THE NATIVE

The Native SA, Lausanne Annual Report 2017

for the year ended 31 December 2017

30 April 2017

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Chairman Letter
To The shareholders

Dear Investors,

The year 2017 was formative for The Native SA.

The Swiss-listed company 5EL SA has been transformed into The Native SA through re-capitalization and a se- ries of acquisitions. As a result of this transformation, a truly global, tech-savvy e-commerce services firm with highly competitive products, global footprint, strong long term growth potential, highly motivated manage- ment team and a diverse international shareholders base to support the company's ambitious growth plans has been created.

As we closed our books for the business year ending Dec 31, 2017, on a consolidated basis, the Native Group reported CHF 15.5 million in revenues for the year (zero for 2016 by 5EL SA), total assets of CHF 32.5 million as of Dec 31, 2017 (CHF 2.0 million as of Dec 31, 2016) shareholders' equity of CHF 4.1 million as of Dec 31, 2017 (CHF 0.1 million as of Dec 31, 2016) and a cash position of CHF 7.9 million (CHF 0.05 million as of Dec 31, 2016). In fact, we are a much larger company with regards to revenues since our 2017 financials have only taken into account two months of the annual revenue of our core subsidiary, asknet AG ("Asknet"). Asknet (51% owned by The Native SA since November 8, 2017) has reported EUR 68.40 million in revenues for the year 2017 and following the investment by The Native SA has moved to profitability for the entire year 2017. The year 2018 will be the first year of full 12 months consolidation of Asknet into The Native SA.

We worked hard to identify and monetize the synergies between various parts of our organization, integrating e-commerce services firm Asknet with our content marketing business The Native Media Inc., our tech compe- tences within Blockchain Lab SA ("Blockchain Lab") and with online auctions business of P8H Inc ("Paddle8"), an unconsolidated minority investment. This yielded the first and very tangible results. The launch of P8Pass (https://paddle8.com/p8pass), the blockchain digital passport for artworks and collectibles, got us a lot of posi- tive press coverage and a very strong pipeline of new commercial applications of blockchain technology devel- oped by Blockchain Lab. Asknet managed to go back to profitability as reported above, and on the group level the cash flow from operations went from negative CHF 0.7 million in 2016 (for 5EL SA as we were called in the past) to positive CHF 1.9 million in 2017 (for The Native SA as we are called today).

Blockchain Lab, our 100% subsidiary in Switzerland with proven ability to run successful commercial applica- tions of blockchain technology, has been our best performer in 2017 with CHF 2.1 million in earnings before taxes reported in 2017 resulting from the sale of one of our investments.

On the Group-level we are reporting a negative result of CHF 7 million for the year that largely reflects various non-cash adjustments resulting from the group's acquisitions and restructurings throughout 2017. The Group's 2017 EBITDA was minus CHF 3.5 million largely due to various legacy costs (such as impairment of CHF 2.1 mil- lion receivable booked and carried since the old 5EL SA, with the write off made as the part of 2017 audit and included in the "Other Operating Income" as per Note 4 of our Financial Statements) and integration expenses we had to incur to transform The Native SA into a vibrant and fully funded firm from a listed shell that 5EL SA had been before the ownership change and subsequent restructuring that commenced in June of 2017. This loss has been positively offset by CHF 2.3 million of financial income from our investment activities and earned largely in the technology segment operated within our 100% owned Swiss subsidiary Blockchain Lab SA. Finally we have taken CHF 5.2 million of non-cash depreciation charge in 2017 including one-off CHF 4 million impair- ment on goodwill created to account for the delay in planned forthcoming economic benefits from our signifi- cant blockchain technology development engagement with Astana International Financial Center in Kazakh- stan. As our business is quickly gaining scale, most of the 5EL legacy issues have been eliminated and all of our new key assets have been fully integrated by now, we expect significant improvements in our operating effi- ciency and overall cost structure in 2018 and beyond.

Following leadership change and recapitalization of 5EL SA in June 2017 and subsequent renaming into The Na- tive SA and restructuring, we have financed future short-term growth and acquisitions through debt. As of De- cember 31, 2017, on a consolidated basis we have approximately CHF 14.8 million in debt outstanding, of which EUR 4.31 million a bonds convertible loan into the newly to-be-issued shares of The Native SA represents most of the short-term portion (a total of CHF 6.2 million in short-term debt). On a group level, The Native SA has CHF 7.9 million in cash as of December 31, 2017, thus having a net debt position of just slightly above CHF 7 million. We enjoy full support of all of our key shareholders and creditors and expect to complete a significant debt refinancing deal in 2018 providing our group with both additional capital and longer maturities for various debts outstanding. We also maintain the reserve of 1.6 million authorized and not issued shares that we can offer to our employees, shareholders, bondholders and/or strategic partners at the time to be chosen by our Board of Directors which will provide additional liquidity of approximately CHF 15 million at current share price if and when we so require.

With 40 X increase in book value of The Native SA, 30 X in market capitalization, and total assets going up by 16 times, all attributed to the vibrant high growth e-commerce services, technology and content marketing busi- ness of our Group, I am looking back at 2017 as a great formative year for The Native SA.

With best regards,
Sergey Skaterschikov
Chairman of the Board
The Native SA

The Management Letter To The shareholders

Dear Investors,

The Native SA is a young company that has grown tremendously over the last 12 months following the integration of The Native Media Inc. in June 2017, the subsequent strategic investments into the Germany-listed Asknet AG, and the acquisition of a minority stake into New York-based private company P8H Inc. (”Paddle8”).

Following the successful integration of our investments, and the release of related synergies, The Native SA has created a very competitive, multi-faceted, e-commerce service offering that caters to several high growth seg-ments of global digital economy, namely (i) online software, content & entertainment sales, (ii) online charity mem-berships and benefit auctions, and (iii) lifestyle shopping destination for the millennial generation of consumers.

The annual shareholders meeting on May 25, 2018 is the landmark event that completes the build-up of The Native SA, and will be informed about The Native SA’s business strategy for 2018-2020 as developed by the Board of Di-rectors. Here are the key objectives for the forthcoming two years set for our management team by our Board of Directors:

1. The Native Group strives to become the e-commerce partner of choice to international businesses seeking to address and service the global customer base, with our competences being particularly strong in con-necting our clients with the millennial generation of digital consumers. By offering integrated e-commerce services, from payment processing and sales collection in 180 countries worldwide, to content marketing and e-commerce management through both auction and storefront formats, The Native Group is equally at home in North

America, Europe and Asia, and as such is the reliable long term partner to global organi-zations interested in farming out their e-commerce administration and/or international sales & marketing to a credible and experienced counterparty. We have built our successful track record by serving organiza-tions as diverse as the European Broadcasting Union, IBM, amfAR and Steinberg, and intend to significant-ly scale our Ecommerce services business in the coming years.

2. Online software, content and entertainment distribution segment is the largest part of our business and of-fers the greatest growth potential – in the global context of increasing complexity of handling cross-border content & software sales and protecting the customers' data, The Native Group emerges as the partner of choice to software, games, content and other entertainment vendors seeking to outsource payment pro-cessing, tax and data privacy compliance to a credible international organization. This is a low margin but scalable business with effectively infinite growth potential and a strong technological and cost competitive advantage of The Native Group.

3. The Native Group looks at the online charity space as our major growth opportunity. Our portfolio invest-ment company Paddle8 has been the pioneer in online benefit auctions format raising over US$ 220 mil-lion for dozens of charity organizations since its inception in 2011, and The Native SA has built on its stra-tegic investment in Paddle8 to create a unique set of services for the charitable organizations around the world seeking to improve and scale their capital raising capabilities, and specifically to connect with mil-lennial audience that is particularly attracted to altruistic causes. This is a quickly growing, low margin but highly scalable part of our business.

4. Lastly, aside of servicing our clients, The Native Group has cherry picked on the e-commerce vertical of its own and called it aspirational consumption for millennials – this is the major long-term, high margin growth opportunity for our Group. This is the ultimate product of synergies between our various group companies – by combining the tech competences of our Blockchain Lab AG subsidiary with global e-commerce capa-bilities of asknet AG, content and digital marketing skills of The Native Media and Paddle8's audience of millennial, high end product consumers, we are scheduled to launch the new e-commerce offering of our own in Q4, 2018 to provide those consumers with the ability to buy collectible objects of rarity, and do so with altruistic and cultural causes in mind.

We have a lot of work ahead of us to deliver on exceptional growth potential of The Native Group and to achieve better-than-average growth rates across all parts of our business. The Native Group has the right team, global foot-print and the existing scale to do so.

Guided by our vision, we'll be looking forward to deliver exceptional shareholders' value creation in 2018 and be-yond.

With best regards,

Alexander Gilkes
Executive Board, The Native SA
Co-Founder of Paddle8

Izabela Depczyk
Executive Board, The Native SA
Founder of The Native Media

Corporate Governance

General information

The Company's corporate governance principles are laid out in the Articles of Incorporation (the "Articles"), in the Organizational Rules adopted by the Board of Directors (alternatively, the "Board") and in a set of other group direc-tives, including the Internal Control System (the "ICS").

Further information disclosed below conforms to the Directive on Information Relating to Corporate Governance is-sued by the SIX Swiss Exchange; the information refers to 31 December 2017, unless otherwise indicated. In order to avoid redundancies, references are inserted to other parts of this Annual Report and links to The Native SA's website www.thenative.ch that could provide additional, more detailed information.

1. Group structure and shareholders

Group structure

The Native SA (previously 5EL SA, "the Company") was incorporated in Switzerland as a Swiss limited company on 17 December 1998. The Company has its corporate legal headquarter at Rue du Grand-Chêne 8, 1003 Lausanne, Switzerland. The corporate purpose of the Company is to act as an international technology and media company that enables its clients around the world with Ecommerce, data analytics and blockchain technologies, payment services, customer support, and content & digital marketing.

The Native SA, the ultimate parent company, is listed on the SIX Swiss Exchange, SIX Swiss Reporting Standard. The Company is listed under the symbol "NTIV". The ISIN code is CH000632685. The market capitalization as at 31 De-cember 2017 amounts to CHF 29.7 million (31 December 2016: CHF 965'382).

The Company directly or indirectly holds the following subsidiaries and participations:

	Registered office	Country	Currency	Share capital	Ownership	Voting rights
Blockchain Lab SA *	interest	Voting	CHF	100'000.00	100.00%	100.00%
asknet AG **	rights	Germany	EUR	560'370.00	51.37%	51.37%
asknet Inc.	San Francisco	USA	USD	168'000.00	51.37%	51.37%
asknet KK	Tokyo	Japan	JPY	22'716'000.00	51.37%	51.37%
asknet Switzerland GmbH	Uster	Switzerland	CHF	24'000.00	51.37%	51.37%
The Native Media Inc.	New York	USA	USD	80.00	100.00%	100.00%
P8H Inc.	New York	USA	USD	152.34	15.00%	22.30%

* Previously The Native AG, Basel, Switzerland

** asknet AG is a listed company on the Frankfurt Stock Exchange (Market segment: Basic Board / Open Market). It is listed under the symbol "A5AB". The ISIN code is DE000A2E3707. The market capitalization as at 31 December 2017 amounts to EUR 6.4 million (31 December 2016: EUR 5.9 million). It owns three 100% subsidiaries incorpo-rated in the USA, Switzerland and Japan.

Significant shareholders

According to SIX Swiss Exchange notifications, significant shareholders as of 31 December 2017 are: The Company holds 0.14% of its own share capital (treasury shares).

	Ownership Interest
Highlight Event & Entertainment AG	19.99%
SERES Investments SA	19.29%
Atlas Pass Holdings Limited	14.46%
Sergey Skaterschikov	9.64%
Whiteridge Investment Funds SPC Limited – Global Energy SP	9.29%
Whiteridge Investment Funds SPC Limited – Global Income SP	9.18%
Ecommerce Alliance AG	7.35%

Past and current notifications regarding the Company's shareholding can be found on the website of SIX Exchange Regulation at: https://www.six-exchange-regulation.com/fr/home/publications/significant-shareholders.html.

Cross participations

There are no cross participations with other group companies.

2. Capital structure

Ordinary share capital as per 31 December 2017	CHF	10'889'165.00
Authorized capital as per 31 December 2017	CHF	5'444'582.50
Conditional capital as per 31 December 2017	CHF	3'500'000.00
Conditional capital as per 31 December 2017	CHF	341'250.00
Conditional capital as per 31 December 2017	CHF	98'000.00

Share capital

As per 31 December 2017, the share capital amounts to CHF 10'889'165, consisting of 3'111'190 bearer shares with a nominal value of CHF 3.50 each. Each share has one voting right and is fully entitled to dividends. The shares are fully paid in.

Changes in capital

At the Annual General Meeting "AGM" held on 14 June 2017, the shareholders accepted the Board's proposal to reduce the share capital of the Company from CHF 10'161'920 to CHF 889'168 by a reduction of the nominal value of each share from CHF 40.00 to CHF 3.50. It was also decided to increase the share capital by CHF 9'999'997 by issuing 2'857'142 new ordinary bearer shares with a nominal value of CHF 3.50 each. The capital increase has been completed in cash for CHF 1'999'998 and by the conversion of the amount payable resulting from the purchase of the 100% ownership interest in Blockchain Lab SA (previously The Native AG) for CHF 7'999'999.

Treasury shares

As at 31 December 2017, The Native SA owns 4'508 of its own shares. Further information can be found in Note 15 of the consolidated financial statements.

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Conditional share capital

On 6 December 2017, the EGM unanimously resolved to create a new article 3.3 of the Articles of Association as follows:

A conditional share capital, up to a maximum amount of CHF 3'500'000 by the issuance of maximum 1'000'000 bearer shares with a par value of CHF 3.50 each, was created in connection with conversion rights to be granted under a future issuance of a convertible bond or similar instrument or with the exercise of option rights in the context of share option plans granted to employees, creditors, shareholders or the Board of Directors. The pre-emptive rights of the existing shareholders related to the subscription of this conditional share capital increase are excluded.

The article 3.2 of the Articles of Association was amended by the EGM of 6 December 2017 as follows:

A conditional share capital, up to a maximum amount of CHF 341'250 by the issuance of maximum 97'500 bearer shares with a par value of CHF 3.50 each, was created in connection with the conversion rights to be granted under an expected future issuance of a convertible bond or similar instrument. The pre-emptive rights of the existing shareholders related to the subscription of this conditional share capital increase may be limited or excluded by the unanimous resolution of the Board of Directors under certain circumstances lined out in the article 3.2 of the Articles of Association.

On 14 June 2017, further to the capital reduction, the AGM unanimously resolved to amend the article 3.1 of the Articles of Association as follows:

A conditional share capital, up to a maximum of CHF 98'000 by the issuance of maximum 28'000 bearer shares with a par value of CHF 3.50 each, was created in connection with the exercise of the conversion right granted to the holder of the convertible loan, MT Holding S.p.A, Rome (see below "MTH"). The pre-emptive rights of the existing shareholders related to the subscription of the shares of this conditional share capital increase are excluded.

Shares and participation certificates

All shares of the Company are bearer shares with a nominal value of CHF 3.50 each. The Company has one single class of shares. Each bearer share carries one vote at the shareholders' meeting. Each shareholder with voting rights may be represented at the General Meeting by the independent representative or a third party. Shareholders have the right to receive dividends decided by the shareholders' meeting and have all other rights provided for by the Swiss Code of Obligations.

Profit sharing certificates

The Company has not issued any preferred voting shares or non-voting equity securities, such as participation certif-icates or profit sharing/bonus certificates.

Limitations on transferability and nominee registrations

Being issued to the bearer, the shares of the Company can be transferred without restrictions.

Convertible loans

MTH

On 5 September 2013, the Company agreed with MT Holding S.p.A, Rome, a convertible loan for the amount of CHF 1'120'000, which entitles the holder to convert all or part of the loan to ordinary shares at nominal value of The Native SA shares (actually CHF 3.50 per share), i.e. for a loan of CHF 3.50 the holder shall receive one The Native SA's share with a nominal value of CHF 3.50.

Conversion may occur at any time between 1 November 2018 and 30 December 2018. If the loan is not converted within the timeframe mentioned, it will be reimbursed on 30 December 2018 or earlier at the option of the borrow-er. Consequently, this loan has been classified as current. A variable interest of 2.5% on CHF 1'000'000 and 0.75% on the surplus (2016: 3.25% p.a.) shall be paid in arrears semi-annually, until the notes are converted or redeemed.

Convertible Note 2017

On 15 December 2017, a convertible loan agreement has been signed with several lenders for a total amount of EUR 4'310'000, through the issuance of 4'310 notes of EUR 1'000 par value. These notes carry 6% annual interest payable semi-annually and accruing as 15 December 2017. The notes mature on 15 December 2018.

Each noteholder has the right to convert each note of EUR 1'000 par value into a capital amount of CHF 1'160.50 for subscription in the share capital increase of the Company and the Company is required to issue 211 bearer shares of the issuer with a par value of CHF 3.50 each, converted at an exercise price of CHF 5.50 per share. Conversion may occur at any time between 1 July 2018 and 15 December 2018. If the loan is not converted within the timeframe mentioned, it will be reimbursed on 15 December 2018. Consequently, this loan has been classified as current.

Option rights

No option has currently been issued under any share option plan.

3. The Board of Directors

During 2017, a change in the composition of the Board of Directors took place.

On 14 June 2017, the AGM elected Mr. Brian McConville and Mr. Andreas Benz as members of the Board, and Mr. Serge Umansky has been re-elected as a Board member and elected as new Chairman for a one-year term.

On 7 August 2017, Mr. Andreas Benz resigned from the Board of Directors.

On 6 December 2017, Mr. Brian McConville resigned from the Board and took a position as Advisory Board member of the Company. The Advisory Board has been officially constituted in 2018.

On 6 December 2017, the shareholders elected Mr. Sergey Skaterschikov and Ms. Izabela Depczyk as new mem-bers. Following the EGM, Mr. Serge Umansky resigned as the Chairman of the Company and remained on the board in a Vice-Chairman capacity. The board of directors elected Mr. Sergey Skaterschikov as Chairman of the Board of Directors.

As of 31 December 2017, the Board of Directors was composed by:

	Registered office	First Election date	Last election date	Next re-election date
Sergey Skaterschikov	Chairman	December 2017	December 2017	AGM 2018
Serge Umansky	Vice-Chairman	November 2015	June 2017	AGM 2018
Izabela Depczyk	Member	December 2017	December 2017	AGM 2018

A brief biography of the members is given here below.

The following sets forth the name, year of assuming office on the Board of Directors, position and committee mem-berships of each member of the Board of Directors (alternatively, the “Directors”).

Members of the Board of Directors

Sergey Skaterschikov
Executive Chairman of the Board of Directors since 6 December 2017
Russian citizen, resident in Moscow (Russia)

Mr. Sergey Skaterschikov is an experienced business strategist and an asset manager with a demonstrated his-tory of working in the investment and wealth management industry on both sides of the Atlantic. Skilled in Strategy, Asset Management, and Corporate Development, and particularly effective in corporate leadership, board and change management roles, with prior executive and board positions in listed companies OAO MTS (Mobile Telesystems), OAO LSR Group, OAO United Heavy Machinery and executive roles in such international organizations as Redline Capital Management, Dresdner Kleinwort Wasserstein, Creditanstalt Investment Bank and E*Trade Eurasia. An international executive with MBA from the Fuqua School of Business (Duke University) and graduate of Lomonosov Moscow State University.

Serge Umansky
Vice Chairman, Board member since 14 June 2017
U.S. citizen, Resident in Lausanne (Switzerland)

Dr. Serge Umansky is a Co-founder and CIO of Whiteridge Advisors SA, an investment advisory firm based in Lausanne, Switzerland. Mr. Umansky's expertise ranges from investment analysis to hands on management of direct investments in private equity and venture capital with focus on machine learning, blockchain and clean energy. Mr. Umansky obtained his Doctorate and Ph.D. (applied math and engineering) from the Soviet Acad-emy of Sciences and Kiev National Institute of Technology. He subsequently worked for over 25 years in the US and Switzerland. His most recent professional engagements include Signet Capital Management, Morgan Creek Capital, and ICG Consulting.

Izabela Depczyk
Member of the Board since 6 December 2017
Polish Citizen, Resident in Zurich (Switzerland)

Ms. Izabela Depczyk is an international marketing and media executive. She is the founder of The Native Media Inc and the CEO of The Native SA. Prior to her engagement with The Native SA, Ms. Depczyk was the CEO of the New York based art media company Artnews, that Ms. Depczyk turned around from a declining print busi-ness with 100 years of history to a successful digital media and art business intelligence company and subse-quently sold in October 2015 to the primary competitor - Brant Media Publishing, owner of Art in America and Interview magazines among other titles. Ms. Depczyk is a graduate of University of Edinburgh from which she holds a master degree in international law.

Elections and terms of office

The Articles of Association provide for a Board of Directors consisting of one or more members. Directors are ap-pointed and removed by shareholders' resolution.

Their term of office is one year. Re-election is allowed. The Chairman of the Board (the "Chairman") and the com-pensation committee members are currently appointed by the general shareholders' meeting.

The Directors are elected or re-elected individually for a one-year term.

Name	Sergey Skaterschikov	Serge Umansky	Izabela Depczyk
Since	December 2017	December 2017	AGM 2018
Term	Elected at the extraordinary shareholders' meeting on 6 December 2017 for one year until the AGM of 2018, respectively	Re-elected at the annual general shareholders' meeting on 14 June 2017 for one year until the AGM of 2018, respectively	Elected at the extraordinary shareholders' meeting on 6 De-cember 2017 for one year until the AGM of 2018, respectively

Internal organizational structure

The Board of Directors is (except for the Chairman and the compensation committee, who are directly elected by the shareholders' meeting) self-constituting and designates its own members and secretary. The latter does not need to be a member of the Board. The Chairman convenes the Board as often as the Company's affairs require and pre-sides (or in his absence another Director specifically designated by the majority of the Directors present at the meet-ing) over the Board meetings.

The Chairman decides on agenda items and motions. Every Director shall be entitled to request from the Chairman, in writing, a meeting of the Board, by indicating the grounds for such a request. To pass a valid resolution, the majority of the members of the Board have to attend the meeting. Meetings may also be held by telephone conference to which all the Directors are invited. The Board of Directors passes its resolu-tions by way of simple majority. The members of the Board may only vote in person, not by proxy. Decisions can also be taken in writing, upon written proposal. In the event of a tied vote, the vote of the Chairman (or the chair-person) shall be decisive. Minutes are kept of deliberations and resolutions, and are signed by the Chairman and the Secretary.

As of 6 December 2017, Mr. Sergey Skaterschikov has been appointed as Chairman of the Board of Directors. He is in charge of calling for and leading the meetings of the Board of Directors.

Out of the Board, the AGM of 14 June 2017 has formed a compensation committee, composed by MM. Serge Umansky and Andreas Benz, both elected at 14 June 2017 AGM. Mr. Andreas Benz resigned from his Board and compensation committee position on 7 August 2017. Membership of the compensation committee will be com-pleted during the next AGM. Each member of the committee is elected for one-year term.

The compensation committee assists the Board of Directors in establishing and periodically reviewing the Compa-ny's compensation strategy and guidelines as well as in preparing the proposals to the General Meeting regarding the compensation of the members of the Board of Directors and the Management Board.

The Board of Directors met 8 times during the year 2017. The average duration of a meeting was about 1.5 hours.

Definition of areas of responsibility

The Board is entrusted with the ultimate direction of the Company (art. 716a Code of Obligations). The Board assumes certain obligations that cannot be transferred: (i) ultimately manage the Company and issue any necessary directives; (ii) determine the organizational structure of the Company; (iii) organize the accounting system, the financial control and the financial planning; (iv) appoint, recall and ultimately supervise the persons en-trusted with the management and representation of the Company; (v) prepare the annual report and the share-holders' meeting, carrying out shareholders' meeting resolutions; and (vi) notify to the judge in case of over indebt-edness of the Company.

In accordance with the Articles and the Organizational Rules, the Board of Directors has delegated the implementa-tion of its defined strategies and the daily management of the Company to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

The Company has a separate Management Board since June 2017. The Board of Directors is informed throughout the year by the Management Board during the meetings of the Board of Directors or, if necessary, by phone or email.

Information and control instruments vis-à-vis the Management

The Board of Directors has an Internal Control System, which is revised yearly and approved by it. The Board of Di-rectors also makes a yearly risk assessment, which is monitored constantly.

The Management Board immediately informs the Board about major events and keeps the Chairman of the Board informed about the financial situation of the Company on a regular basis. The Management Board members are invited to attend all the Board meetings.

Other mandates of the members of the Board of Directors

No member of the Board of Directors can hold more than 15 additional mandates in non-public companies. The number of additional mandates is limited to 5 in public companies and mandates in associations and foundations. The mandates held at the request of the Company do not fall within the scope of this limitation.

No member of the current Board of Directors of the Company holds any additional mandates.

4. The Management Board

The Management Board is in charge of the management since 14 June 2017.

The current CEO, appointed in June 2017, is Ms. Izabela Depczyk. The current CFO, appointed in June 2017, is Mr. Victor Iezuitov.

Competence of Management

The Board of Directors has delegated the management to the Management Board, composed of the CEO and CFO. The competence and allocation of tasks between the Board of Directors and Management is regulated in the Or-ganizational Rules of the Company. The management of the Company has been delegated as per Art. 716b Code of Obligations. The Management Board is in particular responsible for the current management of the Company in re-spect of the laws, the Articles of Incorporation, internal rules, directives and instructions of the Board of Directors.

Other mandates of the members of the Management Board

No member of the Management Board can hold more than 15 additional mandates in non-public companies. The number of additional mandates is limited to 5 in public companies and mandates in associations and foundations. The mandates held at the request of the Company do not fall within the scope of this limitation.

No member of the Management Board holds any additional mandates.

5. Compensation, shareholdings and loans

Content and method of determining compensation and the shareholding programs

The members of the Board of Directors receive up to CHF 100’000 as a fixed compensation, including remuneration for specific mandates and a variable amount up to CHF 100’000, depending on the results of the business, according to a scheme to be defined.

The members of the Management Board receive up to CHF 320’000 as compensation for the period of 1 July 2017 to 30 June 2018, to be decided and allocated by the Board of Directors.

Compensation disclosures

The compensation of the Board of Directors and the Management Board are detailed under section 4 of the Remu-neration Report.

Allocations of shares in the reporting period

The Company did not allocate any shares during the reporting period.

Options

As mentioned above, no option plan has currently been issued under any share option plan.

Participations

Apart from the shares held by Mr. Sergey Skaterschikov (9.64% of the Company), no member of the Board of Di-rectors and / or Management Board holds any shares in the Company. No options have currently been issued to any member of the Board of Directors and / or Management Board under any share option plan.

Additional honorarium and remuneration

The additional honorarium and remuneration of the Board of Directors and the Management Board are disclosed under section 4 of the Remuneration report.

Loans and credits granted to governing bodies

There are no loans granted to members of the Board of Directors and Management Board.
There are no guarantees issued or assumed for any members or former members of the Board of Directors and/or Management Board

6. Voting rights and participation at shareholders' meetings

Voting rights and representation restrictions

There are no restrictions regarding voting rights, no statutory group clauses and hence no rules for making excep-tions. Consequently, there is neither a procedure nor a condition for their cancellation. A shareholder may be repre-sented by his legal representative, the independent proxy or by another shareholder.

Statutory quorums

The Articles of the Company do not provide for any specific majority requirements, in addition to those of the law.

Convocation of the general meeting of shareholders

The Articles of the Company do not differ from the law regarding the convocation of a shareholders meeting.

Agenda

The Articles of the Company do not contain any obligations with regard to the agenda differing from the law. Specif-ically there are no additional requirements with regard to notice periods or deadlines to be respected.

Inscriptions into the share register

The Company has exclusively bearer shares outstanding.

7. Changes of control and defence measures

Duty to make an offer

There are no opting-up or opting-out clauses in the Articles.

Clauses on changes of control

There are no clauses of changes of control contained in any agreements or similar documents.

8. Auditors

Duration of the mandate and term of office of the lead auditor

On 14 June 2017 the Ordinary Shareholders General Meeting appointed Berney et Associés SA Société Fiduciaire, Lausanne, as auditor of The Native SA (previously 5EL SA) and of the Consolidated Financial Statements of The Na-tive Group.

The audit report is signed jointly by two representatives of Berney et Associés SA, Société Fiduciaire on behalf of Berney et Associés SA, Société Fiduciaire. This is the third year that Mr. Cosimo Picci, in his capacity as auditor in charge, signs the auditor's report for The Native SA and for the Consolidated Financial Statements of the The Native Group.

Auditing fees

The total audit fee for the audit of financial year 2017 amounts to CHF 100'000.

Additional fees

Besides the audit fees, an additional fee was paid to Berney et Associés SA Société Fiduciaire, Lausanne in relation to the capital restructuring in June 2017 for a total amount of CHF 5'850.

Informational instruments pertaining to external audit

The auditor also issues a comprehensive report to the Board of Directors, in addition to the reports to the General Meeting.

In 2017, there have been several meetings between members of the Board of Directors and the auditors, in addition to various contacts with the management in connection with the audit of the financial statements.

Information policy

The Company provides the following information to the shareholders:

Ordinary Shareholders General Meeting	25 May 2018
Interim report	30 September 2018 (www.thenative.ch)
Press information	when appropriate (electronically, with newsletter which can be subscribed to on the Company's website)
Company information	www.thenative.ch
Investor Relations	Victor Iezuitov, The Native SA Rue du Grand-Chêne 8, 1003 Lausanne Tel + 41 21 620 64 71 Fax +41 21 620 64 69 E-Mail: info@thenative.com

Management Compensation Report

1. Introduction

The compensation report contains information about the principles of remuneration, procedures for determining remu-neration and components of compensation for the Board of Directors and Management Board of The Native SA. It is based on the provisions of the Articles of Incorporation, the transparency requirements set out in Article 663b bis and Article 663c of the Swiss Code of Obligations, Articles 13-16 and Article 20 of the Swiss Ordinance against Excessive Remuneration at Listed Companies (OaEC), the SIX Swiss Exchange Directive on Information relating to Corporate Gov-ernance and the Swiss Code of Best Practice for Corporate Governance drawn up by Economie Suisse.

2. Compensation policy

Compensation to members of the Board of Directors and Management Board (composed of the Chief Executive Officer and the Chief Financial Officer) should be conform to market conditions, correspond appropriately to performance and responsibility, and correlate to the size and to the complexity of the Group and its businesses.

The compensation of the Board of Directors and Management Board is subject to review on an annual basis in compli-ance with the Group's strategic and operating targets.

3. Principles, elements, authority and determination of compensation

Elements of the compensation of the Board of Directors and Management Board

Members of the Board of Directors and Management Board receive a fixed and a variable compensation. Fixed com-pensation includes remuneration for the activities of members of the Board of Directors of The Native SA.

Variable compensation depends on the results of the business, according to a scheme to be defined by the Compensa-tion Committee.

They can also receive share options for the benefit of Directors, fellow employees and advisors.

No compensation was recognized to persons other than those disclosed in table included in section 4 "Compensation to the Board of Directors and Management Board".

Lump sum expense allowance to members of the Board of Directors

The Chairman and the other members of the Board of Directors do not receive any lump-sum expense allowance.

Management Board Honorarium and remuneration

The Chief Executive Officer, Ms. Izabela Depczyk, and the Chief Financial Officer, Mr. Victor Iezuitov, received a fixed compensation during the reporting period.

Authority and determination of compensation

On 14 June 2017 Ordinary Shareholders' Meeting, Mr. Serge Umansky and Mr. Andreas Benz were elected as mem-ber of the Compensation Committee for one-year term. The Compensation Committee is in charge of the implementa-tion of the compensation policy for the Company.

The shareholders approved:

1. A total compensation to the Board of Directors for the period from the Annual General Meeting 2017 to the Annual General Meeting 2018, of a maximum amount of CHF 100'000 as fixed amount, including remunera-tion for specific mandates, and up to a maximum amount of CHF 100'000 as variable amount depending on the results of the business, according to a scheme to be defined.
2. A total compensation to the Management Board, if any, for the period of 1 July 2017 to 30 June 2018, of a maximum amount of CHF 320'000, to be decided and allocated by the Board of Directors.
3. A share option plan also to be approved, for the benefit of Directors, fellow employees and advisors.

The compensation committee prepares the recommendations, which will be submitted to the General Meeting for ap-proval.

4. Compensation to the Board of Directors and Management Board

31 December 2017
In TCHF

Member of the Board of directors of The Native SA	Function	Board of directors compensation (i)	Management Board compensation (ii)	Management Board honorarium (iii)	Other (iv)	Total
Gianluigi Facchini	Former Chairman	35				**35**
Izabela Depczyk	Member and CEO		63			**63**
Victor Iezuitov	Member and CFO	20	63			**83**
Total		**55**	**126**	**-**	**-**	**181**

31 December 2016
In TCHF

Member of the Board of directors of The Native SA (5EL SA)	Function	Board of directors compensation (i)	Management Board compensation (ii)	Management Board honorarium (iii)	Other (iv)	Total
Gianluigi Facchini	Chairman	70				**70**
Nicolò Von Wunster	Member & CEO			70	490	**560**
Victor Iezuitov	Member	40				**40**
Total		**110**	**-**	**70**	**490**	**670**

(i) Gross fixed compensation to members of the Board of Directors
(ii) Gross fixed compensation to members of the Management Board
(iii) The Management Board honorarium is the fixed compensation to the former Chief Executive Officer paid to a company related to him
(iv) Other payments.

5. Shareholdings and loans granted to Board of Directors and Management Board

Investments

Apart from the shares held by Mr. Sergey Skaterschikov (9.64% of the Company), no member of the Board of Directors and / or Management Board holds any shares in the Company. No options have currently been issued to any member of the Board of Directors and / or Management Board under any share option plan.

Loans and credits granted to governing bodies

There are no loans granted to members of the Board of Directors and Management Board.

There are no guarantees issued or assumed for any members or former member of the Board of Directors and/or Management Board.

Report Of The Statutory Auditor On The Compensation Report To The General Meeting Of Shareholders

berney associés

Lausanne, April 30, 2018

REPORT OF THE STATUTORY AUDITOR
TO THE GENERAL MEETING OF THE NATIVE SA, LAUSANNE

We have audited the compensation report of THE NATIVE SA for the year ended 31 December 2017. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 4 to 5 on pages 2 to 3 of the compensation report.

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Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2017 of THE NATIVE SA complies with Swiss law and articles 14–16 of the Ordinance.

BERNEY & ASSOCIES SA
Société Fiduciaire

Cosimo PICCI
Licensed Audit Expert
Auditor in charge

Claude HERI
Licensed Audit Expert

EXPERT SUISSE | Crowe Horwath.

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

(in thousands of Swiss Francs)

For the year ended 31 December

	Notes	2017	2016
		TCHF	TCHF
Revenue		15 474	-
Other income		15	-
Total revenue	3	**15 489**	**-**
Cost of material		(13 426)	-
Personnel expenses		(1 040)	(481)
General and administrative expenses		(2 014)	(389)
Marketing & sales expenses		(855)	-
Other operating income / (expenses)	4	(1 630)	-
Total operating expenses		**(18 965)**	**(869)**
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**(3 476)**	**(869)**
Depreciation of property, plant and equipment	5	(25)	-
Amortization of intangible assets	5	(53)	-
Amortization and impairment of goodwill	5	(5 201)	(6)
Operating result (EBIT)	3	**(8 755)**	**(875)**
Net gain on sale of investment	10	2 260	-
Financial income	6	21	22
Financial expenses	6	(121)	(40)
Exchange differences		162	(35)
Result before income tax		**(6 433)**	**(929)**
Income tax	7	(592)	(8)
Net result		**(7 025)**	**(937)**
Attributable to:			
Owners of the Company		(7 090)	(937)
Non-controlling interests		65	-
Earnings per share			
Basic (CHF per share)	16	(2,28)	(3,75)
Diluted (CHF per share)	16	(1,74)	(3,28)

CONSOLIDATED BALANCE SHEET

(in thousands of Swiss Francs)

As at 31 December

	Notes	31 Dec 2017 TCHF	31 Dec 2016 TCHF
ASSETS			
Current assets			
Cash and cash equivalents		7 869	46
Trade and other receivables	8	4 170	1 937
Inventories		53	-
Prepaid expenses		159	8
Total current assets		**12 251**	**1 991**
Non-current assets			
Property, plant and equipment	9	232	-
Investments	10	8 500	-
Other financial assets		205	-
Intangible assets	11	3 438	-
Goodwill	12	7 898	-
Total non-current assets		**20 273**	**-**
Total assets		**32 524**	**1 991**

CONSOLIDATED BALANCE SHEET

(in thousands of Swiss Francs)

As at 31 December

	Notes	31 Dec 2017 TCHF	31 Dec 2016 TCHF
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	7 740	79
Accrued expenses		4 556	484
Current financial liabilities	14	711	200
Current convertible loan	14	6 209	1 120
Total current liabilities		**19 216**	**1 883**
Non-current liabilities			
Non-current financial liabilities	14	8 635	-
Non-current convertible loan		-	-
Deferred tax liabilities		577	-
Total non-current liabilities		**9 212**	**-**
Equity			
Share capital	15	10 889	10 162
Treasury shares	15	(259)	(259)
Cumulative translation adjustment		8	-
Accumulated losses		(684)	(8 858)
Net result		(7 090)	(937)
Total equity attributable to Owners of the Company		**2 864**	**108**
Non-controlling interests		1 232	-
Total equity		**4 096**	**108**
Total liabilities and equity		**32 524**	**1 991**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of Swiss Francs)

For the year ended 31 December

	Issued capital				Attributable to		
	Share Capital TCHF	Treasury Shares TCHF	Cumulative translation adjustment TCHF	Accumulated losses TCHF	Owners of the Company TCHF	Non-controlling interests TCHF	Total TCHF
Balance at 1 January 2016	**10 162**	**(259)**	**-**	**(8 858)**	**1 045**	**-**	**1 045**
Net result	-	-	-	(937)	(937)	-	(937)
Balance at 31 December 2016	**10 162**	**(259)**	**-**	**(9 795)**	**108**	**-**	**108**
Balance at 1 January 2017	**10 162**	**(259)**	**-**	**(9 795)**	**108**	**-**	**108**
Net result	-	-	-	(7 090)	(7 090)	65	(7 025)
Currency translation difference	-	-	8	-	8	10	18
Capital decrease	(9 273)	-	-	9 273	-	-	-
Capital increase	10 000	-	-	-	10 000	-	10 000
Costs attributable to the issue of new shares	-	-	-	(162)	(162)	-	(162)
Change in scope of consolidation	-	-	-	-	-	1 157	1 157
Balance at 31 December 2017	**10 889**	**(259)**	**8**	**(7 774)**	**2 864**	**1 232**	**4 096**

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Swiss Francs)

For the year ended 31 December

	Notes	2017 TCHF	2016 TCHF
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) for the year		(7 025)	(937)
Adjustments for:			
Tax (income) / expense	7	592	8
Financial expenses	6	121	33
Financial income	6	(21)	(22)
Net (gain) / loss arising on sale of other financial assets	10	(2 260)	-
Depreciation, amortization and impairment	5	5 279	6
Net (gain) / loss arising on sale of PPE and intangible		28	-
Impairment loss on receivable	8	2 111	-
Unrealised foreign exchange (gain) / loss		(182)	12
		(1 357)	(900)
Movement in working capital			
(Increase)/decrease in inventories		61	-
(Increase)/decrease in trade and other receivables		(320)	53
Increase/(decrease) in trade and other payables		3 520	154
Cash flow generated from operations		*1 904*	*(693)*
Income tax paid		(6)	(5)
Net cash used in / from operating activities		**1 898**	**(698)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	21	(216)	-
Acquisition of investments	10	(500)	-
Acquisition of property, plant and equipment	9	(7)	-
Acquisition of intangible assets	11	(478)	-
Net cash used in / from investing activities		**(1 201)**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in current financial liabilities		89	-
Increase in non-current financial liabilities		-	-
Increase in convertible loan	14	5 089	-
Interest paid		(38)	(19)
Capital increase through cash contribution	15	2 000	-
Costs attributable to the issue of new shares		(162)	-
Net cash used in / from financing activities		**6 978**	**(19)**
Change in cash and cash equivalents		**7 675**	**(717)**
Cash and cash equivalents at 1 January		46	763
Effect of movements in exchange rates on cash held		148	-
Cash and cash equivalents at 31 December		7 869	46
Change in cash and cash equivalents		**7 675**	**(717)**

1. GENERAL INFORMATION

The Native SA (previously 5EL SA, "the Company") was incorporated in Switzerland as a Swiss limited company on 17 December 1998. The Company has its corporate legal headquarter at Rue du Grand-Chêne 8, 1003 Lausanne, Switzer-land. The corporate purpose of the Company is to act as an international technology and media company that enables its clients around the world with Ecommerce, data analytics and blockchain technologies, payment services, customer support, and content & digital marketing.

The Native SA, the ultimate parent company, is listed on the SIX Swiss Exchange, SIX Swiss Reporting Standard. The Company is listed under the symbol "NTIV" (ISIN: CH0006326851).

The Native SA's subsidiaries are:

	Registered office	Country	Currency	Share capital	Ownership	Voting rights
Blockchain Lab SA *	Lausanne	Switzerland	CHF	100'000.00	100.00%	100.00%
asknet AG **	Karlsruhe	Germany	EUR	560'370.00	51.37%	51.37%
asknet Inc.	San Francisco	USA	USD	168'000.00	51.37%	51.37%
asknet KK	Tokyo	Japan	JPY	22'716'000.00	51.37%	51.37%
asknet Switzerland GmbH	Uster	Switzerland	CHF	24'000.00	51.37%	51.37%
The Native Media Inc.	New York	USA	USD	80.00	100.00%	100.00%
P8H Inc.	New York	USA	USD	152.34	15.00%	22.30%

* Previously The Native AG, Basel, Switzerland

** asknet AG is a listed company on the Frankfurt Stock Exchange (Market segment: Basic Board / Open Market). It is listed under the symbol "A5AB". The ISIN code is DE000A2E3707. The market capitalization as at 31 December 2017 amounts to EUR 6.4 million (31 December 2016: EUR 5.9 million). It owns three 100% subsidiaries incorporated in the USA, Switzerland and Japan.

In 2017, the Company made the following transactions, directly and indirectly:

- May 2017: acquisition of 100% of Blockchain Lab SA (previously The Native AG), Basel, holding company of the following subsidiaries: 75% in The Native Media Inc. (USA) and 33.3% in Holotrack AG (Switzerland) in-cluding direct and indirect holding of 8.31% in Pulse Evolution Corporation (USA) and portfolio of loans issued to each of Holotrack AG and Pulse Evolution Corporation (USA), all of Holotrack and Pulse related assets here-inafter referred as "Holotrack Assets"
- November 2017: acquisition of the remaining 25% of The Native Media Inc. (USA)
- November 2017: sale of the Holotrack Assets (refer to the note 10)
- November 2017: acquisition of 51.37% of asknet AG (Germany)
- December 2017: acquisition of 15% ownership interest in P8H Inc. (USA).

All subsidiary undertakings are included in the Group consolidation.

Group companies are consolidated from the date on which control is transferred to the Group. The entities Blockchain Lab SA and The Native Media Inc. have been fully consolidated from 1st July 2017 and the entity asknet AG (together with its subsidiaries) has been fully consolidated since 1st November 2017.

Investments in associated companies are accounted for using the equity method. Due to the acquisition of 15% capital (22,3% voting rights) in the equity of P8H Inc. late in December 2017, given the fact management has not realized any control in 2017 and there is still the possibility of a repurchase of the shares by the seller until May 31, 2018, manage-ment has decided to keep this investment at its acquisition cost (and not to use the equity method) as at 31 December 2017.

The Native SA and its subsidiaries ("the Group") are dedicated to three business segments – Blockchain Lab, focused on innovation in the blockchain and machine learning technology space, Ecommerce Services, a suite of digital and con-tent marketing, payment processing and customer support services for Ecommerce merchants seeking to market and sell their products and services worldwide, and asknet Academic, the long-established software distribution business focused on the German language academic market.

These Group consolidated financial statements were approved by the Board of Directors and authorized for issue on 30 April 2018. They are subject to approval of the shareholders' General Meeting on 25 May 2018.

2. ACCOUNTING INFORMATION AND POLICIES

This section describes the basis of preparation of the consolidated financial statements and the Group's accounting poli-cies that are applicable to the financial statements as a whole. This section also explains the new accounting principles that the Group has adopted in the current financial year.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the entire existing accounting principles of Swiss GAAP FER (Generally Accepted Accounting Principles FER) and are based upon the financial statements of the Group companies as at 31 December which are prepared using uniform classification and accounting policies. Account-ing policies have been consistently applied to all years presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with the historical acquisition costs principle, except for items to be recorded at fair value.

Presentation currency

These consolidated financial statements are presented in Swiss Francs (CHF), which is the Company's functional curren-cy. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of The Native SA and its subsidiaries. The subsidiaries are those companies which the parent Company, directly or indirectly, controls either by holding more than 50% of the voting rights or by otherwise having the power to govern their operating and financial policies. The control is effective when The Native SA is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary to direct the relevant activities. These sub-sidiaries are fully consolidated. Group companies are consolidated from the date on

which control is transferred to the Group, while subsidiaries intended for disposal are excluded from the consolidation from the date on which control ceases.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is rec-ognized in the income statement.

Investments in associated companies, i.e. companies over which the Group has the power to exercise significant influ-ence, generally accompanying a shareholding of between 20% and 50% of the voting rights, are accounted for using the equity method. Following acquisition, changes in the level of ownership and any value impairments are taken into account. The share in the profit and the dilutive effect of these associated companies are recognized in the income statement.

Non-controlling interests

Non-controlling interests are presented separately in the consolidated balance sheet and the consolidated income statement but as a component of consolidated equity and consolidated net result.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The consideration paid plus directly attributable transaction costs for each acquisition are eliminated at the date of acquisition against the fair value of the net assets acquired, determined based on uniform accounting policies. The difference between the acquisition costs and the proportional revalued net assets is referred to as goodwill. Within the scope of acquisitions, potentially existing but until now not capitalized intangible assets such as brand names, distribution channels, customers list and technologies are not recognized separately but instead remain part of goodwill. Goodwill may also arise from invest-ments in associated companies and is defined as the difference between the acquisition costs of the investment and its proportional revalued nets assets.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Foreign currencies

Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's func-tional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, all items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Gains and losses from foreign currency balances and from translating year-end foreign currency balances are recognized in the income statement.

Financial statements of foreign operations

For the purpose of preparing consolidated financial statements, the assets and liabilities of the Group's foreign opera-tions are translated into CHF using exchange rates prevailing on the balance sheet date. Income, expense and cash flow items are translated at the average exchange rates for the period. The exchange differences arising on translation for consolidation are recognized in equity. At the date of sale of a foreign subsidiary, the respective cumulative foreign currency translation adjustments are recognized in the income statement.

Fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing on the balance sheet date. Exchange differences arising are recognized in equity.

The following exchange rates were used for currency translation:

	31 December 2017		31 December 2016	
	Closing rate	Period average	Closing rate	Period average
USD	0.98820	0.98461	N/A	N/A
EUR	1.18080	1.11157	1.07200	N/A

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group Executive Board. This Board is responsible for allocating resources and assessing performance of the operating segment. This Board reviews the Group's internal reporting in order to assess performance and allocate resources. Internal reporting is based on the same accounting principles as the ones used to establish these financial statements and segment perfor-mance is assessed based on the operating result (EBIT). Group financing (including financial expenses and financial in-come) and income taxes are managed on a Group basis and are not allocated to operating segments.

The three reportable segments of the Group are as follows:

- Ecommerce Services, a suite of digital and content marketing, payment processing and customer support ser-vices for Ecommerce merchants seeking to market and sell their products and services worldwide
- asknet Academic, the long-established software distribution business focused on the German language aca-demic market

- Blockchain Lab, the 3rd business segment, not significant as at 31 December 2017 in terms of operating reve-nue, albeit made a significant contribution in the financial income to the Group as shown in the note 10 of this Report.

Revenue recognition

Revenue from the sale of goods and services is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, rebates and other sales taxes or duty. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when spe-cific criteria have been met for each of the Group's activities as described below.

Revenue from services rendered includes various services, such as Ecommerce services and academic software distri-bution. Sales of services are recognized as revenue in the accounting period in which the services are rendered, which means that they are allocated over the contractual period.

Employee benefits

Pension obligations

The Group operates various employee benefits plans in and outside Switzerland. The pension and retirement benefits are based on the regulations and practices in the respective countries. Plans are generally funded through payments to insurance companies/funds or to state social security. An economical obligation or a benefit from Swiss pension schemes is determined from the financial statements of such pension schemes prepared in accordance with Swiss GAAP FER 26 "Accounting of Pension Plans" and recognized in the balance sheet accordingly. As there are only 2 em-ployees insured for pension in Switzerland as at 31 December 2017, no economic asset or liability was recognized in the balance sheet. There is no employee contribution reserve available at 31 December 2017.

Income tax

The tax expense for the period comprises current and deferred tax. Current income taxes are accrued based on taxable income of the current year. The tax rates and tax laws used to compute the amount are those that are enacted or sub-stantially enacted at the reporting date. Deferred income tax assets and liabilities are recognized for all temporary dif-ferences between the tax and accounting bases of assets and liabilities at the reporting date using the liability method.

Deferred income taxes are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability settled.

Deferred tax assets arising from tax loss carry-forwards and deductible temporary differences are capitalized only if it is probable that they can be used to be offset against future taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority, within the same taxable entity, and when the Group intends to settle its current tax assets and liabilities on a net basis.

Cash and cash equivalents

Cash and cash equivalents, in the balance sheet and in the cash flow statement, comprise petty cash, cash at banks and short-term deposits with an original maturity of three months or less. They are recorded at their nominal value.

Trade and other receivables

Trade and other receivables are recognized and carried at the original net invoice amount less an allowance for any specifically impaired receivables. Impairment is charged on receivables for specific identified risks. Bad debts are writ-ten off when there is objective evidence that the Group will not be able to collect the receivables. Allowances for im-paired receivables as well as losses on receivables are recognized within „Other operating income / expenses" in the income statement.

Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes ex-penditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to their residual values over their estimated useful lives, as follows:

Hardware, Office equipment and Furniture	3-10 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the car-rying amount and are recognized within „Other operating income / expenses" in the income statement.

Tangible assets that are subject to depreciation are reviewed for impairment whenever events or changes in circum-stances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount.

Intangible assets

Goodwill

Goodwill from business combinations represents the difference between the acquisition costs and the proportional re-valued net identifiable assets of the acquired company at the time of purchase. Goodwill may also arise from invest-ments in associated companies and is defined as the difference between the acquisition costs of the investment and its proportional revalued nets assets. The goodwill resulting from acquisitions is amortized over 5 years. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Development costs

Internally generated development costs are only capitalized if they can be identified as intangible assets that will gen-erate economic benefits in the future and the costs can be measured reliably. Internally generated commercial proper-ty rights and assets are capitalized at cost (development costs) provided that there is at least a high probability on the balance sheet date that an asset will actually be created and will result in future measurable revenues. The cost of pro-duction comprises the individually attributable costs from the consumption of goods and the utilization of services. Other development costs are expensed when incurred. Once a project is completed, the capitalized development costs are amortized on a straight-line basis over the expected useful life and regularly measured for impairment.

Software and licenses

Concessions, industrial and similar rights and assets, and licenses are capitalized on the basis of the costs incurred. The-se costs are amortized on a straight-line basis over their estimated useful life (3 years).

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and put into service the specific software. These costs are amortized on a straight-line basis over their estimated useful life (3 years).

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reli-ably estimated. Provisions are not recognized for future operating losses.

Financial liabilities

Convertible loans and borrowings are initially recognized at nominal value less directly attributable transaction costs.

Treasury shares

When share capital is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. When treasury shares are subsequently sold, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within retained earnings.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, reduce the proceeds from the equity issue and are recognized direct-ly in equity.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in accordance with Swiss GAAP FER requires the use of certain assumptions and estimates that influence the figures presented in this report. They are based on analysis and judgements which are continuously reviewed and adapted if necessary.

GOING CONCERN

Given significant existing cash position, access to further capital through potential additional debt and equity issuance and improved financial performance of our core subsidiary, asknet AG, the business of The Native SA should have no liquidity issues in the calendar 2018.

3. SEGMENT REPORTING

The three reportable segments of the Group are as follows:

- Ecommerce Services, a suite of digital and content marketing, payment processing and customer support ser-vices for Ecommerce merchants seeking to market and sell their products and services worldwide
- asknet Academic, the long-established software distribution business focused on the German language aca-demic market
- Blockchain Lab, the 3rd business segment, not significant as at 31 December 2017 in terms of operating activi-ties, albeit was a major contributor to the financial income of the Group as shown in the note 10 of this Report.

The following table is an analysis of the Group activities:

2017	Ecommerce TCHF	Academics TCHF	Blockchain Lab TCHF	Corporate TCHF	Eliminations TCHF	Total TCHF
Third party revenue	12 121	3 353	-	15	-	**15 489**
Group revenue	-	-	-	-	-	**0**
Total revenue	**12 121**	**3 353**	**0**	**15**	**0**	**15 489**
Operating result	**(1 034)**	**227**	**(4 881)**	**(3 067)**	**0**	**(8 755)**

2016	Ecommerce TCHF	Academics TCHF	Blockchain Lab TCHF	Corporate TCHF	Eliminations TCHF	Total TCHF
Third party revenue	-	-	-	-	-	**0**
Group revenue	-	-	-	-	-	**0**
Total revenue	**0**	**0**	**0**	**0**	**0**	**0**
Operating result	**0**	**0**	**0**	**(875)**	**0**	**(875)**

4. OTHER OPERATING INCOME / (EXPENSES)

The following table shows the items included in other operating income / (expenses):

	2017 TCHF	2016 TCHF
Capitalized expenditure	472	-
Gain/ (loss) on disposal of property, plant and equipment and intangible assets	(28)	-
Tax	(20)	-
Impairment loss on receivable	(2 111)	-
Reversal of provisions	65	-
Other income / (expenses)	(8)	-
Other operating income / (expenses)	**(1 630)**	**-**

The impairment loss on receivable is explained in note 8.

5. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

The following table shows the items included in depreciation, amortization and impairment losses:

	2017 TCHF	2016 TCHF
Depreciation of property, plant and equipment	25	6
Amortization of intangible assets	53	-
Amortization of goodwill	1 201	-
Impairment of goodwill	4 000	-
Total depreciation, amortization and impairment losses	**5 279**	**6**

6. FINANCIAL INCOME AND FINANCIAL EXPENSES

The following table shows the items included in financial income and financial expenses:

	2017 TCHF	2016 TCHF
Interest income	21	22
Total financial income	**21**	**22**
Interest on other financial liabilities	57	6
Interest on convertible loan	40	27
Interest and financial expenses	24	7
Total financial expenses	**121**	**40**
Financial income, net	**(100)**	**(18)**

7. INCOME TAX

Amounts recognized in the income statement

The following table shows the items included in income tax

	2017 TCHF	2016 TCHF
Current tax expense		
Current year	469	8
Adjustment for prior years	-	-
	469	**8**
Deferred tax expense		
Deferred tax expense	123	-
	123	**-**
Income tax	**592**	**8**

In 2017, the inconsistency between the result before income tax and the tax expense can be explained by the non-recognition of deferred tax assets related to tax loss carry-forwards (see below).

Deferred tax assets and liabilities

Deferred tax liabilities arise from the capitalization in asknet AG of internally generated commercial property rights and similar rights and assets (development costs). Deferred tax expense has been calculated using an income tax rate of 31%.

Deferred tax assets that have not been recognized mainly relate to tax loss carry-forwards of The Native SA (TCHF 15'130) and of The Native Media Inc. (TCHF 668). Such tax loss carry-forwards may be offset with future taxable profits in the same amount for the following 7 years for The Native SA and for the following 10 to 20 years for The Native Me-dia Inc.

Available tax loss carry-forwards are as follows:

	31 Dec 2017 TCHF	31 Dec 2016 TCHF
Expiry of tax losses carry forwards:		
Less than 1 year	206	-
Between 1 and 5 years	6 878	6 790
More than 5 years and indefinite	8 714	1 231
Total tax loss carry forwards	**15 798**	**8 021**
of which recognised	-	-
Total tax loss carry forwards - unrecognized	**15 798**	**8 021**

8. TRADE AND OTHER RECEIVABLES

The following table shows the items included in trade and other receivables:

	31 Dec 2017 TCHF	31 Dec 2016 TCHF
Trade receivables	3'763	-
Allowance for doubtful trade receivables	(37)	-
Total trade receivables	**3'726**	**-**
Other receivables	2'555	26
Other receivables - related parties	-	1'911
Allowance for doubtful other receivables	(2'111)	-
Total other receivables	**444**	**1'937**
Total trade and other receivables	**4'170**	**1'937**

In 2016, the other receivables "related parties" position includes mainly the receivable related to consideration result-ing from the disposal of Prodena Srl and its subsidiaries in December 2015 (TCHF 2'111, corresponding to a principal of TEUR 1'750 and accumulated interests).

This receivable has been impaired in 2017 due to events brought to the attention of management in January 2018 re-lating to events in Prodena Srl, which may result in a high risk of non-collection of the receivable resulting from the sale of Prodena Srl.

9. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

In TCHF	Hardware, Office equipment & Furniture	Total
GROSS VALUE		
Balance at 1 January 2017	**-**	**-**
Additions	7	7
Disposals and scrapping	(351)	(351)
Change in the scope of consolidation	1 692	1 692
Exchange difference	(7)	(7)
Balance at 31 December 2017	**1 341**	**1 341**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES		
Balance at 1 January 2017	**-**	**-**
Depreciation charge	(25)	(25)
Disposals and scrapping	346	346
Change in the scope of consolidation	(1 436)	(1 436)
Exchange difference	6	6
Balance at 31 December 2017	**(1 109)**	**(1 109)**
Net book amount at 31 December 2017	**232**	**232**

The above hardware, office equipment and furniture are principally related to asknet's offices.

10. INVESTMENTS

P8H Inc.

On 18 December 2017, the Company made an investment of 15% (economic interest) in the US company P8H Inc., a New York corporation, for a consideration of TCHF 8'500, of which TCHF 500 were paid in cash and TCHF 8'000 were paid by a receivable assignment. This 15% ownership interest in P8H Inc. corresponds to voting rights of 22.30%. This purchase agreement has three particularities:

- A short-dated break option, not exercised, under which the seller could revoke this agreement before 31 Janu-ary 2018 by paying TUSD 1'500 cash
- A repurchase right for the seller until 31 May 2018 for TUSD 10'000 cash
- A call option for an additional investment of 36% (with full transfer of the Board of Directors and management control) for a price of TCHF 24'500.

Due to the acquisition late in December 2017, given the fact management has not realized any control in 2017 and there is the possibility for the seller to buy back the shares, management has decided to keep this investment at its ac-quisition cost (and not to use the equity method) as at 31 December 2017.

Holotrack Assets

Blockchain Lab SA, our 100% subsidiary actively involved in investments in various new technologies, has achieved CHF 2.26 million net realized gain on the divestment of Holotrack Assets completed on 6 November 2017, which included an indirect 8.31% ownership in Pulse Evolution Corporation.

Idreg Piemonte SpA

On 21 April 2015, the Group had acquired 19% of the share capital in Idreg Piemonte SpA for an amount of TCHF 257. On 28 August 2015, the Court of Alessandria had declared the bankruptcy of Idreg Piemonte SpA; accordingly an im-pairment loss of TCHF 257 was recognized in the income statement. No accounting data had been made available since then. As a consequence of the declaration of bankruptcy, no significant influence can be exercised. This invest-ment will be fully written off (without any impact in the income statement as already fully impaired) as soon as this en-tity is deleted from the trade register of companies.

11. INTANGIBLE ASSETS

Reconciliation of carrying amount

In TCHF	Development costs	Software & licences	Total
GROSS VALUE			
Balance at 1 January 2017	**-**	**-**	**-**
Additions	472	6	478
Disposals and scrapping	-	(447)	(447)
Change in the scope of consolidation	1 425	2 650	4 075
Exchange difference	42	(3)	39
Balance at 31 December 2017	**1 939**	**2 206**	**4 145**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES			
Balance at 1 January 2017	**-**	**-**	**-**
Amortization charge	-	(53)	(53)
Disposals and scrapping	-	424	424
Change in the scope of consolidation	-	(1 092)	(1 092)
Exchange difference	-	14	14
Balance at 31 December 2017	**-**	**(707)**	**(707)**
Net book amount at 31 December 2017	**1 939**	**1 499**	**3 438**

The above intangible assets are principally related to the company asknet AG.

12. GOODWILL

Reconciliation of carrying amount

In TCHF	Goodwill
GROSS VALUE	
Balance at 1 January 2017	**-**
Change in the scope of consolidation	13 099
Balance at 31 December 2017	**13 099**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES	
Balance at 1 January 2017	**-**
Amortization charge	(1 201)
Impairment	(4 000)
Balance at 31 December 2017	**(5 201)**
Net book amount at 31 December 2017	**7 898**

As per note 21, in 2017, the Group has acquired several entities. These business combinations have generated goodwill for a total amount of CHF 13.1 million. As per the Group accounting policies, goodwill is amortized over a 5-years peri-od. Amortization has been calculated on a pro rata basis since the entry of the acquired entities in the scope of consoli-dation, i.e. over 2 months for asknet AG and 6 months for each of The Native Media Inc. and Blockchain Lab SA. In ad-dition, an impairment of TCHF 4'000 has been decided on Blockchain Lab's goodwill due to the delayed execution of Ka-zakhstan related projects.

13. TRADE AND OTHER PAYABLES

The following table shows the items included in trade and other payables:

	31 Dec 2017 TCHF	31 Dec 2016 TCHF
Trade payables	5 963	24
VAT due	1 661	7
Social debts	53	48
Other payables	63	-
Total trade and other payables	**7 740**	**79**

Auditing fees of Berney et Associés SA Société Fiduciaire for the Group amounted to TCHF 100 for the financial year 2017 (2016: TCHF 55).

Additional fees of Berney et Associés SA Société Fiduciaire for the Group amounted to TCHF 6 for the capital restructur-ing in June 2017 (2016: TCHF 0).

14. FINANCIAL LIABILITIES

The following table details the financial liabilities:

	Current		Non-current	
	31 Dec 2017 TCHF	31 Dec 2016 TCHF	31 Dec 2017 TCHF	31 Dec 2016 TCHF
Loans from:				
Third parties	227	200	8 240	-
Related parties	89	-	-	-
Payables related to business combinations:				
Third parties	395	-	395	-
Related parties	-	-	-	-
Convertible loan from:				
Third parties	6 209	1 120	-	-
Related parties	-	-	-	-
Total financial liabilities	**6 920**	**1 320**	**8 635**	**-**

Loans

A TCHF 200 loan granted by a third party has the following features:

Duration: the loan was granted for one year starting from 28 February 2014; accordingly, the loan amount or the outstanding amount shall be repaid

Interest: fixed interest rate of 3%.

A TCHF 89 loan is the remaining balance of a TUSD 150 loan granted by a related party on 28 April 2017, for bridge fi-nancing of working capital needs. This loan has the following features:

Duration: the maturity of this loan facility was 31 July 2017. This term can be extended with an additional 0.5% extension fee

Interest: fixed interest rate of 0.5% per month, plus arrangement fees of 0.5% of the total amount drawn.

A TCHF 8'240 loan has been granted by a third party to Blockchain Lab SA, for the purpose of acquiring its investments in The Native Media Inc. and in Holotrack AG:

Duration: the maturity of this loan is undetermined

Interest: variable interest rate, taken from the circular of the Swiss Federal Tax Administration

Particularity: this loan has been subordinated.

Payables related to business combinations

In relation with the acquisition in November 2017 of 25% of the company The Native Media Inc., part of the considera-tion payment is deferred: TUSD 400 is payable by 30 November 2018 (classified as current) and TUSD 400 by 30 No-vember 2019 (classified as non-current).

Convertible loans

MTH

On 5 September 2013, the Company agreed with a third party a convertible loan for the amount of TCHF 1'120, which entitles the holder to convert all or part of the loan to ordinary shares at nominal value of The Native SA (previously 5EL SA) shares (actually CHF 3.50 per share), i.e. for a loan of CHF 3.50 the holder shall receive 1 The Native SA share with a nominal value of CHF 3.50).

Conversion may occur at any time between 1 November 2018 and 30 December 2018. If the loan is not converted in the timeframe mentioned, it will be reimbursed on 30 December 2018 or earlier at the option of the borrower. Conse-quently, this loan has been classified as current. A variable interest of 2.5% on TCHF 1'000 and 0.75% on the surplus (2016: 3.25% p.a.) shall be paid in arrears semi-annually, until the notes are converted or redeemed.

Convertible Note 2017

On 15 December 2017, a convertible loan agreement has been signed with several lenders for an amount of TEUR 4'310, through the issuance of 4'310 notes of EUR 1'000 par value. These notes carry 6% annual interest payable semi-annually and accruing as 15 December 2017. The notes mature on 15 December 2018.

Each noteholder has the right to convert each note of EUR 1'000 par value into a capital amount of CHF 1'160.50 for subscription in the share capital increase of the Company and the Company is required to issue 211 bearer shares of the issuer with a par value of CHF 3.50 each, converted at an exercise price of CHF 5.50 per share. Conversion may occur at any time between 1 July 2018 and 15 December 2018. If the loan is not converted in the timeframe mentioned, it will be reimbursed on 15 December 2018. Consequently, this loan has been classified as current.

15. CAPITAL MANAGEMENT

The Group's objective when managing capital is to ensure that entities in the Group will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (financial liabilities as detailed in note 14 offset by cash and bank balances) and equity of the Group (comprising issued share capital, reserves, retained earnings and non-controlling in-terests as detailed).

The Group is not subject to any externally imposed capital requirements.

Share capital

	Number of shares	Ordinary shares TCHF	Treasury Shares TCHF	Total TCHF
Balance at 1 January 2016	**254 048**	**10 162**	**(259)**	**9 903**
Movements 2016	-	-	-	-
Balance at 31 December 2016	**254 048**	**10 162**	**(259)**	**9 903**
Capital reduction	-	(9 273)	-	(9 273)
Capital increase	2 857 142	10 000	-	10 000
Balance at 31 December 2017	**3 111 190**	**10 889**	**(259)**	**10 630**

As of 31 December 2017, the Company's share capital amounts to CHF 10'889'165, consisting of 3'111'190 ordinary bearer shares with a nominal value of CHF 3.50 each, all fully paid in. Each ordinary share carries one vote and a right to dividends.

At the shareholders' general meeting held on 14 June 2017, the shareholders accepted the Board's proposal to reduce the share capital of the Company from TCHF 10'162 to TCHF 889 by a reduction of the nominal value of each share from CHF 40.00 to CHF 3.50. It was also decided to increase the share capital by TCHF 10'000 through the issuance of 2'857'142 new ordinary bearer shares with a nominal value of CHF 3.50 each. The capital increase has been completed in cash for TCHF 2'000 and by the conversion of the amount payable resulting from the purchase of the 100% owner-ship interest in Blockchain Lab SA (previously The Native AG) for TCHF 8'000.

Treasury shares

At 31 December 2017, the Company owns 4'508 treasury shares (31 December 2016: 4'508) for a total amount at cost of TCHF 259 (31 December 2016: TCHF 259). No treasury shares were sold during the current and prior year.

Authorized share capital

On 6 December 2017, the Extraordinary Shareholders Meeting "EGM" unanimously resolved to create a new article 3.4 of the Articles of Association as follows:

An authorized share capital, up to a maximum amount of TCHF 5'445 by the issuance of maximum 1'555'595 bearer shares with a par value of CHF 3.50 each, which equates to 50% of the existing share capital, was created for a 2-year period until 6 December 2019. The pre-emptive rights of the existing shareholders related to the subscription of this au-thorized share capital are excluded in case of acquisition of entities (or parts of entities), acquisition of participations in entities and strategic partnerships. This authorized capital was created in the context of the Convertible Note 2017 (see note 14).

Conditional share capital

On 6 December 2017, the EGM unanimously resolved to create a new article 3.3 of the Articles of Association as fol-lows:

A conditional share capital, up to a maximum amount of TCHF 3'500 by the issuance of maximum 1'000'000 bearer shares with a par value of CHF 3.50 each, was created in connection with conversion rights to be granted under a future issuance of a convertible bond or similar instrument or with the exercise of option rights in the context of share option plans granted to employees, creditors, shareholders or the Board of Directors. The pre-emptive rights of the existing shareholders related to the subscription of this conditional share capital increase are excluded.

The article 3.2 of the Articles of Association was amended by the EGM of 6 December 2017 as follows:

A conditional share capital, up to a maximum amount of TCHF 341 by the issuance of maximum 97'500 bearer shares with a par value of CHF 3.50 each, was created in connection with the conversion rights to be granted under an ex-pected future issuance of a convertible bond or similar instrument. The pre-emptive rights of the existing shareholders related to the subscription of this conditional share capital increase may be limited or excluded by the unanimous reso-lution of the Board of Directors under certain circumstances lined out in the article 3.2 of the Articles of Association.

On 14 June 2017, further to the capital reduction, the AGM unanimously resolved to amend the article 3.1 of the Arti-cles of Association as follows:

A conditional share capital, up to a maximum of TCHF 98 by the issuance of maximum 28'000 bearer shares with a par value of CHF 3.50 each, was created in connection with the exercise of the conversion right granted to the holder of the convertible loan, MT Holding S.p.A, Rome (see note 14). The pre-emptive rights of the existing shareholders related to the subscription of the shares of this conditional share capital increase are excluded.

16. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit/loss attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares owned by the Compa-ny and held as treasury shares.

Basic earnings per share

The calculation of basic earnings per share has been based on the following profit/loss attributable to Owners of the Company and weighted-average number of ordinary shares outstanding.

	2017	2016
Net result attributable to Owners of the Company (TCHF)	(7 090)	(937)
Total shares	3 111 190	254 048
Less Treasury shares (average)	(4 508)	(4 508)
Weighted average number of ordinary shares for the purpose of basic earnings per share	3 106 682	249 540
Basic earning per share	**(2,28)**	**(3,75)**

Diluted earnings per share

The calculation of diluted earnings per share has been based on the following profit/loss attributable to Owners of the Company and weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares.

	2017	2016
Net result attributable to Owners of the Company (TCHF)	(7 090)	(937)
Interest on convertible loan (TCHF)	40	27
Net result attributable to Owners of the Company "diluted" (TCHF)	(7 050)	(910)
Weighted average number of ordinary shares for the purpose of basic earnings per share	3 106 682	249 540
Shares deemed to be issued for no consideration in respect of convertible loans and/or potential convertible loans	937 410	28 000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4 044 092	277 540
Diluted earning per share	**(1,74)**	**(3,28)**

17. FINANCIAL RISK MANAGEMENT

In view of the global and varied nature of its activities, the Group is exposed to different financial risks, including foreign currency, market, credit and liquidity risks.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial assets that expose the Group to credit risk consist of "Cash and bank equivalents" and "Trade and oth-er receivables".

	31 Dec 2017 TCHF	31 Dec 2016 TCHF
Cash and cash equivalents	7 869	46
Trade and other receivables	4 170	1 937
Total	**12 039**	**1 983**

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by inter-national credit-rating agencies. The Group works with different banks in each country.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and ensuring the availability of funding through adequate amount of committed credit facilities.

It is the Group's policy to have at any time adequate available cash or highly liquid assets to meet current commit-ments.

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods, as well as the interest-related information. The table includes both interest and principal cash flows.

In TCHF	Contractual cash flows			
	Total	Less than 1 year	Between 2 and 5 years	Above 5 years
At 31 December 2017				
Non-interest bearing:				
- Trade and other payables	7 740	7 740	-	-
- Payables related to business combination	790	395	395	-
Fixed interest rate bearing:				
- Financial liabilities	316	316	-	-
- Convertible loan	5 089	5 089	-	-
Variable interest rate bearing:				
- Financial liabilities	8 240	-	8 240	-
- Convertible loan	1 120	1 120	-	-
	23 295	**14 660**	**8 635**	**-**
At 31 December 2016				
Non-interest bearing:				
- Trade and other payables	79	79	-	-
Fixed interest rate bearing:				
- Financial liabilities	200	200	-	-
Variable interest rate bearing:				
- Convertible loan	1 120	1 120	-	-
Total	**1 399**	**1 399**	**-**	**-**

Market risk

In terms of market risk (changes in market price), the Company's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The objective of market risk management is to manage and con-trol market risk exposures within acceptable parameters, while optimising the return. Those risks are not actively man-aged and monitored.

Currency risk

Transaction exposure arises because the amount of local currency paid or received in transactions denominated in for-eign currencies may vary due to changes in exchange rates. The Group operates internationally and is exposed to for-eign exchange risk arising from various currency exposures, primarily with respect to Euros and US dollars. Foreign ex-change risk arises from:

– forecast revenue and costs denominated in a currency other than the entity's functional currency;
– recognized assets and liabilities: and
– net investments in foreign operations.

The Company does not actively manage the foreign currency risk (i.e. by entering into derivative instruments), but seeks to mitigate the currency risk on the foreign currency net exposures by maintaining an appropriate balance be-tween assets and liabilities in the respective foreign currency.

Interest rate risk

The Company is exposed to interest rate risk because entities in the Group have borrowed funds at both fixed and vari-able interest rates (see above). The risk is not actively managed by the Company (i.e. by entering into derivative in-struments).

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

18. CONTINGENT LIABILITIES

The Group has certain contingent liabilities in respect of legal claims arising in the ordinary course of business. In man-agement's opinion, it is not anticipated that any material liabilities will arise from the contingent liabilities.

19. RELATED PARTIES

Details of transactions and balances between the Group and its related parties are disclosed below.

All amounts outstanding shown below are unsecured and are expected to be settled in cash or compensation of receiv-able/payable.

Related parties transactions and balances

	Transaction values for the year ended 31 December		Balance outstanding at 31 December	
	2017 TCHF	2016 TCHF	2017 TCHF	2016 TCHF
Purchase of goods and services				
Other related parties	(42)	-	-	-
Loans				
Other related parties				
- Convertible loan	-	-	-	-
- Other loan and related interest	-	-	(89)	-
Others				
- Other receivables	21	22	2 111	1 898
- Allowance for doubtful other receivable	(2 111)	-	(2 111)	-
Net amount	**(2 132)**	**22**	**(89)**	**1 898**

(i) As at 31 December 2016, the receivable of TCHF 1'898, linked to the deferred consideration related to the disposal of Prodena Srl, was considered a related party balance in connection with ERVA detaining The Native SA shares through the purchase of FISI ownership in the Company.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Compensation

The compensation of the Board of Directors and other members of key management personnel during the year were as follows:

31 December 2017
In TCHF

Member of the Board of directors of The Native SA	Function	Board of directors compensation (i)	Management Board compensation (ii)	Management Board honorarium (iii)	Other (iv)	Total
Gianluigi Facchini	Former Chairman	35				**35**
Izabela Depczyk	Member and CEO		63			**63**
Victor Iezuitov	Member and CFO	20	63			**83**
Total		**55**	**126**	**-**	**-**	**181**

31 December 2016
In TCHF

Member of the Board of directors of The Native SA (SEL SA)	Function	Board of directors compensation (i)	Management Board compensation (ii)	Management Board honorarium (iii)	Other (iv)	Total
Gianluigi Facchini	Chairman	70				**70**
Nicolò Von Wunster	Member & CEO			70	490	**560**
Victor Iezuitov	Member	40				**40**
Total		**110**	**-**	**70**	**490**	**670**

(i) Gross fixed compensation to members of the Board of Directors
(ii) Gross fixed compensation to members of the Management Board
(iii) The Management Board honorarium is the fixed compensation to the former Chief Executive Officer paid to a company related to him
(iv) Other payments.

The above compensation are included in the Personnel expenses in the income statement.

Receivables (+) from/ payables (-) to former members of the Board of Directors

	31 Dec 2017 TCHF	31 Dec 2016 TCHF
Gianluigi Facchini	(20)	4
Victor Iezuitov	-	10
Nicolò Von Wunster	(118)	(107)
Total	**(138)**	**(93)**

Other information

No compensation was recognized to other persons other than those disclosed in the table above. The current as well as the former members of the Board of Directors and other members of the key management did not receive any loans or credits.

20. COMMITMENTS

There are no commitments as of 31 December 2017.

21. BUSINESS COMBINATIONS

As of 19 May 2017, the Company has acquired 100% of Blockchain Lab SA (previously The Native AG), Basel, a Swiss registered company for a consideration of CHF 8'000'000. This price has been paid by the remittance of 2'285'714 Company's shares, representing a nominal value of CHF 7'999'999, issued on 20 July 2017. Blockchain Lab SA is a hold-ing company for several digital content marketing investments:

- 75% in The Native Media Inc., a Delaware corporation
- 33.3% in Holotrack AG (Switzerland) including direct and indirect holding of 8.31% in Pulse Evolution Corpora-tion (USA) and portfolio of loans issued to each of Holotrack AG and Pulse Evolution Corporation (USA), all of Holotrack and Pulse related assets hereinafter referred as "Holotrack Assets".

As of 5 November 2017, the Company has acquired the remaining 25% of The Native Media Inc. (already held indirect-ly at 75% by the Company's subsidiary Blockchain Lab SA) for a consideration of USD 1'000'000, payable in three cash instalments: USD 200'000 by 30 November 2017, USD 400'000 by 30 November 2018 and USD 400'000 by November 30, 2019.

As of 6 November 2017, the company Blockchain Lab SA sold the investment in "Holotrack Assets" for a fixed sales price of CHF 8'000'000, payable by 31 October 2020 (*), plus a variable component of maximum CHF 2'000'000, corre-sponding to 25% proceeds of all litigation payments to be received by Holotrack or the acquirer in conjunction to law-suits and shareholder disputes within PLFX for a period up to 31 October 2027.

On 8 November 2017, the Company has acquired a participation of 51.37% of asknet AG, a German company regis-tered in Karlsruhe. This acquisition was composed of three elements:

- The acquisition of 46.51% of asknet AG from the existing shareholders, for a consideration of EUR 1'973'485, paid in cash
- The acquisition of 4.86% of asknet AG by the participation of this entity's capital increase. The Company bought new shares at a price of EUR 9.20 per share (for a nominal value of EUR 1 per share)
- As a final step of the transaction, asknet AG will issue a convertible bond of at least EUR 1'500'000 to be sub-scribed by the Company, with the timing and terms of this convertible bond to be further agreed and approved by the boards of each of asknet AG and the Company.

The investment in asknet AG (including three of its 100% owned subsidiaries incorporated in the USA, Switzerland and Japan) represents a long-term strategic investment by the Company aimed at strengthening its capabilities in the Ecommerce Services and software distribution segments, with asknet AG swiftly integrated in the Group thereafter.

Finally, on 18 December 2017, the Company made an investment of 15% economic interest (22.30% voting rights) in the US company P8H Inc., a New York corporation, for a consideration of CHF 8'500'000, of which CHF 500'000 were paid in cash and CHF 8'000'000 were paid by a receivable (*) assignment. This purchase agreement has three particu-larities:

- A short-dated break option, not exercised, under which the seller could revoke this agreement before 31 Janu-ary 2018 by paying USD 1'500'000 cash
- A repurchase right for the seller until 31 May 2018 for USD 10'000'000 cash
- A call option for an investment of 36% (with full transfer of the board and management control) for a price of CHF 24'500'000.

The following table summarizes the consideration paid for the above acquisitions (except for the investment in "Holo-track Assets" which was purchased and sold a few months apart, and therefore was not consolidated) and the amounts of the assets acquired and liabilities assumed recognized at the integration date (being 1st November 2017 for asknet AG and 1st July 2017 for The Native Media Inc. and Blockchain Lab SA):

In TCHF	asknet Group	Blockchain Lab Group	Total
Consideration			
Cash paid	2 858	219	3 077
Acquired through capital increase	-	8 000	8 000
Deferred consideration	-	790	790
Total consideration	**2 858**	**9 009**	**11 867**
Less:			
Recognized amounts of identifiable assets acquired and liabilities assumed			
Cash & cash equivalents	2 856	5	2 861
Trade and other receivables	3 724	57	3 781
Inventories	116	-	116
Prepaid expenses	127	-	127
Property, plant and equipment	256	-	256
Other investments	-	5 740	5 740
Other financial assets	202	-	202
Intangible assets	2 983	-	2 983
Trade and other payables	(4 973)	(11)	(4 984)
Accrued expenses	(2 465)	-	(2 465)
Current financial liabilities	(5)	(5)	(10)
Non-current financial liabilities	-	(8 240)	(8 240)
Deferred tax liabilities	(442)	-	(442)
Minority interest	(1 157)	-	(1 157)
Total identifiable assets	**1 222**	**(2 454)**	**(1 232)**
Goodwill	**1 636**	**11 463**	**13 099**

The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiaries acquired is rec-orded as goodwill. As per the Group accounting policies, goodwill is amortized over a 5-years period. Amortization has been calculated on a pro rata basis since the entry of the acquired entities in the scope of consolidation, i.e. over 2 months for asknet AG and 6 months for each of The Native Media Inc. and Blockchain Lab SA (see note 12).

Due to delay in the execution of Kazakhstan related projects, an impairment of TCHF 4'000 has been decided on Block-chain Lab's goodwill.

22. LEASING

On 31 December 2017, the leasing liability represents a total amount of TCHF 168, out of which TCHF 62 is due within one year and TCHF 106 is due between one and 5 years (2016: TCHF 0).

23. SUBSEQUENT EVENTS

No significant events occurred between 31 December 2017 and the date of authorization for issuance of the 2017 An-nual Report that would require adjustments of the presented consolidated financial statements or disclosures.

Auditor’s Report On Consolidated Financial Statements

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Lausanne, April 30, 2018

REPORT OF THE STATUTORY AUDITOR
TO THE GENERAL MEETING OF THE NATIVE SA, Lausanne

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of THE NATIVE SA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (page 27 to 57) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INTANGIBLE ASSETS

Key audit matter

We consider the valuation of intangible assets to be a key audit matter because they amount to TCHF 3'438 on the consolidated balance sheet of the Group, representing 10,57% of total assets.

Intangible assets relate mostly to software development costs.

Intangible assets are measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised in the income statement on a straight-line basis over estimated useful lives and with no residual value.

The valuation of intangible assets depends on whether the initial recognition and the choice of an estimated useful live are correct and depends on the assessment by the management of the risk of impairment at the reporting date.

How our audit addressed the key audit matter

We performed the following audit procedures:

- We obtained an understanding of the process for capitalization of development costs.
- We tested the effectiveness of key controls related to the intangible assets process.
- We assessed whether transactions were accurately recorded in the intangible assets register and the consolidated balance sheet.
- We challenged the estimated useful lives determined by management and verified the accuracy of the calculation of depreciation of the year.
- We assessed the management's assumptions and calculations regarding impairment losses recognized in 2017.

We obtained sufficient audit evidence to address the risk of valuation of intangible assets.

VALUATION OF GOODWILL

Key audit matter

We consider the valuation of Goodwill to be a key audit matter because they amount to TCHF 7'898 on the consolidated balance sheet of the Group, representing 24,28% of total assets.

Goodwill is the difference between the value of assets and liabilities at the time of acquisition and the purchase price for the consolidated respective investments.

Goodwill is measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised in the income statement on a straight-line basis over 5 years and with no residual value.

The valuation of Goodwill depends on the assessment by the management of the risk of impairment at the reporting date.

How our audit addressed the key audit matter

We performed the following audit procedures:

- We obtained an understanding of the process for capitalization of Goodwill.
- We assessed whether transactions resulting in a Goodwill were accurately recorded in the consolidated balance sheet.
- We challenged the estimated useful lives determined by management and verified the accuracy of the calculation of depreciation of the year.
- We assessed the management's assumptions and calculations regarding impairment losses of TCHF 4'000 recognized in 2017.

We obtained sufficient audit evidence to address the risk of valuation of goodwill.

POSSIBLE SITUATION OF GOING CONCERN

Key audit matter	How our audit addressed the key audit matter
The Company has raised funds and performed large investments in new subsidiaries during the second semester of 2017. At year end the Group has a negative consolidated net current asset situation raising doubts on the ability of the Group to continue as a going concern	We discussed with management the situation. Management has shared with us plans to increase share capital to face short term financial needs. Management has also discussed with convertible bond holders and has obtained an agreement to postpone the repayment if a longer period is necessary before the reimbursement is acted. Based on our discussion and the documents presented to us, we believe Management's estimates in the assessment of the Group to continue as a going concern, to be appropriate

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

BERNEY & ASSOCIES SA
Société Fiduciaire

Cosimo PICCI
Licensed Audit Expert
Auditor in charge

Claude HERI
Licensed Audit Expert

Financial Statements

INCOME STATEMENT

(in Swiss Francs)

For the year ended 31 December

	NOTES	2017 CHF	2016 CHF
Dividend income		-	-
Gains on disposal of investments		-	-
Other income		15 250	-
Total operating income		**15 250**	**-**
Personnel expenses		(195 204)	(480 715)
General and administrative expenses		(937 648)	(396 400)
Allocation to provision on receivables	2	(2 110 654)	-
Allocation to provision on investments in subsidiaries	3	(4 000 000)	-
Depreciation expense		-	(6 089)
Total operating expenses		**(7 243 506)**	**(883 204)**
Operating result		**(7 228 256)**	**(883 204)**
Exchange differences		168 286	(35 017)
Interest expenses and bank charges		(69 786)	(39 900)
Interest revenues		20 664	21 535
Result before taxes		**(7 109 092)**	**(936 586)**
Income taxes		-	-
Profit / Loss for the year		**(7 109 092)**	**(936 586)**

BALANCE SHEET (1/2)

(in Swiss Francs)

As at 31 December

	NOTES	31 Dec 2017 CHF	31 Dec 2016 CHF
ASSETS			
Current assets			
Cash and cash equivalent		2 525 434	46 480
Other short-term receivables due from third parties		70 723	-
Other short-term receivables due from related parties	2	272 230	1 937 068
Prepaid expenses		1 205	7 500
Total current assets		**2 869 592**	**1 991 048**
Non-current assets			
Investments	3	16 367 071	1
Financial assets		-	-
Tangible fixed assets		-	-
Total non-current assets		**16 367 071**	**1**
Total assets		**19 236 663**	**1 991 049**

BALANCE SHEET (2/2)

(in Swiss Francs)

As at 31 December

	NOTES	31 Dec 2017 CHF	31 Dec 2016 CHF
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade accounts payable to third parties		207 153	24 179
Short-term interest-bearing liabilities from third parties	4	6 409 248	1 320 000
Short-term interest-bearing liabilities from related parties	4	89 219	-
Short-term non-interest-bearing liabilities from third parties	4	395 280	-
Other short-term liabilities from third parties		42 852	46 960
Accrued expenses		698 519	491 703
Total current liabilities		**7 842 271**	**1 882 842**
Non-current liabilities			
Long-term interest-bearing liabilities from related parties	4	8 000 000	-
Long-term non-interest-bearing liabilities from third parties	4	395 280	-
Total non-current liabilities		**8 395 280**	**-**
Total liabilities		**16 237 551**	**1 882 842**
Shareholders' equity			
Share capital	5	**10 889 165**	**10 161 920**
Accumulated losses at 1 January		(521 826)	(8 857 992)
Profit / Loss for the year		(7 109 092)	(936 586)
Accumulated losses at 31 December	5	**(7 630 918)**	**(9 794 578)**
Treasury shares	5	**(259 135)**	**(259 135)**
Total shareholders' equity		**2 999 112**	**108 207**
Total liabilities and equity		**19 236 663**	**1 991 049**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of The Native SA, Lausanne (previously 5EL SA), (the "Company") have been prepared in ac-cordance with the provisions of Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obliga-tions, "CO"). Where not prescribed by law, the significant accounting and valuation principles applied are described be-low.

Since the Company has prepared its consolidated financial statements in accordance with a recognized accounting standard (Swiss GAAP FER), it has decided to forego presenting additional information on audit fees and on maturities of long-term interest-bearing liabilities (1-5 years, more than 5 years, respectively) in the notes as well as a cash flow statement in accordance with the law.

Other receivables

Other receivables are recognized and carried at the original net invoice amount less an allowance for any specifically impaired receivables. Impairment is charged on receivables for a general credit risk and for specific identified risks. Al-lowances for impaired receivables as well as losses on receivables are recognized within „Allocation to provision on re-ceivables" in the income statement.

Investments

Investments are valued at cost less necessary impairment. Allowances for impaired investments are recognized within "Allocation to provision on investments in subsidiaries" in the income statement.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. If treasury shares are sold, the gain or loss is recog-nized in the income statement.

Non-current liabilities

Non-current liabilities are recognized in the balance sheet at nominal value.

Foreign currencies

Assets and liabilities denominated in foreign currency are translated into Swiss Francs (CHF) using year-end exchange rates, except for investments, which are translated at historical exchange rates.

Monetary and non-monetary items in foreign currency are translated into Swiss francs at the following year-end ex-change rates:

	Balance sheet 31 Dec 2017	Balance sheet 31 Dec 2016
USD	0.9882	1.072
EUR	1.1808	N/A

Transactions during the year, which are denominated in foreign currencies are translated at the exchange rates effec-tive at the relevant transaction date. Resulting exchange gains and losses are recognized in the income statement.

2. OTHER RECEIVABLES

The receivable related to consideration resulting from the disposal of Prodena Srl and its subsidiaries has been impaired in 2017 due to events brought to the attention of management in January 2018 relating to events in Prodena Srl, which may result in a high risk of non-collection of the receivable resulting from the sale of Prodena Srl.

The balance of other short-term receivables due from related parties include current accounts due by our subsidiaries Blockchain Lab SA and The Native Media Inc.

3. INVESTMENTS

	Voting and capital rights in %	Capital	Gross book value	Accumulated provisions	Net book value
Direct and indirect investments	31 Dec 2017	31 Dec 2017	31 Dec 2017 CHF	31 Dec 2017 CHF	31 Dec 2017 CHF
Blockchain Lab SA, Lausanne	100,00%	CHF 100'000	7 999 999	(4 000 000)	3 999 999
The Native Media Inc., New York , USA	100,00%	USD 80	1 009 290	-	1 009 290
asknet AG, Karlsruhe, Germany	51,37%	EUR 560'370	2 857 781	-	2 857 781
P8H Inc., New York, USA	22,30%/15,00%	USD 152.34	8 500 000	-	8 500 000
Idreg Piemonte SpA, Italy	p.m.	p.m.	256 968	(256 967)	1
TOTAL			**20 624 038**	**(4 256 967)**	**16 367 071**

As of 19 May 2017, the Company has acquired 100% of Blockchain Lab SA (previously The Native AG), Basel, a Swiss registered company for a consideration of CHF 8'000'000. This price has been paid by the remittance of 2'285'714 Company's shares, representing a nominal value of CHF 7'999'999, issued on 20 July 2017. Blockchain Lab SA is a hold-ing company for several digital content marketing investments:

- 75% in The Native Media Inc., a Delaware corporation
- 33.3% in Holotrack AG (Switzerland) including direct and indirect holding of 8.31% in Pulse Evolution Corpora-tion (USA) and portfolio of loans issued to each of Holotrack AG and Pulse Evolution Corporation (USA), all of Holotrack and Pulse related assets hereinafter referred as "Holotrack Assets".

As of 5 November 2017, the Company has acquired the remaining 25% of The Native Media Inc. (already held indirect-ly at 75% by the Company's subsidiary Blockchain Lab SA) for a consideration of USD 1'000'000, payable in three cash instalments: USD 200'000 by 30 November 2017, USD 400'000 by 30 November 2018 and USD 400'000 by November 30, 2019.

As of 6 November 2017, the company Blockchain Lab SA sold the investment in "Holotrack Assets" for a fixed sales price of CHF 8'000'000, payable by 31 October 2020 (*), plus a variable component of maximum CHF 2'000'000, corre-sponding to 25% proceeds of all litigation payments to be received by Holotrack or the acquirer in conjunction to law-suits and shareholder disputes within PLFX for a period up to 31 October 2027.

On 8 November 2017, the Company has acquired a participation of 51.37% of asknet AG, a German company regis-tered in Karlsruhe. This acquisition was composed of three elements:

- The acquisition of 46.51% of asknet AG from the existing shareholders, for a consideration of EUR 1'973'485, paid in cash
- The acquisition of 4.86% of asknet AG by the participation of this entity's capital increase. The Company bought new shares at a price of EUR 9.20 per share (for a nominal value of EUR 1 per share)
- As a final step of the transaction, asknet AG will issue a convertible bond of at least EUR 1'500'000 to be sub-scribed by the Company.

This entity owns three 100% subsidiaries incorporated in the USA, Switzerland and Japan.

	Registered office	Country	Currency	Share capital	Owner-ship	Voting rights
asknet AG	Karlsruhe	Germany	EUR	560'370.00	51.37%	51.37%
asknet Inc.	San Francisco	USA	USD	168'000.00	51.37%	51.37%
asknet KK	Tokyo	Japan	JPY	22'716'000.00	51.37%	51.37%
asknet Switzerland GmbH	Uster	Switzerland	CHF	24'000.00	51.37%	51.37%

On 18 December 2017, the Company made an investment of 15% economic interest (22.30% voting rights) in the US company P8H Inc., a New York corporation, for a consideration of CHF 8'500'000, of which CHF 500'000 were paid in cash and CHF 8'000'000 were paid by a receivable (*) assignment. This purchase agreement has three particularities:

- A short-dated break option, not exercised, under which the seller could revoke this agreement before 31 Janu-ary 2018 by paying USD 1'500'000 cash
- A repurchase right for the seller until 31 May 2018 for USD 10'000'000 cash
- A call option for an investment of 36% (with full transfer of the board and management control) for a price of CHF 24'500'00.

Accumulated provisions on investments in subsidiaries

At 31 December 2017, an impairment of CHF 4'000'000 has been decided on the investment in Blockchain Lab SA, due to the delayed execution of Kazakhstan related projects.

During the financial year 2015, the Company had acquired a participation of 19% in Idreg Piemonte SpA for a considera-tion of CHF 256'968. Due to the fact that Idreg Piemonte SpA is under bankruptcy since August 2015, the investment had been fully impaired. This investment will be fully written off (without any impact in the income statement as al-ready fully impaired) as soon as this entity is deleted from the trade register of companies.

4. FINANCIAL LIABILITIES

The following table details the financial liabilities:

	Current		Non-current	
	31 Dec 2017 CHF	31 Dec 2016 CHF	31 Dec 2017 CHF	31 Dec 2016 CHF
Loans from:				
Third parties	200 000	200 000	-	-
Related parties	89 219	-	8 000 000	-
Payables related to business combinations:				
Third parties	395 280	-	395 280	-
Related parties	-	-	-	-
Convertible loan from:				
Third parties	6 209 248	1 120 000	-	-
Related parties	-	-	-	-
Total financial liabilities	**6 893 747**	**1 320 000**	**8 395 280**	**-**

Loans

A CHF 200'000 loan granted by a third party has the following features:

Duration: the loan was granted for one year starting from 28 February 2014; accordingly, the loan amount or the outstanding amount shall be repaid

Interest: fixed interest rate of 3%.

A CHF 89'219 loan is the remaining balance of a USD 150'000 loan granted by a related party on 28 April 2017, for bridge financing of working capital needs. This loan has the following features:

Duration: the maturity of this loan facility was 31 July 2017. This term can be extended with an additional 0.5% extension fee

Interest: fixed interest rate of 0.5% per month, plus arrangement fees of 0.5% of the total amount drawn.

A CHF 8'000'000 loan has been granted by a related party, for the purpose of acquiring some investments (see note 3):

Duration: the maturity of this loan is undetermined

Interest: variable interest rate, taken from the circular of the Swiss Federal Tax Administration regarding inter-company loans

Payables related to business combinations

In relation with the acquisition in November 2017 of 25% of the company The Native Media Inc., part of the considera-tion payment is deferred: USD 400'000 is payable by 30 November 2018 (classified as current) and USD 400'000 by 30 November 2019 (classified as non-current).

Convertible loans

MTH

On 5 September 2013, the Company agreed with a third party a convertible loan for the amount of CHF 1'120'000, which entitles the holder to convert all or part of the loan to ordinary shares at nominal value of The Native SA (previ-ously 5EL SA) shares (actually CHF 3.50 per share), i.e. for a loan of CHF 3.50 the holder shall receive 1 The Native SA share with a nominal value of CHF 3.50). Conversion may occur at any time between 1 November 2018 and 30 December 2018. If the loan is not converted in the timeframe mentioned, it will be reimbursed on 30 December 2018 or earlier at the option of the borrower. Conse-quently, this loan has been classified as current. A variable interest of 2.5% on CHF 1'000'000 and 0.75% on the surplus (2016: 3.25% p.a.) shall be paid in arrears semi-annually, until the notes are converted or redeemed.

Convertible Note 2017

On 15 December 2017, a convertible loan agreement has been signed with several lenders for an amount of EUR 4'310'000, through the issuance of 4'310 notes of EUR 1'000 par value. These notes carry 6% annual interest payable semi-annually and accruing as 15 December 2017. The notes mature on 15 December 2018.

Each noteholder has the right to convert each note of EUR 1'000 par value into a capital amount of CHF 1'160.50 for subscription in the share capital increase of the Company and the Company is required to issue 211 bearer shares of the issuer with a par value of CHF 3.50 each, converted at an exercise price of CHF 5.50 per share. Conversion may occur at any time between 1 July 2018 and 15 December 2018. If the loan is not converted in the timeframe mentioned, it will be reimbursed on 15 December 2018. Consequently, this loan has been classified as current.

5. SHAREHOLDERS' EQUITY AND TREASURY SHARES

	Share Capital	Accumulated Losses	Treasury Shares	Total
	CHF	CHF	CHF	CHF
Balance at 1 January 2016	**10 161 920**	**(8 857 992)**	**(259 135)**	**1 044 793**
Loss for the year	-	(936 586)	-	(936 586)
Balance at 31 December 2016	**10 161 920**	**(9 794 578)**	**(259 135)**	**108 207**
Balance at 1 January 2017	**10 161 920**	**(9 794 578)**	**(259 135)**	**108 207**
Loss for the year	-	(7 109 092)	-	(7 109 092)
Capital decrease	(9 272 752)	9 272 752	-	-
Capital increase	9 999 997	-	-	9 999 997
Balance at 31 December 2017	**10 889 165**	**(7 630 918)**	**(259 135)**	**2 999 112**

Share capital

As of 31 December 2017, the Company's share capital amounts to CHF 10'889'165, consisting of 3'111'190 ordinary bearer shares with a nominal value of CHF 3.50 each, all fully paid in. Each ordinary share carries one vote and a right to dividends.

At the shareholders' general meeting held on 14 June 2017, the shareholders accepted the Board's proposal to reduce the share capital of the Company from CHF 10'161'920 to CHF 889'168 by a reduction of the nominal value of each share from CHF 40.00 to CHF 3.50. It was also decided to increase the share capital by CHF 9'999'997 through the issu-ance of 2'857'142 new ordinary bearer shares with a nominal value of CHF 3.50 each. The capital increase has been completed in cash for CHF 1'999'998 and by the conversion of the amount payable resulting from the purchase of the 100% ownership interest in Blockchain Lab SA (previously The Native AG) for CHF 7'999'999.

Treasury shares

During the financial years 2017 and 2016, the Company did not purchase or sell any treasury shares. The 4'508 treas-ury shares held by the Company correspond to an investment of 0.14% (2016: 1.77%) of total shares issued.

6. AUTHORIZED CAPITAL

On 6 December 2017, the Extraordinary Shareholders Meeting "EGM" unanimously resolved to create a new article 3.4 of the Articles of Association as follows:

An authorized share capital, up to a maximum amount of CHF 5'444'582.50 by the issuance of maximum 1'555'595 bearer shares with a par value of CHF 3.50 each, which equates to 50% of the existing share capital, was created for a 2-year period until 6 December 2019. The pre-emptive rights of the existing shareholders related to the subscription of this authorized share capital are excluded in case of acquisition of entities (or parts of entities), acquisition of participa-tions in entities and strategic partnerships. This authorized capital was created in the context of the Convertible Note 2017 (see note 4).

7. CONDITIONAL CAPITAL

On 6 December 2017, the EGM unanimously resolved to create a new article 3.3 of the Articles of Association as fol-lows:

A conditional share capital, up to a maximum amount of CHF 3'500'000 by the issuance of maximum 1'000'000 bearer shares with a par value of CHF 3.50 each, was created in connection with conversion rights to be granted under a future issuance of a convertible bond or similar instrument or with the exercise of option rights in the context of share option plans granted to employees, creditors, shareholders or the Board of Directors. The pre-emptive rights of the existing shareholders related to the subscription of this conditional share capital increase are excluded.

The article 3.2 of the Articles of Association was amended by the EGM of 6 December 2017 as follows:

A conditional share capital, up to a maximum amount of CHF 341'250 by the issuance of maximum 97'500 bearer shares with a par value of CHF 3.50 each, was created in connection with the conversion rights to be granted under an expected future issuance of a convertible bond or similar instrument. The pre-emptive rights of the existing sharehold-ers related to the subscription of this conditional share capital increase may be limited or excluded by the unanimous resolution of the Board of Directors under certain circumstances lined out in the article 3.2 of the Articles of Association.

On 14 June 2017, further to the capital reduction, the AGM unanimously resolved to amend the article 3.1 of the Arti-cles of Association as follows:

A conditional share capital, up to a maximum of CHF 98'000 by the issuance of maximum 28'000 bearer shares with a par value of CHF 3.50 each, was created in connection with the exercise of the conversion right granted to the holder of the convertible loan, MT Holding S.p.A, Rome (see note 4). The pre-emptive rights of the existing shareholders related to the subscription of the shares of this conditional share capital increase are excluded.

8. IMPORTANT SHAREHOLDERS

The following shareholders (with a participation exceeding 3% known to the Company) are considered as significant:

	Ownership Interest
Highlight Event & Entertainment AG	19.99%
SERES Investments SA	19.29%
Atlas Pass Holdings Limited	14.46%
Sergey Skaterschikov	9.64%
Whiteridge Investment Funds SPC Limited – Global Energy SP	9.29%
Whiteridge Investment Funds SPC Limited – Global Income SP	9.18%
Ecommerce Alliance AG	7.35%

9. COMMITMENTS

There are no commitments.

10. CONTINGENT LIABILITIES

The Company has certain contingent liabilities in respect of legal claims arising in the ordinary course of business. In management's opinion, it is not anticipated that any material liabilities will arise from the contingent liabilities.

11. FULL-TIME EQUIVALENT EMPLOYMENTS

The annual average number of full-time equivalent employments for the reporting year, as well as the previous year, did not exceed 10.

12. PENSION LIABILITIES

On 31 December 2017, the liability to the pension scheme amounted to CHF 0 (2016: CHF 0).

13. LEASING

On 31 December 2017, the leasing liability represents a total amount of CHF 52'626 (2016: CHF 0). This amount is re-lated to the leasing of a car being used by the Management for headquarter purposes.

14. SHARES AND OPTIONS HELD BY THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

Apart from the shares held by Mr. Sergey Skaterschikov (9.64% of the Company), no member of the Board of Directors and / or Management Board holds any shares in the Company. No options have currently been issued to any member of the Board of Directors and / or Management Board under any share option plan. No option plan has currently been issued under any share option plan.

15. COMPENSATION TO THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The compensation of the Board of Directors and other members of key management personnel during the year were as follows:

31 December 2017
In TCHF

Member of the Board of directors of The Native SA	Function	Board of directors compensation (i)	Management Board compensation (ii)	Management Board honorarium (iii)	Other (iv)	Total
Gianluigi Facchini	Former Chairman	35				**35**
Izabela Depczyk	Member and CEO		63			**63**
Victor Iezuitov	Member and CFO	20	63			**83**
Total		**55**	**126**	**-**	**-**	**181**

31 December 2016
In TCHF

Member of the Board of directors of The Native SA (5EL SA)	Function	Board of directors compensation (i)	Management Board compensation (ii)	Management Board honorarium (iii)	Other (iv)	Total
Gianluigi Facchini	Chairman	70				**70**
Nicolò Von Wunster	Member & CEO			70	490	**560**
Victor Iezuitov	Member	40				**40**
Total		**110**	**-**	**70**	**490**	**670**

(i) Gross fixed compensation to members of the Board of Directors
(ii) Gross fixed compensation to members of the Management Board
(iii) The Management Board honorarium is the fixed compensation to the former Chief Executive Officer paid to a company related to him
(iv) Other payments.

16. LOANS AND CREDITS GRANTED TO THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

There are no loans granted to members of the Board of Directors and Management Board.

There are no guarantees issued or assumed for any members or former members of the Board of Directors and/or Management Board.

17. SUBSEQUENT EVENTS

No significant events occurred between 31 December 2017 and the date of authorization for issuance of the 2017 fi-nancial statements that would require adjustments of the presented financial statements or disclosures.

Auditor’s Report
On Financial Statements

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Lausanne, April 30, 2018

REPORT OF THE STATUTORY AUDITOR
TO THE GENERAL MEETING OF THE NATIVE SA, Lausanne

Report on the audit of the financial statements

Opinion

We have audited the financial statements of THE NATIVE SA, which comprise the balance sheet as at 31 December 2017, the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the accompanying financial statements (pages 64 to 74) as at 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES AND RELATED LOANS TO SUBSIDIARIES

Key audit matters

The company holds investments in subsidiaries and associates with a carrying value of CHF 16'367'071 as of 31 December 2017, representing 85 % of total assets. The list of Group subsidiaries and associates can be found in note 3 to the financial statements. The valuation of these assets is dependent on the ability of these companies to generate positive cash flows in the future.

In accordance with Article 960 CO, these investments are valued individually and the values must be tested annually for impairment. An impairment would need to be recorded if any of the recoverable values of investments were lower than the associated carrying values, or if loan balances were no longer considered recoverable from the associated entities.

The company uses the "income approach" for its impairment tests on investments. Management has prepared for the first time a 3 year business plan including all affiliates newly acquired. This business plan will be revised each time the Group presents consolidated financial statements and will be expanded to 5 years. The future plans will also include a full discounted cash flow.

The annual impairment testing is considered to be a risk area for the Board of Directors and a key audit matter because the assumptions on which the tests are based are highly judgmental and are affected by future market and economic conditions which are inherently uncertain and are furthermore risky in this case because of the industry in which the Group operates.

How our audit addressed the key audit matter

We discussed with Management the adequate implementation of accounting policies and controls regarding the valuation of investments in subsidiaries and associates. We critically assessed the methodology applied in preparing future business plans and the reasonableness of the underlying assumptions and judgements.

We tested balances on a sample basis to evidence the financial position of the entities concerned.

Based on the audit procedures performed above, we consider Management's estimates in the assessment of the recoverable value of investments in subsidiaries and associates to be fairly stated.

POSSIBLE SITUATION OF GOING CONCERN

Key audit matters	How our audit addressed the key audit matter
The Company has raised funds and performed large investments in new subsidiaries during the second semester of 2017. At year end the Company has a negative net current situation raising doubts on the ability of the Company to continue as a going concern	We discussed with management the situation. Management has shared with us plans to increase share capital to face short term financial needs. Management has also discussed with convertible bond holders and has obtained an agreement to postpone the repayment if a longer period is necessary before the reimbursement is acted. Based on our discussion and the documents presented to us, we believe Management's estimates in the assessment of the Company to continue as a going concern, to be appropriate

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

We draw attention to the fact that half of the share capital and legal reserves are no longer covered (article 725 al. 1 CO).

BERNEY & ASSOCIES SA
Société Fiduciaire

Cosimo PICCI
Licensed Audit Expert
Auditor in charge

Claude HERI
Licensed Audit Expert

Company Profile

Board of Directors

Sergey Skaterschikov, Chairman
Serge Umansky, Vice-Chairman
Izabela Depczyk, Member

Management Board

Izabela Depczyk, CEO
Victor Iezuitov, CFO

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Reporting

The Board of Directors

Custodian Bank

BANQUE LOMBARD ODIER & Cie SA, Lausanne Branch, 1003 Lausanne

Publications

Interim reports as at 30 June

Ticker Symbols

Bloomberg	NTIV SW Equity
Telekurs	NTIV
Security number	632.685
ISIN	CH0006326851

Investor Relations

Victor Iezuitov, The Native SA, Rue du Grand-Chêne 8, 1003 Lausanne

THE NATIVE