partner of Key Way Group Ltd., Mr. Constantin-Octavian Patrascu, as Chairman of the Board of Directors of NAGA. This was decided by the company's Supervisory Board on January 26, 2024 (further details in the section Forecast Report). Mr. Benjamin Bilski had previously moved from the Management Board to the NAGA management team as CIO (Chief Information Officer) by mutual agreement with effect from June 1, 2023, while Mr. Michalis Mylonas took over the position of CEO and was appointed Deputy Chairman of the Management Board at the Supervisory Board meeting on January 26, 2024.

At the Annual General Meeting on December 29, 2023, it was decided to expand the Supervisory Board from three to four members. Against the backdrop of the expansion of the Supervisory Board, the shareholders elected Mr. Stefan Schütze, Managing Partner of C 3 Management GmbH, Bodolz, to the Supervisory Board. There were also further personnel changes in the Supervisory Board after the balance sheet date (see section Forecast Report).

Due to an error correction made in the 2023 financial year, the previous year's figures in the consolidated financial statements have been adjusted, see the notes under Section 3.

Group results of operations

Sales

Consolidated revenue amounted to EUR 39,728 thousand (previous year: EUR 57,597 thousand). NAGA generated income from the brokerage business („Trading Revenue"). These are mainly produced in Europe and to a lesser extent in non-European countries. In contrast to previous years, the brokerage activities were consolidated in the 2023 financial year due to the company's profitability orientation.

Revenues decreased significantly by EUR 17,869 thousand or 31 % to EUR 39,728 thousand compared to the previous year. The decline is attributable to both the consolidation of the brokerage business (EUR 11,092 thousand) and the discontinuation of the NGC market-making business (previous year's revenues of EUR 6,757 thousand).

The traded volume rose to EUR 143 billion (previous year: EUR 138 billion).

Capitalized programming services

In 2023, the capitalized programming services of EUR 2,148 thousand (previous year: EUR 5,883 thousand) mainly relate to the further development of the NAGA Trader application. The degree of capitalization for development costs in 2023 is 64 % (previous year: 88 %).

Other operating income

Other operating income increased to EUR 795 thousand (previous year: EUR 252 thousand) and mainly included the release of provisions for outstanding invoices.

Personnel costs

Personnel expenses fell to EUR 6,463 thousand (previous year: EUR 10,697 thousand) due to the reduction in the number of employees in the Group.

Marketing Spend

As planned, marketing and advertising expenses were significantly reduced to EUR 4,647 thousand (previous year: EUR 28,345 thousand), as the focus was on efficiency instead of aggressive growth.

Depreciation of current assets

The high previous year's figure of EUR 4,694 thousand resulted from the write-down of a trade receivable from NDAL (cooperation partner Naga Development Association Ltd., Belize City/Belize) in the amount of EUR 1,446 thousand and from a necessary devaluation of the Naga Coins (NGC) held for trading purposes in the amount of EUR 3,248 thousand. In the year under review, this item fell to a normal level of EUR 137 thousand.

Other operating expenses

Other operating expenses were also significantly reduced from EUR 12,028 thousand in the previous year to EUR 9,658 thousand in the year under review. This is mainly due to the reduction of legal and consulting costs by EUR 1,864 thousand to EUR 1,982 thousand (previous year: EUR 3,846 thousand).

EBITDA development

Based on the cost savings described above, EBITDA improved significantly as planned to a clearly positive figure of EUR 8,445 thousand (previous year: EUR -13,731 thousand). Cost savings were also able to more than compensate for the decline in sales in the Group as planned. In the previous year, the write-down of the claim against NDAL and NGC, which is held for trading purposes, had led to extraordinary negative effects on earnings.

Depreciation and impairment

Depreciation and amortization increased to EUR 9,033 thousand (previous year: EUR 7,802 thousand).

Of this amount, EUR 1,269 thousand (previous year: EUR 1,269 thousand) is attributable to the scheduled depreciation of the Swipy technology. In addition, Naga Trader Software was depreciated at EUR 2,976 thousand (previous year: EUR 2,117 thousand), NAGA X Software at EUR 714 thousand (previous year:

EUR 0 thousand) and NAGA Pay Software at EUR 365 thousand (previous year: EUR 252 thousand). In addition, the amount includes depreciation and amortization of the HBS Group's customer base in the amount of EUR 44 thousand (previous year: EUR 524 thousand) and depreciation and amortization of acquired customerrelationships in the amount of EUR 3,294 thousand (previous year: EUR 2,665 thousand).

In the year under review, the company had to write down the goodwill capitalised for its brokerage business in the amount of EUR 57,000 thousand on the basis of the impairment test for this asset. For further details, please refer to note 5 a) of the Notes to the Consolidated Financial Statements for the 2023 financial year.

In the previous year, as a result of the turbulence in the crypto market and the associated slump in NGC prices, NAGA had to completely write off the value of the NGC held with the intention of investing, which led to an extraordinary burden on the consolidated result of EUR 15,324 thousand.

Financial result

The financial result for the 2023 financial year amounted to EUR -3,368 thousand (previous year, after adjustment: EUR -7,396 thousand). The Group's financial expenses amounted to EUR 3,630 thousand in the 2023 financial year (previous year: EUR 7,476 thousand) and were mainly attributable to interest expenses. In the prior year, financial expenses after adjustment mainly included exchange rate losses.

Income taxes and deferred taxes

Income tax expenses of EUR 13 thousand (previous year: EUR -119 thousand) result from income taxes of the operating units. In the previous year, the income resulted from the reduction of deferred tax liabilities as intangible assets were amortized.

Net income

In the 2023 financial year, net income for the period decreased significantly by EUR 16,834 thousand compared to the previous year, from EUR -44,135 thousand (after adjustment) to EUR -60,969 thousand. This is mainly due to the impairment of goodwill capitalized for the brokerage business. In the previous year, the negative result for the period (after adjustment) was mainly influenced by the devaluation of the NAGA Coin holdings held in current and fixed assets as well as by exchange rate losses.

Financial position of the Group

Ensuring a liquidity cushion and operational control of cash flows are top priorities in financial management. Inflation and exchange rate effects had no material impact on the financial position in the 2023 financial year.

The Group's capital structure is as follows:

in %	31.12.2023	31.12.2022 adjusted	Change
Equity ratio	81.2	88.3	-7.1
Debt ratio	18.8	11.7	7.1
Leverage	23.1	13.3	9.8

As a result of the negative result for the period, the equity ratio fell by 7.1 percentage points to 81.2 % and total assets decreased by EUR 64,263 thousand. In April of the 2023 financial year, the Company issued a convertible bond with a volume of USD 8,200 thousand and partially refinanced it through a loan in October 2023 (see this section above for details). This has contributed to the increase in the debt ratio and the leverage ratio.

In contrast to the previous year, a positive cash flow of EUR 1,419 thousand was generated in the 2023 financial year (previous year: EUR -5,496 thousand).

in EUR thousand	2023	2022 adjusted
Cash flow from operating activities	-912	-14,518
Cash flow from investing activities	-3,425	9,163
Cash flow from financing activities	5,756	-141
Cash and cash equivalents at the beginning of the period	3,087	8,583
Cash and cash equivalents at the end of the period	**4,506**	**3,087**

in EUR thousand	2022 adjusted	2021
Cash flow from operating activities	-14,518	-12,900
Cash flow from investing activities	9,163	-41,576
Cash flow from financing activities	-141	57,826
Cash and cash equivalents at the beginning of the period	8,583	5,233
Cash and cash equivalents at the end of the period	**3,087**	**8,583**

Cash flow from operating activities remained negative at EUR -912 thousand (previous year, adjusted: EUR -14,518 thousand), but improved significantly compared to the previous year by achieving profitability in the operating business. In addition, short-term loans of EUR 2,000 thousand taken out for operational purposes in the previous year were repaid in the year under review.

Investments in intangible assets in the amount of EUR 3,385 thousand (previous year: EUR 17,786 thousand) relate in particular to capitalized development costs of EUR 2,149 thousand (previous year: EUR 5,883 thousand) and capitalized customer acquisition costs of EUR 1,227 thousand (previous year: EUR 3,459 thousand). The issuance of convertible bonds with a volume of TUSD 8,200 in the year under review refinances these investments, resulting in a positive cash flow from financing activities of EUR 5,756 thousand (previous year, adjusted: EUR -141 thousand). In the previous year, the company did not carry out any capital measures.

in EUR thousand	31.12. 2023	31.12. 2022 adjusted	Change
Cash and cash equivalents	4,506	3,087	1,419
minus short-term debts	8,046	14,688	-6,642
Subtotal	-3,540	-11,601	8,061
plus short-term assets	3,803	7,064	-3,261
Surplus / Shortfall	**263**	**-4,537**	**4,800**

in EUR thousand	31.12. 2022 adjusted	31.12. 2021	Change
Cash and cash equivalents	3,087	8,583	-5,496
minus short-term debts	14,688	14,086	602
Subtotal	-11,601	-5,503	-6,098
plus short-term assets	7,064	49,139	-42,075
Surplus / Shortfall	**-4,537**	**43,636**	**-48,173**

As of the balance sheet date, current liabilities were overcovered by cash and cash equivalents and short-term assets of EUR 263 thousand (previous year, adjusted: shortfall of EUR 4,537 thousand). The reduction in shortfall to a slight overfunding is attributable to the financing measures implemented in the year under review.

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

in EUR thousand	31.12. 2023 adjusted	31.12. 2022	Change
Equity	49,454	110,444	-60,990
plus medium- and long-term debts	3,385	14	3,371
less assets tied up in the medium and long	52,576	114,996	-64,361
Surplus / Shortfall	**263**	**-4,538**	**6,742**

94 % (previous year, adjusted: 96 %) of medium- and long-term assets are covered by equity.

Asset position of the Group

NAGA's net assets developed as follows in fiscal 2023:

in EUR thousand	31.12. 2023	31.12. 2022 adjusted	Change
Assets	**60,885**	**125,147**	**-64,262**
Non-current assets	52,576	114,996	-62.420
Current assets	8,309	10,151	-1,842
Liabilities	**60,885**	**125,147**	**-64,262**
Equity	49,454	110,444	-60,990
Long-term debt	3,385	14	3,371
Short-term debt	8,046	14,688	-6,642

The decrease in non-current assets of EUR 62,420 thousand is mainly due to the impairment of goodwill capitalized for the brokerage business and the scheduled amortization of capitalized development costs.

Current assets as of December 31, 2023 decreased by EUR 2,842 thousand (after adjustment of the previous year) by EUR 2,842 thousand to EUR 46 thousand (previous year: EUR 2,320 thousand) due to the decline in other current assets of EUR 2,886 thousand, in particular crypto assets.

In the previous year, non-current liabilities of EUR 14 thousand consisted exclusively of deferred tax liabilities. The increase in non-current liabilities to EUR 3,385 thousand resulted from a loan received in 2023.

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

For the 2023 financial year, NAGA's Management Board had originally expected significantly lower revenue than in the previous year, as the focus was no longer on aggressive revenue growth but on generating stable and reliable profits. In conjunction with significantly lower marketing expenses, the decline in sales should be more than offset by the savings in marketing expenses. Under the premise of significant cost reductions, the key earnings figures are to be visibly improved. On the basis of cost reductions, finished technologies and effects from the development of new growth markets, the Management Board expected a strong increase and a positive figure for Group EBITDA.

As expected, consolidated revenue fell to EUR 39,728 thousand (previous year: EUR 57,597 thousand). As described above, Group EBITDA improved significantly to EUR 8,445 thousand (previous year: EUR -13,731 thousand) thanks to drastic cost reductions across all material cost items and thus to a clearly positive figure that exceeded market expectations.

3. SUPPLEMENTARY REPORT

Events after the balance sheet date are explained in Section 13 of the Notes to the Consolidated Financial Statements.

4. FORECAST, OPPORTUNITY AND RISK REPORT

4.1. Group Forecast Report

Preliminary remark: The merger of NAGA and CAPEX.com (subject to regulatory approval and the entry of the resolutions of the Annual General Meeting in the commercial register (expected in the course of Q3 2024)) will expand NAGA's previous main sales region (Europe, where the majority of sales were generated to date) to include the following focus regions: MENA (Middle East/North Africa), Latin America and Southeast Asia. Both NAGA and CAPEX are players in the neobroker market; NAGA is mainly active in the trading and investment sector, especially CFD trading and foreign exchange markets, as well as the cryptocurrency sector, while CAPEX has so far mainly focused on CFD trading. For this reason, the expected development of the new sales regions and CFD trading, as well as the foreign exchange and crypto markets, will also be discussed in more detail below.

Macroeconomic forecast

The International Monetary Fund (IMF) expects global economic growth to remain at the level of 2023 (+3.2 %) in 2024 and 2025. The recovery of the global economy will therefore remain stable, but will be slow and vary from region to region. Economic growth in developed markets is expected to pick up slightly over the forecast period (2024: +1.7 %, 2025: +1.8 %), while emerging markets are expected to slow moderately (from +4.3 % in 2023 to +4.2 % in 2024 and 2025). Global inflation is expected to decline steadily over the years (2024: +5.9 %, 2025: +4.5 %), with developed markets reaching their inflation targets sooner than emerging markets.

In March 2024, the US Federal Reserve left the key interest rate unchanged in a range of 5.25 % to 5.50 % for the fifth time in a row. However, the Fed signaled that the key interest rate is likely to fall by a total of 0.75 percentage points in 2024.

For the MENA region, the IMF forecasts GDP growth of 2.7 % and 4.2 %, respectively, in 2024 and 2025, after growth of 1.9 % in 2023. In Latin America and the Caribbean, GDP is expected to grow by 2.0 % and 2.5 %, respectively, in 2024 and 2025, after rising by 2.3 % in 2023. In terms of consumer prices, the IMF expects inflation rates of 16.6 % (2024) and 12.4 % (2025) for the MENA region and 16.7 % (2024) and 7.7 % (2025) for Latin America and the Caribbean

Economic growth in the eurozone will pick up from a very low level, as strict monetary policy and energy costs as well as planned fiscal consolidation have so far slowed the economy. The IMF forecasts economic growth of +0.8 % in 2024, followed by +1.5 % in 2025. Stronger private consumption will boost growth, supported by the fading impact of energy price shocks and falling inflation. However, the achievement of the inflation target could be delayed by sustained wage increases and stubborn inflation in the service sector. On the other hand, the ECB must carefully consider when monetary easing will be necessary to prevent a sharp slowdown in economic growth. The IMF forecasts that the ECB will cut its deposit rate from the current 4.0 % to 3.3 % in 2024.

At the beginning of April 2024, the ECB also decided to leave the key interest rate at 4.5 %, but held out the prospect of future easing if inflation continues to approach the target value on a sustainable basis. Both ECB President Christine Lagarde and ECB Vice-President Luis de Guindos confirmed that the first rate cut is planned for the June 2024 meeting.

The IMF now expects the German economy to grow by only 0.2 % in 2024, lowering its previous forecast by 0.3 %. With a view to the leading Western G7 industrialized nations, Germany is thus at the bottom of the list. German GDP is expected to increase by 1.3 % in 2025. In its spring projection for 2024, the German government expects growth of 0.3 %, followed by +1.0 % in 2025. Lower electricity and gas prices are helping industry and energy-intensive sectors, which is why production has been picking up noticeably since the beginning of the year. Growth drivers are private consumption, lower inflation (consumer price inflation is expected to decline significantly to +2.4 % in 2024 and +1.8 % in 2025) and monetary easing.

Capital markets and industry environment

The international stock markets recorded a pleasing first quarter of 2024, with many indices climbing to new record highs several times. Among the leading indices, the Nikkei225 (+20.6 %), the EuroStoxx50 (+12.4 %), the DAX (+10.4 %), the S&P500 (+9.6 %) and the Nasdaq100 (+8.5 %) recorded the strongest quarterly gains. In the USA, the performance was mainly driven by US technology stocks, the so-called „Magnificent 7". The rally was driven by investor expectations of imminent interest rate cuts in the US and the Eurozone. The price of Bitcoin and gold also reached new highs. Meanwhile, the euro benefited from the weakness of the US dollar and last traded around the USD 1.07 mark in April 2024.

The first quarter of 2024 was also record-breaking for crypto markets, with spot trading volume on centralized exchanges climbing to a new high of $4.29 trillion. Bitcoin reached a new record high of $73,098. As of April 2, 2024, U.S. spot Bitcoin ETFs had over $55.1 billion in assets under management. The strong growth in the crypto markets was driven not only by Bitcoin and Ethereum, but also by the booming NFT market, whose trading volume on the top 10 trading venues was $4.7 billion.

According to an analysis by PwC (based on a study by Statista), the global number of neobroker users could rise to 989.1 million and 1,036.0 million, respectively, in 2024 and 2025, with global assets under management (AUM) rising to $558.4 billion and $580.2 billion in the same years. A significant upward trend is expected until 2028. In the European market, the number of neobroker users could rise to 55.6 million and 57.0 million, respectively, in 2024 and 2025, while pan-European assets under management could rise to $248.7 billion and $257.7 billion, respectively. At the EU level, this would correspond to an average assets under management of USD 4.5 thousand per user in 2024 and 2025.

For the foreign exchange market (according to an analysis by PwC based on a study by Technavio), the global market volume is expected to grow to USD 888 billion and USD 973 billion respectively in 2024 and 2025.

For the global cryptocurrency market, PwC expects revenue to increase to $51.5 billion in 2024 and $59.6 billion in 2025 (based on a study by Statista). In the European cryptocurrency market, the number of users could rise to 165.5 million and 177.7 million, respectively, in 2024 and 2025.

NAGA

On April 12, 2024, the Company's Annual General Meeting approved a non-cash capital increase for the merger with the CAPEX Group. The implementation of the non-cash capital increase is still subject to the granting of various official approvals (change-of-control proceedings) and, if necessary, the defence against legal challenges to the resolution of the Annual General Meeting. However, according to the current state of knowledge, the Management Board assumes that the merger will be implemented as planned. Against this background, the Management Board expects the following developments and measures for 2024:

The strategic merger with the CAPEX Group is expected to increase NAGA's global reach and financial efficiency and lead to product and app enhancements by leveraging the synergies between the two companies:

- The combined company will have a regulatory framework of eight licenses and twelve offices worldwide. This increases the group's global reach and its ability to serve over 100 countries. Despite the focus on the target markets of MENA (Middle East/North Africa), Latin America, Southeast Asia and Europe, the Group will maintain a flexible market approach, depending on the respective regional development of the sales markets. NAGA is expected to penetrate previously untapped markets in order to expand the company's global presence and open up new customer segments. The move is expected to significantly increase the company's market share and strengthen its position in the highly competitive financial technology landscape. Major upgrades to the NAGA apps – which will be integrated by merging all existing NAGA services into a single platform, the NAGA Super App – will focus on improving the user experience. The product development roadmap includes the enhancement of the community-based ecosystem, AI integrations, and unique features that allow users to develop their own financial instruments.
- Internal estimates suggest that there could be cost savings of more than $10 million per year (e.g., regulatory overheads, staffing costs, technology and trade costs). In addition, the joint strategies are expected to improve marketing efficiency, reduce customer acquisition costs, and increase brand reach and awareness.

The „new NAGA" will benefit from an expanded user base of over 1.5 million registered users to date and is expected to reach over 5 million registered users by 2025/26. Leveraging NAGA's technology ecosystem for Capex's existing customers and leveraging Capex's international operations and licensing infrastructure to optimize NAGA's customer base will result in improved customer retention and overall profitability. After the merger, NAGA will be able to benefit from the broader talent pool and local presence of the nine local CAPEX offices.

Forecast of key financial performance indicators

Brokerage

Due to the consolidation course already initiated in the course of the 2022 financial year, trading revenues in the brokerage sector fell sharply in the year under review by EUR 11,092 thousand to EUR 39,748 thousand (previous year: EUR 50,840 thousand), as expected. However, this decline was more than offset by cost savings, especially in the marketing area, as well as by increasing the efficiency of marketing measures, so that EBITDA improved significantly by EUR 22,255 thousand to the all-time record level of EUR 8,524 thousand (previous year: EUR -13,731 thousand). As a result, most of the metrics, such as the number of trades, trading volume and the number of active users, also improved compared to the previous year.

The reduced marketing expenses in the 2nd half of 2023 led to a further decline in sales in the first months of the 2024 financial year. As total costs stabilized in fiscal 2022 and 2023 following the consolidation of the business, the decline in revenue could no longer be fully offset by corresponding cost reductions. Accordingly, EBITDA in the first months of 2024 also declined compared to the same period last year. However, the Company sees great potential for positive development in H2 2024 and subsequent financial years due to the upcoming business combination with Key Way Group (see Section 1 above for details). The additional financing available from the EUR 8.2 million convertible bond, the growth opportunities in the emerging markets where Key Way Group is allowed to operate due to its licenses, as well as further cost savings due to the synergies from the business combination, will enable NAGA to return the business from a declining to a growth path in H2 2024.

Crypto and Payments

The NAGA PAY and NAGAX platforms, which went live in 2022, both performed well in the 2023 financial year. NAGA Pay has introduced several core features that make the app fully functional and complete. In January, fiat-to-crypto (and vice versa) exchange was introduced, allowing users to buy or sell the top four cryptocurrencies. In April 2023, BTC cashback was launched, offering users up to 3 % cashback on their purchases. In addition, features such as „Refer a Friend", „Preferred Partners" and the „Elite Plan" have been added. These improvements helped increase the application's user base by 200 % to over 6,000 users.

In the 2023 financial year, NAGAX moved its operations from Estonia to Cyprus and received the CASP license from CYSEC. After this migration, the platform's user base increased by 70 % and reached nearly 2,000 users by the end of the fiscal year. In addition, enhanced monitoring procedures such as Chainalysis have been implemented to ensure better control and security on the platform.

Group Revenue
For the 2024 financial year, the company has based its forecasts on the business combination with Key Way Group (see 1. above for details). For the combined group, the company expects total sales of around EUR 80,000 thousand.

EBITDA
EBITDA for the 2024 financial year of the combined Group is impacted by one-off costs of the business combination and the initial achievement of synergies from cost reductions and is estimated at approximately EUR 11,000 thousand.

Forecast of key non-financial performance indicators
The synergies from the merger with Key Way Group Ltd. (see above under 1.1 for details) will significantly improve the key performance indicators of the merged group, namely customer lifetime value. The strong network of licenses in key target markets, combined with the growth capital provided by the future majority shareholder Netcore, will enable the combined group to accelerate the expansion of its business in the 2024 and 2025 financial years. In addition, the merged group will be able to reduce its costs by USD 10 million annually by reducing excess personnel and infrastructure capacity, which will allow the merged group to improve its profitability compared to its pre-merger business model.

4.2. Risk Report

NAGA's business model is influenced by many factors, including the legal and macroeconomic environment, the maintenance of permits and licenses, cooperation with our business partners, and other contractual relationships. On this basis, we make assumptions about our development and profitability, transaction volumes and revenues, cost items, staffing, financing and material balance sheet items that could prove to be incorrect or incomplete. Further growth depends in particular on whether and to what extent we can attract new customers who accept Naga's offer to expand our existing range and establish new sales channels.

In the worst case, the business model could prove unprofitable or no longer viable. This could necessitate impairments, in particular on capitalized non-current assets, and could have other material adverse effects on NAGA's net assets, financial position and results of operations.

In addition to the individual risks described below, the effects of the war in Ukraine and the war in Israel on the overall economic development and the international financial markets are also to be classified as risks for the NAGA Group.

However, as the company's figures for 2023 show, the current market development currently has no negative impact on the business success of the NAGA Group or on the net assets, financial position and results of operations. Due to the low level of external debt, the rise in interest rates in the form of higher interest rates on refinancing has had only a minor impact.

a) Features of the risk management system

With the Naga Trader application, NAGA operates in the CFD, Forex, ETF and stock markets in a regulated market. In addition to the constant changes in the company's economic environment, changes in the legal and regulatory framework are therefore also of central importance for the company's success. Current developments are constantly monitored and carefully analyzed. In April 2023, the EU finalized the MiCA Regulation (Markets in Crypto-Assets). This regulation introduces uniform rules for certain cryptocurrencies within the EU to improve legal certainty and investor protection. The companies affected by MiCa must apply the regulation from 2025. The obligations include a white paper to be developed that must be submitted to the supervisory authorities. The new regulations do not pose any risks to NAGA's business success. Since NAGA already has a license for cryptocurrency transactions in Cyprus, the company expects to gain a competitive advantage over companies that have previously carried out these transactions without official authorization.

The Board of Management incorporates emerging opportunities and potential risks into its business and risk strategy and adjusts it accordingly as necessary. Monitoring and managing risks is a central part of the company's management tools at NAGA.

A pronounced risk awareness in all relevant business processes and the high ethical standards of the Group are observed by management and employees. Limiting risk is also one of the most important goals for all NAGA leaders in their respective areas of responsibility. In this context, each manager develops effective task-specific control processes and ensures their continuous application.

In addition, NAGA has set up a staff unit for the comprehensive and comprehensive assessment, limitation and management of risks, which in particular has also taken over the group-wide tasks of risk controlling in accordance with the minimum requirements for risk management (MaRisk) of BaFin AT 4.4.1. This employee is responsible for the Group-wide identification, assessment, management, monitoring and communication of risks. This position 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 Board of Management. The Supervisory Board will be informed immediately in the event of a change in the management of NAGA's risk management department.

b) Risk identification and risk assessment

NAGA has a risk inventory, which is also updated on an ad hoc basis if necessary. This allows NAGA to divide risks, including risks arising from the use of financial instruments to which it is exposed in the course of its operations, into the following categories:

- Market risks
- Default risks
- operational risks,
- Liquidity risk
- Other risks (country risks)

The risk assessment takes into account the risk-mitigating measures taken and the existing equity situation.

c) Monitoring and communication of risks

The management is informed in monthly reports about the current risk situation, key figures and the earnings situation of NAGA. In addition, the Management Board has access to an overview in which selected key figures (such as EBITDA or the sales revenues of the three business units Brokerage, Crypto and Payment) of NAGA are presented.

In our own opinion, the measures taken to analyze and monitor NAGA's risk situation are appropriate. Risk-bearing capacity was ensured at all times in the reporting period. At the time of preparation of this risk report, there were no immediate risks that could jeopardize the continued existence of the company, including with regard to possible concentration risks.

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

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

Extent of risk	Impact on business activities, net assets, financial position, results of operations and reputation
low	limited impact < kEUR 50 EBITDA individual risk
medium	some impact > kEUR 50 EBITDA individual risk
high	significant impact > kEUR 200 EBITDA individual risk
very high	damaging impact > EUR 1 million EBITDA individual risk

d) Management and limitation of market price risks

NAGA defines market price risks as downside risks due to changes in market prices (stock prices, exchange rates, precious metal/commodity prices, interest rates, cryptocurrency prices) and price-influencing parameters (e.g. volatilities).

At NAGA, market price risks arise in the brokerage trading book of Naga Markets. Naga Markets acts as a counterparty for its clients when trading various financial products. A corresponding specialist department processes the resulting risks in real time according to internal guidelines.

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

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

In addition to the comprehensive measures to monitor 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 appropriateness of these measures is reviewed on an ongoing basis. Changes in the assessment of the underlying risks and necessary adjustments to their management are reflected in regular updates to NAGA's risk inventory. This is also available as a basis for risk-oriented audit planning by Naga Markets' internal audit department.

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

Turbulence in the domestic and international securities markets, a continued sideways trend with low turnover and other market risks can lead to a decline in investor interest. The trading activity of the customers of the Group companies is dependent on general stock market turnover and market volatility.

e) Control and limitation of address default risks

Counterparty default risk is defined by NAGA as the risk of loss or loss of 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 screened on the basis of clearly defined criteria, which are adapted to the current circumstances if necessary and are based on the specific characteristics of the business partners. In addition, an ongoing credit check is carried out on the basis of publicly available data. NAGA considers the extent of the resulting risks to be very high, but the associated probability of occurrence to be very low.

f) Operational risks

1) Dependence on software and IT risks
For NAGA, there is an operational risk in particular due to the dependence of the operation on the IT infrastructure and the associated services. This also includes the dependence on the error-free provision of services by external service providers („outsourcing"). Operational risks in IT can be divided into hardware, software and process risks. Extensive IT and Internet systems are in use throughout the Group, which are essential for proper business operations. The Group is particularly dependent on the smooth functioning of these systems. Despite comprehensive measures to back up data and bridge system disruptions, disruptions and/or complete failures of IT and Internet systems cannot be ruled out. Deficiencies 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 can also lead to considerable image and market disadvantages as well as possible compensation payments for the Group.

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

Considerable investments are being made in IT equipment throughout the Group in order to be able to handle the significantly increased business volume accordingly and to ensure sufficient protection against failures. The probability of the event occurring, which results from dependence on software and IT risks, is estimated to be low, while the potential extent of damage is estimated to be medium.

In 2020, NAGA reacted early to the COVID-19 pandemic and the turbulence in the international financial markets. NAGA has set up a fully remote working environment while ensuring that the platform works without interruptions. On the technological side, NAGA has increased the system capacity. This meant that increasing customer requirements and transaction volumes could be met without any problems. In this way, the trading servers were and are available at all times.

2) Personnel risks
NAGA uses the established monitoring and communication processes to limit risks related to personnel. Nevertheless, individual mistakes by individual employees can never be completely ruled out. We estimate the probability of occurrence of events resulting from personnel risks to be very low and the potential extent of damage to be low.

3) Legal risks
As a regulated provider of financial services, NAGA operates in an environment with rapidly changing legal frameworks. Violations of the law can result in fines or litigation risks. NAGA addresses these legal risks by constantly monitoring the legal environment, cultivating internal legal expertise and drawing on external legal expertise when necessary. We estimate the probability of occurrence of events resulting from legal risks as low and the extent of the risk as medium.

In particular, there is a risk of fines from the Federal Financial Supervisory Authority (BaFin). At this point in time, two proceedings, both of which were initiated by BaFin several years ago, have not yet been formally concluded. However, the company does not expect BaFin to continue the proceedings.

4) Litigation risks

As of the balance sheet date, a legal dispute was pending over the repayment of a Bitcoin payment in the amount of EUR 86 thousand, which was finally decided in favor of the company in January 2024.

g) Management and limitation of liquidity risks

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

In view of the appropriate liquidity position 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 are those risks that result from changed framework conditions. These include, for example, the market environment, customer behavior and technical progress.

Technical innovations and changing customer behaviour can have a significant impact on conditions in financial services markets. This can create opportunities for the products and services offered by NAGA, but it can also have a negative impact on demand for the products and reduce the financial success of the Group.

NAGA constantly monitors changes in the legal and regulatory environment, as well as in the areas of customer behavior and technical progress, and continuously reviews the resulting strategic implications. We estimate the probability of events to occur as low and the potential extent of damage as medium due to dependencies on technical developments and customer behavior.

Since 2020, NAGA has increased its focus on customer support and improving platform quality. To date, NAGA has seen a significant improvement in customer satisfaction, team structure, and product innovation. The branding initiatives are working well. By increasing awareness and brand strength, NAGA is well on its way to consolidating its market position in the long term.

User feedback on NAGA's unique platforms is incorporated into product updates. In this way, NAGA ensures that it always detects changes in customer behavior in good time and responds appropriately with product updates.

h) Reputational risks

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

In principle, the Group companies strive for a high level of customer loyalty through a good reputation in order to gain a competitive advantage over competitors. In a ddition to the direct financial impact, many of the above-mentioned risks risk damaging the Group's reputation and leading to financially adverse consequences for the Group through reduced customer loyalty.

NAGA takes into account general business risks and reputational risks, in particular by incorporating them into its strategic guidelines and using its risk management processes to monitor the relevant environment on an ongoing basis. The associated risk assessments are carried out as part of the assessment of the Group's operational risks, which are conservatively assigned to a medium probability of occurrence and a high risk in accordance with the prudent principle.

i) Country Risks

NAGA is growing increasingly globally, especially through the merger with Key Way Group Ltd. Expansion into new markets entails economic and political risks, resulting from different legal systems, regulations, social and political stability, and the state of infrastructure, among other things. In some countries where the Group operates, there are risks related to corruption and the difficulty of entering new markets. NAGA is constantly opening up new local markets with selected partners who are familiar with the local conditions and have an excellent network of contacts.

4.3. Opportunity Report

In 2024, NAGA plans to achieve visible synergies from the merger with Key Way Group Ltd. As described in Section 4.1, these synergies will enable the merged group to significantly improve its metrics, namely customer lifetime value. The strong network of licenses in key target markets, combined with the growth capital provided by the future majority shareholder Netcore, will enable the combined group to accelerate the expansion of its business in the 2024 and 2025 financial years. In addition, the merged group will be able to reduce its costs by USD 10 million annually by reducing excess personnel and infrastructure capacity, which will allow the merged group to improve its profitability compared to its pre-merger business model.

Management Board assessment of the overall risk and opportunity situation

We understand the assessment of the overall risk situation as a cumulative consideration of all material risk categories and individual risks. NAGA is convinced that neither the individual risks mentioned nor the risks in the network pose a threat to the continued existence of the company as of the balance sheet date and until the date of preparation of the consolidated financial statements.

NAGA believes that it will be able to take advantage of opportunities that arise in the future without having to expose itself to disproportionately high risks. Overall, a balance between opportunities and risks is sought.

5. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION 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 Executive Board. The functionality and effectiveness of the ICS in the Group and in the individual companies is regularly reviewed by the Board of Management.

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

These NAGA consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards („IFRS") applicable in the European Union and in accordance with the supplementary provisions of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB). In addition, the accounting-related ICS also aims to ensure that the annual financial statements of NAGA Group AG are prepared in accordance with the provisions of commercial law.

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

The Financial Accounting and Controlling departments manage the processes of group accounting and the preparation of the management report. Laws, accounting standards and other pronouncements are continuously analysed to determine whether and to what extent they are relevant and how they affect accounting. Standardised reporting formats, IT systems and IT-supported reporting and consolidation processes support the achievement of uniform and proper Group accounting.

If necessary, NAGA makes use of external service providers in the form of experts. The employees involved in the accounting process are regularly trained. They ensure that their accounting processes and systems are carried out properly, on time, and on time.

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

- IT-supported and manual reconciliations
- Separation of functions, in particular of external and internal accounting
- Four-eyes principle
- Regularly monitored access system for IT systems.

6. OTHER INFORMATION

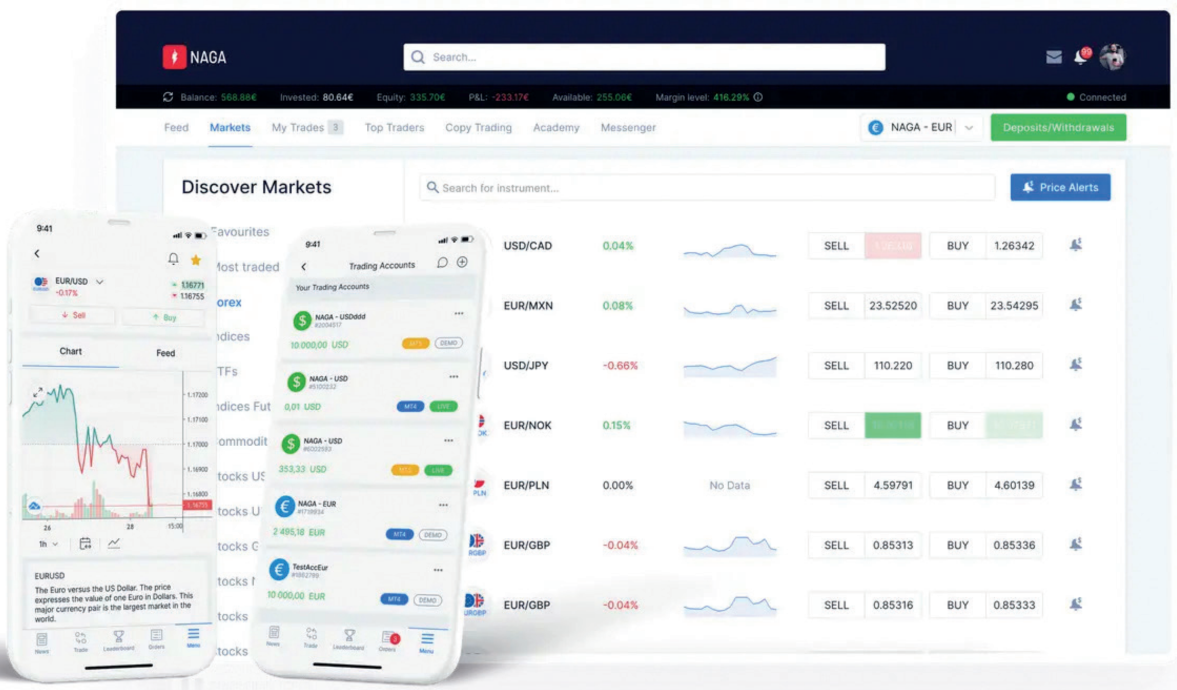
Assurance of the legal representatives (balance sheet oath)

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, 17 June 2024

The NAGA Group AG
Management Board

C.-O. Patrascu M. Mylonas A. Luecke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USD/CAD 0.04% SELL BUY 1.26342
EUR/MXN 0.08% SELL 23.52520 BUY 23.54295
USD/JPY -0.66% SELL 110.220 BUY 110.280
EUR/NOK 0.15% SELL BUY
EUR/PLN 0.00% No Data SELL 4.59791 BUY 4.60139
EUR/GBP -0.04% SELL 0.85313 BUY 0.85336
EUR/GBP -0.04% SELL 0.85316 BUY 0.85333
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Chart
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The Euro versus the US Dollar. The price expresses the value of one Euro in Dollars. This major currency pair is the largest market in the world.
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Consolidated Financial Statements

Consolidated balance sheet

as of December 31, 2023

	Notes	31.12.2023 kEUR	31.12.2022 Adjusted Section 3 kEUR	1.1.2022 Adjusted Section 3 kEUR
ASSETS				
Non-current assets				
Intangible assets	7.a)	51,866	114,212	119,594
Fixed assets	7.b)	475	564	550
Rights of use	7.c)	92	40	38
Financial assets and other assets	7.d)	143	180	157
Total non-current assets		**52,576**	**114,996**	**120,339**
Current assets				
Crypto assets	7.e)	0	0	3,333
Trade receivables	7.e)	153	528	1,557
Other current assets	7.d)	3,650	6,536	31,664
Tax assets	7.f)	0	0	50
Derivatives receivables	7.g)	0	0	6,242
Cash and cash equivalents	7.g)	4,506	3,087	8,583
Total current assets		**8,309**	**10,151**	**51,429**
Total assets		**60,885**	**125,147**	**171,769**

	Notes	31.12.2023 kEUR	31.12.2022 Adjusted Section 3 kEUR	1.1.2022 Adjusted Section 3 kEUR
EQUITY				
Subscribed capital		54,048	54,048	54,048
Capital reserves		152,362	151,943	151,943
Balance sheet result		-155,464	-94,528	-50,409
Currency conversion reserve		-16	5	-7
The shareholders of the parent company attributable equity		**50,930**	**111,468**	**155,575**
Shares of non-controlling interests		-1,476	-1,024	-1,006
Total equity	**10.**	**49,454**	**110,444**	**154,569**
Long-term debt				
Other non-current liabilities	7.i)	3,385	0	0
Deferred tax liabilities	7.h)	0	14	183
Total long-term debt		**3,385**	**14**	**183**
Short-term debt				
Trade payables		1,973	5,984	4,236
Liabilities to shareholders		0	0	48
Other current liabilities	7.i)	5,131	6,588	11,375
Lease liabilities	7.j)	91	40	0
Liabilities from derivatives		0	0	950
Tax liabilities	7.k)	26	0	0
Other provisions	7.l)	825	2,076	408
Total short-term debt		**8,046**	**14,688**	**17,017**
Total debts		**11,431**	**14,702**	**17,200**
Total equity and debt		**60,885**	**125,147**	**171,769**

Consolidated statement of comprehensive income

from January 1 to December 31, 2023

	Notes	01.01. - 31.12.2023 kEUR	01.01. - 31.12.2022 Adjusted Section 3. kEUR
Revenues	**7.m)**	**39,728**	**57,597**
Capitalized programming services	7.n)	2,149	5.883
Total Output		**41,877**	**63,481**
Direct expenses of trading revenues	7.q)	9,785	14,372
Trading Costs	7.r)	185	639
Gross Profit		**31,907**	**48,470**
Other operating income	7.o)	795	252
Development expenses	7.p)	3,352	6,688
Personnel costs	7.s)	6,463	10,697
Marketing and advertising expenses	7.w)	4,647	28,345
Depreciation of short-term Assets	7.u)	137	4,694
Other operating expenses	7.t)	9,658	12,028
Earnings before depreciation and amortization (EBITDA)		**8,445**	**-13,731**
Depreciation	7.a) & b)	9,033	7,802
Impairments of non-current assets	7.a)	57,000	15,324
Operating result (EBIT)		**-57,588**	**-36,857**
Financial income	7.v)	262	80
Financial expenses	7.v)	3,630	7,476
Earnings before taxes (EBT)		**-60,956**	**-44,254**
Income taxes (expense (+) / income (-))	7.w)	13	-119
Net income		**-60,969**	**-44,135**
Equity difference from currency translation		-22	13
Total		**-60,991**	**-44,122**
Of the profit for the period, the following are attributable to:			
Shareholders of the parent company non-controlling interests		-60,935	-44,119
Ergebnisanteile nicht beherrschender Gesellschafter		-34	-16
Of the total result, the following are accounted for:			
Shareholders of the parent company		-60,957	-44,106
non-controlling interests		-34	-16
Earnings per share in EUR	**9.**		
Undiluted		-1.13	-0.82
Diluted		-1.13	-0.82


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Consolidated statement of changes in equity

from January 1 to December 31, 2023

	Subscribed capital kEUR	Capital reserve kEUR	Balance sheet result kEUR
As of 01.01.2022	**54,048**	**151,943**	**-41,877**
Profit for the period/Comprehensive result for the period Previous years 2020-2021 (adjusted)			-8,532
As of 01.01.2022 adjusted, see section 3	**54,048**	**151,943**	**-50,409**
Profit for the period/Comprehensive result for the period 01.01.2022 - 31.12.2022 (adjusted)			-44,119
As of 31.12.2022	**54,048**	**151,943**	**-94,528**
Transaction with non-controlling shareholders		419	
Profit for the period/Comprehensive result for the period 01.01.2023 - 31.12.2023			-60,935
As of 31.12.2023	**54,048**	**152,362**	**-155,463**

Currency conversion reserve kEUR	Equity attributable to shareholders of the parent company kEUR	Shares of non-controlling shareholders kEUR	Treasury shares kEUR	Total kEUR
-7	**164,106**	**-1,007**	**0**	**163,099**
	-8,532			-8,532
-7	**155,574**	**-1,007**	**0**	**154,567**
				0
13	-44,106	-16		-44,122
6	**111,468**	**-1,023**	**0**	**110,445**
	419	-419		0
-22	-60,957	-34		-60,991
-16	**50,930**	**-1,476**	**0**	**49,454**

Consolidated cash flow statement

from January 1 to December 31, 2023

	Notes	01.01.-31.12.2023 kEUR	01.01.-31.12.2022 kEUR
Cash flow from operating activities			
Earnings before income taxes		**-60,956**	**-44,254**
Depreciation and impairment of fixed assets	7.a)&b)	66,033	23,126
Financial income and financial expenses	7.v)	3,368	7,396
Other non-cash income and expenses	7.u)	142	4,694
		8,587	**-9,038**
Cash flow before changes of net working capital			
Increase (+) / decrease (-) in provisions		-1,251	1.668
Increase (-) / decrease (+) in trade receivables		237	-72
Increase (-) / decrease (+) of other assets		2,886	-12,162
Increase (+) / decrease (-) in trade payables and other liabilities		-11,371	5,086
Income taxes received/paid		0	0
Operating cash flow		**-912**	**-14,518**
Cash flow from investing activities			
Proceeds from disposals of financial assets		37	0
Payments for investments in intangible assets	7.a)	-3,385	-17,768
Payments from money market funds	7.b)	-88	-305
Payments for investments in financial assets	7.d)	0	-24
Payments for investments in property, plant and equipment	7.b)	-88	-305
Proceeds from disposals of property, plant and equipment	7.b)	11	142
Investing cash flow		**-3,425**	**9,163**
Cash flow from financing activities			
Repayment of financial liabilities		-5,236	-48
Repayment of lease liabilities		-213	-80
Proceeds from raising loans/convertible bonds		11,918	0
interest paid		-713	-13
Financing cash flow		**5,756**	**-141**
Net increase in cash and cash equivalents and cash equivalents		**1,419**	**-5,496**
Cash and cash equivalents at the beginning of the period	7.h)	3,087	8,583
Cash and cash equivalents at the end of the period	**7.h)**	**4,506**	**3,087**


9:41
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Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. COMPANY DETAILS

These consolidated financial statements are the consolidated financial statements of The Naga Group AG („Naga AG") and its subsidiaries (collectively: „Group" or „NA-GA"). Naga AG has its registered office in Hamburg, Hohe Bleichen 12, Germany (Dis-trict Court of Hamburg, HRB 136811). As of December 31, 2023, the shares of Naga AG are listed on the Frankfurt Stock Exchange in the over-the-counter market in the „Basic Board" segment.

The Group's business activities include brokerage with Contracts for Differences („CFDs") and equities, the development of technologies for the financial sector and the use of blockchain technology.

The consolidated financial statements were submitted to the Supervisory Board for pub-lication on June 24, 2024.

2. BASICS OF THE PREPARATION

NAGA is currently not required to prepare consolidated financial statements in accord-ance with IFRS, as it trades on the over-the-counter market (Basic Board segment). However, NAGA has made use of its right of choice pursuant to Section 315e (3) of the German Commercial Code (HGB) and voluntarily prepares consolidated financial statements in accordance with IFRS.

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

The requirements of the standards applied have been met, so that a true and fair view of the net assets, financial position and results of operations is conveyed. NAGA's consolidated financial statements were prepared under the assumption of going concern. The valuation is based on historical acquisition costs with the exception of derivatives.

The financial statements of the subsidiaries are prepared using uniform accounting and valuation policies. The total cost method was chosen for the consolidated statement of comprehensive income.

The consolidated financial statements are prepared in EUR, the Group's functional cur-rency. Unless otherwise stated, the financial information is rounded to the nearest thousand (EUR thousand), which may result in rounding differences.

3. ERROR CORRECTION

NAGA works with various payment service providers („PSPs") that accept and execute customer deposits and withdrawals in foreign currencies. These PSPs transfer the deposited funds to EURO bank accounts as soon as a certain threshold is reached, or on request.

In the 2020-2023 financial years, the PSPs applied exchange rates that differed from the rates used by NAGA to calculate its revenues and its receivables from the PSPs arising from such transactions.

In the 2023 financial year, NAGA reassessed the presentation of these receivables in the balance sheet and carried out a reconciliation with its PSPs, which resulted in exchange rate losses for the years 2020-2022 due to the abovementioned exchange rate differences, which resulted in the following adjustments to the previous year's figures as part of the preparation of the 2023 consolidated financial statements:

Effects as of 31.12.2022:

in EUR thousand	before adjust-ment	adjust-ment	after adjust ment
Balance sheet			
Trade receivables	184	344	528
Other current assets	14,579	-8,043	6,536
Derivatives receivables	14,057	-14,057	0
Trade payables	3,241	2,743	5,984
Other current liabilities	15,079	-8,491	6,588
Liabilities from derivatives	390	-390	0
Balance sheet result	-78,910	-15,618	-94,528
Balance sheet total	146,903	-21,756	125,147
Consolidated statement of comprehensive income			
Financial expenses	390	7,086	7,476
Net income	-37,049	-7,086	-44,135
of which the following are accounted for: Shareholders of the parent company	-37,033	-7,086	-44,119
non-controlling shareholders	-16	0	-16

in EUR thousand	before adjust-ment	adjust-ment	after adjust ment
Consolidated Statement of Cash Flows*)			
Earnings before income taxes	-37,168	-7,086	-44,254
Financial income and financial expenses	310	7,086	7,396
Earnings per share			
Basic earnings per share (in EUR)	-0.69	-0.13	-0.82
Diluted earnings per share (in EUR)	-0.69	-0.13	-0.82

*) The consolidated statement of cash flows only shows shifts within the operating cash flow

Effects as of 1.01.2022:

in EUR thousand	before adjust-ment	adjust-ment	after adjust ment
Konzernbilanz			
Balance sheet	34,127	-2,463	31,664
Other current assets	9,379	-3,137	6,242
Derivatives receivables	8,411	2,964	11,375
Other current liabilities	982	-32	950
Liabilities from derivatives	163,100	-8,532	154,568
Balance sheet result	-41,877	-8,532	-50,409
Balance sheet total	177,369	-5,600	171,769

4. CONSOLIDATION

The consolidated financial statements comprise the financial statements of The Naga Group AG and its subsidiaries as of December 31, 2023.

The scope of consolidation has changed compared to the 2022 financial year in such a way that Naga X Europe OÜ has been sold and is therefore no longer shown in the consolidated balance sheet as of December 31, 2023.

In addition, the stake in HBS has decreased to 60.00 % compared to the previous year. In previous years, the option to acquire a further 10,500 shares was classified as substantial and was therefore taken into account when determining the shareholding. As of the balance sheet date of December 31, 2023, the option transaction is no longer expected to be exercised.

Overview of NAGA's scope of consolidation as of December 31, 2023

Company	Main business activity	Shareholdings 31.12. 2023	31.12. 2022
The Naga Group AG, Hamburg (parent company)	Holding Company	-	-
NAGA Markets Ltd., Limassol, Cyprus	Securities trading	100%	100%
Naga Technology GmbH, Hamburg	Software development	100%	100%
Naga Virtual GmbH, Hamburg	Software development	100%	100%
Hanseatic Brokerhouse Securities AG (HBS), Hamburg	Holding Company	60,00%	72,16%
Naga Global LLC, Saint Vincen & Grenadines	Securities trading	100%	100%
NAGA GLOBAL (CY) LTD., Limassol, Cyprus	Internal Services	100%	100%
NAGA Global West Africa LTD., Lagos, Nigeria	Sales company	99%	99%
NAGA FINTECH CO., LTD., Bangkok, Thailand	Sales company	100%	100%
Naga Pay GmbH, Hamburg	Mobile Bank	100%	100%
NAGA Markets Australia PTY Ltd, Eastwood, Australia	Sales company	0%	100%
NAGA Pay UK LTD., London, United Kingdom	Mobile Bank	100%	100%
Naga Pay (CY) LTD, Limassol, Cyprus	Internal Services	100%	100%
NAGA X LTD., Limassol, Cyprus	Crypto-currency trading	100%	100%
NAGA X Europe OÜ, Tallin, Estonia	Crypto-currency trading	0%	100%
NAGA Capital Ltd., Mahe, Seychelles	Securities trading	100%	100%

As of December 31, 2023, as in the previous year, there are neither joint agreements nor associates.

As of December 31, 2023, as in the previous year, there are neither joint agreements nor associates.

Apart from NAGA Pay UK LTD., NAGA Markets Australia PTY Ltd. of NAGA FINTECH Co., LTD., the functional currency of the subsidiaries is EUR. The functional currency of NAGA Pay UK LTD. is GBP, from NAGA Markets Australia PTY Ltd. AUD and from NAGA FINTECH Co., LTD THB. Due to the subordinate importance of the three companies, no further information is provided on the currencies.

The shareholding corresponds to the voting rights quota.

5. ESTIMATES AND ASSUMPTIONS AND ACCOUNTING POLICIES

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

The estimation uncertainties relating to individual balance sheet items as well as accounting and valuation policies are presented in Note 6 for the respective balance sheet item and under Note 9 for financial management.

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

a) Impairments

At each reporting date, property, plant and equipment and intangible assets are checked by comparing the recoverable amount and book value to determine whether there are indications of an impairment that has occurred. Examples include a changed regulatory environment or insufficient customer acceptance. If the recoverable amount cannot be determined at the level of the individual asset, the determination is carried out at the level of the cash-generating unit („CGU") to which the respective asset is assigned. The distribution is made on an appropriate and steady basis to the individual CGUs or to the smallest group of CGUs. For NAGA, the brokerage business was identified as the central CGU. The brokerage business includes all activities related to brokerage with CFDs and shares as well as the associated services. The goodwill acquired in the 2018 financial year was fully allocated to CGU Brokerage.

In the case of intangible assets with an indefinite useful life or intangible assets that have not yet been used, an impairment test is carried out at least annually and additionally in the event of indications of impairment („triggering event"). As in the previous year, there was no indication of an impairment in the 2023 financial year with regard to intangible assets that have not yet been used. With regard to the impairment of goodwill, we refer to the following statements.

Goodwill is the excess of the acquisition cost over the fair value of the group's shares in the net assets of the acquired company at the time of acquisition. Goodwill resulting from the acquisition of a company is classified as intangible assets. Capitalized goodwill is not amortized as planned, but is subject to an impairment test at least once a year and on an ad hoc basis on the basis of the CGU to which it is allocated. As part of the impairment tests, it is checked whether the recoverable amount exceeds the carrying amount of the tested units, including the goodwill attributed to them. As of December 31, 2023, CGU Brokerage has goodwill.

The impairment test of the goodwill of CGU Brokerage is based on the fair values less costs to sell. This is calculated on the basis of a discounted cash flow method (DCF method) in which the forecasted cash flows, derived from the multi-year planning adopted by management, are discounted at a discount rate determined for the term and risk. The planning covers the following years for a period of five years. This is followed by the perpetual annuity. The valuation method used to determine fair values is to be assigned to level 3 of the hierarchy for determining fair values.

Checking the impairment of goodwill as of the balance sheet date

An existing transaction-related expert opinion on the determination of NAGA's enterprise value has given rise to indications of a possible impairment of goodwill during the period of the preparation of the consolidated financial statements. The review as of the balance sheet date resulted in an impairment requirement of EUR 57,000 thousand from the comparison of the book value with the recoverable amount, which was recognized accordingly in the 2023 consolidated financial statements. The assumptions used for the determination are presented below.

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

The main assumptions made for the detailed planning period take into account in particular the assessment of the future development of trading revenues and costs as well as the resulting derivation of earnings before interest and taxes (EBIT) and the discount rate.

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

NAGA continues to expect business growth in the detailed planning period. Growth in new target markets outside the EU (especially Southeast Asia, Latin America and the Middle East) is of particular importance. In these target markets, the company expects growth rates to be significantly higher than those of the EU markets, in which the company has been mainly active to date, due to the market conditions there. Compared to previous years, however, expectations were revised downwards overall in the 2023 financial year.

The main planning parameters on which trading revenues are based are the following for CGU Brokerage:

- Number of active customers,
- Average net deposits,
- Acquisition costs per customer, and
- discount rates.

Discount rates and perpetual annuity

The discount rates represent the current market views with regard to the specific risks; this takes into account the interest rate effect and the specific risks of the asset for which the estimated future cash flows have not been adjusted. The calculation of the maturity-appropriate discount rate takes into account the specific circumstances of the Group and its business segment as well as the return expectations of the equity investors.

The segment-specific risk is included through the application of individual beta factors. Beta factors are determined annually based on publicly available market data.

In the perpetual annuity, the management expects moderate growth overall. In each case, a capitalisation interest rate with a growth discount of 0.5% (previous year: 0.5%) per year was applied. The calculation of the cash flows was based on empirical values and takes into account future developments. Risk-oriented, market-driven interest rates were used to determine fair value less cost to sell. The discount rate is 12.55%. (prev. yr. 7.46 %).

The aforementioned parameters result in an achievable amount of EUR 40,988 thousand for CGU Brokerage, which is offset by the book values as of December 31, 2023 of EUR 98,275 thousand, so that a devaluation requirement of around EUR 57,000 thousand was determined.

Due to the need for impairment, there is no need for further examination of sensitivities.

b) Development Cost

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

For the purpose of determining the amounts to be capitalised, the amounts attributable to development work were determined from the activity records submitted by the commissioned development companies. The carrying amount of capitalized development costs amounted to EUR 5,887 thousand as of December 31, 2023 (previous year: EUR 7,809 thousand).

c) Customer Acquisition Cost

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

Based on historical data, it was deduced that these new clients make trades on the NAGA platforms for an average of 36 months. Accordingly, the depreciation period of customer acquisition costs was set at 36 months.

d) Crypto assets

The crypto assets held by NAGA are intangible assets, i.e. identifiable, non-monetary assets with no physical substance. Management treats crypto assets as short-term assets if they are held for market-making. They are reported as intangible assets if they have been acquired with the intention of achieving medium to long-term price increases.

The crypto assets are listed on a public market. The price quoted on the public market is used for the impairment test in accordance with IAS 36.

e) Taxes

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

Deferred tax assets are recognised for unused tax losses to the extent that it is likely that taxable income will be available for them, so that the loss carryforwards can actually be used. Determining the amount of deferred tax assets that can be capitalized requires a substantial exercise of discretion by management regarding the expected time of occurrence and the amount of future taxable income, as well as future tax planning strategies.

The Group has corporate income tax and trade tax loss carryforwards totalling EUR 107,429 thousand (previous year: EUR 93,906 thousand). These exist at Naga AG and subsidiaries with a history of losses. The loss carryforwards do not expire and cannot be offset against the taxable income of other Group companies. Both Naga AG and Naga Pay have taxable temporary differences, some of which may lead to the recognition of deferred tax assets. At Naga AG, deferred tax assets due to tax loss carryforwards in the amount of EUR 1,574 thousand (previous year: EUR 2,208 thousand) and at Naga Pay in the amount of EUR 326 thousand (previous year: EUR 312 thousand) were capitalised as a result of sufficient temporary taxable differences and offset against deferred tax liabilities in each case.

f) Financial instruments

Financial assets and liabilities are recognised when the group has a contractual right to receive cash or other financial assets from another party, or where there is a contractual obligation to transfer financial assets to another party. Financial assets and financial liabilities are recognised from the date on which the Group becomes a party to the financial instrument. Financial assets that are acquired or sold in accordance with market practice are generally recognised on the trading day.

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

6. CHANGES IN ACCOUNTING POLICIES - CHANGED STANDARDS AND INTERPRETATIONS

In the 2023 financial year, the following new standards or changes to standards or interpretations will be mandatory for the first time.

New standards

IFRS 17:
Insurance contracts

Changes to standards

Amendment IAS 8:
Definition of accounting estimate

Amendment IAS 12:
Deferred taxes, which relate to assets and liabilities arising from a single transaction

Amendment to IAS 1 and IFRS Practice Statement 2:
Disclosures on accounting policies in the notes

Amendment IAS 12:
International tax reform — Pillar 2 model rules

The changes did not have a material impact on accounting policies.

New or amended standards and interpretations not yet applied

Future accounting changes

Changes to standards	First application date EU
Amendment IAS 1: Classification of debts as current or non-current	01.01.2024
Amendment IAS 1: Long-term debt with ancillary conditions	01.01.24
Amendment to IAS 7 und IFRS 7: Supplier Financing Agreements	01.01.24
Amendment to IFRS 16 Lease liability in a sale-and-leaseback transaction	01.01.24
Amendment IAS 21: Lack of exchangeability	01.01.25

NAGA does not expect any impact from the future innovations and changes to the above standards. Furthermore, NAGA will only implement the innovations with mandatory initial application

7. NOTES ON INDIVIDUAL ITEMS IN THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED STATEMENT OF COMPREHEN-SIVE INCOME

BALANCE SHEET

a) Intangible assets

Software, licenses and industrial property rights acquired for consideration are accounted for at cost and depreciated on a straight-line basis over the expected useful life of three to five years. The depreciation period for intangible assets with a limited useful life is reviewed at least at the end of each financial year. An annual impairment review is carried out for goodwill, intangible assets and intangible assets that are not yet ready for use. If an asset does not generate cash inflows that are largely independent of the cash inflows of other assets or groups of assets, the impairment test is not carried out at the level of an individual asset, but at the level of the cash-generating unit. To verify impairment, the fair values less cost to sell are determined using the discounted cash flow method. The calculation is based on current business planning, a long-term growth rate of 0.5% and a discount rate (after tax) of 12.55%. There was an impairment loss of goodwill in the financial year, we refer to Note 5 a). There is no need for impairment losses for the intangible assets presented.

NAGA has acquired NAGA Coins (NGC) in previous years. These are crypto-assets that are accounted for as intangible assets at amortized cost if the NGCs are acquired with investment intent with a medium to long holding period. The NGC are not subject to scheduled depreciation because a useful life cannot be determined. Therefore, if impairment indicators are available, an impairment check is carried out, but at least annually, by comparing the carrying amount with the ascertainable price. Due to developments in the crypto market, the NGCs held with the intention of investing had to be completely reduced in value.

Intangible assets in the 2023 financial year and the previous year are as follows:

31.12.2023

in EUR thousand	AC/MC as of 01.01.2023	Additions	Additions business acquisition	Disposals	AC/MC as of 31.12.2023
Goodwill	94,863	0	0	0	94,863
Customer base and acquisition costs	12,583	1,227	0	0	13,810
Software (incl. technology)	21,403	10	0	12	21,401
Crypto assets	15,324	0	0	0	15,324
Capitalized development costs	16,063	2,148	0	0	18,211
- of which completed	16,009	2,148	0	0	18,157
- of which under development	54	0	0	0	54
Licenses/Domain	955	0	0	65	890
Intangible assets	**161,191**	**3,385**	**0**	**77**	**164,499**

in EUR thousand	Cumulative depreciation as of 31.12.2023	Book value as of 31.12.2023	Depreciation and amortization in the 2023 financial year
Goodwill	57,000	37,863	57,000
Customer base and acquisition costs	10,396	3,413	3,301
Software (incl. technology)	17,456	3,944	1,284
Crypto assets	15,324	0	0
Capitalized development costs	12,324	5,887	4,070
- of which completed	12,271	5,886	4,070
- of which under development	53	1	0
Licenses/Domain	131	759	0
Intangible assets	**112,631**	**51,866**	**65,655**

31.12.2022

in EUR thousand	AC/MC as of 01.01.2022	Additions	Additions business acquisition	Disposals	AC/MC as of 31.12.2022
Goodwill	94,863	0	0	0	94,863
Customer base and acquisition costs	9,124	3,459	0	0	12,583
Software (incl. technology)	21,656	39	0	292	21,403
Crypto assets	7,108	8,216	0	0	15,324
Capitalized development costs	10,181	5,882	0	0	16,063
- of which completed	10,127	5,882	0	0	16,009
- of which under development	54	0	0	0	54
Licenses/Domain	782	173	0	0	955
Intangible assets	**143,714**	**17,769**	**0**	**292**	**161,191**

in EUR thousand	Cumulative depreciation as of 31.12.2022	Book value as of 31.12.2022	Depreciation and amortization in the 2022 financial year
Goodwill	0	94,863	
Customer base and acquisition costs	7,095	5,489	3,189
Software (incl. technology)	16,172	5,231	1,321
Crypto assets	15,324	0	15,324
Capitalized development costs	8,254	7,809	2,894
- of which completed	8,201	7,808	2,894
- of which under development	53	1	
Licenses/Domain	131	824	130
Intangible assets	**46,977**	**114,213**	**22,859**

Goodwill

As of January 31, 2018, Naga AG had acquired 60% of the shares in HBS AG and thus acquired goodwill in the amount of EUR 94.7 million. Goodwill is subject to an annual impairment test, which resulted in an impairment charge of EUR 57,000 thousand in the financial year. The method and assumptions are explained in paragraph 5.a).

Customer base and customer acquisition costs

With the acquisition of HBS AG, a customer base was acquired that will be depreciated over a period of 5 years. The carrying amount amounted to EUR 44 thousand as of December 31, 2022 and was fully depreciated in the financial year.

In addition, expenses for acquiring new customers in the amount of EUR 1,227 thousand (previous year: EUR 3,459 thousand) were capitalized in the 2023 financial year. The expenses can only be capitalized if they can be directly assigned to a new customer, which is possible thanks to the „affiliate marketing" that began in 2020. Classic advertising and marketing campaigns will continue to be recognised as an expense. Customer acquisition costs are amortized over a period of 36 months. The average remaining useful life as of December 31, 2023 is 18 months (previous year: 14 months).

Software

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

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

The future economic benefit is likely if additional sales revenues can be generated with the technical innovations.

If a development project has not yet been completed, an impairment review is carried out annually. In addition, a possible need for impairment is only checked if impairment indicators are available.

Swipy Technology

The Swipy technology is designed to create a cohesive trading environment so that any 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 application. The Swipy technology is the basic technology with the software code, the design and the various modules. This software code is used for the Naga Trader app and can be used for other software applications.

The technology is also assigned to the cash-generating unit, the brokerage business. It has a remaining useful life of three years (previous year: four years).

Naga Trader

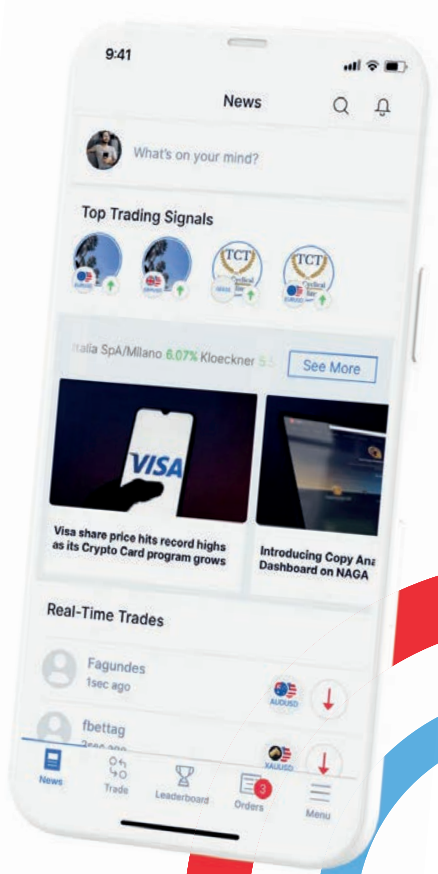
The Naga Trader is an app based on the Swipy technology. The app serves as a user interface for the trades of the clients of Naga Markets Ltd. and Naga Global Ltd. Using the app's „Autocopy" feature, clients can select trades from other clients and copy selected trades or their trading behaviour as a whole. At the same time, the app serves as a social network where customers can exchange information about investment trends, strategies and the like.

Naga Pay

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

NAGAX

The launch of the social trading platform with a focus on cryptocurrencies NAGAX, which was released on March 7, 2022, took place with a crypto wallet as well as a crypto exchange with more than 50 assets. The platform allows each user to automatically convert a contribution on the platform into an NFT (Non-Fungible Token), which can be monetized. NAGAX also automatically executes the entire transaction in real time in the background via the „Pay with crypto" feature introduced by NAGA Pay.



Capitalized development costs:

In the 2023 financial year, the development costs will be attributable to the following projects:

in EUR thousand	Development costs	Capitalized programming services	Book value	Remaining useful life
Naga Trader	1,731	1,517	2,404	12 months
NAGAX	57	57	2,322	39 months
Naga Pay	399	399	1,009	34 months
Website/Marketing Analysis Tool	920	175	152	60 months
Other	245	0	0	
Total	**3,352**	**2,148**	**5,887**	

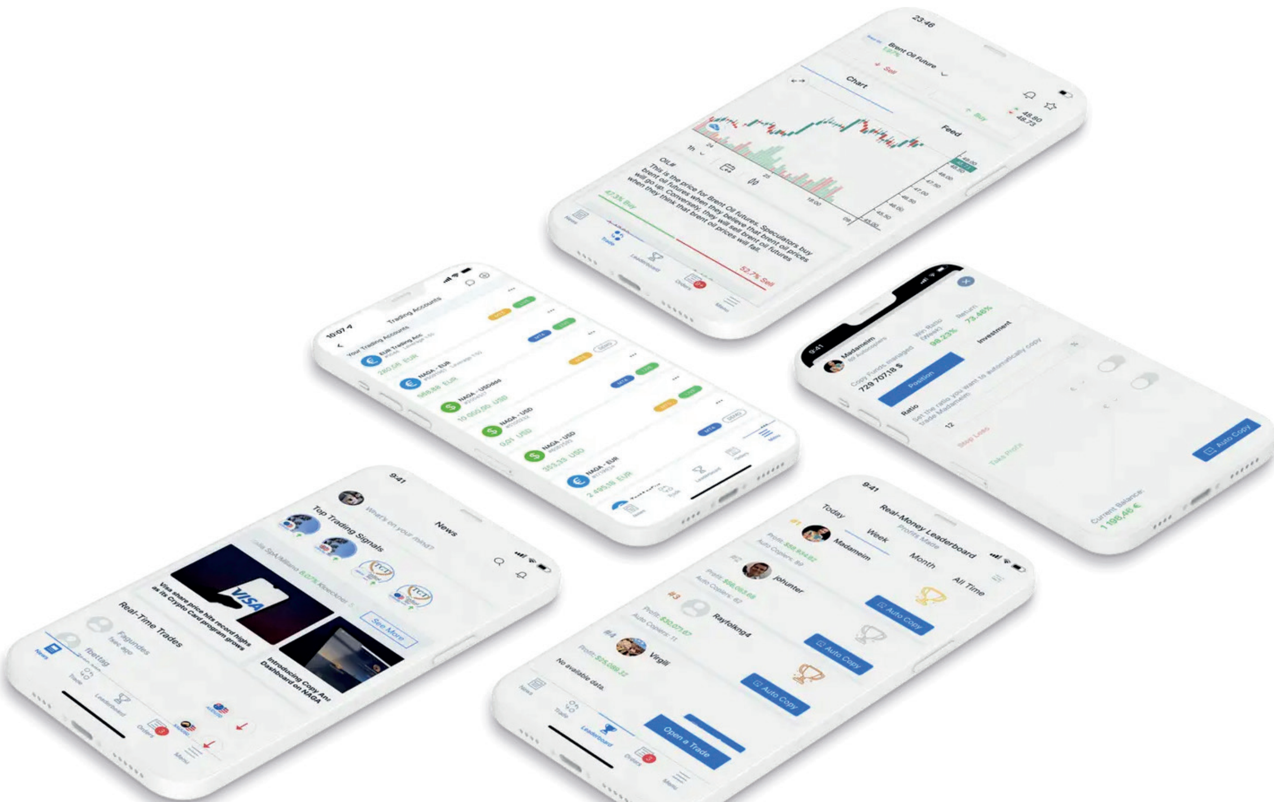
In the previous year, the development costs were attributable to the following projects:

in EUR thousand	Development costs	Capitalized programming services	Book value	Remaining useful life
Naga Trader	2,181	1,961	3,863	24 months
NAGAX	3,451	3,376	2,979	51 months
Naga Pay	696	546	966	46 months
Other	360	0	0	
Total	**6,688**	**5,883**	**7,808**	

Development expenses of EUR 1,203 thousand (previous year: EUR 806 thousand) remain in the statement of comprehensive income. The capitalization rate for development costs in 2023 is 64% (previous year: 88%). The classification of whether an activity is to be regarded as development or maintenance/bug fixing is made by the Executive Board on the basis of the submitted proof of activity of the external service providers.

b) Property, plant and equipment

Property, plant and equipment that is used for more than one year and is subject to wear and tear is measured at amortised cost. Property, plant and equipment are depreciated on a straight-line basis over the economic useful life of three to eight years. Maintenance and repair costs are continuously recorded in the expense. Depreciation on the recoverable amount is made if there are signs of impairment and the recoverable amount is below the amortized cost. As in the previous year, such indicators were not available in the 2023 financial year.



Property, plant and equipment includes office and business equipment.

31.12.2023

in EUR thousand	AC/MC as of 01.01.2023	Additions	Disposals	AC/MC as of 31.12.2023
Other plant and equipment, fixtures and fittings	1,228	88	11	1,305
Fixed assets	**1,228**	**88**	**11**	**1,305**

in EUR thousand	Cumulative depreciation as of 31.12.2023	Book value as of 31.12.2023	Depreciation and amortization in the 2023 financial year
Other plant and equipment, fixtures and fittings	832	475	166
Fixed assets	**832**	**475**	**166**

31.12.2022

in EUR thousand	AC/MC as of 01.01.2022	Additions	Disposals	AC/MC as of 31.12.2022
Other plant and equipment, fixtures and fittings	1,065	305	142	1,228
Fixed assets	**1,065**	**305**	**142**	**1,228**

in EUR thousand	Cumulative depreciation as of 31.12.2022	Book value as of 31.12.2022	Depreciation and amortization in the 2022 financial year
Other plant and equipment, fixtures and fittings	666	563	150
Fixed assets	**666**	**563**	**150**

c) Rights of use

The Group records rights of use as of the date of provision. Rights of use are measured at cost less all accumulated depreciation and amortization expenses, and are adjusted for any revaluation of the lease liability. The cost of right-of-use assets includes the recognised lease liabilities (see paragraph 7.k)), the initial direct costs incurred and the lease payments made at or before the provision less any lease incentives received. Rights of use are depreciated on a scheduled straight-line basis over the expected useful life. For the past financial year, the Group has taken the following approach for the use of an office building in Cyprus that was provided on May 1, 2019 and originally had a two-year term, which was extended by one year at the beginning of 2022 and 2023:

Initial assessment	**246**
Depreciation 2019	-84
Balance sheet statement 31.12.2019	**163**
Depreciation 2020	-123
Balance sheet statement 31.12.2020	**41**
Additions	114
Depreciation 2021	-118
Balance sheet statement 31.12.2021	**38**
Additions	120
Depreciation 2022	-118
Balance sheet statement 31.12.2022	**40**
Additions	264
Depreciation 2023	-212
Balance sheet statement 31.12.2023	**92**

d) Financial assets and other assets and current assets

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

Financial assets and other assets

in EUR thousand	31.12.2023	31.12.2022
Compensation Fund for Investors	115	115
Deposits	28	65
Long-term	**143**	**180**
Short-term investment	0	0
Crypto assets	46	2,320
Receivables from customers[1)]	474	344
Deferred expenses	370	359
Overpayment	1,138	1,138
VAT claim	207	940
Merchandise	311	319
Credit PayPal, Kraken account and credit card	0	54
Short-term loans	14	20
Deposit	148	0
Other	942	1.042
Short-term	**3,650**	**6,536**
Total	**3,793**	**6,716**

[1)] Receivables from customers have been adjusted for 2022. Before adjustment, an amount of EUR 8,045 thousand was reported, resulting from 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 obligation to deposit funds with the Investor Compensation Fund stems from regulatory requirements of the Cyprus Securities and Exchange Commission („CySEC"). Non-current assets are subject to disposal restrictions.

The overpayments and miscellaneous include a claim in the amount of EUR 1,662 thousand against a UK-regulated electronic financial institution that ceased its services to the Company and its customers in January 2021. The total funding is made up of:

- EUR 998 thousand in excessive payments to the debtor
- EUR 144 thousand of existing balances in the Company's electronic wallet at the time of the debtor's interruption of service
- EUR 520 thousand in amounts that the company has refunded to its customers due to the interruption of the service by the debtor in order to avoid damage to its image.

After the debtor failed to respond and delayed the settlement of the claim, the company has initiated legal proceedings in the United Kingdom and is very confident that NAGA will win the lawsuit. According to management's estimates, the impairment of EUR 100 thousand for expected credit losses has not changed compared to the previous year.

Credit quality of financial assets

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

e) Trade receivables and crypto-assets

Trade receivables

Trade receivables are generally recognised at the nominal amount and amount to EUR 153 thousand as of the reporting date (previous year: EUR 528 thousand; before adjustment EUR 187 thousand).

Crypto assets

In addition to NGCs held for investment purposes (see paragraph 7.a), NAGA also holds NGCs for commercial intent. These NGC are used for market making and the generation of liquidity in the market. They are acquired and sold at very short notice. The NGC have a price quoted on the market.

These NGCs are valued at the lower of cost and net realizable value. The NGC with intent to trade are fully reduced in value, resulting in a book value of EUR 0 thousand.

f) Derivatives receivables

The derivative assets correspond to open positions in contracts for difference (CFDs), which are mainly held in a number of currency pairs with the client. NAGA acts as a counterparty from open positions held with the liquidity provider. In this way, NAGA partially hedges itself against financial risks from its open customer transactions („hedging"). After a retroactive adjustment of the amounts as of December 31, 2022, no receivables from derivatives are reported as of the current balance sheet date and the previous year's reporting date.

g) Cash and cash equivalents

Cash and cash equivalents consist exclusively of bank deposits of EUR 4,506 thousand that can be called at short notice (previous year: EUR 3,087 thousand).

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

In the amount of EUR 1,610 thousand (previous year: EUR 2,168 thousand), funds are held by liquidity providers.

In contrast to the client funds held in trust, which are not shown as a means of payment, the reported position is own funds that are used by the liquidity providers to hedge losses of NAGA customers from trading transactions that have been outsourced to liquidity providers.

The other non-cash expenses of EUR 142 thousand presented in the cash flow statement relate in particular to the amortization of receivables.

h) Deferred tax assets and liabilities

In the 2023 financial year, there are temporary differences in the following balance sheet items, which lead to the deferred tax liabilities recognised:

in EUR thousand	31.12.2023	31.12.2022
Deferred taxes on loss carryforwards	1,900	2,520
Total deferred tax assets	**1,900**	**2,520**
Offsetting in accordance with IAS 12.74	-1,900	-2,520
Deferred tax assets according to the balance sheet	**0**	**0**

in EUR thousand	31.12.2023	31.12.2022
Intangible assets	1,900	2,534
Total deferred tax liabilities	**1,900**	**2,534**
Offsetting in accordance with IAS 12.74	-1,900	-2,520
Deferred tax liabilities according to the balance sheet	**0**	**14**

In the 2023 financial year, corporate income tax losses of EUR 8,699 thousand (previous year: EUR 22,143 thousand) and trade tax losses of EUR 8,666 thousand (previous year: EUR 22,143 thousand) were generated, on which no deferred tax assets were recognized. In addition, at the level of Naga AG and Naga Pay GmbH, there are deferred tax assets on corporate income tax loss carryforwards in the amount of EUR 5,886 thousand (previous year: EUR 7,807 thousand) and trade tax loss carryforwards in the amount of EUR 5,886 thousand (previous year: EUR 7,807 thousand), which are recoverable due to sufficient taxable temporary differences.

The deferred tax liabilities result from the HBS Group's customer base, which was identified and valued as part of the acquisition in 2018, as well as from the capitalized development costs for the Naga Trader software at Naga Technology GmbH and the Naga Pay app at Naga Pay GmbH.

i) Other non-current and current liabilities

Other non-current liabilities

By contract dated October 26, 2023, Apeiron Investment Group Ltd., Malta, has granted a loan of TUSD 5,000 with interest at 17.5%. Of the loan amount, TUSD 1,250 is to be repaid within one year. This amount must therefore be shown as a current liability. The balance of TUSD 3,750 has a maturity of more than one year and is therefore to be reported as a long-term liability.

As of the reporting date, the valuation of the loan resulted in income from exchange rate differences of EUR 190 thousand.

Other current liabilities

Other current liabilities, some of which are financial, are made up as follows:

in EUR thousand	31.12.2023	31.12.2022
Client funds[2)]	517	2,743
Short-term loans from shareholders	1,128	1,503
Current liabilities from convertible bonds	2,479	0
Short-term loans from the board of directors	0	500
Value added tax	121	755
Payables from wages and salaries	223	278
Credit card	124	164
Other	539	645
Total short-term	**5,131**	**6,588**

[2)] Client funds have been adjusted for 2022. Before adjustment, an amount of EUR 10,631 thousand was reported, resulting from 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).

Short-term loans from shareholders

Under a contract dated December 9, 2022, Fosun International Ltd. had granted a loan of EUR 4,500 thousand. This loan was to be granted in four tranches. The first tranche of EUR 1,500 thousand was disbursed in the 2022 financial year. In addition to interest, the liability amounted to EUR 1,503 thousand as of December 31, 2022. Two further tranches were disbursed in January 2023, each amounting to EUR 1,000 thousand. The company has waived the fourth tranche. The loan was repaid in full in the 2023 financial year, together with interest.

Current liabilities from convertible bonds

In April 2023, a convertible debenture in the amount of USD 8,200 thousand was subscribed. The convertible bonds had a maturity until October 2023. At the end of the term of the bond, a partial repayment at the end of October 2023 and an extension of the bond for the remaining amount until January 2024 were agreed. The partial payment at the end of October 2023 amounted to TUSD 5,543. The balance as of December 31, 2023 is therefore TUSD 2,657.

Payables from wages and salaries

The liabilities from wages and salaries are mainly still the outstanding wage tax and social security contributions.

The liquidity risk is explained in Note 10.

j) Lease liabilities

On the date of provision, the Group recognises the lease liability at the present value of the lease payments (rent payments) to be made over the term of the lease (lease) (for the rights of use associated therewith, please refer to Note 7c). Lease payments include fixed payments less any lease incentives to be obtained, variable lease payments linked to an index or (interest) rate, and amounts that are expected to have to be paid under residual value guarantees.

When calculating the present value of the lease payments, the Group uses its marginal borrowing rate at the date of commitment, as the interest rate underlying the lease cannot be easily determined. After the commitment date, the amount of lease liabilities is increased to account for the higher interest expense and decreased to reflect the lease payments made.

In addition, the Group is also making use of the exemption for short-term leasing contracts (the term of which is no more than twelve months from the date of provision). In addition, the exemption for leases based on a low-value asset will apply. Lease payments for short-term leases and leases based on a low-value asset are recognised as an expense on a straight-line basis over the life of the lease.

NAGA has a lease agreement for office space in Cyprus, which must be considered in accordance with IFRS 16. This concerns the subsidiary Naga Markets and has a term of two years and an extension option for a further two years, which has been exercised in the meantime. The deployment 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 EUR thousand	Office space	of which short-term	of which long term
Lease liability as of 31.12.2021	**0**	**0**	**0**
Addition	120		
Rent payments	-80		
Discount 3.23%	0		
Lease liability as of 31.12.2022	**40**	**40**	**0**
Addition	264		
Rent payments	-213		
Discount 3.23%	0		
Lease liability as of 31.12.2023	**91**	**91**	**0**

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

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

short-term leases of up to one year and leases based on a low-value asset	**31.12.2023 kEUR**	**31.12.2022 kEUR**
Office space	75	88
Office equipment	130	217

In the financial year, cash outflows for leases amounted to EUR 418 thousand (previous year: EUR 385 thousand).

k) Tax liabilities

The tax liabilities mainly relate to current taxes on income in NAGA Markets.

l) Other provisions

The recognition of provisions as a liability requires an assessment of the amount and probability of cash outflows. Any differences between the original assessment 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. For all provisions, an outflow is generally expected within the following twelve months.

Provisions are recognised if the Group has current factual or legal obligations due to a past event, the outflow of resources with economic benefits to meet the obligation is probable and the amount of the obligation can be reliably estimated.

Provisions developed as follows in the 2023 financial year:

in EUR thousand	01.01.2023	Addition	Consumption	Release	31.12.2023
Vacation accruals	12	17	12	0	17
Annual financial statements, audit costs	341	278	336	5	278
Other provisions	1,723	530	1,715	8	530
Total	**2,076**	**825**	**2,063**	**13**	**825**

in EUR thousand	01.01.2022	Addition	Consumption	Release	31.12.2022
Vacation accruals	24	12	21	3	12
Annual financial statements, audit costs	287	341	281	6	341
Other provisions	97	1,723	97	0	1,723
Total	**408**	**2,076**	**399**	**9**	**2,076**

Other provisions are mainly those for outstanding invoices.

Reimbursements for the aforementioned provisions are not expected.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

m) Revenue recognition

Currently, NAGA generates revenue from brokerage („Trading Revenue") and from consulting services („Service Revenue"). In the past financial year, approx. 89% (previous year: approx. 90 %) of this was attributable to customers from the EU area and approx. 11 % (previous year: approx. 10 %) to customers outside the EU. Of the above-mentioned revenues, approx. 45 % (previous year: approx. 43 %) are attributable to customers in Germany. Trading proceeds can have a negative balance if individual transactions lead to losses.

In the 2023 financial year, revenue is made up as follows:

in EUR thousand	2023	2022
Brokerage Business	39,611	50,840
NGC-Handel	0	6,757
Neo-banking	117	0
Revenues	**39,728**	**57,597**

Revenue is measured at fair value of the consideration received or expected, less discounts and VAT, and is recognised as trade receivables that are part of the Company's ordinary course of business.

Turnover is realised as soon as the remuneration can be reliably determined and there are no material obligations towards the customer and the recovery of the receivable can be regarded as probable. This assessment represents a discretion in which NAGA draws, among other things, on the experience of the senior employees with regard to the respective contribution and the amount of sales revenues. These are based on trading statistics from the company's own database, taking into account the requirements of the risk management department. The increase in data material due to the longer history and sales expansion leads to a steady improvement in assessments.

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

Brokerage Business

Trading revenue from the brokerage business results from clients' trading in CFDs. NAGA acts as a counterparty to the trades executed by clients. In order to minimise 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 in connection with the Group's act as a market maker for trading CFDs. Trading revenues are made up as follows:

a) trading in the aforementioned financial instruments, and
b) Commissions charged for CFDs.

Gains and losses from the valuation of open and closed positions as of the reporting date are recognised as trading revenues.

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

NGC Trading

Trading proceeds from NGC trading in the prior year resulted from the sale of NGCs held for short-term market-making purposes. They include the realized sales prices. The related expenses were reported as direct expenses of trading revenues. In the 2023 financial year, there was a change in the presentation. Income and expenses from NGC trading are shown netted as other operating income.

Neo-banking

NAGA Pay GmbH provides its customers with credit cards. Customers can choose between three different charts of accounts. There are monthly fees for the Premium and Elite Chart of Accounts. In addition, there are various fees when using the cards, such as withdrawing cash from ATMs. If the customer uses their credit card, they will receive a cashback in Bitcoin, depending on the chart of accounts and the amount of sales. These Bitcoins can be used directly to pay with the card or exchanged for FIAT currencies. There are also fees for using these features. Turnover is realised when services are provided.

n) Capitalized programming services

The capitalized programming services in the amount of EUR 2,149 thousand (previous year: EUR 5,883 thousand) relate to the capitalizable programming services of external service providers. In the course of the programming, NAGA bears the economic risk of an unsuccessful realization of the project. In addition, it controls the progress of the project, which is why the capitalized programming services are reported separately from the expenses recognized in the development expenses.

o) Other operating income

Other operating income of EUR 795 thousand (previous year: EUR 252 thousand) is recognised on an accrual basis in accordance with the provisions of the underlying contracts. Other operating income mainly relates to the derecognition of liabilities and the reversal of provisions.

p) Development expenses

In the 2023 financial year, a total of EUR 3,352 thousand (previous year: EUR 6,688 thousand) of development expenses was incurred. Of this amount, EUR 1,731 thousand (previous year: EUR 2,180 thousand) mainly related to the Naga Trader application. Of the total development costs, EUR 2,149 thousand (previous year: EUR 5,883 thousand) was recognized as capitalized programming expenses, so that development expenses of EUR 1,203 thousand (previous year: EUR 806 thousand) remain in the statement of comprehensive income.

q) Direct expenses of trading proceeds

The direct expenses of trading revenues of EUR 9,785 thousand (previous year: EUR 14,372 thousand) include, among other things, transaction costs and costs for trading platforms.

r) Trading costs

Trading costs of EUR 185 thousand (previous year: EUR 639 thousand) are expenses and income incurred in connection with hedging high-risk trades.

s) Personnel expenses

The average number of employees in full-time equivalents for the 2023 financial year was 124 (previous year: 177).

As of the balance sheet date, the employees are distributed among the respective divisions as follows:

	2023	**2022**
Management Board	3	3
Accounting	7	6
Customer Support	39	94
Administration	20	20
Marketing & Training	7	17
HR Department	9	5
Compliance	9	16
Dealing & Trading	6	12
	100	**173**

Personnel expenses are as follows:

in EUR thousand	**2023**	**2022**
Wages and salaries	5,492	9,394
Pension scheme	240	322
Social security contributions	730	980
Other	2	2
Total	**6,463**	**10,697**

In the 2023 financial year, EUR 240 thousand (previous year: EUR 322 thousand) in contributions to defined contribution plans were paid. These were contributions to the statutory pension scheme. In the past financial year, expenses for bonuses of EUR 100 thousand were incurred.

t) Marketing and advertising expenses as well as other operating expenses

NAGA's business model is designed for broad growth and requires a high level of marketing and advertising expenditure to sustainably attract customers.

Marketing and advertising expenses totalled EUR 4,647 thousand (previous year: EUR 28,345 thousand).

Other operating expenses include the following items:

in EUR thousand	2023	2022
Legal and consulting costs	1,982	3,846
Non-period-related expenses	81	372
Expenses for licenses and concessions	1,359	1,286
Web Services	1,310	1,537
External services	1,037	935
Travelling expenses	374	605
IT Costs	344	247
Accounting and closing costs	328	439
Rental expenses	205	305
Ancillary costs of financial transactions	185	183
Other	2,453	2,273
Total	**9,658**	**12,028**

Other operating expenses decreased by EUR 2,370 thousand compared to the previ-ous year, mainly due to lower legal and consulting costs.

u) Depreciation of current assets

Impairments on receivables were not recognized in the 2023 financial year.

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

in EUR thousand	2023	2022
As of January 1	5,098	3,652
Impairment of expected credit losses	0	1,446
Status as of December 31	**5,098**	**5,098**

In addition, the NGC held with intent to trade were completely reduced in value in the previous year. In the previous year, this led to a write-down expense of EUR 3,248 thousand.

v) Financial result

Interest is recognised taking into account the accrual and in accordance with the effective interest method.

The financial result includes financial expenses of EUR 3,630 thousand (previous year: EUR 7,476 thousand after adjustment) and financial income of EUR 262 thousand (previous year: EUR 80 thousand). Discounting in accordance with IFRS 16 via leases is also taken into account here.

w) Taxes on income and earnings

Taxes are generally recognised in profit or loss. Current taxes are calculated on the basis of the profit or loss in the financial year, which is calculated in accordance with the applicable tax regulations.

Deferred taxes are accrued from temporary differences between the values for existing assets and liabilities used in the consolidated financial statements and the taxable values.

Taxes on income and income in the 2023 financial year are made up of deferred taxes on the one hand and current taxes for NAGA Markets in particular on the other. The information on the valuation of deferred taxes can be found in Section 5 e).

Proof of recoverability is deemed to have been provided with reference to the loss carryforwards that can be carried forward without restriction 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, among other things, the recoverability of the tax advantages to be accounted for, which result from the future taxable income and the available tax strategies.

Deferred tax assets and liabilities are offset when there is a legally enforceable claim, actual tax assets are to be offset against actual tax liabilities, and when the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority for the same tax entity or for different taxpayers, if the balance is payable on a net basis.

The tax expense in the 2023 financial year is made up as follows:

in EUR thousand	2023
Current income taxes	27
Income from deferred taxes	-14
Expense from deferred taxes	0
Income taxes according to the statement of comprehensive income	**13**

In Germany, as in the previous year, the calculation of current taxes is based on a corporate tax rate of 15% and a solidarity surcharge of 5.5%. In addition, as in the previous year, trade tax will be levied on profits generated in Germany in accordance with the Hamburg assessment rate of currently 470%. As in the previous year, a break-down of the trade tax assessment amount is out of the question, as there is no other permanent establishment. The total tax rate applied is 32.275 %, as in the previous year.

In the following, the reconciliation of the expected income tax expense on the basis of the profit before tax to the recognized income taxes is presented in a table.

in EUR thousand	2023	2022 adjusted
Profit before tax	**-60,956**	**-44,254**
1. Expected income tax income (32.275%)	-19,674	-14,283
2. Non-deductible operating expenses	1,201	1,494
3. Tax-exempt income	-2,905	-2,375
4. Temporary differences on on which no deferred taxes have been accrued	-143	410
5. Non-period taxes	0	50
6. Other permanent differences	18,397	0
7. Current losses on which no deferred Taxes have been accrued	2,042	7,617
8. Effects of tax rate differences	1,131	5,854
9. Use of non-capitalized loss carryforwards	-83	1,183
10. Other	47	-69
Total income taxes	**13**	**-119**

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

The other permanent differences result in full from the impairment of goodwill that was not recognised for tax purposes.

The current losses, on which no deferred taxes were recognized, relate in particular to Naga AG, Naga Pay and Naga Capital. The effects of tax rate differences mainly affect NAGA Markets, Naga Global and Naga Capital.

8. EARNINGS PER SHARE

As of December 31, 2023, the shares of Naga AG are listed on the over-the-counter market of the Frankfurt Stock Exchange. Since this is not an organized market within the meaning of Section 2 (5) of the WpHG, earnings per share are not mandatory. In order to transparently present NAGA's profitability, a result is voluntarily determined in accordance with IAS 33.

Basic earnings per share are determined by dividing the net income for the period attributable to the ordinary shareholders of Naga AG by the average number of shares. Basic earnings for the 2023 financial year amounted to EUR -1.13 (previous year: EUR -0.82 after adjustment).

	2023	2022
Net income for the period attributable to shareholders of Naga AG (in EUR thousand)	-60,935	-44,119
Average weighted number of shares issued (in units)	54,047,924	54,047,924
Undiluted earnings per share (in EUR)	**-1.13**	**-0.82**

When calculating dilutive earnings, potentially dilutive shares, such as those from convertible instruments, are taken into account if they have a dilutive effect. This is not the case in the case of a consolidated loss. There were no potentially dilutive shares in the fiscal year.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Financial instruments

Since 1 January 2019, the Group has classified financial assets into the following valuation categories:

- those that are to be measured at amortised cost.
- those at fair value (either by OCI or by profit or loss)

Classification

As of December 31, 2023, the Group's financial instruments are classified into the following measurement categories in accordance with the classification in IFRS 9:

- Amortised cost
- Assets measured at fair value with profit or loss with reclassification (FVOCI)
- Financial assets measured at fair value through profit or loss (FVTPL)
- Equity instruments (FVOCI) measured at fair value without profit or loss

The classification and subsequent valuation of financial assets depends on: (a) the Company's business model for managing the associated portfolio assets and (b) the cash flow characteristics of the asset. On initial recognition, NAGA may irrevocably identify a financial asset that otherwise meets the requirements for measurement at amortised cost or FVOCI at FVTPL if this eliminates or significantly reduces an otherwise occurring accounting mismatch.

All other financial assets are classified as assessed at the FVTPL.

Gains and losses on assets measured at fair value are recognised either through profit or loss.

Financial Assets - Recognition and Derecognition

All purchases and sales of financial assets that must be done through regulation or market conventions are recorded on the trading day. This is the day on which NAGA commits to deliver a financial instrument. All other purchases and sales are recorded 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 associated with the property.

Financial Assets - Valuation

On initial recognition, NAGA measures a financial asset at fair value plus transaction costs. Transaction costs of financial assets reported in FVTPL are recognised through profit or loss. The fair value at initial recognition is best demonstrated by the transaction price. A gain or loss on initial recognition is only recognised 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 includes data only from observable markets.

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

Debt instruments

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

1. Amortised acquisition costs:
Assets held for the collection of contractual cash flows, where these cash flows are exclusively principal and interest payments, are measured at amortised cost. Interest income from these financial assets is included in financial income. Any gain or loss on derecognition is recognised directly in profit or loss and is recognised in other operating income/expenses together with gains and losses. Impairment losses are recognized in the statement of comprehensive income as a separate item or in other operating expenses (see Note 7.e). and 7.u)).

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

2. FVOCI:
Assets held for the purpose of collecting contractual cash flows and for the disposal of the financial assets, whose cash flows are exclusively principal and interest payments, are measured in accordance with FVOCI. Changes in carrying amount are recognised in other comprehensive income (OCI), with the exception of impairment, interest income and foreign exchange income and expense, which are recognised through profit or loss. When the financial asset is derecognized, the cumulative income or expense previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in financial expense or income. Interest income from these financial assets is included in financial income. Foreign exchange gains and losses are reported under „Financial income or expenses" and impairment losses are presented as a separate item in the statement of comprehensive income.

3. FVTPL:
Assets that do not meet the amortised cost or FVOCI criteria are measured at FVTPL, i.e. fair value through the income statement. A gain or loss on a bond that is subsequently measured at the FVTPL is recognised through profit or loss and is reported net under the item „Other operating income / expenses" in the period in which it is incurred, unless it is revenue.

Financial Assets - Impairment - Expected Credit Loss (ECL) Allowance for Credit Losses

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

The carrying amount of the financial assets is reduced using a value adjustment account.

The debt securities measured at amortised cost are shown in the balance sheet less the impairment charge for ECL.

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

Expected losses are recorded and assessed according to one of the following two approaches: general approach or simplified approach.

For trade receivables and other receivables, NAGA applies the simplified approach permitted by IFRS 9, which requires the expected losses to be recognised over the entire life 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-tier model for impairment.

Stage 1:
A financial instrument that is not creditworthy at the time of initial registration is classified in Level 1. For Level 1 financial assets, the ECL is measured at an amount equal to the portion of the lifetime ECL resulting from default events occurring within the next 12 months or until the contractual maturity, if shorter („12-month ECL").

Stage 2:
If NAGA detects a significant increase in credit risk („SICR") since initial recognition, the asset will be moved to Level 2 and its ECL will be measured based on the total duration of the instrument, until contractual maturity, taking into account expected prepayments, if any („Lifetime ECL").

Stage 3:
If NAGA determines that a financial asset is no longer creditworthy, the asset will be transferred to Stage 3 and its ECL will be assessed as a lifetime ECL. The definition of NAGA for assets at risk of credit and the definition of default is explained in Financial Risk Management.

Financial Assets - Reclassification

Financial instruments will only be reclassified if the business model for managing these assets changes. The reclassification is prospective and will take place from the beginning of the first reporting period following the amendment.

Financial assets - depreciation

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

Financial Assets - Modification

NAGA sometimes renegotiates or otherwise amends the terms of the financial assets. The Group assesses whether the change in contractual cash flows is material, taking into account, among other things, the following factors: new contractual provisions that materially affect the risk profile of the asset (e.g. profit participation or share-based return), material change in interest rate, change in currency denomination, new collateral or credit enhancement that reduces the credit risk associated with the asset or a significant increase in the Significantly affect the extension of a loan if the borrower is not in financial difficulties.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include balances with credit institutions and cash held with liquidity providers. Cash and cash equivalents are reported at amortised cost because: (a) they are held to collect contractual cash flows and these cash flows represent SPPI, and (b) they are not designated with FVTPL.

Financial assets at amortised cost

These are held for the purpose of collecting NAGA's contractual cash flows, and their cash flows are solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method less impairments. Financial assets measured at amortized cost are classified as current assets if they mature within a year or less (or if they have a longer maturity, in the normal business cycle). If not, they are reported as non-current assets.

Financial liabilities - valuation categories

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

Trade payables and other liabilities

Trade payables and other liabilities are measured at fair value and then at amortised cost using the effective interest method.

Client funds

Client funds are not recognised as assets as they do not constitute resources controlled by the Company and the material risks and rewards associated with ownership of these funds remain with the Client.

The following table shows the carrying amounts and fair values by measurement categories of the financial instruments as of December 31, 2023 and December 31, 2022:

in EUR thousand	Book value 31.12.2023	Fair value 31.12.2023	Book value 31.12.2022	Fair value 31.12.2022
Financial assets valued at continued Acquisition costs	7,375	7,375	6,213	6,213
Financial Assets (Derivatives) valued At Fair Value	0	0	0	0
Financial Liabilities (Derivatives and other) valued at Fair Value	0	0	0	0
Financial liablilities valued at continued Acquisition costs	6,851	6,851	9,403	9,403

Financial assets measured at amortised cost:
This item includes cash and cash equivalents, trade receivables and other financial assets. The valuation is carried out at amortised cost using the effective interest method. Interest in the amount of EUR 0 thousand (previous year: EUR 0 thousand) is reported in the financial result. Any impairments are recognised in the income statement.

Financial difficulties of the debtor, the probability that the debtor will file for bankruptcy or go through a restructuring as well as default or payment delays as an indicator of the existence of impairment.

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

Financial liabilities measured at amortised cost:
This category includes trade payables and other financial liabilities. The valuation is carried out at amortised cost according to the effective interest method.

Fiduciary transactions

NAGA manages liquid funds 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 a trustee and the cash and cash equivalents are not part of the Group's assets or debts.

To date, NAGA has been providing these services through its Cypriot subsidiary Naga Markets and is subject to the regulatory requirements of the Cyprus Banking Authority („CySEC"). According to this, an auditor must report annually to the Cyprus Banking Authority on whether the measures put in place to protect customer funds are appropriate and are being complied with.

As of December 31, 2023, the assets managed by NAGA in trust amount to EUR 25,789 thousand (previous year: EUR 31,224 thousand).

b) Financial Risk Management

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

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

In the area of brokerage, the Management Board prepares written principles for overall risk management as well as for specific areas, such as foreign currency risks, interest rate risks, credit risks, exchange rate 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 the Naga Markets Risk Management Committee, which acts in accordance with the guidelines approved by the Board of Directors. The Risk Management Committee of Naga Markets Ltd. is independent, controlled by CySEC and is tasked with overseeing the following functions:

a) the adequacy and effectiveness of the Company's risk management policy and procedures;
b) compliance with the rules, processes and mechanisms specified in the Risk Management Policy by the Group and the relevant personnel;
c) the adequacy and effectiveness of the measures used to address deficiencies in processes and systems;
d) Identification, assessment 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 as a result of its business activities:

a) market risks (including exchange rate risk, exchange rate risk, fair value interest rate risk and cash flow interest rate risk);
b) Address default risks;
c) Credit risks and
d) Liquidity risk.

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

Price risks
NAGA is primarily exposed to market price risk from fluctuations in foreign currencies, commodities and equity instruments resulting from 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 enter into its own positions based on the expectation of market movements, but enters into positions with liquidity providers in order to financially hedge part of its open client contracts on a trade-by-trade basis.

In order to manage price risk, the Group has a formal risk policy defined by the management of Naga Markets Ltd. (hereinafter referred to as the „NM Management“), which includes limits or a method of setting limits for each individual financial market on which the Company trades, as well as for specific market groups and markets, as well as for groups of financial instruments that the NM Management considers to be correlated. The NM management continuously monitors the company‘s commitment to these limits.

NAGA benefits from a number of factors that also reduce the volatility of its revenue and protect it from market shocks, such as diversifying its clientele and product range, as NAGA acts as a market maker on a range of trading instruments (mainly CFDs on foreign currency pairs, stocks, commodities and indices). This diversification of the product offering tends to lead to a reduced concentration risk within the market risk portfolio. In the fiscal year ended December 31, 2023, the Group traded with a large number of customers from different countries. This large international client base has a number of different trading strategies that result in the company enjoying a hidden level of natural hedging between clients. This „portfolio net effect“ leads to a significant reduction in the Group‘s net market risk.

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

NAGA‘s price risk depends primarily on short-term market conditions and client activity during the trading day, which is why the risk at each balance sheet date may not be representative of the price risk faced by the Company over the year.

Foreign currency risks
Currency risk is the risk that the value of financial instruments fluctuates due to changes in exchange rates. Currency risk arises when future transactions and assets and liabilities on the balance sheet are denominated in a currency that is not the company‘s functional currency. The Company is exposed to exchange rate risk arising from various currency risks, mainly related to the U.S. dollar. The company‘s management continuously monitors exchange rate fluctuations and acts accordingly. The Company is essentially exposed to currency risk due to its foreign exchange CFD positions.

Possible changes in exchange rates have no material impact on the Group‘s earnings and net assets.

The impact of currency exchange rate changes on the Group‘s CFDs is part of the price risk as it relates directly to the Group‘s business.

The Management 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 results from interest-bearing assets and long-term liabilities. Due to the current low risk exposure, no sensitivity analysis is provided.

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

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

NAGA‘s business partners are subject to an audit on the basis of firmly defined criteria, which are adapted to current circumstances if necessary and are based on specific characteristics of the business partners. In addition, an ongoing credit check is carried out on the basis of publicly available data.

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

Banks and financial institutions are only accepted as contractual partners after a thorough examination. In addition to an independent rating, Naga Markets‘ risk committee takes past experience and other factors into account when assessing creditworthiness. Transactions with customers are also processed with the help of banks or financial institutions that specialize in online brokerage and banking.

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

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

If, for example, a situation arises in which the losses incurred exceed a customer‘s deposit, for example due to large unforeseeable price jumps, a so-called „Negative Balance Protection Policy“ applies, according to which NAGA waives all claims for private customers that go beyond the deposit.

However, due to the Group's predominant activity as a market maker, there is no material risk for the Group from the „Negative Balance Protection Policy". The background to this is that NAGA currently passes on only an insignificant part of the trading contracts to external liquidity providers. In the majority of trading contracts, NAGA acts as a counterparty. In this case, the waiver of the settlement of loss-making customer positions only leads to an imputed loss, as realised profit is waived in this respect. Only in the case of a direct forwarding does the risk of a liability to the liquidity provider arise, in the event of a simultaneous loss of receivables from the customer.

Contracts with an imminent obligation to make additional payments while at the same time being forwarded to a liquidity provider are therefore subject to separate internal control associated with the stress tests. To minimize risk, NAGA may reopen the position to prevent a loss of liquidity beyond the client's deposit.

As of December 31, 2023, the Group is exposed to the following credit risks, separated by category:

in EUR thousand	31.12.2023	31.12.2022
Trade receivables[3]	153	528
Other current assets	2,716	2,598
- of which derivatives[3]	0	0
- of which financial	2,716	2,598
Cash and cash equivalents	4,506	3,087
Total	**7,375**	**6,213**

[3] The previous year's amount has been adjusted, see section 3.

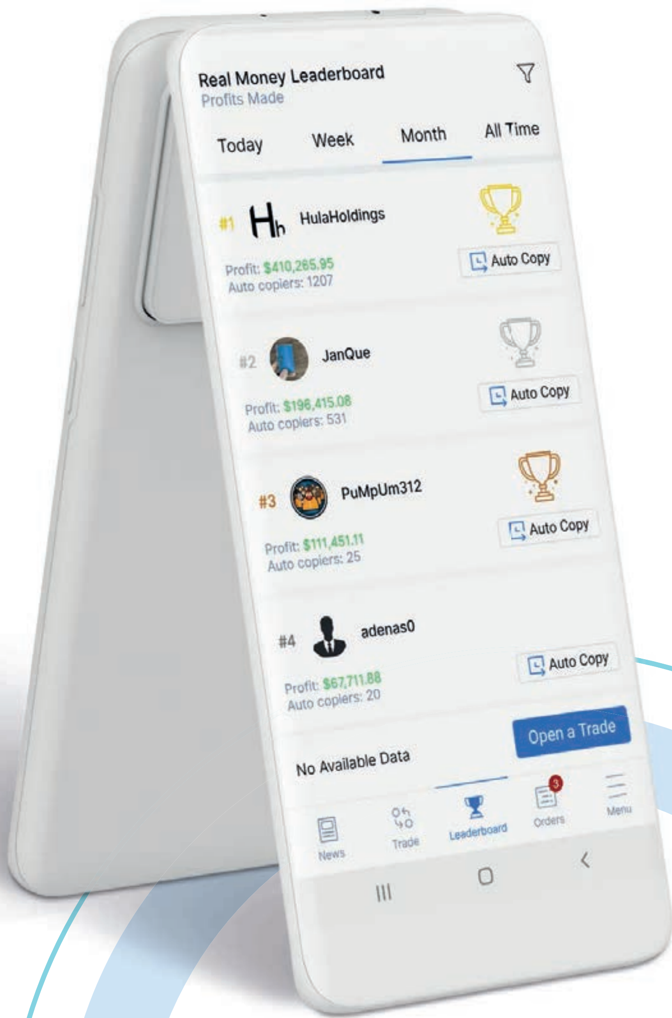
In the 2022 financial year, an individual valuation allowance of EUR 1,446 thousand was recognised on a trade receivable. Reference is made to paragraphs 7.e) and 7.u).

Liquidity risk

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

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

The table below shows the Group's financial liabilities in relevant maturity groups based on the remaining maturities - based on the balance sheet date. The amounts shown in the table correspond to the contractual, non-discounted cash outflows. If the debt is due within twelve months, the book value corresponds to the payment outflows, as discounting has no significant influence. Insofar as the liabilities are interest-bearing, no discounting is made.



31.12.2023

in EUR thousand	less than 1 year	between 1 and 2 years	between 2 and 5 years	above 5 years
Other liabilities (financial)	4,787	3,385	0	0
Lease liabilities	91	0	0	0
Trade payables	1,973	0	0	0
Total	**6,851**	**3,385**	**0**	**0**

31.12.2022

in EUR thousand	less than 1 year	between 1 and 2 years	between 2 and 5 years	above 5 years
Other liabilities (financial)	3,415	0	0	0
Lease liabilities	40	0	0	0
Trade payables	5,948	0	0	0
Total	**9,403**	**0**	**0**	**0**

The changes in liabilities from financing activities are as follows:

in EUR thousand	01.01.2023	Change from Capital Flows	New Leasing-agreements	Other	31.12.2023
Liabilities from loans to shareholders	0	4,513	0	0	4,513
Liabilities from loans vs, Third Parties	0	2,479	0	0	2,479
Short-term lease liabilities	40	-213	264	0	91
Total	**40**	**6,779**	**264**	**0**	**7,083**

in EUR thousand	01.01.2022	Change from Capital Flows	New Leasing-agreements	Other	31.12.2022
Liabilities to shareholders and board members	48	-48	0	0	0
Short-term lease liabilities	0	-80	120	0	40
Total	**48**	**-128**	**120**	**0**	**40**

The cash changes are accordingly taken into account in the statement of cash flows as part of the cash flow from financing activities. Changes in capital bases also include interest payments.

Capital Management

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

The Cyprus Financial Supervisory Authority CySEC sets a minimum capital requirement for the Cyprus subsidiary, NAGA Markets Europe Ltd. The current CRR and CRDIV supervisory framework will be replaced by the amended prudential rules of EU Regulation 2019/2033 („Investment Firm Regulation“ or „IFR“) and EU Directive 019/2034 („Investment Firm Directive“ or „IFD“), which entered into force on 26 June 2021. In this context, capital adequacy and general risk management requirements have been amended to reflect the new changes in the methodologies that EU investment firms must use to calculate their exposures and capital adequacy ratio. In accordance with the Law on Investment Firms (Law 87(I)/2017), a minimum equity capital of €750,000 is required for the company authorised to provide investment and ancillary services.

Minimum capital requirements are also set for the Group‘s Cypriot (CySEC registered) CASP subsidiary, NAGA X Ltd. The required minimum capital is €150,000.

Finally, the Seychelles regulator FSA has set a minimum capital requirement of $50,000 for the Seychelles subsidiary NAGA Capital Ltd.

All three of the above subsidiaries met their minimum capital requirements during the year.

Estimate of fair value

Following the corrections described in Section 3, no financial instruments measured at fair value are recognised.

10. EQUITY/DIVIDENDS

a) Equity

As of December 31, 2023, the subscribed capital („share capital“) amounts to EUR 54,047,924 and is divided into 54,047,924 registered no-par value shares. There are no separate preferential rights for certain shares, as well as no restrictions on trading the shares (Section 68 of the German Stock Corporation Act).

The subscribed capital developed as follows:

Subscribed capital as of 30.06.2016		**50,001**
Changes in the second short financial year 2016		0
Subscribed capital as of 31.12.2016		**50,001**
Changes in the financial year	Cash contribution	12,413
Changes in the financial year	Company funds	17,975,232
Changes in the financial year	Convertible bond	1,970,402
Changes in the financial year	IPO	1,000,000
Subscribed capital as of am 31.12.2017		**21,008,048**
Changes in the financial year	Contributions in kind	19,195,534
Subscribed capital as of 31.12.2018		**40,203,582**
Changes in the financial year		0
Subscribed capital as of 31.12.2019		**40,203,582**
Changes in the financial year	Cash contribution	1,846,321
Subscribed capital as of 31.12.2020		**42,049,903**
Changes in the financial year	Convertible bond	2,000,000
Changes in the financial year	Convertible bond	1,569,781
Changes in the financial year	Cash contribution	8,428,240
Subscribed capital as of am 31.12.2021		**54,047,924**
Changes in the financial year		0
Subscribed capital as of am 31.12.2022		**54,047,924**
Changes in the financial year		0
Subscribed capital as of 31.12.2023		**54,047,924**

Authorized capital

The Management Board is authorized, with the consent of the Supervisory Board, to increase the Company‘s share capital by a total of up to EUR 27,023,962.00 on one or more occasions in the period until 28.12.2028 by issuing up to 27,023,962 new registered shares against cash and/or non-cash contributions (Authorized Capital 2023).

Contingent capital

The share capital has been conditionally increased by up to EUR 12,388,436.00 through the issuance of up to 12,388,436 new registered shares with profit adjustment from the beginning of the financial year of their issuance (Conditional Capital 2021).

The share capital has been conditionally increased by up to EUR 14,635,526.00 through the issuance of up to 14,635,526 new registered no-par value shares with dividend entitlement from the beginning of the financial year of their issuance (Conditional Capital 2023).

b) Dividends

As in the previous year, no dividend payment to shareholders will be resolved or made for the 2023 financial year.

11. AUDITOR'S FEES

The following fees have been recognised for the services provided by the auditor of the consolidated financial statements:

in EUR thousand	2023	2022
Annual and consolidated financial statements	157	157

12. INFORMATION ABOUT RELATED PARTY RELATIONSHIPS

The balances and transactions between Naga AG and its subsidiaries, which are related parties, have been eliminated as part of the consolidation and are not explained in this Appendix. The details of transactions between the Group and other related parties are given below.

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

Board members and persons close to them:

- Benjamin Bilski, Limassol (Cyprus), Business Economist (M. Sc.), (Chairman) and Family until 1 June 2023
- Andreas Luecke, Hamburg, lawyer, tax consultant and family
- Michalis Mylonas, Nicosia (Cyprus), Managing Director, (Vice-Chair since 26 January 2024) and family
- Constantin-Octavian Patrascu, Bucharest (Romania), Managing Partner Key Way Group Ltd., (Chairman) and family, since January 26, 2024

Supervisory Board members and related persons:

- Harald Patt, Friedrichsdorf, Management Consultant (Chairman) and Family
- Qiang Liu, Shanghai (China), General Manager (Vice Chairman) and Family
- Richard Byworth, Zug (Switzerland), Managing Partner and Family
- Stefan Schütze, Bodolz, Managing Partner C 3 Management GmbH and family, since December 29, 2023

As of December 31, 2023, to the knowledge of the Company, Mr. Luecke or related companies hold 573,181 shares in NAGA AG, Mr. Mylonas 2,250,570 shares, Mr. Patt 100,000 shares and Mr. Liu 147,764 shares.

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

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

Remuneration of the Board of Management

The members of NAGA's Executive Board received the following short-term remuneration in the 2023 and 2022 financial years, respectively:

in EUR thousand	2023	2022
Mr. Bilski*		
fixed	50	120
variable	0	0
Mr. Luecke		
fixed	200	200
variable	20	0
Mr. Mylonas		
fixed	120	120
variable	0	0
Mr. Patrascu**		
fixed	0	0
variable	0	0
Total	**390**	**440**

* until resignation on 1 June 2023
** since 26 January 2024, therefore no compensation in 2023

There was no share-based compensation or pension plan entitlements.

In addition to the reimbursement of their expenses for their work in the 2023 financial year, the members of the Supervisory Board received a total of EUR 60 thousand (pre-vious year: EUR 41 thousand).

The following table compares related party relationships in accordance with the IAS 24 regulations:

Products and services in EUR	Received 31.12.2023	Provided 31.12.2023	Received 31.12.2022	Provided 31.12.2022
Board	360,000	0	1,593,198	0

Debts and receivables in EUR	Debt/Loan 31.12.2023	Receivables 31.12.2023	Debt/Loan 31.12.2022	Receivables 31.12.2022
Board	100,000	0	544,575	0
Fosun International Ltd.	0	0	1,503,000	0

Interest in EUR	Received 31.12.2023	Due 31.12.2023	Received 31.12.2022	Due 31.12.2022
Shareholder	0	0	0	0
Board	21,873	0	1,082	0
Fosun International Ltd.	159,500	0	3,000	0

In particular, the above values result from loan and service agreements between Group companies and related parties or companies in their majority ownership. All contracts were concluded on arm's length terms (reference is made to paragraph 7.i)).

13. EVENTS AFTER THE BALANCE SHEET DATE

The liabilities arising from the issuance of the 2023 convertible bond were repaid in full in January 2024.

On 05.01.2024, a new convertible bond in the amount of EUR 8,226 thousand was subscribed.

The framework agreement for the issuance of (non-interest-bearing) convertible bonds with Yorkville Advisors Global LP, New Jersey, USA, concluded on March 8, 2021, expired in March 2024 after the agreed three years.

The 2023 financial year was significantly influenced by the preparations for the corporate merger with Key Way Group AG, operator of the multi-asset trading platform FinTech platform Capex.com. In January 2023, NAGA announced ongoing discussions on a strategic transaction in an ad hoc announcement, the details of which, together with the due diligence process, lasted almost the entire reporting year. Following the completion of the due diligence process, a detailed term sheet on the merger of the two groups was completed, as announced in an ad hoc announcement dated December 19, 2023. The merger will take place via the non-cash capital increase with a volume of EUR 170,597,590.00 resolved by the Extraordinary General Meeting on April 12, 2024 through the contribution of all shares in Key Way Group Ltd., which is expected to be entered in the commercial register in the course of the third quarter of 2024 after the necessary regulatory approvals have been granted.

No other material events occurred after the balance sheet date.

Hamburg, 17 June 2024

The Naga Group AG
Management Board

C.-O. Patrascu M. Mylonas. A. Luecke


9:41
Markets
All
Popular
Forex
Commodities
NAS100 (Nasdaq)
+0.14%
12804.5
12801.4
NZD/USD
+0.31%
0.79632
0.79648
USD/TRY
+4.56%
8.68661
8.65637
Equities US
Tesla
+4.56%
CFD
180.65
180.63
Equities
McDonald's
+0.31%
247.12
247.09
Apple
142.92
Balance
Invested
$640.00
P&L
+$155.33
Skrill

Independent auditor's opinion

Independent auditor‘s opinion

Audit judgements

We have audited the consolidated financial statements of The Naga Group AG and its subsidiaries (the Group) consisting of the consolidated balance sheet as of December 31, 2023, the consolidated statement of comprehensive income, the consolidated statement of equity and the consolidated cash flow statement for the financial year from January 1, 2023 to December 31, 2023, as well as the notes to the consolidated financial statements, including the presentation of accounting policies. In addition, we audited the Group Management Report of The Naga Group AG for the financial year from January 1, 2023 to December 31, 2023. We have not reviewed the content of the assurance of the legal representatives contained in Section 6 of the Group Management Report in accordance with the German statutory provisions.

According to our assessment based on the findings of the audit

- the accompanying consolidated financial statements comply in all material respects with IFRS as they are applicable in the EU and with the supplementary statutory provisions applicable pursuant to Section 315e (1) of the German Commercial Code (HGB) and, in compliance with these provisions, give a true and fair view of the net assets and financial position of the Group as of 31 December 2023 and its results of operations for the financial year from 1 January 2023 to 31 December 2023, and

- the attached Group Management Report gives an accurate picture of the Group‘s position overall. In all material respects, this Group management report is in line with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not extend to the content of the above-mentioned assurance of the legal representatives.

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

Basis for the Audit judgements

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 of the German Commercial Code (HGB) in compliance with the German Principles of Proper Auditing of Financial Statements established by the Institute of Public Auditors (IDW). Our responsibility under these rules and principles is described in more detail in the section „Auditor‘s responsibility for the audit of the consolidated financial statements and the group management report“ of our auditor‘s report. We are independent of the group companies in accordance with 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 suitable to serve as the basis for our audit opinions on the consolidated financial statements and the Group management report.

Other information

The legal representatives or the supervisory board are responsible for the other information. The other information includes the following non-audited components of the Annual Report:

- the insurance of legal representatives (Section 297 (2) sentence 4 of the German Commercial Code (HGB), Section 315 (1) sentence 5 of the German Commercial Code (HGB)),

- the report of the Supervisory Board, and

- the letter from the Board of Management to the shareholders.

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

In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information set out above and to assess whether the other information

- has material discrepancies with the consolidated financial statements, the Group management report or with our knowledge gained during the audit, or

- appears to be materially misrepresented in any other way.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply in all material respects with IFRS as they are applicable in the EU and the supplementary statutory provisions applicable pursuant to Section 315e (1) of the German Commercial Code (HGB), and for ensuring 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 compliance with these provisions. In addition, the legal representatives are responsible for the internal controls that they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatements due to fraudulent actions (i.e. manipulation of accounting and financial losses) or errors.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility to disclose matters relating to the company's going concern, where relevant. In addition, they are responsible for accounting on the basis of the going concern accounting principle, unless there are factual or legal circumstances to the contrary.

In addition, the legal representatives are responsible for preparing the Group management report, which gives an accurate overall picture of the Group's position and is in line with the consolidated financial statements in all material respects, complies with German legal requirements and accurately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a Group management report in accordance with the applicable German legal provisions and to be able to provide sufficient suitable evidence for the statements 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.

Responsibility of the auditor for the audit of the consolidated financial statements and the group management report

Our objective is to obtain reasonable certainty as to whether the consolidated financial statements as a whole are free from material misstatements due to fraudulent acts or errors, and whether the Group management report as a whole gives an accurate picture of the position of the Group and is consistent in all material respects with the consolidated financial statements and with the findings of the audit, complies with German legal requirements and accurately presents the opportunities and risks of future development, as well as to issue an audit opinion containing our audit opinions on the consolidated financial statements and the Group management report.

Sufficient assurance is a high degree of certainty, but no guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code in compliance with the German Principles of Proper Auditing of Financial Statements established by the Institute of Public Auditors (IDW) will always uncover a material misstatement. Misstatements may result from fraudulent acts or errors and will be considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of users 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. In addition

- We identify and assess the risks of material misstatements in the consolidated financial statements and the Group management report due to fraudulent acts or errors, plan and conduct audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to serve as the basis for our audit opinions. The risk that material misrepresentations resulting from fraudulent acts will not be detected is higher than the risk that material misrepresentations resulting from errors will not be detected, as fraudulent acts may involve collusion, falsification, intentional incompleteness, misleading representations 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 the precautions and measures relevant to the audit of the Group management report in order to plan audit procedures that are appropriate under the circumstances, but not with the aim of giving an opinion on the effectiveness of these systems.

- assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values and related disclosures presented by the legal representatives.

- we draw conclusions on the adequacy of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty in connection with events or circumstances that may raise significant doubts as to the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are obliged to draw attention to the related information in the consolidated financial statements and the Group management report in the auditor's report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's opinion. However, future events or circumstances may lead to the Group no longer being able to continue its business activities.

- we assess the presentation, structure and content of the consolidated financial statements as a whole, including the disclosures, as well as whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements give a true and fair view of the assets and assets, in compliance with IFRS as they are applicable in the EU, and the supplementary statutory provisions applicable pursuant to Section 315e (1) of the German Commercial Code (HGB). financial position and results of operations.

- we obtain sufficient appropriate audit evidence for the accounting information of the companies or business activities within the Group to issue audit opinions on the consolidated financial statements and the Group management report. We are responsible for the guidance, supervision and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- assess the consistency of the Group management report with the consolidated financial statements, its compliance with the law and the picture of the Group's position that it conveys.

- we carry out audit procedures on the forward-looking information presented by the legal representatives in the Group management report. On the basis of sufficient suitable audit evidence, we in particular reconstruct the significant assumptions on which the forward-looking disclosures are based by the legal representatives and assess the appropriate derivation of the forward-looking disclosures from these assumptions. We do not issue an independent audit opinion on the forward-looking disclosures or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

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

Berlin, 20 June 2024

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