

The Native SA, Basel

Half-Year Results 2020

(unaudited)



30 September 2020

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. ORGANIZATION, BUSINESS ACTIVITY AND BUSINESS COMBINATION

The Native SA (the “Company”) had been formed in 2017 through a series of acquisitions and strategic investments transforming itself from an inactive listed shell company, 5EL SA, into a dynamic and global ecommerce services and marketplaces business driven by our core competence in the content marketing and blockchain technology arenas.

Following the divestment and deconsolidation of several core activities in 2019 and in the first half of 2020 (please see 2019 Annual report for more information), The Native SA as of today has no operating activities, no employees and is reviewing its strategic options going forward.

As already mentioned in our 2019 Annual report, at the end of March 2020, the Company has been hit by an unexpected and, in view of the Board, faulty decision by the Court of Basel, declaring Bankruptcy over The Native SA. Such decision is related to a claim made by Nicolò von Wunster, the former CEO of the Company (former OTI Energy SA), related to a severance agreement, signed by former board members in 2016. This is a legacy claim which has not been contracted under the new leadership of The Native SA and the Company has therefore always fought vigorously the claim for a total amount of CHF 362'000 including interest.

The status of the Company, currently without any operational companies or divisions and just holding financial assets, should minimize the impact of this procedure while waiting hopefully for a positive final decision which would allow the Company to come back to where it was at the beginning of 2020.

2. NET RESULT

Following the divestment of its subsidiaries, The Native SA reports revenues of TCHF 208, being financial income, for the first six months of 2020 compared to TCHF 98'120 for the same period in 2019. Our net result is negative for TCHF 144 (positive TCHF 288 for the same period in 2019).

As per the above, the Company is publishing its half-year financial statements on a standalone statutory basis with a comparison to last-year's standalone results as well as consolidated numbers.

3. OUTLOOK SECOND HALF-YEAR 2020

The Board of Directors is carefully and patiently managing the legal bankruptcy procedure with the strongest financial discipline possible. The Board hopes to find a favorable exit to the current situation in order to complete the financial restructuring initiated in 2019. That would allow the Board to position the company for a redeployment of operations and business developments.

Patrick Girod,
Chairman of the Board

FINANCIAL STATEMENTS

INCOME STATEMENT (in Swiss Francs)

For the six months period ended	Unaudited 30 June 2020 Stand-alone CHF	Unaudited 30 June 2019 Stand-alone CHF	Unaudited 30 June 2019 Consolidated TCHF
Revenue	-	-	98 120
Other income	-	845 975	1 629
Total revenue	-	845 975	99 749
Cost of material	-	-	(91 269)
Personnel expenses	-	(82 274)	(6 546)
General and administrative expenses	(306 564)	(88 933)	(2 080)
Marketing & sales expenses	(4 827)	(82 954)	(446)
Other operating income / (expenses)	-	-	(84)
Total operating expenses	(311 391)	(254 161)	(100 426)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(311 391)	591 814	(676)
Depreciation of property, plant and equipment	-	-	(62)
Amortization of intangible assets	-	-	(1 262)
Impairment of financial assets	(19 157)	(286 525)	-
Amortization and impairment of goodwill	-	-	(2 079)
Variation bad debts	-	-	(335)
Operating result (EBIT)	(330 547)	305 289	(4 415)
Financial income	207 394	563	45
Financial expenses	(61 886)	(11 498)	(81)
Exchange differences	37 143	(48 434)	(399)
Result before income tax	(147 897)	245 921	(4 849)
Extraordinary revenues	-	-	6
Extraordinary costs	(1 088)	-	(945)
Result before income tax	(148 985)	245 921	(5 788)
Income tax	4 831	(5 491)	72
Net result	(144 154)	240 430	(5 717)
Attributable to:			
Owners of the Company	(144 154)	240 430	(3 928)
Non-controlling interests	-	-	(1 788)
Earnings per share			
Basic (CHF per share)	(0,05)	0,08	(1,26)
Diluted (CHF per share)	(0,05)	0,08	(1,26)

BALANCE SHEET

(in Swiss Francs)

	Unaudited 30 June 2020 CHF Stand-alone	Audited 31 Dec 2019 CHF Stand-alone	Audited 31 Dec 2019 TCHF Consolidated
ASSETS			
Current assets			
Cash and cash equivalents	98 621	58 804	59
Trade and other receivables third parties	485	372 835	4 367
Trade and other receivables related parties	321 060	3 994 543	-
Prepaid expenses	162 970	30 557	31
Total current assets	583 136	4 456 739	4 457
Non-current assets			
Investments	-	730 000	730
Other financial assets	6 385 500	1 630 500	1 630
Total non-current assets	6 385 500	2 360 500	2 360
Total assets	6 968 636	6 817 239	6 817
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables third parties	349 210	867 899	189
Trade and other payables related parties	73 461	70 005	-
Accrued expenses	419 308	396 508	396
Current financial liabilities	6	758 046	775
Total current liabilities	1 600 026	1 360 258	1 360
Non-current liabilities			
Non-current financial liabilities	6	600 000	600
Non-current convertible loan third parties	1 795 802	1 763 725	-
Non-current convertible loan related parties	1 327 205	1 303 498	3 067
Long term provisions	400 000	400 000	400
Total non-current liabilities	4 123 007	4 067 223	4 067
Equity			
Share capital	10 889 165	10 889 165	10 889
Treasury shares	7	(33 811)	(34)
Cumulative translation adjustment	-	-	-
Consolidated reserves	-	-	-
Accumulated losses	(9 465 596)	(8 406 256)	(24 098)
Net result	(144 154)	(1 059 340)	14 633
Total equity attributable to Owners of the Company	1 245 603	1 389 758	1 390
Non-controlling interests	-	-	-
Total equity	1 245 603	1 389 758	1 390
Total liabilities and equity	6 968 636	6 817 239	6 817

STATEMENT OF CHANGES IN EQUITY

(in Swiss Francs)

CONSOLIDATED	Issued capital		Cumulative translation adjustment TCHF	Accumulated losses TCHF	Attributable to		Total TCHF
	Share Capital TCHF	Treasury Shares TCHF			Owners of the Company TCHF	Non- controlling interests TCHF	
Balance at 1 January 2019 (audited, restated)	10 889	(34)	(22)	(18 760)	(7 926)	(1 257)	(9 183)
Net result	-	-	-	(3 928)	(3 928)	(1 788)	(5 717)
Currency translation difference	-	-	(643)	-	(643)	281	(362)
Disposal of treasury shares				23 556	23 556	(124)	23 432
Change in scope of consolidation		-	-	(11 628)	(11 628)	(7 154)	(18 781)
Other changes in equity				(321)	(321)	(229)	(550)
Balance at 30 June 2019 (unaudited)	10 889	(34)	(665)	(11 081)	(890)	(10 271)	(11 161)

STAND-ALONE	Issued capital		Accumulated losses CHF	Total CHF
	Share Capital CHF	Treasury Shares CHF		
Balance at 1 January 2019 (audited)	10 889 165	(33 811)	(8 406 256)	2 449 098
Net result	-	-	240 430	240 430
Balance at 30 June 2019 (unaudited)	10 889 165	(33 811)	(8 165 826)	2 689 528
Balance at 1 January 2020 (audited)	10 889 165	(33 811)	(9 465 596)	1 389 758
Net result	-	-	(144 154)	(144 154)
Balance at 30 June 2020 (unaudited)	10 889 165	(33 811)	(9 609 750)	1 245 604

CASH FLOW STATEMENT

(in Swiss Francs)

For the six months period ended

	Unaudited 30 June 2020 CHF Stand-alone	Unaudited 30 June 2019 CHF Stand-alone	Unaudited 30 June 2019 TCHF Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) for the year	(144 154)	240 430	(5 717)
Adjustments for:			
Tax (income) / expense	-	-	(72)
Financial expenses	-	-	70
Depreciation, amortization and impairment	(19 157)	-	4 671
Impairment of investments	-	-	-
	(163 312)	240 430	(1 048)
Movement in working capital			
(Increase)/decrease in inventories	-	-	42
(Increase)/decrease in trade and other receivables	239 937	(1 227 080)	(2 668)
Increase/(decrease) in trade and other payables	(1 063 731)	(684 391)	4 414
<i>Cash flow generated from operations</i>	(987 104)	(1 671 041)	740
Income tax paid	-	-	72
Net cash used in / from operating activities	(987 104)	(1 671 041)	812
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition in subsidiaries, net of cash acquired	-	-	1 546
Acquisition of property, plant and equipment	-	-	(8)
Acquisition of intangible assets	-	-	6
Increase in other receivables	(332 360)	-	-
Increase in other financial assets	-	-	(1 344)
Net cash used in / from investing activities	(332 360)	-	200
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in non-current financial liabilities	1 359 282	790 268	78
Decrease in non-current financial liabilities	-	-	(1 405)
Interest paid	-	-	(70)
Net cash used in / from financing activities	1 359 281	790 268	(1 398)
Change in cash and cash equivalents	39 817	(880 774)	(386)
Cash and cash equivalents at 1 January	58 804	985 324	5 247
Reciprocal account	-	-	(50)
Effect of movements in exchange rates on cash held	-	-	(149)
Cash and cash equivalents at 30 June / 31 Dec	98 621	104 550	4 662
Change in cash and cash equivalents	39 817	(880 774)	(386)

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

For the period ended 30 June 2020

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.

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.

These financial statements were approved by the Board of Directors and authorized for issue on 30 September 2020.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements cover the unaudited half-year results for the six months ending 30 June 2020. They have been prepared in accordance with Swiss GAAP FER (Accounting and Reporting Recommendations).

These interim financial statements do not contain all the information and disclosures required in the annual financial statements. They should therefore be read in conjunction with the consolidated financial statements as at 31 December 2019. In this interim report, Management has not made any significant changes to the estimates and assumptions compared to the previous period. However, due to the deconsolidation of several entities as at 31 December 2019, the Company is presenting only statutory financial statements according to Swiss GAAP FER. However, the comparison is presented both with standalone and consolidated accounts (under Swiss GAAP FER).

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Swiss francs unless otherwise stated.

GOING CONCERN

On 24 March 2020, the Company was notified by the Court of Basel of its bankruptcy, decided on March 18, 2020, following the request from a former board member Mr. Nicolò von Wunster, claiming unsettled severance fees. The Company notified the market on March 25, 2020 and was granted the suspensive effect on such decision by the Appeals Court. During this time of suspension, the Company must provide the Court with an inventory of assets and liabilities proving it is not insolvent and is limited in the way it can dispose of its assets.

The claim (original amount and accumulated interests since June 2016) amounts to a total of CHF 362'000. The Board of Directors considers the claim totally unjustified and has been disputing its validity since the beginning. To be safe it has however booked the full amount as a provision.

The Company can currently assume current payments until the end of the year 2020. It cannot however guarantee the payment of its creditors if the above amount becomes due. Should the Court rule on a negative decision for the

Company and the amount of CHF 362'000 become due, the Company must find additional funds or free existing assets to perform this payment.

In such event and should the Board of directors be unable to find additional funds in the short term, this may cast significant doubts about the ability of the Company to continue as a going concern.

Based on the documents in its possession, the Board considers that the possibility of the Court giving an unfavorable decision is very unlikely. Should this occur, the Board intends to appeal and gain sufficient time to obtain additional funding or to prove to the Court that the realization of all assets is sufficient to pay all existing debts including the amount unduly requested by Mr. Nicolò von Wunster. The Board considers therefore that the business continuity is ensured. This is the reason why it has established financial statements using going concern values.

3. KEY EXCHANGE RATES

The following exchange rates were used for currency translation:

	30 June 2020		31 December 2019		30 June 2019	
	<u>Closing rate</u>	<u>Period average</u>	<u>Closing rate</u>	<u>Period average</u>	<u>Closing rate</u>	<u>Period average</u>
USD	0.94756	0.98197	0.96837	0.99365	0.98140	1.00829
EUR	1.06425	1.07978	1.08700	1.11247	1.08695	1.13922

4. BUSINESS COMBINATIONS

On 18 March 2020, the Company has signed an asset swap agreement to exchange its existing minority investment in P8H Inc. and related long-term loan with financial instruments issued by a third-party.

Further to the above-mentioned transaction and the full divestment of all of the subsidiaries, the Company does not present any business combinations.

5. GOODWILL

For Goodwill information following the divestment of the subsidiaries at 31 December 2019, please refer to 2019 Annual Report.

6. FINANCIAL LIABILITIES

The following table details the financial liabilities booked on the level of The Native SA:

STAND-ALONE	Current Year ended		Non-current Year ended	
	30 June 2020 CHF	31 Dec 2019 CHF	30 June 2020 CHF	31 Dec 2019 CHF
Loans from:				
Third parties	758 046	-	600 000	600 000
Related parties	-	-	-	-
Payables related to business combinations:				
Third parties	-	774 699	-	-
Convertible loan from:				
Third parties	-	-	1 795 802	1 763 725
Related parties	-	-	1 327 205	1 303 498
Total financial liabilities	758 046	774 699	3 723 007	3 667 223

Loans from Third parties

In relation with the acquisition in November 2017 of 25% of the company The Native Media Inc., part of the consideration payment was at that time deferred: USD 400'000 (CHF 394'320) was payable by 30 November 2018 USD 400'000 (CHF 394'320) by 30 November 2019. The total amount of USD 800'000 (CHF 774'699) was still due as of 31 December 2019.

On 16 June 2020, a third party arranged for the payment of the residual amount of USD 800'000 and therefore the Company reclassified this payable related to business combinations into a third-party loan.

Related parties: please refer to the consolidated financial statements as at 31 December 2019

Convertible loans

Related parties: please refer to the consolidated financial statements as at 31 December 2019

7. TREASURY SHARES

As of 30 June 2020, the Company owned 4'253 treasury shares (31 December 2019: 4'253) for a total amount at cost of CHF 33'811 (31 December 2019: CHF 33'811). No treasury shares were sold during the current and prior year.

8. 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.

9. SUBSEQUENT EVENTS

The procedure related to the bankruptcy of the Company is ongoing. The Company will inform the markets of any new developments. Last notification dates from August 21st 2020 when the The Native SA received an interim decision by the Basel Appeals Court dated July 24, 2020 in which the suspensive effect with regard to the bankruptcy procedure was confirmed and the case referred to the supervisory authority in debt enforcement and bankruptcy matters in order to decide whether the threat of bankruptcy issued against the Company is valid or void. Pending that decision, the appeals procedure against the bankruptcy decision is suspended, with the effects already decided on in April 2020.

COMPANY PROFILE

Board of Directors

Patrick Girod, Chairman

Victor Iezuitov, Member

Postal Address

The Native SA, Gerbergasse 48, 4001 Basel

Auditors

Berney Associés Audit SA, 1002 Lausanne

Reporting

The Board of Directors

Bank

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Ticker Symbols

Bloomberg NTIV SW Equity

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