Half-year results for the six months period ending June 30, 2019

Ticker symbol : NWAY

Management report on the situation of the group for the first half of 2019

GENERAL INFORMATION ABOUT THE GROUP

Corporate structure and business model

Nexway AG (formerly asknet AG) is a leading ecommerce and payment service provider. Combining technology and managed services, the Nexway Group offers solutions to software, video games, services, digital marketplaces and retail companies to run and maximize their online sales worldwide, serving companies across 180 countries around the world.

By using state-of-the-art technology, a full range of industry-leading ecommerce and payment solutions and a hands-on team of industry experts, Nexway is servicing online businesses to scale, grow and thrive in today's global sales marketplace.

More specifically, Nexway clients leverage subscription models, local payment methods, fraud prevention, partner & reseller management and customer insights to transform their purchasing experience and grow their business. The company also provides software procurement and distribution services to European academic institutions, students and alumni. The company is based in Karlsruhe and Paris La Défense, with offices in the US, Japan, Italy, Poland and Switzerland. Nexway AG shares are listed and traded on the Frankfurt Stock Exchange.

The identity of Nexway is based on technology and top-quality customer service. The group is dedicated to innovation and is proud of its role as a global pioneer of API-driven, headless commerce architectures. The benefits of Nexway's technical innovation is what both makes the solutions agile and allows our customers to scale and grow their online businesses fast.

At the end of January 2019, Nexway AG (formerly asknet AG), acquired 100% ownership interest in Nexway Group AG and its 100% owned subsidiary Nexway SAS, thus bringing together two of Europe's biggest names in ecommerce and payment operations.

On September 24, 2019 Facebank Group, Inc., a US-listed company, became the new majority shareholder of Nexway AG through its French subsidiary StockAccess Holdings SAS. Facebank Group is a leading developer of hyper-realistic digital humans for entertainment, virtual reality, augmented reality and artificial intelligence, and this investment potentially opens the global digital content market served by Facebank to Nexway AG's payment and ecommerce services.

ECONOMIC REPORT

Macroeconomic and industry environment

In its latest forecast (October 2019), the International Monetary Fund (IMF) projects the global economy to expand at a rate of 3.0% during the full year of 2019. While the emerging and developing nations are expected to grow by 3.9%, a rate of 1.7% is anticipated for the industrialized economies, with the US economy expanding by 2.4%. According to the IMF economists, the Eurozone economy will grow at a rate of 1.2%. For the German economy a rather weak increase of 0.5% is forecast.

The industries that are relevant for the Nexway Group include the international ecommerce markets and the global IT markets (software and IT services). The business activities of Nexway Academics Business Unit focus primarily on the university sector in Germany, Austria and Switzerland (DACH area).

Global ecommerce markets, driven by the general trend towards digitization, are continuing to grow dynamically. For the year 2019, the analyst firm eMarketer expects a 20.7% increase in sales in online retailing worldwide to 3.5 trillion US dollars.

Global B2B e-commerce, which had lagged significantly behind the trend on the retail side in past years, is also expected to grow strongly. Forrester Research projects investments of approximately 2.4 billion US dollars in B2B commerce platforms until 2021.

Concerning our business unit Academics, the positive trend in the higher education markets throughout the German-speaking region (Germany, Austria, Switzerland) remains intact. According to the German statistical office, the country's universities recorded a rise in the number of enrolled students by 2.1% from approximately 2,807,000 in the winter term 2016/2017 to 2,868,000 in the winter term 2018/19.

Impact of the general market conditions on Nexway Group

As a global supplier of software solutions and IT services for the online distribution of digital and physical goods, Nexway continues to benefit from the shift in retail sales to the internet and the changing user and payment behavior. New opportunities for growth will be created by the ongoing internationalization of the Group, the launch and expansion of international partnerships including add-on acquisitions, the entry into new highly synergetic business areas and the development of innovative products.

Nexway eCommerce Solutions Business Unit (ECS) generally has a good position based on its proven solutions and continuous investment in technology. However, the market segment for full-service solutions, which allow manufacturers to outsource the international online distribution of their products, is at an advanced stage of development and Nexway is caught in fierce competition for market share with other ecommerce suppliers, resulting in price wars. Nevertheless, with increased investments in sales activities and introduction of new sales platforms, Nexway has been able to secure a large number of new clients in previously less serviced geographies and is planning to continue to build up its sales force. Synergies in areas such as technology and sales will further be pursued following the acquisition and integration of Nexway Group AG and its 100% owned subsidiary Nexway SAS. Furthermore, the capability to also sell physical products helps Nexway to stand out from the competition.

Nexway Academics Business Unit has an outstanding market coverage and high profile in software reselling at universities and research institutions in the German-speaking region and benefits from the continued increase in student numbers in these countries. But margins for the sale of software licenses are continuously decreasing. Nexway therefore aims to use the good customer relationships also in this unit in order to place new products, further comprehensive services and to increase its vertical integration as well as its geographic footprint.

NEX
WAY

Business performance of Nexway Group in HY1 2019

High customer demand in both business units

In the first half of 2019 the Nexway group recorded high customer demand and a strong performance in the online shops it operates. As compared to the figures of the consolidated accounts of former asknet AG in 2018, the sales figures more than doubled following the acquisition of Nexway Group AG and its 100% owned subsidiary Nexway SAS. Due to this major change in consolidation scope, prior year figures for financial year 2018 are not comparable to those of 2019.

However, in the notes, the Company has presented restated pro forma figures for financial year 2018 allowing a comparison of 2019 figures as if Nexway Group AG and its 100% owned subsidiary Nexway SAS had already been consolidated in 2018. In the following, we also refer to those figures.

In the eCommerce Solutions Business Unit, Nexway recorded positive developments with regards to existing clients. Promising negotiations are currently being carried out with existing and other potential new clients but were not finalized at the balance sheet date. Furthermore, customizing projects were implemented for several new customers, helping to further intensify Nexway's customer relationships. Finally, new unified platforms with state-of-the-art technology are being introduced in the market (for example, the Nexway Monetize platform, developed by Nexway SAS, provides integrated payment and ecommerce services).

In the Academics Business Unit, Nexway increased sales with existing customers (increase of about 12% as compared with HY 2018) through increased sales of Microsoft license agreements, also due to closer customer support provided by the Company. Academics unit was also able to significantly increase service revenue, besides licensing revenue, of an important software editor.

Other important operational developments in the Academics Business Unit include projects together with an important hardware producer to create a dedicated partner portal, as well as the intensive preparation of a public tender on the national level in Germany to supply statistic software.

Strengthening Corporate Governance structures

On June 28, 2019, Nexway AG held its Annual general meeting, where the shareholders approved – with 99.9% of the vote – the annual report and several governance changes, all in line with Nexway's ongoing focus on realization of synergies and building a unified market presence.

Aston Fallen, the former Chief Executive Officer (CEO) of Nexway AG, was elected to the Supervisory Board of the company, serving as its Chairman, together with Thomas Garrahan serving as vice-Chairman and Matthew Bale. All three are the newly elected members of the Supervisory Board.

Immediately following the Annual shareholder meeting, the Supervisory Board appointed Victor Iezuitov as CEO of Nexway AG and member of the management board, together with Norman Hansen as COO.

Furthermore, in September this year, the Company has implemented an integrated governance structure for second level of management: The Executive Committee. Members of this committee include Victor Iezuitov to act as Chairman of the Management Board (CEO), together with Norman Hansen as COO, and other management board members to include Casey Potenzone (Chief Strategy Officer), Délphine Weiskopf (SVP Product and Marketing), Frédéric Ribau (Chief Technology Officer), and Christian Herkel (SVP Global Accounts).

SALES REVENUES AND EARNINGS

For the first half year 2019, sales amounted to 86.1 million euros, an increase of more than 100% when compared to the first half year of 2018 (41.4 million euros). This huge increase is mainly the consequence of the consolidation of Nexway Group AG (including Nexway SAS) following the acquisition of those companies by Nexway AG on January 31, 2019.

On a like-for-like comparison of 2019 sales with restated 2018 pro-forma accounts (i.e. figures for 2018 restated as if the acquisition had taken place already on January 31, 2018 – please see corresponding figures in the note “Pro Forma accounts 2018”), sales decreased by -12.8 million euros, representing a decrease of -12.9%. Despite the general positive development of existing customers in both business units, this decrease of total turnover is mainly due to the decision of group management to streamline parts of the client portfolio of ECS, especially existing engagements with compliance-heavy Asian clients, and shifting focus and group’s resources to servicing higher margin long term customers, both existing and new ones. Furthermore, due to the first-time consolidation of the Nexway Group as of January 31, 2019, consolidated Nexway SAS revenues for January 2019 are not included. Before deduction of January 2019 revenues of Nexway SAS, Nexway AG reported gross revenues of 95.1 million euros for the first six months period.

SALES REVENUES SHARE BY REGION

in %, January 1 until June 30

SALES REVENUES BY REGION	2019	2018
Europe	61	52
USA	21	23
Asia	10	19
Other countries	7	7

The acquisition of Nexway Group increased the relative importance of Europe as sales region for our company, since particularly Nexway Group’s 100% owned subsidiary Nexway SAS has a strong presence in France. Correspondingly, the importance of Germany in overall sales has diminished as compared to the previous year.

GROSS PROFIT, HALF-YEAR
In € million

	1-12/2016	1-12/2017	1-12/2018	1-6/2018	1-6/2019
1st half year	4.5	4.3	4.3	4.3	6.1
2nd half year	4.4	4.2	5.3	n.a.	n.a.
Total Gross profit	**8.9**	**8.5**	**9.6**	**4.3**	**6.1**
Total Sales	68.7	66.1	85.8	41.4	86.1
Gross profit margin	**13.0%**	**12.9%**	**11.2%**	**10.4%**	**7.1%**

Gross profit is defined as sales minus cost of goods/merchandise sold and cost of services. For the first half year 2019 as compared to the same period of the previous year increased from 4.3 million euros to 6.1 million euros. Before deduction of January 2019 gross profit of Nexway SAS Group, the consolidated Nexway AG gross profit amounted to 6.7 million euros.

GROSS MARGIN BY BUSINESS UNIT
in € million, January 1 until June 30

	2016	2017	2018	2019
Gross margin Academics	1.6	1.6	1.1	1.9
Gross margin eCommerce Solutions	2.9	2.7	3.2	7.2
Total	4.5	4.3	4.3	9.2

Gross margin is defined as sales minus cost of goods/merchandise purchased. In both business units, gross margin increased as compared to the same period of the previous year, especially for ECS due to the integration of Nexway Group AG and its 100% owned subsidiary Nexway SAS.

REVENUE AND GROSS MARGIN BY BUSINESS UNIT IN HY 2019
in € thousand

	ECS	ACA	Total
Total Revenue	71,3	14,8	86,1
Total Cost of purchased merchandise	-64,0	-12,9	-76,9
TOTAL GROUP GROSS MARGIN	**7,3**	**1,9**	**9,2**
Gross profit margin in relation to revenue	**10.2%**	**12.8**	**10.7%**

Gross profit margin in relation to sales amounts to 12.8% in academics and 10.2% in ECS.

Capitalized own work amounted to 0.531 million euros, mainly on the level of Nexway SAS.

At 5.673 million euros, the Nexway AG's consolidated personnel expenses more than doubled as compared to the previous period due to similar increase of the headcount driven by acquisition of Nexway Group. In relation to sales, personnel costs accounted for 62.7% of gross profit, a slight increase as compared to the previous period (61% of gross profit).

Depreciation and amortization increased significantly from 0.334 million euros to 2.987 million euros in the reporting period. This is essentially due to the amortization of the consolidation goodwill following the acquisition of Nexway Group AG on a pro rata temporis base.

As expected, on an EBITDA basis, Nexway AG remained at loss with -1.5 million euros. Main factors for this were several one-time charges for the integration of Nexway Group acquisition as well as certain restructuring costs. The net result for the period was -5.1 million euros.

NET ASSETS AND FINANCIAL POSITION

Nexway Group's consolidated balance sheet increased from 11.0 million euros to 46.4 million euros, reflecting the first consolidation of Nexway Group AG and its 100% owned subsidiary Nexway SAS.

On the asset side, an important factor is the recognition of the consolidation goodwill amounting to 18.1 million euros at balance sheet date following the first consolidation of Nexway Group AG and its 100% owned subsidiary Nexway SAS. Nexway Group AG's subsidiary Nexway SAS also had higher self-created intangible assets from capitalized development costs, increasing from 1.4 million euros to 7.2 million euros. Overall, fixed assets increased from 2.3 million euros to 26.2 million euros as at June 30, 2019.

Current assets also increased, especially with regards to trade receivables and other assets. Cash at bank slightly increased from 3.8 million euros to 4.1 million euros.

Equity decreased from 1.318 million euros to -0.845 million euros as a consequence of the negative consolidated balance sheet result amounting to 5.053 million euros.
Due to the consolidation of Nexway Group AG, the consolidated accounts show for the first-time provisions for pensions and similar liabilities, amounting to 0.167 million euros, due to the legal obligation for certain post-employment benefits in France.

Other provisions, mainly invoices not yet received and other accruals, decreased from 2.213 million euros to 1.059 million euros.

Loans received from third parties increased also strongly due to the consolidation of an external bond of Nexway SAS in the consolidated balance sheet. This bond, the main external debt of Nexway Group, amounts to 7.5 million euros and is a long-term loan instrument (the bond has to be repaid in 2023). The annual interest is 6.5%. In addition, in relation to this loan, Nexway Group has the option to request further credit lines in the amount of 4.5 million euros, thus giving access to further liquidity if needed.

Finally, other liabilities also increased following the consolidation of Nexway SAS.

EMPLOYEES

During the first half-year 2019, Nexway group employed an average number of 181 employees (previous year: 87 employees).
These employees are mainly based in Germany (84) and France (78). Other countries include:

- USA: 8 employees
- Japan: 5 employees
- Poland: 4 employees
- Italy: 2 employees.

OPPORTUNITY AND RISK REPORT

Given that Nexway Group's risk position has not significantly changed compared to the assessment at the time of the preparation of the 2018 financial statements, please refer to the detailed description of the group's opportunities and risks in the 2018 consolidated annual report.

Forecast

Anticipated development of the industry environment

As mentioned above, the global ecommerce market will continue to grow in the coming years. The global IT markets will also remain on the growth track. The market research specialists from Gartner expect an increase of approximately 0.4% to 3.7 billion US dollars in 2019, with – as in previous years – above-average spending on software (+8.8%) and services (+3.7%).
The university market in the German-speaking region will show a positive trend in the coming years.

Company forecast

Following the acquisition of Nexway Group AG and its 100% owned subsidiary Nexway SAS at the end of January 2019, the first six months of 2019 were mainly shaped by unifying and streamlining the operations of both companies, Nexway SAS and Nexway AG (formerly asknet AG). The overall aim was to realize synergies, harmonize the operations and work on a common global market positioning. Among other initiatives and as a first step towards global integration and repositioning, the Company has carried out a global rebranding thus brining the operations of both companies under Nexway Group, together with a new logo and a new website.

Against the background of the expected business development in the last quarter of 2019, Nexway AG lowered its guidance for the full year on October 31, 2019. Nexway AG continues to expect an improvement of consolidated EBITDA for the second half of 2019. Contrary to previous expectations, however, the improvement will not be sufficient to achieve the slightly positive EBITDA previously forecast on a full-year basis. The company now expects an EBITDA between -2.0 million euros and -2.8 million euros for 2019. Regarding the top line, Nexway AG now expects consolidated sales revenues between 180 and 200 million euros and a gross profit between 14 and 18 million euros, both before deduction of January 2019 figures of Nexway Group AG and its 100-% subsidiary Nexway SAS, given that it had been consolidated as of January 31, 2019. Originally the company had forecast consolidated sales revenues of over 200 million euros and a gross profit of more than 20 million euros (including capitalized development cost and also both before deduction of January 2019 figures of Nexway Group AG and its 100-% subsidiary Nexway SAS).

Karlsruhe, October 31, 2019
Nexway AG – The Executive Board –

Victor Iezuitov
Chief Executive Officer

Norman Hansen
Chief Operating Officer

NEXWAY AG, KARLSRUHE (formerly asknet AG)
CONSOLIDATED FINANCIAL STATEMENTS HY 2019 (unaudited)

1. Consolidated Balance sheet*

as of June 30 in €	June 30, 2019	December 31, 2018
ASSETS		
A. Fixed Assets		
I. Intangible fixed assets GW	18,132,623.00	
1. Self-created industrial property rights and similar rights	7,351,859.00	1,402,195.98
2. Acquired industrial property rights and similar rights	746,383.80	919,220.80
	26,230,865.80	**2,321,416.78**
II. Tangible fixed assets		
Other equipment, operating and office equipment	247,197.00	150,904.63
III. Financial assets		
Advance payments on shares in affiliated companies	0.00	500,000.00
B. Current Assets		
I. Inventories		
Merchandise	57,642.00	45,593.18
II. Receivables and other assets		
1. Trade receivables	7,268,413.49	3,681,212.27
2. Other assets	8,337,344.29	340,344.98
	15,605,757.78	**4,021,557.25**
III. Cash-in-hand, bank balances, cheques	4,178,119.00	3,873,977.11
C. Prepaid Expenses	**99,567.00**	**135,560.38**
	46,419,148.58	**11,049,009.33**

	June 30, 2019	December 31,2018
EQUITY AND LIABILITIES		
A. Equity		
I. Subscribed capital (Contingent capital € thousand 1 500 (previous year thousand 1 500)	653,765.00	653,765.00
II. Capital reserve	6,766,230.58	2,257,694.77
III. Currency translation differences	-3,211,643.00	76,379.36
IV. Consolidated balance sheet result	-5,053,098.00	-1,669,579.51
	-844,745.42	**1,318,259.62**
B. Provisions		
Provisions for pensions and similar obligations	176,056.00	0.00
Other provisions	1,059,095.00	**2,213,309.62**
C. Liabilities		
I. Loans	7,500,000.00	0.00
of which of more than one year € 7,500,000		
I. Liabilities to banks	0.00	67.05
II. Trade payables	34,117,166.00	5,203,640.23
III. Other liabilities		
of which taxes € 1,861,317.64 (previous year € 1,014,161.56)	4,175,386.00	1,901,484.81
	45,792,552.00	**7,105,192.09**
D. Deferred Income		**0.00**
E. Deferred Tax Liabilities	412,248.00	**412,248.00**
	46,419,149.58	**11,049,009.33**

* The comparative figures for financial year 2018 are the consolidated accounts of the legal entity Nexway AG (formerly asknet AG) as at December 31, 2018, i.e. excluding Nexway Group AG and its 100% owned subsidiary Nexway SAS. Please refer to the note “Pro Forma Information for Financial Year 2018” for further information.

2. Consolidated Income statement*

January 1 until June 30 in €	June 2019	June 2018
1. Sales revenues	86,128,514.00	41,412,536.30
2. Capitalized development activities	531,216.00	825,985.56
3. Other operating income	156,481.00	155,413.64
	86,816,211.00	**42,393,935.50**
4. Cost of materials		
a) Cost of purchased merchandise	-77,660,538.00	-32,205,867.72
b) Cost of purchased services	-2,454,823.00	-4,952,993.87
5. Personnel expenses		
a) Wages and salaries	-4,501,037.00	-2,271,662.70
b) Social security, post-employment and other employee benefit costs	-1,172,743.00	-357,168.50
6. Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	-2,987,552.00	-334,452.24
7. Other operating expenses	-2,834,956.36	-2,509,955.03
	-91,611,649.36	**-42,632,100.06**
8. Interest and similar income	5,916.00	0.00
9. Interest and similar expenses	-336,415.64	-2,928.70
10. Taxes on income and earnings	4,928.00	-227,769.70
	-325,571.64	**-230,698.40**
11. Earnings after taxes	**-5,121,010.00**	**-468,862.96**
12. Other taxes	67912	-733.58
13. Consolidated net result	**-5,053,098.00**	**-469,596.54**
14. Balance carried forward		157,985.65
15. Consolidated balance sheet result	**-5,053,098.00**	**-311,610.89**

* The comparative figures for financial year 2018 are the consolidated accounts of the legal entity Nexway AG (formerly asknet AG) as at December 31, 2018, i.e. excluding Nexway Group AG and its 100% owned subsidiary Nexway SAS. Please refer to the note "Pro Forma Information for Financial Year 2018" for further information. Due to the first-time consolidation of the Nexway Group as of January 31, 2019, consolidated Nexway SAS revenues for January 2019 are not included in the sales revenues for the first six months 2019.

NOTES
For the period ended June 30, 2019

ACCOUNTING PRINCIPLES

General Information

The consolidated financial statements of Nexway AG (formerly asknet AG), headquartered in Karlsruhe (Amtsgericht Mannheim, HRB 108713), were prepared in accordance with section 290 et sequ. of the German Commercial Code (Handelsgesetzbuch, HGB).

The additional disclosures required for individual items are included in the notes.
The fiscal year is the calendar year.

The consolidated income statement was prepared using the total cost accounting method.

Companies of Nexway Group

Following the acquisition of Nexway Group AG, its 100% owned subsidiary Nexway SAS and its subsidiaries at the end of January 2019, the consolidated financial statements include the parent company Nexway AG, Karlsruhe, Germany, as well as the wholly owned subsidiaries as outlined in the following table:

Company	Country	Consolidation Method	Ownership interest	Voting rights
BOONTY ASIA	SG	Full	100,00	100,00
BOONTY JAPAN	JP	Full	100,00	100,00
NEXWAY COMERCIO ELECTRONICO LTDA	BR	Full	99,99	99,99
NEXWAY FRANCE	FR	Full	100,00	100,00
NEXWAY ITALIE	IT	Full	100,00	100,00
NEXWAY POLOGNE	PO	Full	100,00	100,00
NEXWAY USA Inc.	US	Full	100,00	100,00
NEXWAY GROUP AG	CH	Full	100,00	100,00
NEXWAY AG (parent company)	DE	Full	n.a.	n.a.
asknet Inc.	US	Full	100,00	100,00
asknet KK	JP	Full	100,00	100,00
asknet GmbH	CH	Full	100,00	100,00
NEXWAY MAROC	MA	Full	100,00	100,00

The financial statements of the companies included in the parent company’s consolidated financial statements were prepared using uniform accounting and reporting policies.

Accounting and reporting policies

Internally generated intangible assets, mainly development costs for new software, are capitalized in the balance sheet as well as recognized in the income statement.

Internally generated commercial property rights and similar rights and assets are capitalized at cost (development cost) provided that there is at least a high probability on the balance sheet date an asset will actually be created. The cost of production comprises the individually attributable cost from the consumption of goods and the utilization of services. Internally generated commercial property rights and similar rights and assets are written off systematically over their expected useful lives on a pro rata temporis basis using the straight-line method.

Acquired intangible fixed assets are carried at cost and, if they have a finite useful life, are amortized in accordance with the term of their useful lives

Tangible fixed assets are carried at their acquisition or production cost and are subject to scheduled depreciation (straight-line method) in accordance with their expected useful life.

Since January 1, 2010, low value assets have been fully written off in the year of acquisition.

All other additions to tangible fixed assets are written down on a pro rata temporis basis.

Advance payments made shown under financial assets are stated at their face value.

Inventory is carried at the lower of cost or market. Appropriate write-down has been recognized for all identifiable inventory risks that result from reduced marketability and lower replacement costs.

With the exception of customary retention of title, inventories are free from third-party rights.

Receivables and other assets are carried at their face value. Adequate specific provisions are allowed for all items that carry risk.

Cash in hand and bank balances are recognized at their face value at the balance sheet date.

Payment made before the reporting date are recognized as prepaid expenses if they constitute expenses for a certain period after this date.

The subscribed capital and the capital reserve are carried at their face value. The capital reserve was formed in accordance with section 272 paragraph 2 no. 4 HGB.

Provisions for pensions and similar liabilities account for obligations of the company, mainly in France, to pay for post-employment benefits.

Other provisions account for all contingent liabilities and impending losses from pending transactions. They are recognized at their settlement values required according to prudent commercial judgment (in other words taking into consideration future cost and price increases).

Liabilities are carried at their settlement values.

Deferred taxes resulting from differences between the commercial balance sheet and the tax balance sheet are recognized if they are expected to be reduced in later fiscal years. Deferred tax assets and liabilities are offset. If deferred tax assets exceed deferred tax liabilities as of the balance sheet date, no use is made of the capitalization option provided by section 274 paragraph 1 sentence 2 HGB.

All foreign currency assets and liabilities were translated into euros on the reporting date using the respective mean exchange rate. If these had remaining terms of more than one year, the realization principle (section 298 paragraph 1 in conjunction with section 252 paragraph 1 no 4 half sentence 2 HGB) and the historical cost principle (section 298 paragraph 1 sentence 1 HGB) were complied with. Current foreign currency receivables (remaining term of up to one year) as well as cash and cash equivalent or other current foreign currency assets are translated at the mean exchange rate on the balance sheet date in accordance with section 256 a HGB.

All assets and liabilities of annual financial statements prepared in foreign currencies were translated into euros at the respective mean exchange rate prevailing on the financial statement date, with the exception of equity (subscribed capital, provisions, profit/loss carry forward at historical exchanges rates). Income statement items are translated into euros at the average exchange rate. The resulting translation differences are recognized in Group equity, below provisions in the items “Currency translation differences”.

Consolidation principles

The capital consolidation for initial consolidations prior to 2010 was carried out using the book value method at the time of the initial consolidation. The capital consolidation for initial consolidation as of 2010 was carried out using the revaluation method.

Receivables and liabilities, as well as income and expenses between Group compagnies were eliminated. No eliminations of inter-company profits losses were necessary.

Goodwill arising from acquisition of majority interests of companies is identified according to section 301 paragraph 3 HGB. Following its recognition, goodwill is amortized in according with its expected useful life.

PRO FORMA INFORMATION FOR 2018 FOLLOWING THE ACQUISITION OF NEXWAY SAS

The acquisition of 100% of the shares of Nexway Group AG and its 100% owned subsidiary Nexway SAS at the end of January 2019 represents a major change in the scope of consolidation of Nexway AG and therefore its consolidated accounts. Hence balance sheet and profit and loss figures in 2019 are not comparable with the figures of the consolidated accounts of Nexway AG (formerly asknet AG) for financial year 2018.

In accordance with section 294 paragraph 2 HGB, the following tables show the restated pro forma accounts for the period before January 1, 2019:

Pro forma balance sheet:

CONSOLIDATED BALANCE SHEET		
as of June 30		
in €		**PRO FORMA**
	June 30, 2019	December 31, 2018
ASSETS		
A. Fixed Assets		
I. Intangible fixed assets GW	18,132,623.00	0.00
1. Self-created industrial property rights and similar rights	7,351,859.00	11,224,168.00
2. Acquired industrial property rights and similar rights	746,383.80	919,220.80
	26,230,865.80	**12,143,388.80**
II. Tangible fixed assets		
Other equipment, operating and office equipment	247,197.00	352,186.00
III. Financial assets		
Advance payments on shares in affiliated companies	0.00	785,957.00
B. Current Assets		
I. Inventories		
Merchandise	57,642.00	204,715.00
II. Receivables and other assets		
1. Trade receivables	7,268,413.49	7,220,674.89
2. Other assets	8,337,344.29	2,337,615.02
	15,605,757.78	**9,558,289.91**
III. Cash-in-hand, bank balances, cheques	4,178,119.00	5,015,418.00
C. Prepaid Expenses	**99,567.00**	**71,334.00**
	46,419,148.58	**28,131,288.71**
	June 30, 2019	December 31,2018
EQUITY AND LIABILITIES		
A. Equity		
I. Subscribed capital (Contingent capital € thousand 1 500 (previous year thousand 1 500)	653,765.00	653,765.00
II. Capital reserve	6,766,230.58	-5,582,244.47
III. Currency translation differences	-3,211,643.00	-421,836.00
IV. Consolidated balance sheet result	-5,053,098.00	-2,575,071.52
	-844,745.42	**-7,925,387.00**
B. Provisions		
Provisions for pensions and similar obligations	176,056.00	201,352.00
Other provisions	1,059,095.00	**1,121,893.00**
C. Liabilities		
I. Loans	7,500,000.00	0.00
of which of more than one year € 7,500,000		
I. Liabilities to banks	0.00	0.00
II. Trade payables	34,117,166.00	29,219,006.96
III. Other liabilities		
of which taxes € 1,861,317.64 (previous year € 1,014,161.56)	4,175,386.00	5,022,851.75
	45,792,552.00	**34,241,858.71**
D. Deferred Income		**0.00**
E. Deferred Tax Liabilities	412,248.00	**692,924.00**
	46,419,149.58	**28,131,288.72**

Pro forma Profit and Loss account:

CONSOLIDATED INCOME STATEMENT		
January 1 until June 30		
in €		PRO FORMA
	June 2019	June 2018
1. Sales revenues	86,128,514.00	98,910,929.00
2. Capitalized development activities	531,216.00	1,267,010.00
3. Other operating income	156,481.00	
	86,816,211.00	**100,177,939.00**
4. Cost of materials		
a) Cost of purchased merchandise	-77,660,538.00	-89,824,213.00
b) Cost of purchased services	-2,454,823.00	-1,570,040.00
5. Personnel expenses		
a) Wages and salaries	-4,501,037.00	-5,143,216.00
b) Social security, post-employment and other employee benefit costs	-1,172,743.00	-1,448,754.00
6. Amortization and write-downs of intangible fixed assets and depreciation		
and write-downs of tangible fixed assets	-2,987,552.00	-1,583,189.00
7. Other operating expenses	-2,834,956.36	-3,389,646.00
	-91,611,649.36	**-102,959,058.00**
8. Interest and similar income	5,916.00	377.00
9. Interest and similar expenses	-336,415.64	13,795.00
10. Taxes on income and earnings	4,928.00	14,483.00
	-325,571.64	**28,655.00**
11. Earnings after taxes	**-5,121,010.00**	**-2,752,464.00**
12. Other taxes	67912	22207
13. Consolidated net result	**-5,053,098.00**	**-2,730,257.00**
14. Balance carried forward		
15. Consolidated balance sheet result	**-5,053,098.00**	**-2,730,257.00**

* Due to the first-time consolidation of the Nexway Group as of January 31, 2019, consolidated Nexway SAS revenues for January 2019 are not included in the sales revenues for the first six months 2019. The figures for 2018 were restated as if the acquisition had taken place already on January 31, 2018.

Please refer to the outline of the pro forma figures in the management report.

EXPLANATORY NOTES TO THE BALANCE SHEET

Goodwill

The goodwill shown in the balance sheet as at June 30, 2019 stems from the acquisition and first consolidation of Nexway Group AG, its 100% owned subsidiary Nexway SAS and its subsidiaries applying the revaluation method.
Goodwill is amortized over its useful life, which is estimated to 5 years, which the company considers a reasonable period in the IT-sector.
Amortization is included in the income statement on a pro rata temporis base since the acquisition of Nexway SAS.

Receivables and other assets

As in the previous year, receivables and other assets have a remaining maturity of up to one year, with the exception of the “Solidarbürgschaft” (joint security) of the Swiss Tax Authority (21.5 thousand euros).

Bank balances

Of our bank balances, 150 thousand euros are reserved as collateral for aval commitments.

Equity

Subscribed capital amounts to 653,765 euros and consists of registered no par value shares (common stock). Each no-par value share represents one vote. The subscribed capital was fully paid up.

Authorized capital

At the ordinary annual general meeting of June 18, 2015, the executive board was authorized, with the approval of the supervisory board, to increase the share capital on one or more occasions by up to 2,375,663 euros by June 17, 2020 against cash or non-cash contribution by using new registered shares. Shareholders' subscription rights may be excluded under certain conditions.

Based on the authorization granted by the annual general meeting of July 18, 2015, the company's executive board, decided on September 26, 2018, with the consent of the supervisory board, to use part of the authorized capital and to increase the company's share capital from 560,370 euros to 653,765 euros by issuing 93,395 new shares against cash contribution at an issue price of 10.50 euros per share in a rights issue (indirect pre-emptive right). The lowest issue price is 1.00 euros per share. The excess amount of 887,252.50 euros was allocated to the capital reserve.

Contingent capital

At the extraordinary general meeting on August 23, 2016, the executive board, with the approval of the supervisory board, was given authorization, extending until August 22, 2021, to issue on one or more occasions bearer or registered warrant bonds, convertible bonds, profit participation rights and/or income bonds or a combination thereof (collectively referred to as “bonds”) in a total nominal amount of up to 3,000,000 euros with a maximum term of 10 years and to grant to or impose on the bearers or creditors of warrant bonds or warrant participation rights or warrant income bonds option rights or duties or to grant to or impose on the bearers or creditors of convertible bonds or convertible participation rights or convertible income bonds conversion rights or duties to up to 1,500,000 new registered shares of Nexway AG with a pro-rata amount of the share capital totalling 1,500,000 euros in accordance with the conditions of these bonds. In addition, the bonds may also be issued in the legal currency of an OECD country limited to the corresponding value in euros. They may also be issued by a subordinated Group company of Nexway AG; in this case, the executive board is authorized, with the approval of the supervisory board, to issue a guarantee on behalf of Nexway AG for the bonds and to issue to or impose on the bearers or creditors warrant and convertible rights or duties to registered shares of Nexway AG.

Provision for pensions and similar obligation

These provisions consist of amounts to cover the legal obligation in France to make on-time payment for employees entering retirement.

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Other provisions

Other provisions primarily consisted of debt collection claims, leave entitlement and special bonuses, contributions to professional associations, year-end accounting cost, and tax accountant fees, as well as outstanding vendor invoices.

Liabilities

All liabilities have a remaining maturity of up to one year and are not collateralized.

Deferred taxes

After netting of deferred tax assets and deferred tax liabilities (comprehensive balance sheet method), there was a deferred tax liability of 412 thousand euros as of the balance sheet date of June 30, 2019. The differences between the commercial balance sheet and the tax balance sheet, which resulted in deferred tax liabilities, are primarily the result of the prohibition to capitalize internally generated intangible assets in the tax balance sheet. Deferred tax assets resulted from the recognition of different values for other provisions.

EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

SALES REVENUES*

January 1 until June 30

In € thousand

	June 2019	June 2018
SALES REVENUES BY BUSINESS UNIT		
eCommerce Solutions	71,415	30,725
Academics	14,866	10,668
	86,281	**41,393**
SALES REVENUES BY REGION		
Europe	52,995	21,328
USA	18,324	9,318
Asia	8,866	7,951
Other countries	6,096	2,816
	86,281	**41,393**

*Due to the first-time consolidation of the Nexway Group as of January 31, 2019, consolidated Nexway SAS revenues for January 2019 are not included in the sales revenues for the first six months 2019.

Other operating income

Other operating income included mainly the tax credit for research and development activities in France (credit d’impôt-recherche).

Other operating expenses

Other operating expenses mainly included license and update charges, as well as office rent and accounting fees.

OTHER DISCLOSURES

Research and development costs

Research and development costs in the first half of 2019 totaled 531 thousand euros of which an amount of 531 thousand euros relates to internally generated intangible assets.

Other financial obligations

Nexway has other financial obligations in the form of rental agreements and leases in the amount of 1,182 thousand euros.

TOTAL FINANCIAL OBLIGATIONS OF THE GROUP

In €

	Rent	Leasing	Total
Due within one year	432,685.97	73,086.49	505,772.46
Due in one to five years	556,641.17	119,518.39	676,159.56
Due after five years	0.00	0.00	0.00
Total	989,327.14	192,604.88	1,181,932.02

Property lease is related to the company's head office in Germany (Karlsruhe) and in France (La Défense and Nîmes), the branch office in Switzerland as well as to the customer service locations in Japan and the USA. The leasing agreements are operating leases, under which the properties are not accounted for by the company. The advantage of these agreements is that less capital is tied up compared to the acquisition of the properties and that the realization risk is eliminated. Risks may arise from the duration of the agreement if the properties can no longer be fully used, of which there are no signs, however.

Employees

During the first half-year 2019, Nexway Group employed an overage number of 181 employees (previous year: 87 employees).

These employees are mainly based in Germany (84) and France (78). Other countries include:

- USA: 8 employees
- Japan: 5 employees
- Poland: 4 employees
- Italy: 2 employees

Corporate bodies

Executive Board

In the first six month of 2019, the executive board was composed of:

- Aston Anthony Fallen, MBPA, Frankfurt (until June 28, 2019)
- Victor Iezuitov (CEO), Lausanne/CH (since June 28, 2019)
- Norman Hansen (COO), Paris (since June 28, 2019)

Supervisory Board

The following members served on the supervisory board in the fiscal year until June 28, 2019:

- Jörn Matuszewski, attorney of the partnership Heuking Kühn Lüer Wojtek (Düsseldorf/Germany), domiciled in Meerbusch/Germany
- Gilles Ridel, founder and former shareholder of Nexway SAS (France)
- Osman Khan, Chairman of the Board of directors of The Native SA (Switzerland), until April 17, 2019
- Victor Iezuitov, CFO of The Native SA (Switzerland)

On June 28, 2019, a new supervisory board was appointed during the Annual general assembly of Nexway AG. It consists of the following members:

- Aston Anthony Fallen, MBPA, Frankfurt, Chairman
- Thomas Garrahan, Deputy Chairman, Executive Director of AlphaQ Ltd., Gingins, Switzerland
- Matthew Baile, CEO of DirectSource Asia, Hong Kong.

POST BALANCE SHEET EVENTS

Change in majority shareholder of Nexway AG

On September 24, 2019 Facebank Group, Inc., a US-listed company, became the new majority shareholder of Nexway AG through its French subsidiary StockAccess Holdings SAS – Facebank Group is a leading developer of hyper-realistic digital humans for entertainment, virtual reality, augmented reality and artificial intelligence, and this investment potentially opens to Nexway AG access to the large market of payment and ecommerce services for the global digital content market served by Facebank.

Lowered guidance

On October 31, 2019, Nexway AG lowered its guidance for the full year 2019 against the background of the expected business development in the last quarter of 2019. Nexway AG continues to expect an improvement of consolidated EBITDA for the second half of 2019. Contrary to previous expectations, however, the improvement will not be sufficient to achieve the slightly positive EBITDA previously forecast on a full-year basis. The company now expects an EBITDA between -2.0 million euros and -2.8 million euros for 2019. Regarding the top line, Nexway AG now expects consolidated sales revenues between 180 and 200 million euros and a gross profit between 14 and 18 million euros, both before deduction of January 2019 figures of Nexway Group AG and its 100-% subsidiary Nexway SAS, given that it had been consolidated as of January 31, 2019. Originally the company had forecast consolidated sales revenues of over 200 million euros and a gross profit of more than 20 million euros (also both before deduction of January 2019 figures of Nexway Group AG and its 100-% subsidiary Nexway SAS).

Except for the above, there were no other significant events after the half-year balance sheet date that had a material effect on the net asset financial position, and operating result of Nexway Group.

Karlsruhe, October 31, 2019
Nexway AG - The Executive Board -

Victor Iezuitov
Chief Executive Officer

Norman Hansen
Chief Operating Officer