The Native SA, Basel

Annual Report 2018

for the year ended 31 December 2018

31 May 2019

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CHAIRMAN LETTER TO THE SHAREHOLDERS

Dear Shareholder,

The year 2018 was the first full year of operations of The Native SA, the brand-new company established in June 2017 through recapitalization of an idle Swiss-listed firm 5EL SA, and subsequent acquisition of various ecommerce, technology and media assets.

We entered 2018 placing strategic bets on two primary areas of growth: ecommerce services industry through asknet AG, a Karlsruhe-based public company The Native SA had acquired control of in November 2017, and digital marketplaces, through P8H Inc (Paddle8), a New York-based online auction company focusing on Gen Z and millennial collectors. We made a strategic investment into Paddle8 in December 2017, and subsequently (in May 2018) negotiated a set of call and put options with majority owners of Paddle8, creating the path to control for The Native SA over P8H Inc. Subsequently asknet AG was also provided with additional capital to finance the growth.

These actions instantly delivered the scale and significant market position for The Native SA in the ecommerce services and niche marketplaces business, as well as primary operating hubs in Germany and the USA. At the same time both investments created the immediate pressure to allocate adequate time and resources for the turnaround and modernization of each of asknet AG and Paddle8, as both companies experienced significant decline of their business over the years preceding investment from The Native SA. We have kept a laser focus over the course of 2018 in mapping new strategies for our key Investments and finally decided to concentrate our efforts on ecommerce with asknet AG recapitalization, technology upgrade and other essential support required to bring the business back to growth and profitability. At the same time, The Native's smaller business units such as The Native Media Inc and Blockchain Lab have been completely refocused and are ready to assist with the modernization and sales & marketing buildup of our key Investments in ecommerce.

Concurrently to the publication of this annual report, The Native SA is very pleased with the results of fundamental transformation and concentration on our key subsidiary and subsequent strategic options it has created.

Asknet AG continues to remain our core business, with The Native SA maintaining 51% ownership and full control over asknet AG, and asknet AG itself reporting strong double-digit revenue growth in 2018, thus reversing four years of steady decline of its business. Asknet AG reported on May 17, 2019 that its 2018 revenues totaled €85.84 million[1] or 30% increase over 2017, and that its 2018 gross profit increased by 13% to €9.65 million.

As The Native's board has observed a steady improvement in asknet AG business, it has allocated additional resources and management attention towards the opportunity to further scale up ecommerce services business through acquisition of Nexway Group AG, a larger and more technologically advanced peer of asknet AG. The acquisition of Nexway Group AG was completed by asknet AG on January 31, 2019. At the time of the acquisition, the management of asknet AG was estimating the synergies effect in excess of €5 million, with over €3 million released already in Q1 2019 through elimination of redundant senior and middle management positions across both asknet and Nexway, removing of duplication and migrating the entire asknet AG organization onto the more technologically advanced Nexway product platform. The full effect of asknet / Nexway integration will transpire in the course of 2019 and will lead to creation of sustainably profitable market leading global ecommerce services company with steady growth prospects in Europe and beyond.

As the potential scale of both organic and non-organic buildup of ecommerce services business became clear to the leadership of The Native, the company's board started to explore the options for divesting from Paddle8 business in order to focus the company's time and resources on the ecommerce services operation. In the course

[1] asknet AG is a listed company traded at Frankfurt Stock Exchange and reporting in the EURO currency

of 2018 Paddle8 had narrowed focus and rebuilt market leadership in benefit auctions business, supplementing this core activity with bold and highly successful launch of new collecting categories in street art, gaming and other segments offered through both auction and newly created online storefront formats. This quick repositioning, restoration of Paddle8 brand value and creation of highly competitive ecommerce offering allows The Native to choose from several divestment strategies and will eventually lead to a complete exit from P8H Inc equity investment.

In immediate future The Native SA will maintain its focus on building up ecommerce services segment, releasing full effect from synergetic acquisition of Nexway Group AG and driving the combined asknet/Nexway operation to profitability while maintaining steady topline growth. Our 100% owned subsidiaries The Native Media Inc and Blockchain Lab AG will continue to focus on supporting the growth and competitiveness of our core ecommerce services business to preserve the group's focus, however as both of them are no longer acquiring the business from the external customers, the management of The Native SA has made a decision to impair the value of both subsidiaries to zero as of December 31, 2018.

In this context The Native SA shareholders meeting to be held on June 24, 2019 will be asked to support the board's recommendation for the revised composition of the board, with Mssrs Osman Khan and Paulo Pinto retiring from the Board (to be replaced by the choice of the board candidates to be elected by the annual shareholders meeting), Mr. Alexander Gilkes leaving the CEO position to pursue other interests, and our CFO, Mr. Victor Iezuitov transferring to serve as the CEO of asknet AG effective as of July 1, 2019.

In the long term, since The Native's primary objective is to deliver strong returns to its shareholders, we'll seek for new potential acquisitions in the digital business, media and entertainment space, and will be open to divest of asknet AG once the board believes it can achieve the optimal valuation to do so, and with no pressure to complete this divestment.

With best regards,

OSMAN KHAN

Chairman of the Board of Directors

THE MANAGEMENT LETTER TO THE NATIVE SA SHAREHOLDERS

Dear Shareholder,

The year 2018 had shown the scale of our ecommerce business model adopted following transformation of the 5EL SA into The Native SA throughout 2017, -- being the first year of full consolidation of our key subsidiaries (specifically asknet AG in Germany), The Native SA is reporting the consolidated group revenues of CHF 102.6 million compared to CHF 15.5 million in 2017. The asknet Group was consolidated for two months in 2017 and the whole year in 2018.

In spite of various restructuring, integration and modernization expenses incurred in a process of acquiring the key subsidiaries, we have nearly managed to achieve operating profitability in 2018 and report negative EBITDA of TCHF 215 thousand for 2018 fiscal year versus negative EBITDA of CHF 3.476 million in 2017. Given significant and profound impact of restructuring aimed to refocus our business on the global ecommerce services offering, we have continued to impair and divest those parts of our Group that no longer fit into our new strategy, finally resulting in the net loss of CHF 8.4 million for 2018, a significant reduction from CHF 14.0 million net loss in 2017, with the 2018 loss largely attributed to non-cash items such as goodwill impairment. Those impairments and realignment of our business portfolio including forthcoming complete exit from P8H Inc (Paddle8) will result in our ability to deliver profitable growth centered on the ecommerce services business model going forward.

Creation of The Native SA with over CHF 100 million in sales company had been largely financed through debt, with no dilutive equity placements made in the course of 2018. That said, in 2018 we have managed to keep the debt more or less on the same level as in 2017 (CHF 15.9 million as of December 31, 2018 versus CHF 15.6 million as of December 31, 2017), with the net debt level actually reduced from CHF 7.7 million as of December 31, 2017 to just CHF 7.0 million as of December 31, 2018). Moreover, we have been able to successfully refinance all of our debt obligations in 2018 and as of December 31, 2018 the short-term portion of our debt was just CHF 0.9 million versus CHF 6.9 million as of December 31, 2017.

We enter 2019 having a full confidence in the growth potential of our ecommerce services business and our ability to execute on the growth strategy around it. This is evidenced by the 30% 2018 revenue growth in asknet AG, our key operating subsidiary that had seen its revenues declining for four consecutive years before we acquired asknet AG in November 2017.

On January 31, 2019 asknet AG acquired 100% of Nexway Group AG, with this move coupled with organic growth of our ecommerce services business we anticipate doubling the revenue of The Native SA in 2019.

In this context, The Native SA has made a strategic decision to exit all of its investments in P8H Inc to narrow our focus on the ecommerce services business and integration of asknet and Nexway operations into one fast growing and profitable organization.

The Native SA is also going to experience a transition to a leaner organization in the course of 2019, with the annual shareholders meeting on June 24 to elect the new board for the company that will focus on supporting the growth of our ecommerce services business model going forward.

Alexander Gilkes

Chief Executive Officer

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 directives, including the Internal Control System (the "ICS").

Further information disclosed below conforms to the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange; the information refers to 31 December 2018, 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.native.ch that could provide additional, more detailed information.

1. Group structure and shareholders

Group structure

The Native SA ("the Company") was incorporated in Switzerland as a Swiss limited company on 17 December 1998. The Company has its corporate legal headquarter at Gerbergasse 48, 4001 Basel, Switzerland (before May 25, 2018, the headquarters were 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 services, 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 December 2018 amounts to CHF 11.6 million (31 December 2017: CHF 29.7 million).

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

	Registered office	Country	Currency	Share capital	Ownership interest	Voting rights
Blockchain Lab SA	Lausanne	Switzerland	CHF	100'000.00	100.00%	100.00%
asknet AG *	Karlsruhe	Germany	EUR	653'765.00	51.00%	51.00%
asknet Inc.	San Francisco	USA	USD	186'000.00	51.00%	51.00%
asknet KK	Tokyo	Japan	JPY	24'491'000.00	51.00%	51.00%
asknet Switzerland GmbH	Uster	Switzerland	CHF	20'000.00	51.00%	51.00%
The Native Media Inc.	New York	USA	USD	80.00	100.00%	100.00%
Highlight Finance Corp. **	Tortola	BVI	USD	50'000	82.00%	82.00%
P8H Inc.	New York	USA	USD	152.34	15.00%	22.30%

* 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 2018 amounts to EUR 7.1 million (31 December 2017: EUR 6.4 million). It owns three 100% subsidiaries incorporated in the USA, Switzerland and Japan.

** On 16 July 2018, The Native SA acquired an 82% ownership interest in Highlight Finance Corp. ("HFC"), at that time shareholder of The Native SA by 8.17%.

On 26 September 2018, asknet AG decided to execute a capital increase from cash contributions in order to finance its growth plan, issuing up to 93'395 new shares at a subscription price of EUR 10.50 per share. At that time, The Native SA did not subscribe to this capital increase and its ownership interest temporarily decreased from 51.37% to approximately 44%, albeit The Native SA remained the largest shareholder in asknet AG and continued to exercise control over the company. On 28 December 2018, The Native SA acquired 45'595 shares in asknet AG and increased the ownership level to 51.00%, The Native SA remained the 51% owner of asknet AG since then.

On 3 December 2018, asknet AG entered into a preliminary share purchase agreement to acquire 100.00% of Nexway Group AG, the 100.00% owner of Nexway SAS, Paris, France. This acquisition has been completed at the end of January 2019.

Significant shareholders

According to SIX Swiss Exchange notifications, significant shareholders as of 31 December 2018 are:

	Ownership Interest
Highlight Event & Entertainment AG	19.99%
Clear Express Group (formerly Atlas Pass Holdings Limited)	14.46%
Alexander Gilkes	11.25%
PB Invest AG	9.64%
Whiteridge Investment Funds SPC Limited – Global Income SP	9.18%
GigaAir Limited	8.03%
E-commerce Alliance AG	7.35%
Falcon Consulting Limited	3.86%

The Company holds 0.14% of its own share capital (treasury shares).

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 investments

There are no cross investments with other Group companies.

2. Capital structure

Ordinary share capital as per 31 December 2018	CHF	10'889'165.00
Authorized capital as per 31 December 2018	CHF	5'444'582.50
Conditional capital as per 31 December 2018	CHF	3'500'000.00
Conditional capital as per 31 December 2018	CHF	341'250.00
Conditional capital as per 31 December 2018	CHF	98'000.00

Share capital

As per 31 December 2018, 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 had 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 for CHF 7'999'999.

Treasury shares

As at 31 December 2018, The Native SA owns 4'253 of its own shares. Further information can be found in Note 6 of the financial statements.

Authorized share capital

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 is excluded in case of acquisition of entities (or parts of entities), acquisition of participations in entities and strategic partnerships.

Conditional share capital

The Articles of Association provide for three distinct types of conditional share capital:

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.

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.

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, now awarded and assigned to a related party (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 certificates 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 of The Native SA 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.

The conditions applicable to this convertible loan were as follows: conversion might occur at any time between 1 November 2018 and 30 December 2018. If the loan was not converted within the timeframe mentioned, it would be reimbursed on 30 December 2018 or earlier at the option of the borrower. Consequently, this loan had been classified as current. A variable interest of 2.5% on CHF 1’000’000 and 0.75% on the surplus (2017: 3.25% p.a.) should be paid in arrears semi-annually, until the notes were converted or redeemed.

Further to the bankruptcy of MT Holding S.p.A (subsequently MT Holding S.p.A in liquidation) and a competitive procedure held by the Bankruptcy trustee, a related party of The Native SA was awarded this convertible loan by the Court of Asti (Italy) and, by a debt assignment agreement signed on 31 January 2019, the Bankruptcy trustee of MT Holding S.p.A in liquidation formally assigned to this related party all its rights, receivables, accrued interest and obligations arising out of the loan.

On 27 March 2019, both The Native SA and its related party agreed to maintain the above conditions except:

- The maturity has been postponed to 31 December 2019. However, if the conversion does not take place during 2019, the related party will postpone the reimbursement of the convertible loan for a minimum of 12 months
- The interest on existing loan and accumulated interests has been agreed to be the rate communicated by the Swiss Federal Tax administration (currently 0.75%).

Convertible Note 2017

On 15 December 2017, a convertible loan agreement was 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.

The conditions applicable to this convertible loan were as follows: these notes carried 6% annual interest payable semi-annually and accruing as of 15 December 2017. The notes had a maturity on 15 December 2018. Each note-holder had 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 was 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 might occur at any time between 1 July 2018 and 15 December 2018. If the loan was not converted within the timeframe mentioned, it would be reimbursed on 15 December 2018.

In August 2018, some lenders, for a total amount of EUR 1'205'000, converted their notes and received 254'255 shares from the Company's treasury shares. The other remaining EUR 3'105'000 of the convertible loan (lent by Highlight Finance Corp., a 2018 newly acquired affiliate) was written-off in favor of the Native SA, partly in August 2018 and partly in December 2018. This convertible debt is therefore extinguished as at 31 December 2018.

Option rights

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

3. The Board of Directors

A change in the composition of the Board of Directors took place in 2018.

On 25 May 2018, the existing Board members (Mr. Sergey Skaterschikov, Mr. Serge Umansky and Ms. Izabela Depczyk) had not presented themselves as candidates for a re-election. The AGM therefore elected Messrs Osman Khan, Paulo Pinto and Patrick Girod as members of the Board for a one-year term. Mr. Osman Khan was elected as new Chairman and Mr. Patrick Girod as Vice-Chairman for a one-year term.

As of 31 December 2018, the Board of Directors was composed by:

		First Election date	Last election date	Next re-election date
Osman Khan	Chairman	May 2018	May 2018	AGM 2019
Patrick Girod	Vice-Chairman	May 2018	May 2018	AGM 2019
Paulo Pinto	Member	May 2018	May 2018	AGM 2019

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 memberships of each member of the Board of Directors (alternatively, the "Directors").

Members of the Board of Directors

Osman Khan
Chairman of the Board of Directors since 25 May 2018
U.S. citizen, resident in New York (USA)

Mr. Osman Khan is a seasoned, multidisciplinary and results driven management professional with 15+ years of global work experience and international exposure building, scaling and advising Companies from seed stage enterprises to Fortune 100 public companies. Most recently, Mr. Khan was the Co-Founder and CEO of the leading online auction house, Paddle8, and prior to that Mr. Khan was involved in the M&A and Capital Raising Advisory practices at Perella Weinberg Partners and the strategic consulting division of Towers Watson, advising Fortune 100 companies on global workforce compensation and rewards strategies. Mr. Khan is an active angel investor and operating board member and advisor to several late-stage startups globally. Mr. Khan holds an MBA from Harvard Business School and a Masters in Industrial Engineering from Northwestern University. He is fluent in English, Arabic and Urdu.

Patrick Girod
Vice Chairman, Board member since 25 May 2018
Swiss citizen, resident in Collex-Bossy (Switzerland)

Mr. Patrick Girod is a Finance professional (M.Sc. in Banking and Finance HEC, Lausanne) with an extensive experience in Investment banking and management. Since 2001, Mr. Girod has been involved in wealth management and portfolio structuring. Mr. Girod is currently head of Wealth Management at Herculis Partners SA, a Geneva-based advisory firm.

Paulo Pinto
Member of the Board since 25 May 2018
Portuguese citizen, resident in Carnaxide (Portugal)

Mr. Paulo Pinto is an entrepreneur with an extensive experience in digital and traditional brokerage, as well as in the capital markets trading. Mr. Pinto is currently COO of DIF Broker Iberia and DIF Markets Uruguay and has been Member of the Board of APC Portuguese Broker Dealer Association, and founder of the Portuguese Investors Association.

Elections and terms of office

The Articles of Association provide for a Board of Directors consisting of one or more members. Directors are appointed 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 compensation committee members are currently appointed by the general shareholders' meeting.

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

Name	Osman Khan	Patrick Girod	Paulo Pinto
Since	25 May 2018	25 May 2018	25 May 2018
Term	Elected at the annual general shareholders' meeting on 25 May 2018 for one year until the AGM of 2019, respectively	Elected at the annual general shareholders' meeting on 25 May 2018 for one year until the AGM of 2019, respectively	Elected at the annual general shareholders' meeting on 25 May 2018 for one year until the AGM of 2019, 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 presides (or in his absence another Director specifically designated by the majority of the Directors present at the meeting) 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 resolutions 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 chairperson) shall be decisive. Minutes are kept of resolutions and are signed by the Chairman and the Secretary.

As of 25 May 2018, Mr. Osman Khan 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 25 May 2018 has elected a Compensation Committee, composed by Messrs Patrick Girod and Paulo Pinto, both elected at 25 May 2018 AGM. Each member of the committee is elected for a one-year term.

The Compensation Committee assists the Board of Directors in establishing and periodically reviewing the Company'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 17 times during the year 2018.

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 entrusted with the management and representation of the Company; (v) prepare the annual report and the shareholders' meeting, carrying out shareholders' meeting resolutions; and (vi) notify to the judge in case of over indebtedness of the Company.

In accordance with the Articles and the Organizational Rules, the Board of Directors has delegated the implementation 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 of any developments 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 Directors 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 are 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 mandates exceeding the above limits.

4. The Management Board

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

The current CEO, appointed in June 2018, is Mr. Alexander Gilkes. Ms. Izabela Depczyk was co-CEO of the Company until 31 August 2018. The current CFO, appointed in June 2017, is Mr. Victor Iezuitov.

Competence of Management

The Board of Directors has delegated the management of the Company 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 Organizational 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 respect 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 are 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 mandates exceeding the above limits.

5. Compensation, shareholdings and loans

Content and method of determining compensation and the shareholding programs

Compensation of the members of the Board of Directors comprises fixed compensation elements, as well as a possible variable remuneration element. At the AGM held on 25 May 2018, the shareholders approved that the members of the Board of Directors receive up to CHF 150'000 in total as a fixed compensation, plus refund of expenses, and a variable amount up to a maximum of CHF 150'000 in total, depending on the results of the business, according to a scheme to be defined. The compensation committee shall be authorized to set up a stock option scheme for the benefit of the members of the Board of Directors.

Compensation of the members of the Management Board comprises fixed compensation elements, as well as a possible variable remuneration element. At the AGM held on 25 May 2018, the shareholders approved that the members of the Management Board receive up to CHF 500'000 in total as fixed amount, plus refund of expenses, and up to a maximum amount of CHF 500'000 in total as variable amount, depending on the results of the business, according to a scheme to be defined. The compensation committee shall be authorized to set up a stock option scheme for the benefit of the members of the Management Board.

Compensation disclosures

The compensation of the Board of Directors and the Management Board are detailed under section 4 of the Remuneration 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.

Share ownership

Mr. Alexander Gilkes, CEO, holds 11.25% of the Company.

Mr. Patrick Girod, Director, holds 0.14% of the Company.

No other 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.

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 exceptions. Consequently, there is neither a procedure nor a condition for their cancellation. A shareholder may be represented 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.

Convening of the general meeting of shareholders

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

Agenda

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

Inscriptions into the share register

The Company has 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 25 May 2018, the Ordinary Shareholders General Meeting appointed Berney Associés Audit SA, Lausanne, as auditor of The Native SA and of the Consolidated Financial Statements of The Native Group.

The audit report is signed jointly by two representatives of Berney Associés Audit SA on behalf of Berney Associés Audit SA. This is the fourth 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 Native Group.

Auditing fees

The total audit fee for the audit of financial year 2018 amount to CHF 174'000.

Additional fees

Besides the audit fees, additional fees were paid to Berney Associés Audit SA, Lausanne in relation to various issues during 2018 for a total amount of CHF 20'450.

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 2018, 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	24 June 2019
Interim report	30 September 2019 (www.thenative.ch)
Press information	When appropriate (electronically, with newsletter which can be subscribed to on the Company's web-site)
Company information	www.thenative.ch
Investor Relations	Victor Iezuitov, The Native SA Gerbergasse 48, 4001 Basel, Switzerland Tel + 41 58 881 10 30 E-Mail: investors@thenative.ch

MANAGEMENT COMPENSATION REPORT

1. Introduction

The compensation report contains information about the principles of remuneration, procedures for determining remuneration 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 Governance 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 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 compliance 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 compensation 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 Compensation 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 former Chief Executive Officer, Ms. Izabela Depczyk, and the Chief Financial Officer, Mr. Victor Iezuitov, received a fixed compensation during the reporting period (Ms. Izabela Depczyk from 1 January to 31 August 2018).

Authority and determination of compensation

On 25 May 2018, Ordinary Shareholders' Meeting, Messrs Patrick Girod and Paulo Pinto were elected as member of the Compensation Committee for a one-year term. The Compensation Committee is in charge of the implementation 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 2018 to the Annual General Meeting 2019, of a maximum amount of CHF 150'000 as fixed amount, plus refund of expenses, and up to a maximum amount of CHF 150'000 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 financial year 2018, of a maximum of CHF 500'000 as fixed amount, plus refund of expenses, and up to a maximum amount of CHF 500'000 as variable amount, depending on the results of the business, according to a scheme to be defined.
3. A stock option scheme, to be set up, for the benefit of the members of the Board of Directors.

The Compensation Committee prepares the recommendations, which will be submitted to the General Meeting for approval.

4. Compensation to the Board of Directors and Management Board

31 December 2018
In TCHF

Members of the Board of Directors and/or Management Board of The Native SA	Function	Board of directors compensation (i)	Management Board compensation (ii)	Total
Izabela Depczyk	Former Member and former CEO	-	268	**268**
Victor Iezuitov	CFO	-	136	**136**
Total		**-**	**404**	**404**

31 December 2017
In TCHF

Members of the Board of Directors and/or Management Board of The Native SA	Function	Board of directors compensation (i)	Management Board compensation (ii)	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**

(i) Gross fixed compensation to members of the Board of Directors
(ii) Gross fixed compensation and fringe benefits to members of the Management Board

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

Investments

Mr. Alexander Gilkes, CEO, holds 11.25% of the Company.

Mr. Patrick Girod, Director, holds 0.14% of the Company.

No other 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, May 31, 2019

Report of the statutory auditor to the general meeting of The Native SA, Basel

We have audited the compensation report of The Native SA for the year ended 31 December 2018. 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 of the compensation report.

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 2018 of The Native SA complies with Swiss law and articles 14-16 of the Ordinance.

Berney Associés Audit SA

BA Signature électronique authentifiée

BA Signature électronique authentifiée

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
(in thousands of Swiss Francs)

For the year ended 31 December

	Notes	2018 TCHF	Restated 2017 TCHF
Revenue		101'102	15'474
Other income		1'519	15
Total revenue	3	**102'621**	**15'489**
Cost of material		(88'706)	(13'426)
Personnel expenses		(6'881)	(1'040)
General and administrative expenses		(6'469)	(2'014)
Marketing & sales expenses		(1'804)	(855)
Other operating income / (expenses)	4	1'024	(1'630)
Total operating expenses		**(102'836)**	**(18'965)**
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**(215)**	**(3'476)**
Depreciation of property, plant and equipment	5	(114)	(25)
Amortization and impairment of intangible assets	5	(1'750)	(53)
Amortization and impairment of goodwill	5	(6'644)	(5'201)
Impairment of investments	2/5/11	-	(7'000)
Operating result (EBIT)		**(8'723)**	**(15'755)**
Net gain on sale of investments	11	-	2'260
Financial income	6	163	21
Financial expenses	6	(630)	(121)
Exchange differences		354	162
Extraordinary income and expenses	7	438	-
Result before income tax		**(8'398)**	**(13'433)**
Income tax	8	44	(592)
Net result		**(8'354)**	**(14'025)**
Attributable to:			
Owners of the Company		(5'129)	(14'090)
Non-controlling interests		(3'225)	65
Earnings per share			
Basic (CHF per share)	17	(1.67)	(4.54)
Diluted (CHF per share)	17	(1.67)	(4.54)

CONSOLIDATED BALANCE SHEET
(in thousands of Swiss Francs)

As at 31 December

		31 Dec 2018 TCHF	Restated 31 Dec 2017 TCHF
ASSETS			
Current assets			
Cash and cash equivalents		5 247	7 869
Trade and other receivables	9	7 820	4 170
Inventories		51	53
Prepaid expenses		739	159
Total current assets		**13 857**	**12 251**
Non-current assets			
Property, plant and equipment	10	170	232
Investments	2/5/11	1 500	1 500
Other financial assets		782	205
Intangible assets	12	2 616	3 438
Goodwill	13	1 293	7 898
Total non-current assets		**6 361**	**13 273**
Total assets		**20 218**	**25 524**

CONSOLIDATED BALANCE SHEET
(in thousands of Swiss Francs)

As at 31 December

		31 Dec 2018 TCHF	Restated 31 Dec 2017 TCHF
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	8 871	7 740
Accrued expenses		4 165	4 556
Current financial liabilities	15	878	711
Current convertible loan	15	-	6 209
Total current liabilities		**13 914**	**19 216**
Non-current liabilities			
Non-current financial liabilities	15	13 903	8 635
Non-current convertible loan	15	1 120	-
Deferred tax liabilities	8	465	577
Total non-current liabilities		**15 488**	**9 212**
Equity			
Share capital	16	10 889	10 889
Treasury shares	16	(34)	(259)
Cumulative translation adjustment		(21)	8
Accumulated losses		(13 637)	(684)
Net result		(5 129)	(14 090)
Total equity attributable to Owners of the Company		**(7 932)**	**(4 136)**
Non-controlling interests		(1 252)	1 232
Total equity		**(9 184)**	**(2 904)**
Total liabilities and equity		**20 218**	**25 524**

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 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 - Balance as previously reported	**10 889**	**(259)**	**8**	**(7 774)**	**2 864**	**1 232**	**4 096**
Additional impairment on investments (see note 2)	-	-	-	(7 000)	(7 000)	-	(7 000)
Balance at 31 December 2017 - Restated	**10 889**	**(259)**	**8**	**(14 774)**	**(4 136)**	**1 232**	**(2 904)**
Balance at 1 January 2018 - Restated	**10 889**	**(259)**	**8**	**(14 774)**	**(4 136)**	**1 232**	**(2 904)**
Net result	-	-	-	(5 129)	(5 129)	(3 225)	(8 354)
Currency translation difference	-	-	(29)	-	(29)	(30)	(59)
Dividends	-	-	-	-	-	(443)	(443)
Capital increase	-	-	-	-	-	559	559
Treasury shares received through a business combination	-	(2 324)	-	-	(2 324)	-	(2 324)
Treasury shares remitted following the conversion of Convertible Note 2017	-	2 244	-	(846)	1 398	-	1 398
Loss on market value of treasury shares	-	305	-	(251)	54	(54)	-
Badwill on business combination	-	-	-	2 234	2 234	-	2 234
Change in scope of consolidation	-	-	-	-	-	709	709
Balance at 31 December 2018	**10 889**	**(34)**	**(21)**	**(18 766)**	**(7 932)**	**(1 252)**	**(9 184)**

CONSOLIDATED CASH FLOW STATEMENT (1/2)
(in thousands of Swiss Francs)

For the year ended 31 December

	Notes	2018 TCHF	Restated 2017 TCHF
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(8 354)	(14 025)
Adjustments for:			
Tax (income) / expense	8	(44)	592
Financial expenses	6	630	121
Financial income	6	(163)	(21)
Net (gain) / loss arising on sale of other financial assets		-	(2 260)
Depreciation, amortization and impairment	5	8 508	5 279
Impairment of investments	2/5/11	-	7 000
Net (gain) / loss arising on scrapping of PPE and intangible		29	28
Impairment loss on receivable	9	-	2 111
Unrealised extraodinary income	7	(443)	-
Unrealised foreign exchange (gain) / loss		(443)	(182)
		(280)	*(1 357)*
Movement in working capital			
(Increase)/decrease in inventories		(1)	61
(Increase)/decrease in trade and other receivables		(656)	(320)
Increase/(decrease) in trade and other payables		914	3 520
Cash flow generated from operations		*(23)*	*1 904*
Income tax paid		(45)	(6)
Net cash used in / from operating activities		**(68)**	**1 898**

CONSOLIDATED CASH FLOW STATEMENT (2/2)
(in thousands of Swiss Francs)

For the year ended 31 December

	Notes	2018 TCHF	Restated 2017 TCHF
Net cash used in / from operating activities (report)		**(68)**	**1 898**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	22	-	(216)
Acquisition of investments	11	-	(500)
Acquisition of property, plant and equipment	10	(72)	(7)
Acquisition of intangible assets	12	(1 079)	(478)
Increase in other receivables	9	(1 984)	-
Increase in other financial assets	1	(631)	-
Interest received		37	-
Net cash used in / from investing activities		**(3 729)**	**(1 201)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in current financial liabilities		-	89
Increase in non-current financial liabilities	15	1 051	-
Increase in convertible loan	15	-	5 089
Decrease in current financial liabilities	15	(226)	-
Decrease in non-current financial liabilities		-	-
Interest paid		(604)	(38)
Capital increase through cash contribution	16	-	2 000
Capital increase granted by non-controlling interests		1 141	-
Costs attributable to the issue of new shares		-	(162)
Net cash used in / from financing activities		**1 362**	**6 978**
Change in cash and cash equivalents		**(2 435)**	**7 675**
Cash and cash equivalents at 1 January		7 869	46
Effect of movements in exchange rates on cash held		(187)	148
Cash and cash equivalents at 31 December		5 247	7 869
Change in cash and cash equivalents		**(2 435)**	**7 675**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Native SA ("the Company") was incorporated in Switzerland as a Swiss limited company on 17 December 1998. The Company has its corporate legal headquarter at Gerbergasse 48, 4001 Basel, Switzerland (before May 25, 2018, the headquarters were 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" (ISIN: CH0006326851).

The Native SA's subsidiaries are:

	Registered office	Country	Currency	Share capital	Ownership interest	Voting rights	Conso Method
Blockchain Lab SA	Lausanne	Switzerland	CHF	100'000.00	100.00%	100.00%	GI
asknet AG *	Karlsruhe	Germany	EUR	653'765.00	51.00%	51.00%	GI
asknet Inc.	San Francisco	USA	USD	186'000.00	51.00%	51.00%	GI
asknet KK	Tokyo	Japan	JPY	24'491'000.00	51.00%	51.00%	GI
asknet Switzerland GmbH	Uster	Switzerland	CHF	20'000.00	51.00%	51.00%	GI
The Native Media Inc.	New York	USA	USD	80.00	100.00%	100.00%	GI
Highlight Finance Corp. **	Tortola	BVI	USD	50'000.00	82.00%	82.00%	GI
P8H Inc.	New York	USA	USD	152.34	15.00%	22.30%	NC

* 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 2018 amounts to EUR 7.1 million (31 December 2017: EUR 6.4 million). It owns 100% in the three subsidiaries incorporated in the USA, Switzerland and Japan.

** On 16 July 2018, The Native SA acquired an 82% ownership interest in Highlight Finance Corp. ("HFC"), at that time shareholder of The Native SA by 8.17%, for a consideration of TCHF 1'000. The purchase price is due to be paid on or until 31 December 2020.

On 26 September 2018, asknet AG decided to execute a capital increase from cash contributions in order to finance its growth plan, issuing up to 93'395 new shares at a subscription price of EUR 10.50 per share. At that time, The Native SA did not subscribe to this capital increase and its ownership interest temporarily decreased from 51.37% to approximately 44%. Even if the ownership interest percentage was below 50% during this period, the Native Group has kept the control over asknet AG. On 28 December 2018, further to the acquisition of 45'595 shares in

asknet AG for a consideration of TCHF 620 (TEUR 550), the ownership increased back to 51.00%. The amount related to the acquisition of 45'595 shares in asknet AG is due on 31 December 2020.

On 3 December 2018, asknet AG entered into a preliminary share purchase agreement to acquire 100.00% of Nexway Group AG, the 100.00% owner of Nexway SAS, Paris, France. An amount of TCHF 631 (TEUR 500) has been paid by asknet AG as an advance (included in "Other financial assets", in the balance sheet). This acquisition has been completed at the end of January 2019.

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 entity Highlight Finance Corp. has been fully consolidated from 1st July 2018.

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 The Native SA had not realized any control in 2017 and there was still the possibility of a repurchase of the shares by the seller until 31 May 2018, the Management had decided to keep this investment at its acquisition cost (and not to use the equity method) as at 31 December 2017.

On 31 December 2018, as the Management decided not to exercise the P8H Inc. related call option and given a strategic decision made not to consolidate P8H Inc. business going forward, it has chosen to maintain this investment at its acquisition cost, impaired up to its recoverable value.

These Group consolidated financial statements were approved by the Board of Directors and authorized for issue on 31 May 2019. They are subject to approval of the shareholders' General Meeting on 24 June 2019.

2. ACCOUNTING INFORMATION AND POLICIES

This section describes the basis of preparation of the consolidated financial statements and the Group's accounting policies 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. Accounting 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 currency. 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 subsidiaries 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 recognized in the income statement.

Investments in associated companies, i.e. companies over which the Group has the power to exercise significant influence, 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.

Investments in non-consolidated companies, i.e. with an ownership percentage of interest lower than 20%, are stated at acquisition cost less any necessary allowance for impairment.

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 positive difference between the acquisition costs and the proportional revalued net assets is referred to as goodwill. Any negative difference between the acquisition costs and the proportional revalued net assets ("bargain") is referred to as a badwill and recognized directly as an increase in equity. 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 investments 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 internal 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 functional 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 operations 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 2018		31 December 2017	
	Closing rate	Period average	Closing rate	Period average
USD	0.98580	0.98692	0.98820	0.98461
EUR	1.12690	1.16360	1.18080	1.11157

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 performance is assessed based on the operating result (EBIT). Group financing (including financial expenses and financial income) and income taxes are managed on a Group basis and are not allocated to operating segments.

The Native SA and its subsidiaries ("the Group") are now dedicated on two reportable business segments (2017: three business segments), as follows:

- Ecommerce Services, a suite of digital and content marketing, payment processing and customer support services 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 academic market.

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 specific criteria have been met for each of the Group's activities as described below.

Revenue from services rendered include various services, such as Ecommerce services and academic software distribution. 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 is only one employee insured for pension in Switzerland as at 31 December 2018, no economic asset or liability was recognized in the balance sheet. There is no employee contribution reserve available at 31 December 2018.

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 substantially enacted at the reporting date. Deferred income tax assets and liabilities are recognized for all temporary differences 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 invoiced amount less an allowance for any specifically impaired receivables. Impairment is charged on receivables for specific identified risks. Bad debts are written-off when there is objective evidence that the Group will not be able to collect the receivables. Allowances for impaired 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 expenditure 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 carrying 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 circumstances 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 revalued net identifiable assets of the acquired company at the time of purchase. Goodwill may also arise from investments 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 generate economic benefits in the future and the costs can be measured reliably. Internally generated commercial property 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 production 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 (5 years) 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. These 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).

Impairment of assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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 reliably estimated. Provisions are not recognized for future operating losses.

Financial liabilities

Convertible loans and borrowings are initially recognized at nominal value.

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 directly 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 additional debt and equity issuance, the business of The Native SA should have no liquidity issues in the calendar 2019.

RESTATEMENT COMPARATIVE PRIOR YEAR CONSOLIDATED FINANCIAL STATEMENTS

Following discussions between SIX Exchange Regulation and the Management, it has been decided to restate the following published consolidated financial statements:

Restatement of 31 December 2017

Concerning the prior year consolidated financial statements, a review of assumptions and parameters used in relation with the valuation of the investment in P8H Inc. as at 31 December 2017 has been performed. Following this complete review, correction has been done on these variables which has led to an impairment of TCHF 7'000, bringing the net value of this investment to TCHF 1'500.

The impact was that both the investments and the net result were overvalued by TCHF 7'000 as at 31 December 2017. Pursuant to the Swiss GAAP FER Framework §30 "Corrections of errors", the prior year has been restated. The following positions in the prior year consolidated financial statements have been amended:
- "Investments" and "Net result" in the balance sheet: TCHF -7'000 at 31 December 2017
- "Impairment of investments" and "Net result" in the income statement: TCHF -7'000 for the year ended 31 December 2017
- Earnings per share: CHF -2.26 (from CHF -2.28 to CHF -4.54) for the year ended 31 December 2017.

Restatement of 30 June 2018

An error was identified in the consolidation method used in the HY2018 interim consolidated financial statements to consolidate the entity P8H Inc. Instead of applying the global integration (GI) method in consolidating this investment, this participation should have been recognised at its acquisition cost, impaired up to its recoverable value. A restatement will therefore be done on the prior year interim consolidated financial statements, which will be published together with the 2019 interim consolidated financial statements.

3. SEGMENT REPORTING

The two reportable segments of the Group are as follows:

- Ecommerce Services, a suite of digital and content marketing, payment processing and customer support services 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 academic market.

The following table is an analysis of the Group activities:

2018	Ecommerce TCHF	Academics TCHF	Blockchain Lab TCHF	Corporate TCHF	Eliminations TCHF	Total TCHF
Third party revenue	78 958	22 609	-	1 054	-	**102 621**
Group revenue	-	-	-	524	(524)	**-**
Total revenue	**78 958**	**22 609**	**-**	**1 578**	**(524)**	**102 621**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**118**	**(272)**	**-**	**(61)**	**-**	**(215)**
Operating result	**(7 354)**	**(1 308)**	**-**	**(61)**	**-**	**(8 723)**

2017 - Restated	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	-	-	-	-	-	**-**
Total revenue	**12 121**	**3 353**	**-**	**15**	**-**	**15 489**
Operating result	**(1 034)**	**227**	**(4 881)**	**(10 067)**	**-**	**(15 755)**

The Management and the Board of Directors of The Native SA has decided to focus on ecommerce services business centered around The Native's strategic control investment in asknet AG ("Ecommerce Services Business"), hence the acquisition of Nexway Group AG completed in January 2019. Blockchain Lab SA will provide intercompany services only to asknet AG (see note 13). The ecommerce segment includes the amortization and the impairment of the Blockchain Lab and The Native Media Inc. goodwill.

The impairment on P8H investment in 2017 is classified under the Corporate heading.

4. OTHER OPERATING INCOME / (EXPENSES)

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

	2018 TCHF	2017 TCHF
Capitalized expenditure	1 078	472
Gain/ (loss) on disposal & scrapping of property, plant and equipment and intangible assets	(29)	(28)
Tax	-	(20)
Impairment loss on receivable	-	(2 111)
Reversal of provisions	-	65
Other income / (expenses)	(25)	(8)
Other operating income / (expenses)	**1 024**	**(1 630)**

Please refer to note 9 for an explanation about the 2017 impairment loss on receivable.

5. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

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

	2018 TCHF	Restated 2017 TCHF
Depreciation of property, plant and equipment	114	25
Amortization and impairment of intangible assets	1'750	53
Amortization of goodwill	2'620	1'201
Impairment of goodwill	4'024	4'000
Impairment of investments	-	7'000
Total depreciation, amortization and impairment losses	**8'508**	**12'279**

Please refer to notes 10, 11, 12 and 13 for additional information.

6. FINANCIAL INCOME AND FINANCIAL EXPENSES

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

	2018 TCHF	2017 TCHF
Interest income	163	21
Total financial income	**163**	**21**
Interest on other financial liabilities	349	57
Interest on convertible loan	230	40
Interest and financial expenses	51	24
Total financial expenses	**630**	**121**
Financial income, net	**(467)**	**(100)**

7. EXTRAORDINARY INCOME AND EXPENSES

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

	2018 TCHF	2017 TCHF
Waiver of the dividend by a minority non-controlling shareholder	443	-
Other non-recurrent income	75	-
Non-recurrent expenses	(80)	-
Total extraordinary income and expenses	**438**	**-**

8. INCOME TAX

Amounts recognized in the income statement

The following table shows the items included in income tax:

	2018 TCHF	2017 TCHF
Current tax expense		
Current year	45	469
Adjustment for prior years	-	-
	45	**469**
Deferred tax expense		
Deferred tax expense / (income)	(89)	123
	(89)	**123**
Income tax	**(44)**	**592**

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 related to tax loss carry-forwards of The Native SA and its subsidiaries have not been recognized. Such tax loss carry-forwards may be offset with future taxable profits in the same amount during a period of time depending on the country in which the entity operates.

Available tax loss carry-forwards are as follows:

	31 Dec 2018 TCHF	31 Dec 2017 TCHF
Expiry of tax losses carry forwards:		
Less than 1 year	334	206
Between 1 and 5 years	8 929	6 878
More than 5 years and indefinite	10 117	8 714
Total tax loss carry forwards	**19 380**	**15 798**
of which recognised	-	-
Total tax loss carry forwards - unrecognized	**19 380**	**15 798**

The tax loss carry forwards do not include the losses of HFC, subsidiary located in British Virgin Islands.

Below is presented the evolution of the deferred tax liabilities:

In TCHF	Deferred taxes
Balance at 1 January 2017	**-**
Change in the scope of consolidation	442
Additions	123
Exchange difference	12
Balance at 31 December 2017	**577**
Balance at 1 January 2018	**577**
Reversals	(89)
Exchange difference	(23)
Balance at 31 December 2018	**465**

9. TRADE AND OTHER RECEIVABLES

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

	31 Dec 2018 TCHF	31 Dec 2017 TCHF
Trade receivables	4 156	3 763
Allowance for doubtful trade receivables	-	(37)
Total trade receivables	**4 156**	**3 726**
Other receivables	386	444
Other receivables - related parties	3 278	2 111
Allowance for doubtful other receivables	-	(2 111)
Total other receivables	**3 664**	**444**
Total trade and other receivables	**7 820**	**4 170**

In December 2017, Highlight Finance Corp. subscribed for the issuance of 250 Loan Participation Notes of P8H, a non-consolidated investment, representing TUSD 2'500, and gave underwriting commitment for the balance of 250 Notes that had been subsequently assigned to various third and related parties bondholders. In May 2018, The Native SA acquired the above 250 Notes from HFC. The Native SA acquired additional convertible notes of P8H during the second semester of 2018 for a total net amount of TUSD 825. At year-end, the Company holds Notes of P8H for TCHF 3'278 (TUSD 3'325) shown in "Other receivables - related-parties".

In 2017, the receivable related to consideration resulting from the disposal of Prodena Srl and its subsidiaries had been impaired. In 2018, The Native SA renounced to claim the payment of the receivable on disposal of Prodena, and thus the amount due was written-off.

10. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

In TCHF	Hardware, Office equipment & Furniture	Total
GROSS VALUE		
Balance at 1 January 2018	**1 341**	**1 341**
Additions	72	72
Disposals and scrapping	(11)	(11)
Exchange difference	(63)	(63)
Balance at 31 December 2018	**1 339**	**1 339**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES		
Balance at 1 January 2018	**(1 109)**	**(1 109)**
Depreciation charge	(114)	(114)
Exchange difference	54	54
Balance at 31 December 2018	**(1 169)**	**(1 169)**
Net book amount at 31 December 2018	**170**	**170**
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.

11. 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 had three particularities:

- A short-dated break option, not exercised, under which the seller could revoke this agreement before 31 January 2018 by paying TUSD 1'500 in cash
- A repurchase right for the seller until 31 May 2018 for TUSD 10'000 in cash (this right was not exercised)
- 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 had not realized any control in 2017 and there was the possibility for the seller to buy back the shares, Management decided to keep this investment at its acquisition cost (and not to use the equity method) as at 31 December 2017.

In May 2018 the original call option had been renegotiated, and The Native SA entered into combination of call and put option agreements allowing for the purchase of 36% of P8H Inc. for a total consideration of USD 4 million to be paid before or on May 6, 2019 ("May 6 Options").

As indicated in note 2, a restatement has been realised on 31 December 2017 valuation of the investment in P8H Inc., resulting in an impairment of TCHF 7'000.

At 31 December 2018, following the strategic decision to concentrate on activities in ecommerce, Management decided not to exercise the above-defined call option. This investment is therefore maintained at its acquisition cost, impaired up to its recoverable value. The net amount of TCHF 1'500 is considered as an appropriate estimation of this investment's recoverable value.

As further shown in the section "Subsequent Events", The Native's Board and Management made a strategic decision to exit its investment in P8H Inc., and as part of this process, managed to cancel the May 6 Options with no cost or further obligation to The Native SA.

Idreg Piemonte SpA

During the financial year 2015, the Company had acquired a participation of 19% in Idreg Piemonte SpA for a consideration of TCHF 257. Due to the fact that Idreg Piemonte SpA was under bankruptcy since August 2015, the investment had been fully impaired. This investment was written-off in 2018 (without any impact in the income statement as already fully impaired) as this entity was deleted from the trade register of companies.

12. INTANGIBLE ASSETS

Reconciliation of carrying amount

In TCHF	Development costs	Software & licences	Total
GROSS VALUE			
Balance at 1 January 2018	**1 939**	**2 206**	**4 145**
Additions	1 078	1	1 079
Disposals and scrapping	-	(34)	(34)
Exchange difference	(122)	(100)	(222)
Balance at 31 December 2018	**2 895**	**2 073**	**4 968**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES			
Balance at 1 January 2018	**-**	**(707)**	**(707)**
Amortization charge	(383)	(391)	(774)
Impairment	(976)	-	(976)
Disposals and scrapping	-	16	16
Exchange difference	44	45	89
Balance at 31 December 2018	**(1 315)**	**(1 037)**	**(2 352)**
Net book amount at 31 December 2018	**1 580**	**1 036**	**2 616**
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. The development costs capitalized in 2017 were amortized for the first time in 2018. The Management of asknet AG decided to recognize some impairment losses on development costs in 2018.

13. GOODWILL

Reconciliation of carrying amount

In TCHF	Goodwill
GROSS VALUE	
Balance at 1 January 2018	**13 099**
Change in the scope of consolidation	39
Balance at 31 December 2018	**13 138**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES	
Balance at 1 January 2018	**(5 201)**
Amortization charge	(2 620)
Impairment	(4 024)
Balance at 31 December 2018	**(11 845)**
Net book amount at 31 December 2018	**1 293**
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 22, in 2018, the Company acquired on 16 July 2018 an 82% ownership interest in Highlight Finance Corp. ("HFC"), shareholder of The Native SA by 8.17% for a consideration of TCHF 1'000. This transaction has generated a negative goodwill (or badwill) of TCHF 2'324, which has been accounted for in the equity.

On 28 December 2018, further to the acquisition of 45'595 shares in asknet AG for a consideration of TCHF 620 (TEUR 550), the ownership increased back to 51.00% (it had temporarily decreased to 44% further to the non-subscription of asknet AG' 26 September 2018 capital increase, however the Native Group kept the control during this period). This operation has generated an additional goodwill of TCHF 39.

As per the Group accounting policies, goodwill is amortized over a 5-years period, generating an amortization charge of TCHF 2'620.

In addition, the following goodwill impairments at 31 December 2018 have been decided by the Management:

- An impairment of TCHF 1'568 has been recognized on Blockchain Lab SA's goodwill. Following the divestment of the My Wine Exchange project and the continuous delays in the execution of the Kazakhstan project related to causes outside of Management's control, the Management has decided to re-allocate financial and technical resources to the ecommerce, Services and Business
- In 2018, The Native Media Inc. resources have been largely allocated to the execution of projects related to the development of the Paddle8 business. Following the decision of The Native SA not to execute the option to acquire a further 36% of this entity, the Management has decided to impair The Native Media Inc. goodwill by TCHF 2'456 pending a review of the 2019 and medium-term business.

14. TRADE AND OTHER PAYABLES

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

	31 Dec 2018 TCHF	31 Dec 2017 TCHF
Trade payables	6 208	5 963
Fiscal debts (VAT & Tax)	2 608	1 661
Social debts	16	53
Other payables	38	63
Total trade and other payables	**8 871**	**7 740**

15. FINANCIAL LIABILITIES

The following table details the financial liabilities:

	Current		Non-current	
	31 Dec 2018 TCHF	31 Dec 2017 TCHF	31 Dec 2018 TCHF	31 Dec 2017 TCHF
Loans from:				
Third parties	-	227	-	8 240
Related parties	89	89	1 014	-
Payables related to business combinations:				
Third parties	789	395	1 620	395
Convertible loan from:				
Third parties	-	6 209	1 120	-
Bonds from:				
Third parties	-	-	11 269	-
Total financial liabilities	**878**	**6 920**	**15 023**	**8 635**

Loans

The TCHF 200 loan granted by a third party was repaid on 24 April 2018.

The TCHF 8'240 loan had been granted in 2017 by HFC (considered at that time as a third party) to Blockchain Lab SA, for the purpose of acquiring its investments in The Native Media Inc. and in Holotrack AG. Further to the acquisition and integration of HFC in the Group, this amount became inter-company, and was later waived.

A TCHF 89 loan is the remaining balance of a TUSD 150 loan granted by a related party (shareholder) 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 has been extended until 31 December 2019

Interest: fixed annual interest rate of 5%.

A TCHF 1'014 loan (TEUR 900) was granted by a related party on 27 December 2018, for a short-term financing for working capital and other capital needs. This loan has the following features:

Amount: the amount of TEUR 900 corresponds to the first tranche. The second tranche of TEUR 300 has been granted on 20 April 2019 and the third tranche of TEUR 400 will be granted on or before 30 June 2019

Duration: the maturity of this loan facility is 31 December 2020

Interest: fixed annual interest rate of 5%.

In May 2018, The Native SA acquired 250 notes of P8H from HFC (before its acquisition) for a consideration of TEUR 2'000, of which TEUR 1'000 was paid by the Company in cash and TEUR 1'000 was payable no later than 15 September 2019. Further to the acquisition and integration of HFC in the Group, this amount became inter-company, was partially paid and its balance was later waived.

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 consideration payment is deferred: TUSD 400 was payable by 30 November 2018 (classified as current) and TUSD 400 by 30 November 2019 (classified as current) for a total of TCHF 789. The first tranche of TUSD 400 due on 30 November 2018 is still due as of 31 December 2018. This debt bears no interest.

In relation with the acquisition in July 2018 of 82% of the company Highlight Finance Corp., the consideration payment is deferred: TCHF 1'000 is payable by 31 December 2020 (classified as non-current). This debt bears no interest.

In relation with the acquisition in December 2018 of 7% of the company asknet AG, the consideration payment is deferred: TCHF 620 (TEUR 550) is payable by 31 December 2020 (classified as non-current). This debt bears fixed annual interest rate of 5%.

Convertible loans

MTH

On 5 September 2013, the Company agreed with MT Holding S.p.A, Rome, 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 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.

The conditions applicable to this convertible loan were as follows: conversion might occur at any time between 1 November 2018 and 30 December 2018. If the loan was not converted within the timeframe mentioned, it would be reimbursed on 30 December 2018 or earlier at the option of the borrower. Consequently, this loan had been classified as current. A variable interest of 2.5% on TCHF 1'000 and 0.75% on the surplus (2017: 3.25% p.a.) should be paid in arrears semi-annually, until the notes were converted or redeemed.

Further to the bankruptcy of MT Holding S.p.A (subsequently MT Holding S.p.A in liquidation) and a competitive procedure held by the Bankruptcy trustee, a related party of The Native SA was awarded this convertible loan by the Court of Asti (Italy) and, by a debt assignment agreement signed on 31 January 2019, the Bankruptcy trustee of MT Holding S.p.A in liquidation formally assigned to this related party all its rights, receivables, accrued interest and obligations arising out of the loan.

On 27 March 2019, both The Native SA and its related party agreed to maintain the above conditions except:

- The maturity has been postponed to 31 December 2019. However, if the conversion does not take place during 2019, the related party will postpone the reimbursement of the convertible loan for a minimum of 12 months
- The interest on existing loan and accumulated interests has been agreed to be the rate communicated by the Swiss Federal Tax administration (currently 0.75%).

Convertible Note 2017

On 15 December 2017, a convertible loan agreement was signed with several lenders for a total amount of TEUR 4'310, through the issuance of 4'310 notes of EUR 1'000 par value.

The conditions applicable to this convertible loan were as follows: these notes carried 6% annual interest payable semi-annually and accruing as of 15 December 2017. The notes had a maturity on 15 December 2018. Each note-holder had 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 was 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 might occur at any time between 1 July 2018 and 15 December 2018. If the loan was not converted within the timeframe mentioned, it would be reimbursed on 15 December 2018.

In August 2018, some lenders, for a total amount of TCHF 1'398 (TEUR 1'205), converted their notes and received 254'255 shares from the Company's treasury shares. The other remaining TCHF 3'541 (TEUR 3'105) of the convertible loan (lent by Highlight Finance Corp., a 2018 newly acquired affiliate) was written-off in favor of The Native SA, partly in August 2018 and partly in December 2018. This convertible debt is therefore extinguished as at 31 December 2018.

Bonds

Highlight Finance Corp. (HFC) had issued bonds for TEUR 10'000 on 31 October 2017, which were subscribed by a former shareholder of The Native SA. These bonds bear interest at a fixed rate of 5% per annum. The maturity date is 31 October 2020.

16. 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 15 offset by cash and bank balances) and equity of the Group (comprising issued share capital, reserves, retained earnings and non-controlling interests 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 2017	**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**
Treasury shares received through a business combination	-	-	(2 324)	(2 324)
Treasury shares remitted following the conversion of Convertible Note 2017	-	-	2 244	2 244
Loss on market value of treasury shares	-	-	305	305
Balance at 31 December 2018	**3 111 190**	**10 889**	**(34)**	**10 855**

As of 31 December 2018, 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 had 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 had also been 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 had been completed in cash for TCHF 2'000 and by the conversion of the amount payable resulting from the purchase of the 100% ownership interest in Blockchain Lab SA for TCHF 8'000.

Treasury shares

During the financial year 2018, the Group received 254'000 treasury shares through the acquisition of HFC for a value of TCHF 2'324. Further to the distribution of treasury shares by HFC to The Native SA, the Company then remitted 254'255 treasury shares to the owners of Convertible Note 2017 who requested the conversion of their notes (amounting to TCHF 1'398) into The Native shares, as per Convertible Note 2017 conditions, namely conversion price of CHF 5.50 per share. The entire operation generated a loss on market value of treasury shares in HFC (TCHF 305), as well as a loss on conversion of Convertible Note 2017 in The Native SA (TCHF 846), for a total of TCHF 1'151, booked as a decrease in equity.

The Company holds 4'253 treasury shares at 31 December 2018 (2017: 4'508), corresponding to an investment of 0.14 % (2017: 0.14%) of total shares issued.

During the financial year 2017, the Company did not purchase or sell any treasury shares.

Authorized share capital

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 authorized share capital is excluded in case of acquisition of entities (or parts of entities), acquisition of participations in entities and strategic partnerships.

Conditional share capital

The Articles of Association provide for three distinct types of conditional share capital:

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.

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 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.

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, now awarded and assigned to a related party (see note 15). The pre-emptive rights of the existing shareholders related to the subscription of the shares of this conditional share capital increase are excluded.

17. EARNINGS PER SHARE

Basic earnings per share

Basic 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 Company and held as treasury shares (note 16).

Basic	2018	Restated 2017
Net result attributable to Owners of the Company (TCHF)	(5 129)	(14 090)
Total shares	3 111 190	3 111 190
Less Treasury shares (average)	(46 756)	(4 508)
Weighted average number of ordinary shares for the purpose of basic earnings per share	3 064 434	3 106 682
Basic earning per share	**(1.67)**	**(4.54)**

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 (excluding treasury shares), after adjustments to assume conversion of all dilutive potential ordinary shares.

Diluted	2018	Restated 2017
Net result attributable to Owners of the Company (TCHF)	(5 129)	(14 090)
Interest on convertible loan (TCHF)	230	40
Net result attributable to Owners of the Company "diluted" (TCHF)	(4 899)	(14 050)
Weighted average number of ordinary shares for the purpose of basic earnings per share	3 064 434	3 106 682
Shares deemed to be issued for no consideration in respect of convertible loans and/or potential convertible loans	28 000	937 410
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3 092 434	4 044 092
Diluted earning per share	**(1.58)**	**(3.47)**

The existing potential ordinary shares related to the convertible loan (note 15) do not affect the diluted earnings per share since they would be anti-dilutive. Consequently, the diluted earnings per share is considered as equivalent to the basic earnings per share, as per the information presented at the bottom of the consolidated income statements.

18. 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 other receivables".

	31 Dec 2018 TCHF	31 Dec 2017 TCHF
Cash and cash equivalents	5 247	7 869
Trade and other receivables	7 820	4 170
Total	**13 067**	**12 039**

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international 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.

As far as other receivables are concerned, they include an amount of TCHF 3'278 of P8H Inc.'s Notes.

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 commitments.

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.

	Contractual cash-flows			
In TCHF	Total	Less than 1 year	Between 2 and 5 years	Above 5 years
At 31 December 2018				
Non-interest bearing:				
- Trade and other payables	8 871	8 871	-	-
- Payables related to business combination	1 789	789	1 000	-
Fixed interest rate bearing:				
- Financial liabilities (loans and bonds)	12 372	89	12 283	-
- Payables related to business combination	620	-	620	-
Variable interest rate bearing:				
- Convertible loan	1 120	-	1 120	-
	24 772	**9 749**	**15 023**	**-**
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 (loans)	316	316	-	-
- Convertible loan	5 089	5 089	-	-
Variable interest rate bearing:				
- Financial liabilities (loans)	8 240	-	8 240	-
- Convertible loan	1 120	1 120	-	-
Total	**23 295**	**14 660**	**8 635**	**-**

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 control market risk exposures within acceptable parameters, while optimising the return. These risks are not actively managed and monitored given the diversity of market and customers.

Currency risk

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

Foreign exchange 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 between 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 variable interest rates (see above). The risk is not actively managed by the Company (i.e. by entering into derivative instruments).

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

19. CONTINGENT LIABILITIES

The Group 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.

20. 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 receivable/payable.

Related parties' transactions and balances

	Transaction values for the year ended 31 December		Balances outstanding at 31 December	
	2018 TCHF	2017 TCHF	2018 TCHF	2017 TCHF
Sale / (Purchase) of goods and services				
Shareholders	1 000	-	-	-
Other related parties	-	(42)	-	-
Loans and related interests				
Shareholders	-	-	(89)	(89)
Other related parties	(22)	-	(1 014)	-
Other receivables and related interests				
Other related parties	126	21	3 404	2 111
Other related parties (allowance)	-	(2 111)	-	(2 111)
	1 104	**(2 132)**	**2 301**	**(89)**

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 2018
In TCHF

Members of the Board of Directors and/or Management Board of The Native SA	Function	Board of directors compensation (i)	Management Board compensation (ii)	Total
Izabela Depczyk	Former Member and former CEO	-	268	**268**
Victor Iezuitov	CFO	-	136	**136**
Total		**-**	**404**	**404**

31 December 2017
In TCHF

Members of the Board of Directors and/or Management Board of The Native SA	Function	Board of directors compensation (i)	Management Board compensation (ii)	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**

(i) Gross fixed compensation to members of the Board of Directors
(ii) Gross fixed compensation and fringe benefits to members of the Management Board

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

Receivables from (+) / Payables to (-) Board of Directors

In TCHF	31 Dec 2018	31 Dec 2017
Gianluigi Facchini	-	(20)
Nicolò Von Wunster	(113)	(118)
Total	**(113)**	**(138)**

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.

21. COMMITMENTS

There are no commitments as of 31 December 2018.

22. BUSINESS COMBINATIONS

On 16 July 2018, the Company acquired an 82% ownership interest in Highlight Finance Corp. ("HFC"), shareholder of The Native SA by 8.17% for a consideration of TCHF 1'000. The purchase price is due to be paid on or until 31 December 2020.

The following table summarizes the consideration paid for the above acquisition and the amounts of the assets acquired and liabilities assumed recognized at the integration date (1 July 2018 for HFC):

In TCHF	HFC
Consideration	
Deferred consideration	1'000
Total consideration	**1'000**
Less:	
Recognized amounts of identifiable assets acquired and liabilities assumed	
Shares of The Native SA (Treasury shares)	2'324
Trade and other receivables	1'454
Prepaid expenses	197
Financial assets: loans	8'240
Financial assets: Convertible loan	3'594
Trade and other payables	(289)
Non-current financial liabilities	(11'576)
Non-controlling interests	(710)
Total net assets	**3'234**
Negative goodwill	**(2'234)**

The negative difference between the acquisition costs and the proportional revalued net assets ("bargain") is referred to as a negative goodwill or badwill and recognized directly as an increase in equity.

23. LEASING

On 31 December 2018, the leasing liability represents a total amount of TCHF 102, out of which TCHF 53 is due within one year and TCHF 49 is due between one and 5 years (2017: TCHF 168).

24. AUDITING FEES

Auditing fees of Berney Associés Audit SA for the Group amounted to TCHF 174 for the financial year 2018 (2017: TCHF 100).

Additional fees of Berney Associés Audit SA for the Group amounted to TCHF 20 in 2018 (2017: TCHF 6).

25. SUBSEQUENT EVENTS

On 31 January 2019, asknet AG, a majority owned subsidiary of The Native SA, acquired 100% ownership interest in Nexway Group AG, a complementary ecommerce services business.

On 6 May 2019, The Native SA reached an agreement with the holders of Paddle 8 Options to terminate the May 6 2018 Option agreement with no cost and further obligation to The Native SA.

On 29 May 2019, the Board of Directors of The Native SA has resolved to divest the 15% ownership interest in P8H Inc. and 82% ownership interest in HFC.

AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Berney Associés

Lausanne, May 31, 2019

Report of the statutory auditor to the general meeting of The Native SA, Basel

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 2018, 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 (pages 26 to 62) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 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.

Possible situation of Going Concern

Key audit matter	How our audit addressed the key audit matter
In December 2018, the Company, through its subsidiary asknet AG has signed a preliminary agreement to invest in a new company Nexway Group AG, with operations complementary to its major subsidiary asknet AG. At year end the Group has a negative consolidated net current asset situation, has committed to new investment in the combined entity asknet AG/ Nexway AG which together will have a negative result and must pay back some debts. This situation raises 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 loan holders and has obtained an agreement to postpone the repayment if a longer period is necessary before the reimbursement is acted. If additional cash is required, management has obtained a support letter to provide up to CHF 4,5 million of additional funds upon first request from management. 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.

Responsibilities 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 scepticism 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 Associés Audit SA

BA Signature électronique authentifiée

Cosimo PICCI
Licensed Audit Expert
Auditor in charge

BA Signature électronique authentifiée

Claude HERI
Licensed Audit Expert

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FINANCIAL STATEMENTS

INCOME STATEMENT
(in Swiss Francs)

For the year ended 31 December

	NOTES	2018 CHF	2017 CHF
Revenue on investments	6	2 019 300	-
Other income	2	1 577 470	15 250
Total operating income		**3 596 770**	**15 250**
Personnel expenses		(234 526)	(195 204)
General and administrative expenses		(1 399 500)	(937 648)
Allocation to provision on receivables	3	(682 451)	(2 110 654)
Allocation to provision on investments in subsidiaries	4	(12 909 289)	(4 000 000)
Total operating expenses		**(15 225 766)**	**(7 243 506)**
Operating result		**(11 628 996)**	**(7 228 256)**
Exchange differences		261 866	168 286
Loss on conversion of convertible notes	6	(846 086)	-
Interest expenses and bank charges		(401 055)	(69 786)
Interest revenues		127 895	20 664
Extraordinary income	5	11 711 038	-
Result before taxes		**(775 337)**	**(7 109 092)**
Income taxes		-	-
Loss for the year		**(775 337)**	**(7 109 092)**

BALANCE SHEET (1/2)
(in Swiss Francs)

As at 31 December

	NOTES	31 Dec 2018 CHF	31 Dec 2017 CHF
ASSETS			
Current assets			
Cash and cash equivalents		985 324	2 525 434
Other short-term receivables due from third parties		8 127	70 723
Other short-term receivables due from related parties	3	3 305 757	272 230
Prepaid expenses		130 056	1 205
Total current assets		**4 429 264**	**2 869 592**
Non-current assets			
Investments	4	5 077 577	16 367 071
Total non-current assets		**5 077 577**	**16 367 071**
Total assets		**9 506 841**	**19 236 663**

BALANCE SHEET (2/2)
(in Swiss Francs)

As at 31 December

	NOTES	31 Dec 2018 CHF	31 Dec 2017 CHF
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade accounts payable to third parties		79 772	207 153
Short-term interest-bearing liabilities from third parties	5	-	6 409 248
Short-term interest-bearing liabilities from related parties	5	89 439	89 219
Short-term non-interest-bearing liabilities from third parties	5	788 640	395 280
Other short-term liabilities from third parties		52 903	42 852
Accrued expenses		1 542 984	698 519
Total current liabilities		**2 553 738**	**7 842 271**
Non-current liabilities			
Long-term interest-bearing liabilities from related parties	5	1 764 210	8 000 000
Long-term interest-bearing liabilities from third parties	5	1 739 795	-
Long-term non-interest-bearing liabilities from third parties	5	1 000 000	395 280
Total non-current liabilities		**4 504 005**	**8 395 280**
Total liabilities		**7 057 743**	**16 237 551**
Shareholders' equity			
Share capital	6	**10 889 165**	**10 889 165**
Accumulated losses at 1 January		(7 630 918)	(521 826)
Loss for the year		(775 337)	(7 109 092)
Accumulated losses at 31 December	6	**(8 406 256)**	**(7 630 918)**
Treasury shares	6	**(33 811)**	**(259 135)**
Total shareholders' equity	6	**2 449 098**	**2 999 112**
Total liabilities and equity		**9 506 841**	**19 236 663**

NOTES TO THE FINANCIAL STATEMENTS
(in Swiss Francs)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of The Native SA, Basel, (the "Company") have been prepared in accordance with the provisions of Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations, "CO"). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

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 invoiced amount less an allowance for any specifically impaired receivables. Impairment is charged on receivables for a general credit risk and for specific identified risks. Allowances for impaired receivables as well as losses on receivables are recognized within "Allocation to provision on receivables" 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 recognized 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 exchange rates:

	Balance sheet 31 Dec 2018	Balance sheet 31 Dec 2017
USD	0.9858	0.9882
EUR	1.1269	1.1808

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

2. OTHER INCOME

Other income of CHF 1'577'470 includes the sale of digital assets production and licencing to Highlight Event & Entertainment AG (a shareholder) for CHF 1'000'000. They also include the re-invoicing of development costs to The Native Media Inc. subsidiary for CHF 523'916.

3. OTHER SHORT-TERM RECEIVABLES DUE FROM RELATED PARTIES

	31 Dec 2018 CHF	31 Dec 2017 CHF
Erva, debt on disposal of Prodena	-	2 110 654
Blockchain Lab SA, current account	27 972	95 110
The Native Media Inc., current account	682 451	177 120
P8H Inc, convertible loan	3 277 785	-
Other short-term receivables due from related parties	**3 988 208**	**2 382 884**
Impairment on Erva, debt on disposal of Prodena	-	(2 110 654)
Impairment on The Native Media Inc., current account	(682 451)	-
Impairment on other short-term receivables due from related parties	**(682 451)**	**(2 110 654)**
Other short-term receivables due from related parties, net	**3 305 757**	**272 230**

The amount due by The Native Media Inc. was fully impaired in 2018.

In December 2017, Highlight Finance Corp. subscribed for the issuance of 250 Notes of P8H, representing USD 2'500'000, and gave underwriting commitment for the balance of 250 Notes that had been subsequently assigned to various third party and related party bondholders. In May 2018, The Native SA acquired the above 250 Notes from HFC. The Native SA acquired additional convertible notes of P8H during the second semester of 2018 for a total net amount of USD 825'000. At year-end, the Company holds Notes of P8H for CHF 3'277'785 (USD 3'325'000).

In 2017, the receivable related to consideration resulting from the disposal of Prodena Srl and its subsidiaries had been impaired. In 2018, The Native SA renounced to claim the payment of the receivable on disposal of Prodena, and thus the amount due was written-off.

4. INVESTMENTS

	Voting and capital rights in %	Voting and capital rights in %	Capital	Capital
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Direct and indirect investments				
Blockchain Lab SA, Lausanne, Switzerland	100.00%	100.00%	CHF 100'000	CHF 100'000
Highlight Finance Corp., Tortola, BVI	82.00%	0.00%	USD 50'000	-
The Native Media Inc., New York , USA	100.00%	100.00%	USD 80	USD 80
- direct investment	25.00%	25.00%		
- indirect investment through Blockchain Lab SA	75.00%	75.00%		
asknet AG, Karlsruhe, Germany	51.00%	51.37%	EUR 653'765	EUR 560'370
P8H Inc., New York, USA	22.30%/15.00%	22.30%/15.00%	USD 152.34	USD 152.34
Idreg Piemonte SpA, Italy	N/A	p.m.	N/A	p.m.

	Gross book value	Movements	Gross book value	Accumulated provisions	Movements	Accumulated provisions	Net book value
	31 Dec 2017 CHF	2018 CHF	31 Dec 2018 CHF	31 Dec 2017 CHF	2018 CHF	31 Dec 2018 CHF	31 Dec 2018 CHF
Blockchain Lab SA, Lausanne, Switzerland	7 999 999	-	7 999 999	(4 000 000)	(3 899 999)	(7 899 999)	100 000
Highlight Finance Corp., Tortola, BVI	-	1 000 000	1 000 000	-	(1 000 000)	(1 000 000)	-
The Native Media Inc., New York , USA	1 009 290	-	1 009 290	-	(1 009 289)	(1 009 289)	1
asknet AG, Karlsruhe, Germany	2 857 781	619 795	3 477 576	-	-	-	3 477 576
P8H Inc., New York, USA	8 500 000	-	8 500 000	-	(7 000 000)	(7 000 000)	1 500 000
Idreg Piemonte SpA, Italy	1	(1)	-	-	-	-	-
TOTAL	**20 367 071**	**1 619 794**	**21 986 865**	**(4 000 000)**	**(12 909 288)**	**(16 909 288)**	**5 077 577**

On 16 July 2018, The Native SA acquired an 82% ownership interest in Highlight Finance Corp. “HFC”, at that time shareholder of The Native SA by 8.17%, for a consideration of CHF 1’000’000. The purchase price is due to be paid on or until 31 December 2020.

On 26 September 2018, asknet AG decided to execute a capital increase for cash contributions in order to finance its growth plan, issuing up to 93’395 new shares at a subscription price of EUR 10.50 per share. At that time, The Native SA did not subscribe to this capital increase and its ownership interest temporarily decreased from 51.37% to approximately 44%. On 28 December 2018, further to the acquisition of 45’595 shares in asknet AG for a consideration of CHF 619’795 (EUR 550’000), the ownership increased back to 51.00%. The amount related to the acquisition of 45’595 shares in asknet AG is due on 31 December 2020.

Accumulated provisions on investments in subsidiaries

At 31 December 2018, an impairment of CHF 3'899'999 has been recognized on the investment in Blockchain Lab SA. Following the divestment of the My Wine Exchange project and the continuous delays in the execution of the Kazakhstan project related to causes outside of Management's control, Management has decided to re-allocate financial and technical resources to the ecommerce, Services and Business.

At 31 December 2018, following the restructuring of The Native SA debt, as well as the conversion of the convertible loan, Management has decided on the full impairment of the investment in HFC.

In 2018, The Native Media Inc. resources have been largely allocated to the execution of projects related to the business development of the Paddle8 business, specifically with operating content marketing and product development functions. Following the decision of The Native SA not to execute the option to acquire a further 36% of this entity, Management has decided to impair The Native Media Inc. participation since all developments were in relation to abandoned operations.

At 31 December 2018, the P8H Inc. investment was impaired for CHF 7'000'000, so the net book value amounts to CHF 1'500'000.

During the financial year 2015, the Company had acquired a participation of 19% in Idreg Piemonte SpA for a consideration 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 was written-off in 2018 (without any impact in the income statement as already fully impaired) as this entity was deleted from the trade register of companies.

5. FINANCIAL LIABILITIES

The following table details the financial liabilities:

	Current		Non-current	
	31 Dec 2018 CHF	31 Dec 2017 CHF	31 Dec 2018 CHF	31 Dec 2017 CHF
Loans from:				
Third parties	-	200 000	-	-
Related parties	89 439	89 219	1 764 210	8 000 000
Payables related to business combinations:				
Third parties	788 640	395 280	1 619 795	395 280
Convertible loan from:				
Third parties	-	6 209 248	1 120 000	-
Total financial liabilities	**878 079**	**6 893 747**	**4 504 005**	**8 395 280**

Loans

The CHF 200'000 loan granted by a third party was repaid on 24 April 2018.

A CHF 89'439 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 has been extended until 31 December 2019

Interest: fixed annual interest rate of 5%.

A CHF 1'014'210 loan (EUR 900'000) was granted by a related party on 27 December 2018, for a short-term financing for working capital and other capital needs. This loan has the following features:

Amount: the amount of EUR 900'000 corresponds to the first tranche. The second tranche of EUR 300'000 has been granted on 20 April 2019 and the third tranche of EUR 400'000 will be granted on or before 30 June 2019

Duration: the maturity of this loan facility is 31 December 2020

Interest: fixed annual interest rate of 5%.

In May 2018, The Native SA acquired 250 notes of P8H from HFC for a consideration of EUR 2'000'000, of which EUR 1'000'000 was paid by the Company in cash and EUR 1'000'000 was payable no later than 15 September 2019. The CHF 1'165'000 (EUR 1'000'000) debt payable to HFC has been partially abandoned for its balance of CHF 845'175 (EUR 750'000) at the end of 2018 (shown as an extraordinary income in the income statement). The remaining balance of CHF 319'825 (EUR 250'000) represents the payment by the Company of interests due by their affiliate HFC on loans from third parties.

A CHF 8'000'000 loan granted by a related party for the purpose of acquiring some investments, was partially cancelled for CHF 7'250'000 (shown as an extraordinary income in the income statement) as of 31 December 2018. The remaining amount of CHF 750'000 carries the following features:

Duration: the maturity of this loan is undetermined

Interest: variable interest rate, taken from the circular of the Swiss Federal Tax Administration regarding intercompany 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 consideration payment was deferred: USD 400'000 (CHF 394'320) was payable by 30 November 2018 (classified as current) and USD 400'000 (CHF 394'320) by 30 November 2019 (classified as current). The first tranche of USD 400'000 due on 30 November 2018 is still due as of 31 December 2018. This debt bears no interest.

In relation with the acquisition in July 2018 of 82% of the company Highlight Finance Corp., the consideration payment is deferred: CHF 1'000'000 is payable by 31 December 2020 (classified as non-current). This debt bears no interest.

In relation with the acquisition in December 2018 of 7% of the company asknet AG, the consideration payment is deferred: CHF 619'795 (EUR 550'000) is payable by 31 December 2020 (classified as non-current). This debt bears fixed annual interest rate of 5%.

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.

The conditions applicable to this convertible loan were as follows: conversion might occur at any time between 1 November 2018 and 30 December 2018. If the loan was not converted within the timeframe mentioned, it would be reimbursed on 30 December 2018 or earlier at the option of the borrower. Consequently, this loan had been classified as current. A variable interest of 2.5% on CHF 1'000'000 and 0.75% on the surplus (2017: 3.25% p.a.) should be paid in arrears semi-annually, until the notes were converted or redeemed.

Further to the bankruptcy of MT Holding S.p.A (subsequently MT Holding S.p.A in liquidation) and a competitive procedure held by the Bankruptcy trustee, a related party of The Native SA was awarded this convertible loan by the Court of Asti (Italy) and, by a debt assignment agreement signed on 31 January 2019, the Bankruptcy trustee of MT Holding S.p.A in liquidation formally assigned to this related party all its rights, receivables, accrued interest and obligations arising out of the loan.

On 27 March 2019, both The Native SA and its related party agreed to maintain the above conditions except:

- The maturity has been postponed to 31 December 2019. However, if the conversion does not take place during 2019, the related party will postpone the reimbursement of the convertible loan for a minimum of 12 months
- The interest on existing loan and accumulated interests has been agreed to be the rate communicated by the Swiss Federal Tax administration (currently 0.75%).

Convertible Note 2017

On 15 December 2017, a convertible loan agreement was 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.

The conditions applicable to this convertible loan were as follows: these notes carried 6% annual interest payable semi-annually and accruing as of 15 December 2017. The notes had a maturity on 15 December 2018. Each note-holder had 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 was 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 might occur at any time between 1 July 2018 and 15 December 2018. If the loan was not converted within the timeframe mentioned, it would be reimbursed on 15 December 2018.

In August 2018, some lenders, for a total amount of CHF 1'398'537 (EUR 1'205'000), converted their notes and received 254'255 shares from the Company's treasury shares. The other remaining CHF 3'541'025 (EUR 3'105'000) of the convertible loan (lent by Highlight Finance Corp., a 2018 newly acquired affiliate) was written-off in favor of The Native SA, partly in August 2018 and partly in December 2018. This convertible debt is therefore extinguished as at 31 December 2018.

Extraordinary income

The amount of CHF 11'711'038 recognized as extraordinary income in the income statement is composed of the following elements:

- CHF 845'175 abandoned by HFC on P8H notes acquisition (see above, under "Loans")
- CHF 7'250'000 abandoned by a related party (see above, under "Loans")
- CHF 3'541'025 abandoned by HFC (see above, under "Convertible Note 2017")
- CHF 74'838 related to prior periods adjustments.

6. SHAREHOLDERS' EQUITY AND TREASURY SHARES

	Share Capital	Accumulated Losses	Treasury Shares	Total
	CHF	CHF	CHF	CHF
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**
Balance at 1 January 2018	**10 889 165**	**(7 630 918)**	**(259 135)**	**2 999 112**
Loss for the year	-	(775 337)	-	(775 337)
Treasury shares received as revenue on investments	-	-	(2 019 300)	(2 019 300)
Treasury shares remitted following the conversion of convertible notes 2017	-	-	2 244 624	2 244 624
Balance at 31 December 2018	**10 889 165**	**(8 406 256)**	**(33 811)**	**2 449 098**

Share capital

As of 31 December 2018, 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 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 had 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 for CHF 7'999'999.

Treasury shares

During the financial year 2018, the Company received 254’000 treasury shares as revenue on investments from its subsidiary HFC for an amount of CHF 2’019’300. The Company remitted 254’255 treasury shares to the owners of Convertible Notes 2017 who requested the conversion of their notes into The Native shares. The remittance of treasury shares generated a loss on conversion of CHF 846’086 booked as an extraordinary expense in the income statement. The Company holds 4’253 treasury shares at year-end (2017: 4’508), corresponding to an investment of 0.14 % (2017: 0.14%) of total shares issued.

During the financial year 2017, the Company did not purchase or sell any treasury shares.

7. AUTHORIZED SHARE CAPITAL

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 is excluded in case of acquisition of entities (or parts of entities), acquisition of participations in entities and strategic partnerships.

8. CONDITIONAL SHARE CAPITAL

The Articles of Association provide for three distinct types of conditional share capital:

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.

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.

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, now awarded and assigned to a related party (see note 5). The pre-emptive rights of the existing shareholders related to the subscription of the shares of this conditional share capital increase are excluded.

9. IMPORTANT SHAREHOLDERS

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

	Ownership Interest 31.12.2018	Ownership Interest 31.12.2017
Highlight Event & Entertainment AG	19.99%	19.99%
Seres Investments SA	-	19.29%
Clear Express Group (formerly Atlas Pass Holdings Limited)	14.46%	14.46%
Alexander Gilkes	11.25%	-
PB Invest AG	9.64%	-
Sergey Skaterschikov	-	9.64%
Whiteridge Investment Funds SPC Limited – Global Energy SP	-	9.29%
Whiteridge Investment Funds SPC Limited – Global Income SP	9.18%	9.18%
GigaAir Limited	8.03%	-
E-commerce Alliance AG	7.35%	7.35%
Falcon Consulting Limited	3.86%	-

10. COMMITMENTS

There are no commitments.

11. 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.

12. 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.

13. PENSION LIABILITIES

On 31 December 2018, the liability to the pension scheme amounted to CHF 0 (2017: CHF 0).

14. LEASING

On 31 December 2018, the leasing liability represents a total amount of CHF 37'590 (2017: CHF 52'626). This amount is related to the leasing of a car being used by the Management for headquarter purposes.

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

Mr. Alexander Gilkes, CEO, holds 11.25% of the Company.

Mr. Patrick Girod, Director, holds 0.14% of the Company.

No other 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.

In 2017, Mr. Sergey Skaterschikov owned 9.64% of the shares of the Company.

16. 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 2018
In TCHF

Members of the Board of Directors and/or Management Board of The Native SA	Function	Board of directors compensation (i)	Management Board compensation (ii)	Total
Izabela Depczyk	Former Member and former CEO	-	268	**268**
Victor Iezuitov	CFO	-	136	**136**
Total		**-**	**404**	**404**

31 December 2017
In TCHF

Members of the Board of Directors and/or Management Board of The Native SA	Function	Board of directors compensation (i)	Management Board compensation (ii)	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**

(i) Gross fixed compensation to members of the Board of Directors
(ii) Gross fixed compensation and fringe benefits to members of the Management Board.

17. 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.

18. SUBSEQUENT EVENTS

On 31 January 2019, asknet AG, a majority owned subsidiary of The Native SA, acquired 100% ownership interest in Nexway Group AG, a complementary ecommerce services business.

On 6 May 2019, The Native SA reached an agreement with the holders of Paddle 8 Options to terminate the May 6 2018 Option agreement with no cost and further obligation to The Native SA.

On 29 May 2019, the Board of Directors of The Native SA has resolved to divest the 15% ownership interest in P8H Inc. and 82% ownership interest in HFC.

AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Berney Associés

Lausanne, May 31, 2019

Report of the statutory auditor to the general meeting of The Native SA, Basel

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 2018, 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 68 to 82) as at 31 December 2018 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	How our audit addressed the key audit matter
The company holds investments in subsidiaries and associates as of 31 December 2018, representing 53 % of total assets. The list of Group subsidiaries and associates can be found in note 4 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 a 2 year business plan including the affiliates which will continue to operate in the future. This business plan will be revised each time the Group presents consolidated financial statements. 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 highly competitive industry in which the Group operates.	We discussed with Management the adequate implementation of controls and accounting policies 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 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
In December 2018, the Company, through its subsidiary asknet AG has signed a preliminary agreement to gain control in Nexway Group AG, a company with complementary operations to asknet AG. At year end the Company, has committed to new investment in the combined affiliates asknet AG/ Nexway AG which together are expected to have a negative result during 2019 and must pay back some debts. This situation raises 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 loan holders and has obtained an agreement to postpone the repayment if a longer period is necessary before the reimbursement is acted. If additional cash is required, management has obtained a support letter to provide up to CHF 4,5 million of additional funds upon first request from management. Furthermore the providers of the support letter have also accepted to subordinate their debts in case of negative equity of the Company at year end to comply with art. 725 al 2 of the Swiss commercial law (CO). 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 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 Associés Audit SA

BA Signature électronique authentifiée

Cosimo PICCI
Licensed Audit Expert
Auditor in charge

BA Signature électronique authentifiée

Claude HERI
Licensed Audit Expert

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