CLIQ DIGITAL

Annual report 2018

CLIQ

About CLIQ Digital

CLIQ Digital (www.cliqdigital.com) is a leading digital lifestyle company, providing cosumers worldwide with entertaining digital products anytime, anywhere.
The core business of the Group is the direct marketing of its digital entertainment products to consumers via mobile and online marketing channels using its own payment and distribution platform. CLIQ Digital, based in Dusseldorf, is a valuable strategic business partner for networks, content owners, publishers and brands. The shares of CLIQ Digital AG are listed in the Scale 30 segment at the Frankfurt Stock Exchange. (ISIN DE000A0HHJR3).

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to our shareholders
LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

Following the impressive financial performance in the year 2017 the financial year 2018 proved to be challenging for the CLIQ Digital Group. The financial year 2018 was characterized by the integration of the acquisitions in the United Kingdom (2017) and France as well as our newly incorporated office in the United States into the CLIQ Digital Group. On top we focused on direct media buy in the year under review.

The Group generated revenues of EUR 58.2 million (2017: EUR 70.5 million) representing a decrease of 17.4% compared to prior year. The decrease in revenues can be allocated to a slow start in 2018 due to lower marketing spend in the fourth quarter of 2017 related to temporary delays in new product launches and the lower CLIQ-Factor of 1.36 (2017: 1.47). The CLIQ factor represents the ratio of revenue to costs per customer and is a key indicator for measuring the profitability of new customers. The decrease in CLIQ-factor is caused by the shift from affiliate marketing to media buying which provides more control over the advertisement campaigns but is less profitable.

The marketing spend for the year amounted to EUR 18.8 million (2017: 18.6 million). The slight increase in marketing spend is strongly related to the positive developments in the fourth quarter 2018 in which the marketing showed a growth of 16% to EUR 4.7 million compared to EUR 4.1 million in the third quarter and the customer base value increased with 9% to EUR 24.0 million at the end of the year (Q3 2018: EUR 22.0 million).

As a result of the lower revenues during the year the EBITDA (adjusted for amortization and impairments of capitalized customer acquisition costs) for the year 2018 amounted to EUR 3.9 million compared to EUR 5.5 million in the previous year. The net profit before non-controlling interest ended at EUR 3.0 million (2017: EUR 3.4 million).

INTERNATIONAL EXPANSION AND WORKING ON ONE STRONG TEAM

CLIQ Digital continued its international expansion. In early 2018 we founded a new subsidiary in the US and exclusively licensed the rights for specific marketing concepts from the US company Hippo Investments, a long-standing partner of CLIQ Digital. With Netacy Inc., the Group is particularly pursuing the expansion of its business in the North-American market.

With the acquisition of AffiMobiz (Tornika SAS) and the increase in the share of CMind in February 2018 CLIQ Digital holds an (indirect) majority stake of 80% in both AffiMobiz and CMind. The acquisition of AffiMobiz underlines the execution of our strategy, to position CLIQ Digital stronger in the media buying sector. We are therefore less dependent on certain media agencies and have more control over our media buying.

Because of the international expansion in 2018 and 2017, with the acquisition of the UK operations, we have been focusing on strengthening the relationships and cooperation between employees of the different subsidiaries to successfully work together and integrate the new activities into the CLIQ Digital Group. During this process we have identified several synergies and cost savings which will result in lower operational expenses. The identified synergies and cost savings have been analyzed and converted into actionable plans which have been executed during the year under review or are expected to be completed in the course of 2019. The first improvements and cost savings should already be visible in the financial results of the first quarter of 2019.

DEVELOPMENT ON THE CAPITAL MARKET

After a strong start, the mood on the capital market in 2018 already deteriorated at the end of the first quarter. In the course of the year, politics played a special role alongside the slowdown in economic momentum and determined the sobering performance of the global stock markets with global and economic policy issues. The Scale All Share Index, in which the CLIQ Digital is listed, ended the year 2018 with a loss of 23.0% compared to a year earlier.

The CLIQ Digital share was unable to outperform the Scale Index as it did last year and the share price fell by 79.0% in the course of the year to a year-end closing price on 28 December 2018 of EUR 1.71. In the first quarter of the year 2019 the share price showed a positive recovery and closed at EUR 3.16 on the last trading day of the first quarter, on 29 March 2019. In addition, in the latest update dated 20 February 2019, analyst Felix Ellmann reiterated his buy recommendation for the CLIQ Digital share with a target price of EUR 5.00. Based on the first quarter closing price, the CLIQ Digital AG share has a price potential of of over 58%.

RECOVERY AND BACK TO GROWTH: THE OUTLOOK FOR 2019

The number of people using the internet and mobile phones is still growing every day. Together with the increasing bandwidth (e.g. 4G/5G) and our continuously expanding product catalogue this continues to provide numerous opportunities for CLIQ Digital to provide our end customers with the digital products they are looking for.

Considering the positive developments of the last quarter of 2018, showing an increase in our marketing spend and customer base value, we are confident that we will be able to return on a sustainable growth path for the year 2019 with regards to our revenues and gross margin.

The efforts invested in the year 2018 to integrate the new subsidiaries and the cooperation between the employees are expected to be capitalized in the business year 2019 by lowering our operational expenses and improving our EBITDA.

We are positive about the financial year ahead and are convinced that with the support of our committed international team of creative, innovative and motivated people we will be able to realize a steady organic growth in revenues and a sustainable increase in net result for the year 2019.

We are looking forward to the future.

Dusseldorf, 3 April 2019

The Management Board of CLIQ Digital AG

Luc Voncken

Ben Bos

REPORT OF SUPERVISORY BOARD

Dear shareholders,

With this Supervisory Board Report we would like to inform you about the activities of the Supervisory Board in the financial year 2018 and the results of the audit of the annual and consolidated financial statements 2018.

During the past reporting year 2018, the Supervisory Board of CLIQ Digital AG thoroughly fulfilled the tasks incumbent to the law, the company's articles of incorporation, and its rules of business procedure. The Supervisory Board continuously supervised the Management Board and advised the Board on the strategic orientation and management of the company. The Supervisory Board was involved timely in all decisions that were of fundamental importance for the CLIQ Digital Group.

The Supervisory Board assembled in a total of 4 regular meetings in 2018. The Supervisory Board was informed regularly by the Management Board about the company's situation and development, as well as about important business transactions. The mandatory reporting requirements pursuant to Section 90 of the German Stock Corporation Act (AktG) were complied with in this context. The regular meetings in 2018 were held on 5 April, 18 May, 3 October and 14 December. In addition to the resolutions taken in the regular meetings, the Supervisory Board approved the acquisition of Tornika SAS, the incorporation of Netacy Inc. and the entering of Netacy, Inc. into an exclusive license agreement to use the assets of Hippo Investments, LLC. At all Supervisory Board meetings, the members were present in the minimum number required for passing Supervisory Board resolutions pursuant to the articles of incorporation. As a consequence, at all times the Supervisory Board was able to act and take decisions and to comply with the duties incumbent upon it according to the articles of incorporation and the law.

Additionally, outside the scope of these Supervisory Board meetings, a regular and trusting dialogue between the Management and Supervisory Board occurred over the course of the 2018 financial year, mostly by telephone conference calls. The Management Board has complied with its obligations arising by law and the rules of business procedure and provided the Supervisory Board or its chairman regularly, in detail and promptly in both written and verbal form about all measures and events of relevance for the company. As a consequence, the Supervisory Board was constantly informed about the company's business position and business trends, its intended business policy, short- and medium-term business planning, including investment, financial and personal planning, as well as about the company's profitability, organizational measures, and the group's overall position. A regular flow of information about the company's risk position and risk management was also part of the regular exchanges. Due to the structure and size of the company, the Supervisory Board formed no committees in 2018.

Focal points of the supervisory activity

At the 4 regular meetings, the Supervisory Board conducted in-depth discussions of the reports with the Management Board members, and discussed commonly the company's position, revenue and earnings trends, as well as the financial position of the Group. Deviations from the plans and targets were explained by the Management Board and approved by the Supervisory Board.

In the 2018 financial year, the following significant items were also covered / approved during Supervisory Board meetings:

- The completion of the acquiring of Affimobiz (Tornika SAS) and the 13% increase in the shares of CMind BV
- The approval of the incorporation of Netacy and entering into an exclusive license agreement
- Business planning, budgets and Group strategy
- Quarterly- and half-year figures 2018
- Financial status and financing of the Group
- Approval and adoption of the standalone financial statements 2017
- Approval of the consolidated financial statements 2017
- Reflection of the Annual General Meeting of Cliq Digital AG 2017
- Decision on incorporation and acquisition of several entities of the Group
- Approval of the resignation and the appointment of several directors related to entities of the Group.

Personal matters and composition of the Supervisory Board

The Supervisory Board of CLIQ Digital AG consists of Dr. Mathias Schlichting (Chairman), Karel Tempelaar and Niels Walboomers. There have been no changes during 2018 in the composition of the Supervisory Board.

Approval of single-entity and consolidated financial statements for 2018

The single-entity and consolidated financial statements as of 31 December 2018, as well as the group management report for the 2018 financial year were prepared by the Management Board and audited by the independent auditor Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (Certified Accounting Firm), who was appointed by the Annual General Meeting and each received an unqualified audit opinion.

The Supervisory Board examined the single-entity and consolidated financial statements as of 31 December 2018 as well as the group management report for the 2018 financial year and the Management Board's proposal for the appropriation of retained earnings, taking into account the audit reports that were prepared by the auditor, and which were dispatched to the Supervisory members before the meeting.

At the Supervisory Board's meeting held on 3 April 2019, the Management Board explained the single-entity and consolidated financial statements as of 31 December 2018, the group management report for the 2018 financial year and the Management Board's proposal for the appropriation of retained earnings of CLIQ Digital AG. At this Supervisory Board's meeting, the auditor reported on the key results and principles of its audit, and that, following its audit, there were no significant weaknesses to the internal controlling and risk management system. The Supervisory Board then passed the following unanimous decisions at its meeting on 3 April 2019: The single-entity financial statements as of 31 December 2018 as well as the consolidated financial statements as of 31 December 2018 are approved, and as a consequence the single-entity financial statements of CLIQ Digital AG are hereby, pursuant to Section 172 of the German Stock Corporation Act (AktG), adopted.

The Supervisory Board concurred with the Management Board's proposal concerning the application of non-appropriated retained earnings of CLIQ Digital AG – to be carried forward to a new account.

Thanks and recognition

The Supervisory Boards thanks the Management Board as well as all employees for their continued good work in the past financial year. The Supervisory Board would like to thank the shareholders for their interest and confidence in CLIQ Digital.

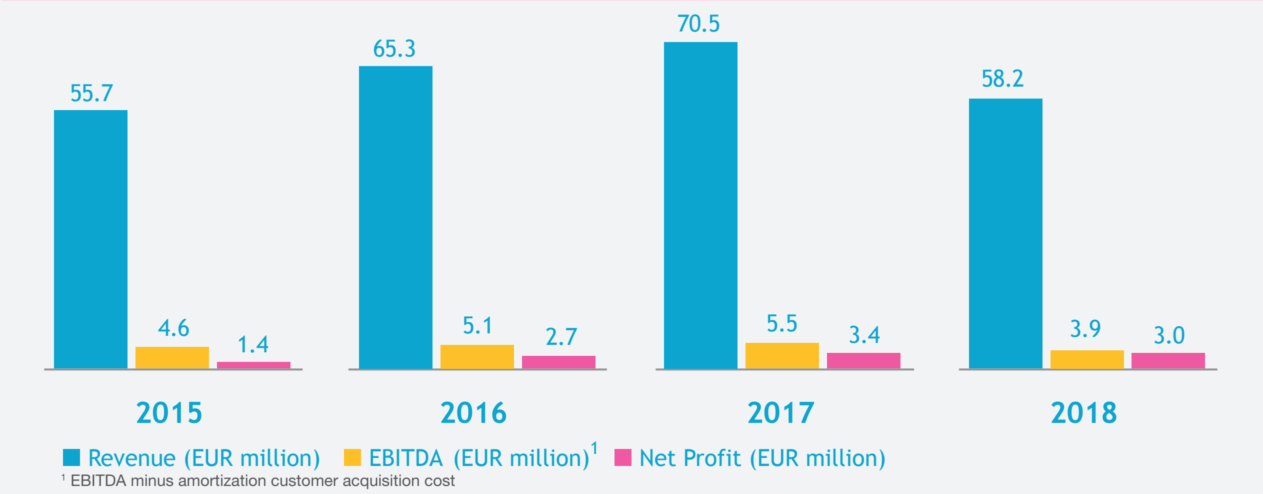
Dusseldorf, 3 April 2019

Dr. Mathias Schlichting

Chairman of the Supervisory Board

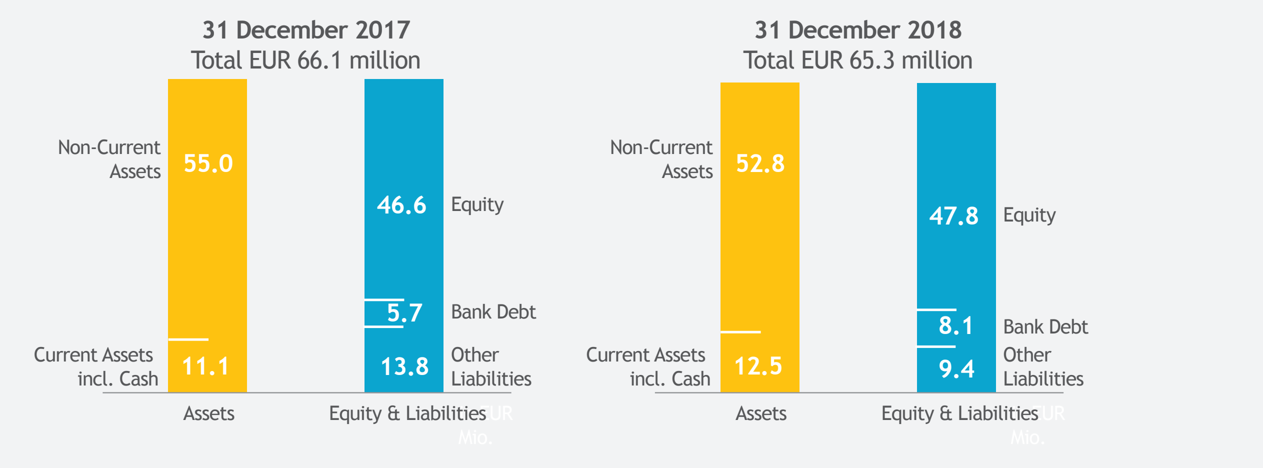
KEY FIGURES

PROFIT & LOSS

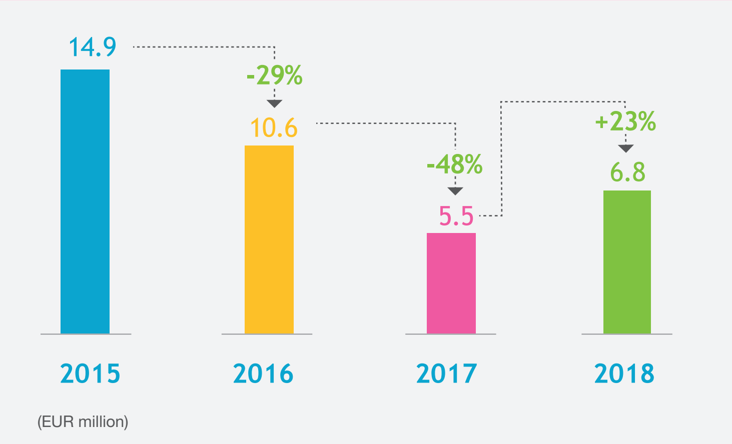


[1] EBITDA minus amortization customer acquisition cost

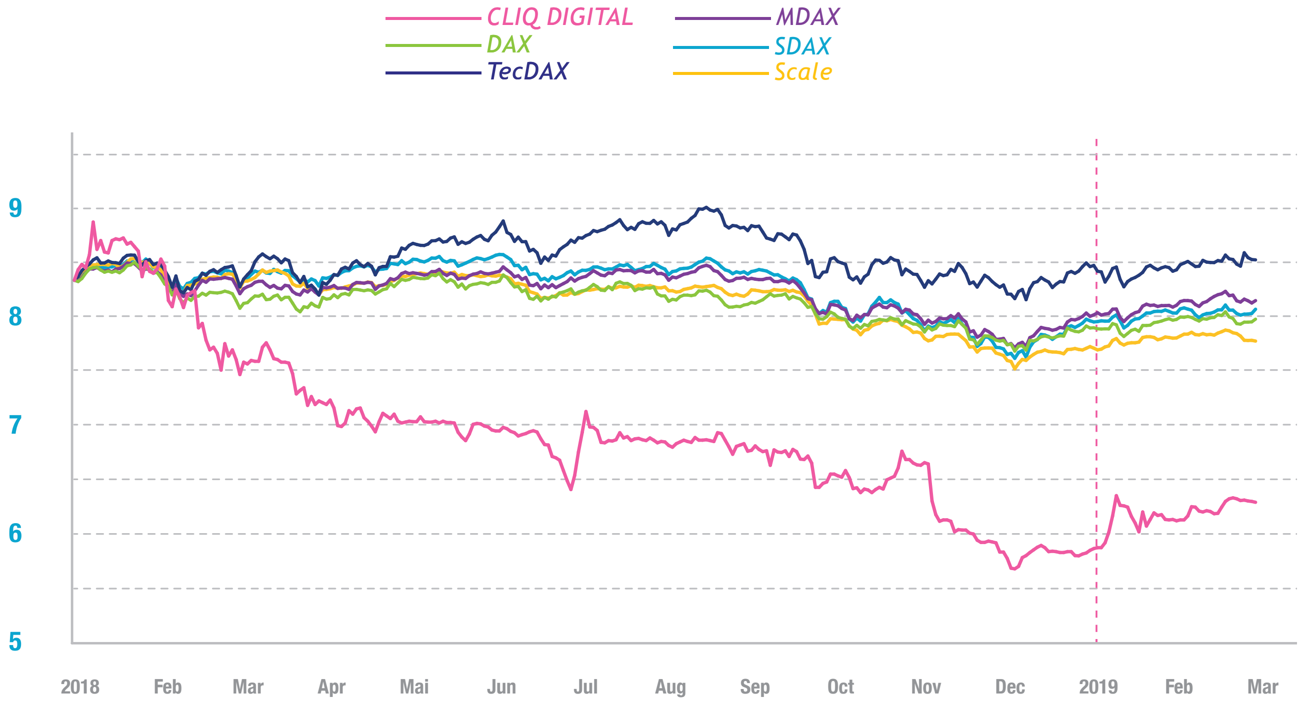
BALANCE SHEET



DEVELOPMENT CASH AND BANK BORROWING



THE SHARE



After a strong start, the mood on the capital market in 2018 already deteriorated at the end of the first quarter. In the course of the year, politics played a special role alongside the slowdown in economic momentum and determined the sobering performance of the global stock markets with global and economic policy issues. The intensifying pronouncements of the US government on global trade and a continuous tightening of US monetary policy had a negative impact. In addition, hardened fronts between Italy and the EU over the member state‘s draft budget and the unresolved withdrawal of Great Britain from the European Union also created uncertainty.

The German share index DAX started the stock market year on 2 January 2018 with 12,898 points and reached its high for the year of 13,597 points on 23 January, while prices subsequently fell continuously to their low for the year of 10,279 points on 27 December 2018. On 28 December 2018, the DAX, Germany‘s leading index, closed the year at 10,559 points, down 18.3% year-on-year. The MDAX index of medium-sized companies fell by 17.6% over the course of the year, while the German SDAX index of second-line stocks lost 20.0%. While the TecDAX technology index posted a moderate minus of 3.1% in the year under review, the Scale All Share Index, in which the CLIQ Digital share is also listed, lost 23.0%.

SHARE-PRICE DEVELOPMENT

The CLIQ Digital AG share was unable to match the above-average price increase of 2017 in the year under review. The share price fell by 79.0% in the course of the year. In the reporting period, challenges in the profitable market access of various regions and the downturn of stock market in general led to three consecutive weaker quarters. However, the increased marketing spend in the fourth quarter of 2018, the good start to the new year and the increased customer base value seems to have had a positive effect on the share price development in the first quarter of 2019.

Following a year-end closing price of EUR 8.13 in 2017, the share certificates started the 2018 trading year on 2 January 2018 with a price of EUR 8.44. After reaching an annual high of EUR 9.88 on January 9, the CLIQ Digital share price fell steadily to its low of EUR 1.61 on 27 December 2018. At year-end, the shares ended trading on 28 December 2018 at a price of EUR 1.71. The market capitalization as per 31 December 2018 of CLIQ Digital AG decreased to EUR 10.6 million (31 December 2017: EUR 50.8 million) on the basis of 6,188,714 outstanding shares on the balance sheet date 2018. The average daily trading volume of CLIQ Digital shares on all German stock exchanges amounted to 16,277 shares in fiscal year 2018, compared to 19,425 shares in the previous year.

In the first quarter of the current 2019 financial year, CLIQ Digital AG‘s share price showed a clearly positive development with an increase of more than 85%. The share certificates started the stock market year on January 2 at a price of EUR 1.70 and closed the first quarter of 2019 on March 29 at a closing price of EUR 3.16. The market capitalization of CLIQ Digital was EUR 19.6 million at the end of the first quarter of 2019.

INVESTOR RELATIONS

In the 2018 reporting year, CLIQ Digital AG continued to communicate transparently and continuously with institutional investors, private investors and analysts about current business developments and events of significance for the development of the company‘s share price beyond the statutory and stock exchange obligations. In addition, the Executive Board presented the company at numerous roadshows and conferences at international financial centers, including the ODDO BHF German Conference in Frankfurt am Main in February and the Metzler Capital Markets / Micro Cap Conference and Prior Capital Markets Conference in March 2018. In May 2018, CLIQ Digital participated in the Warburg Small Cap Selection Conference, Frankfurt am Main. At the end of the first half-year CLIQ Digital presented at the CF&B 14th Spring European Midcap Event in Paris June 2018. Further presentations of CLIQ Digital AG took place in September at the investor targeting conference in Monaco, at the Autumn Conference, Frankfurt am Main, the Family Office Day Investor Conference, Vienna, and in October again in Paris at the CF&B 18th Large & Midcap Event. The year ended in November 2018 with participation in the German Equity Forum, Frankfurt am Main. The Management Board of CLIQ Digital AG also actively exchanged information with the financial and business press on the company‘s presentation to the capital market. CLIQ Digital will continue its intensive communication with capital market participants in order to present the CLIQ Digital AG share to a broader circle of investors as an attractive investment.

The CLIQ Digital AG share belongs to the qualified market segment for growth companies, Scale, on the Regulated Unofficial Market of the Frankfurt Stock Exchange. As Designated Sponsors, Lang & Schwarz Broker GmbH and Oddo Seydler Bank AG ensure that the CLIQ share is appropriately liquid and tradable at all times by providing binding bid and ask prices.

ANNUAL GENERAL MEETING

On 18 May 2018, the Management Board of CLIQ Digital AG informed the shareholders at the Annual General Meeting in Düsseldorf about the course of the 2017 financial year and asked their questions. At the time of the vote, 43.36% of the share capital was represented. The shareholders were satisfied with the development of the company and discharged the Management Board and Supervisory Board. In all agenda items, the proposals of the management were accepted with a large majority. The voting results of the Annual General Meeting can be viewed at www.cliqdigital.com under Investor Relations / Annual General Meeting 2018.

SHAREHOLDER STRUCTURE

To the knowledge of the Board the shareholders structure of CLIQ Digital AG did not change significantly during the reporting period. The members of the Management Board and the Supervisory Board hold 28% of the voting rights. The free float as defined by Deutsche Börse with voting rights of less than 5% amounts to 65% of the share capital as of 31 December 2018.

RESEARCH COVERAGE

The renowned Warburg Research GmbH regularly analyzes and evaluates the CLIQ Digital share: In the latest update dated 20 February 2019, analyst Felix Ellmann reiterated his buy recommendation for the CLIQ Digital share with a target price of EUR 5.00. Based on the first quarter closing price of EUR 3.15 on 29 March 2019, the CLIQ Digital AG share has a price potential of almost 58%. Current analyses and valuations are based on the figures published in this annual report and will be published on the company‘s website upon receipt. Further research studies and information are available to interested investors at www.cliqdigital.com under Research. Contact persons are also available by e-mail (sh@crossalliance.de) and telephone (+49 89 125 09 03-33).

Key Data CLIQ Digital Share
(as of 31 December 2018)

GSIN	A0HHJR
ISIN	DE000A0HHJR3
Bloomberg ticker	CLIQ
Number and class of shares	6,188,714 no-par bearer shares
Amount of share capital	EUR 6,188,714.00
Market segment/Index	Open Market/Scale 30
Designated sponsor	Lang & Schwarz AG Oddo Seydler Bank AG
Capital market partner	Lang & Schwarz Broker GmbH
End of the financial year	31 December

CLIQ DIGITAL AT A GLANCE

10 Billion monthly Impressions

36 Million monthly clicks

200,000 Monthly conversions

2.2 Billion costumers

110 Connected carriers

34 Connected countries

94 Employees

24%

76%

Average age **35**

28 Nationalities working at CLIQ

Offices

Dusseldorf (HQ)
Paris
London
Amsterdam

2 GROUP MANAGEMENT REPORT

group management report

BASICS OF THE GROUP

The group's business model

CLIQ Digital AG is a leading direct marketing and sales organization for digital products with its own global payment and distribution platform. The core business of the Group is the direct marketing and billing of its products to end-customers via online- and mobile-marketing channels. CLIQ Digital is a valuable strategic business partner for networks, content owners, publishers, and brands. The CLIQ Digital Group, based in Dusseldorf, employs 94 people (2017: 105). The shares of CLIQ Digital AG are listed in the Scale 30 segment at the Frankfurt Stock Exchange (ISIN DE000A0HHJR3).

For over 10 years, CLIQ Digital has been marketing and selling its products and services in multiple countries on every continent. From its business activities in the past and its continuous market analysis CLIQ Digital concluded, that monetizing digital products by direct response marketing is for CLIQ Digital, the most effective type of marketing.

As a result of targeted efforts and close cooperation between CLIQ Digital's product team and external content providers CLIQ Digital is able to provide the hottest products to consumers via its sales and marketing teams. The current product range comprises movies, music, games, books, sports, fitness and software. CLIQ Digital product range is predominantly licensed.

The sales and marketing teams of CLIQ Digital are primarily offering its products to consumers via the subscription model, in which customers can enjoy unlimited access for a daily, weekly or monthly subscription fee. Depending on the country, payments can be made through premium SMS (PSMS), direct carrier billing (DCB), credit card, app store billing and many other options. CLIQ Digital is working together with external partners on connections to mobile network operators and other billing partners on implementing various invoicing methods for end-customers.

With the acquisition of AffiMobiz (Tornika SAS) CLIQ Digital was able to deepen the Group's understanding of media buying and further strengthen its relationship with networks having access to media sources. This knowledge is used to optimize the Group's affiliate marketing and in-house sales activities. In case of affiliate marketing activities the affiliate partner is rewarded for each customer that signs up for a CLIQ Digital service. For in-house media buying CLIQ Digital is responsible for the acquisition of internet traffic and conversion from visitor to customer.

The (Supervisory) Board

The Supervisory Board of CLIQ Digital AG consists of Dr. Mathias Schlichting (Chairman), Karel Tempelaar and Niels Walboomers. There have been no changes in the composition of the Supervisory Board during the year 2018.

The composition of the Executive Board also remained unchanged in 2018. The members of the Management Board, Luc Voncken and Ben Bos, indirectly hold approximately 9% of shares in CLIQ Digital AG as per 31 December 2018.

Structure of the CLIQ Digital group

The parent company of the group is CLIQ Digital AG, Dusseldorf, Germany. All the company's holding activities are managed from Dusseldorf. By centralizing the Group, the organization is able to exploit synergies within the entities as well as structure the group of companies more simply and effectively.

A complete overview of all the subsidiaries which are part of the CLIQ Digital Group at year-end are presented in note 17 to the financial statements. The changes compared to prior year are described in the next section.

Changes in group structure during the financial year

At the beginning of 2018, the CLIQ Digital Group expanded by acquiring the French based company Affimobiz (Tornika SAS) and the foundation of a US based company named Netacy. For further details about the transactions reference is made to Note 29 of the financial statements.

Affimobiz (Tornika SAS)

Early 2018 CLIQ Digital acquired an 80% interest in the French media buying purchasing specialist AffiMobiz. AffiMobiz has been a partner of CLIQ Digital for many years and places media purchases mainly for the CLIQ Digital subsidiary CMind B.V., which operates, amongst others, the successful streaming platform "Playfilms". By acquiring a majority stake in AffiMobiz, CLIQ Digital AG is underwriting its envisaged expansion strategy of further growing direct media purchasing and its relationships to networks with direct access to media providers. The joint use of know-how and infrastructure will make a significant contribution to accelerating the expansion of the streaming content platforms in the future.

Netacy

CLIQ Digital is continuing its internationalization and founded a new subsidiary in the US during the reporting period and has exclusively licensed the rights for specific concepts and content from the US company Hippo Investments, a long-standing partner of CLIQ Digital. With Netacy Inc., the Group is particularly pursuing the expansion of its business in the US market.

REPORT ON ECONOMIC POSITION

Economic environment

Macro-economic trends

According to the International Monetary Fund (IMF), the growth of the global economy weakened to 3.7% in 2018 after 3.8% in the previous year. The IMF is thus sticking to its October 2018 forecast of the World Economic Outlook (WEO) despite weaker development in some economies, particularly in Europe and Asia. The slight slowdown in growth due to the tariff increases resolved in the USA and China in the trade dispute had already been taken into account. By contrast, the global economy is expected to grow by 3.5% in 2019 and 3.6% in 2020, slower than expected last October. The further adjustment reflects the depressed mood on the capital markets but also the weaker economic momentum in the second half of 2018, including in Germany due to new emission standards for motor vehicles and in Italy due to the budget dispute with the European Union.[1]

[1] World Economic Outlook Update, January 2019: A Weakening Global Expansion

For the Euro-zone, the International Monetary Fund lowered its economic forecasts for 2018 as a whole to 1.8% after an unexpectedly weak first half. This is 0.2 percentage points less than in October 2018. In the same period of the previous year, 2017, GDP growth in the euro countries was 2.4%. The IMF expects a further weakening for 2019 of 1.6% (0.3 percentage points lower than in autumn 2018) and 1.7% in 2020.[2] At 1.4%, inflation in the common currency area in 2018 was below the previous year‘s figure of 1.5%.[3]

According to the Federal Statistical Office, the German economy grew by 1.5% in 2018, its ninth consecutive year, but lost momentum. The domestic economy provided decisive growth impetus in 2018, although growth was significantly lower than in the past three years. The growth rates of German exports were also less dynamic than in previous years.[4] The annual average inflation rate in Germany of 1.9% in 2018 continued to approach the European monetary policy target of just under 2%. In 2017, the price increase amounted to 1.8%.[5] The International Monetary Fund expects prices to rise by 1.3%.[6]

Market position

The digital content market is characterized by a large number of different types of companies, each playing their own role in the digital content marketplace. Some companies focus on generating digital content, or mobile or online payment solutions, while other companies focus on the distribution of digital content, or, like CLIQ Digital, focus on the direct marketing of digital content.

Mobile content developments

The number of people using the Internet worldwide is increasing by more than one million new users every day. According to the market research company Wearesocial, around 4.4 billion people were online in 2018. This is an increase of 9% with a global spread of 57% to more than half of the world‘s population. With around 4 billion people, 91% of Internet users use a mobile phone to go online, which corresponds to 52% of the world‘s population. By 2018, 67% or more than two-thirds of mobile access to the Internet was via smartphones. On average, people worldwide spend more than six hours per day on the Internet, of which more than three hours are spent on mobile phones.[7]

A survey by the industry association Bitkom shows the possible uses of smartphones: More than three quarters of users (79%) use search engines, 68% use social networks and almost two thirds use navigation and map services (64%). Almost half of all users use online banking (46%), health apps (45%) and online shopping (43%). A good one in five has discovered dating services (22%) and already 17% use ticket functions.[8]

Digital formats such as in-feed ads on social media platforms, online videos, and paid and native content will drive global advertising spending growth of 4.5% in 2018. An increase of 42% is expected for both 2019 and 2020. Display advertising is by far the most important growth driver for global advertising, especially through the symbiotic distribution of social media and online video.[9][10]

The combination of online video and paid search also makes an important contribution to the growth of global advertising, as advertisers can increase both the efficiency and effectiveness of campaigns through personalized and targeted communication of these channels. For example, between 2018 and 2021, online video advertising is expected to grow at an average of 18% per year and USD 20 billion in total, twice as fast as other forms of display advertising. While Paid Search is expected to grow at

[2] World Economic Outlook Update, January 2019: A Weakening Global Expansion
[3] Eurostat news release, January 2019: Annual Inflation in EU
[4] Pressemitteilung Destatis, Januar 2019: Deutsche Wirtschaft 2018
[5] Destatis 2019: Verbraucherpreise 2018: +1,9% gegenüber dem Vorjahr
[6] World Economic Outlook Update, January 2019: A Weakening Global Expansion
[7] Global Digital Report 2018
[8] Bitkom: Smartphone-Markt: Konjunktur und Trends
[9] Zenithmedia 2018: Advertising Forecast
[10] Zenithmedia 2017: Global ad growth

an average rate of 7% per year over the same period, Zenithmedia expects its absolute contribution to global growth to be USD 22 billion, higher than online video advertising. By 2021, online video advertising and paid search are expected to contribute 60% to global advertising market growth.[11]

According to Zenithmedia, programmatic advertising is expected to increase from USD 70 billion in 2018 to USD 84 billion in 2019. This corresponds to growth of 20%. In 2020, advertising customers are expected to spend USD 98 billion, around 68% of digital budgets for programmatic advertising, compared with 65% in 2019.[12]

In its growth, Direct Carrier Billing (DCB) is benefiting in particular from the possibility of paying for a wide variety of content such as apps, games, music, videos or services via billing by mobile phone providers. By 2022, the telecoming billing service provider expects content billed via DCB in Europe to increase to USD 13.6 billion, with a 20% share of the global market.[13] According to the market research company Ovum, total revenues from direct carrier billing will rise from USD 45.7 billion in 2018 to USD 79.5 billion worldwide in 2023. While content and service providers will account for a large share of revenues, the share of mobile operators will decline to just over 11% by 2023. Meanwhile, the dominant share of revenues generated by computer and video games is expected to fall from around 60% in 2018 to just over 51% in 2023. According to Ovum, video-on-demand billing will rise from 6% to 20%.[14]

In its Global Payments Report, payment service provider Worldpay comes to the conclusion that there is a wide range of payment methods on the Internet. Customers prefer to pay their bills using an eWallet. Worldpay anticipates a 36% share of Internet transactions settled with an eWallet in 2018. This share is expected to grow to 47% by 2022. At the same time, worldwide sales in eCommerce are expected to amount to USD 4.6 trillion. In second place among digital payment methods are credit card solutions with a share of 23% in 2018. Worldpay forecasts that the share of payments via credit card on the Internet will decline to 17% in the next four years. At country level, there is a heterogeneous picture of preferred payment methods. While in the USA and Latin America credit cards are the most popular payment method for consumers on the Internet, customers in Asia and emerging markets prefer to pay via eWallet.[15]

The global gaming market continued to grow in 2018. According to market analysts Newzoo, global gaming revenue in 2018 was USD 137.9 billion, an increase of 13.3%. Digital revenues accounted for USD 125.3 billion, or 91%, of this total. Mobile gaming has been the largest sub-segment with double-digit growth rates for more than ten years. In 2018, sales of mobile games on smartphones and tablets grew by 25.5% to USD 70.3 billion. By 2021, global sales of video and computer games are expected to exceed USD 180 billion.[16] In Germany, more than one in four consumers (29%) considers video and computer games to be just as much a social cultural asset as literature, films and music, 42% of whom play at least occasionally from the age of 14. According to the digital association Bitkom, this corresponds to almost 30 million people. Overall, the willingness to pay for games is also increasing: 57% of video and computer players spent money on their hobby within a year, of which a quarter (25%) spent on buying or downloading online and 24% each on in-game purchases and subscription fees for online games.[17]

[11] Zenithmedia 2018: Personalisierte Werbung
[12] Zenithmedia 2018: Programmatische Werbung
[13] telecoming 2018: Direct Carrier Billing Report
[14] Ovum 2018: Direct Carrier Billing Forecast
[15] Worldpay 2018: Global Payments Report
[16] Newzoo 2018: Mobile revenues 2018
[17] Bitkom 2018: Die Gaming Trends 2018

COURSE OF BUSINESS

The development of the results in 2018 compared to 2017 can be summarized as follows:

EUR million	2018	2017*	2018 as a % of 2017
Gross revenue	58.2	70.5	83%
Cost of sales	-42.0	-52.6	
Gross margin	**16.2**	**17.9**	**91%**
% of revenue	**28%**	**25%**	
Personnel expenses	-8.4	-8.8	
Other operating expenses	-3.7	-3.6	
Impairment losses and gains on trade receivables and contract assets	-0.2	-	
Total operating expenses	**-12.3**	**-12.4**	
EBITDA	**3.9**	**5.5**	**71%**
Amortization and impairment charges applied to other intangible, tangible and current assets	-0.9	-0.3	
EBIT	**3.0**	**5.2**	**58%**
Net financial result	0.4	-0.7	
Profit / loss before taxes	**3.4**	**4.5**	
% of revenue	**6%**	**6%**	
Taxes on income	-0.4	-1.1	
Profit for the year	**3.0**	**3.4**	**88%**
% of revenue	**5%**	**5%**	
Attributable to:			
Owners of the Company	2.2	3.3	
Non-controlling interest	**0.8**	**0.1**	

(*) In the 2017 numbers the impairment charges applied to customer acquistion costs in the amount of EUR 20,6 million have been restated to costs of sales as these are comparable to the amortization of contract costs which are applicable after the initial application of IFRS 15.

The year 2018 was a challenging year for CLIQ Digital, especially compared to the excellent year 2017.

With the transition from affiliate marketing to media buying CLIQ Digital was unable to maintain the all-time high CLIQ-factor of 1.47 last year and showed a decrease of 7.5% to a CLIQ-factor of 1.36. Additionally the revenues from subscription services in the beginning of the year 2018 were lower due to lower marketing spend in the fourth quarter of 2017 related to temporary delays in new product launches.

Despite the reduced revenues CLIQ Digital was able to realize a profit for the year 2018 of EUR 3.0 million (2017: EUR 3.4 million) which was 5% of gross revenues which is in line with prior year.

The gross margin increased with 3% in 2018 to 28% due to a decrease in amortization expenses of contract costs (customer acquisition costs). Despite the improved gross margin, the 17% decrease in gross revenues resulted in a lower EBITDA of EUR 3.9 million compared to EUR 5.5 million in 2017.

Results of operations

Revenue development

The CLIQ Digital Group generated revenue of EUR 58.2 million in 2018 (2017: EUR 70.5 million), a decrease in revenue of 17.4% compared to 2017. In general, the lower revenues are caused by the lower CLIQ-factor compared to prior year and the slower start of the year 2018 due to lower marketing spend in the fourth quarter of 2017 and temporary delays in new product launches. Additionally a higher part (10%) of total revenues for the year are related to one-off offerings.

The revenue per continent is shown hereunder:

Territory	Revenue 2018 EUR million	% of Gross Revenue	Revenue 2017 EUR million	% of Gross Revenue
Europe	46.5	80%	53.9	76%
North America	6.5	11%	1.4	2%
Asia	1.5	3%	3.7	5%
Australia	1.4	2%	5.7	8%
Africa	2.3	4%	5.8	8%
Total	**58.2**	**100%**	**70.5**	**100%**

The growth in the North America region is attributable to the Netacy business which started in the beginning of 2018.

For more information regarding exchange risks associated with the international character of the CLIQ Digital business, see the section Currency Risks in note 32 Reporting on financial instruments.

Gross margin

CLIQ Digital generated a gross margin in 2018 of EUR 16.2 million (2017: EUR 17.9 million).

As of 2018 the amortization on contract costs, previously recognized as customer acquisition costs is included in the cost of sales. This change in accounting reduced the gross margin by EUR 16.1 million (2017: EUR 20.6 million) compared by prior year presentation. The Gross Margin and Cost of Sales can be specified as follows:

EUR Million	2018	2017*
Revenue	58.2	70.5
Marketing spend	-18.8	-18.6
Capitalized Marketing spend	16.0	18.1
Amortized contract costs	-16.1	-20.6
Share third parties	-19.1	-28.0
Other COS	-4.0	-3.5
Gross Margin	**16.2**	**17.9**

Marketing spend and amortized contract costs

Efficient marketing is of great importance to CLIQ Digital. It comprises one of the most important variables for the acquisition of new customers, the efficiency of new customer acquisition and consequently for revenue growth and profitability within the Group.

The marketing spend for the year ended at EUR 18.8 million which is an increase of 0.2 million compared to prior year (EUR 18.6 million). After a slow start in 2018 CLIQ Digital was able to show a growth in media spend, especially the fourth quarter showed a positive increase of 16% compared to the third quarter.

The marketing spend for customer acquisition is accounted for as contract costs (previously as intangible asset) and amortized over the customer's revenue life-cycle with a maximum amortization period of 18 months. The capitalized marketing spend, amounting to EUR 16.0 million (2017: EUR 18.1 million), relates to the marketing spend that can be directly allocated to new users of our subscription services and are therefore considered contract costs. The decrease in capitalized marketing spend compared to prior year is due to the relative increase of non-subscription services.

The amortization of contract costs (previously amortization of customer acquisitions costs) for the year 2018 amounted to EUR 16.1 million (2017: EUR 20.6 million). The lower amortization costs for the period are directly related to lower capitalized media spend.

Share third parties

Share third parties consists of the share for network operators and gateways that provide the technical connections with the network operators and payment providers. The costs are almost completely variable and vary significantly between countries. The share of end-customer revenue that goes to the network operators and gateways ranges from approximately 25% in some markets to more than 70% depending on the country. As a percentage of gross revenues, Share third parties decreased from 39.8% in 2017 to 32.8% in 2018. The decrease in Share third parties is caused by a shift from Direct Carrier Billing to Credit Card Billing which has a significantly lower share third party. CLIQ Digital expects that Credit Card billing will increase even further in the next years as an increasing number of customers is willing to use this payment method. Additionally, the revenues from Netacy are free of third party shares.

Other Cost of Sales (COS)

The Other Cost of Sales mainly consist of costs for customer care, content costs, and gateway- and payment costs. Most of the other cost of sales are variable and vary between countries.

Customer satisfaction forms the focus of interest in this area. In this context, CLIQ Digital generally shows a lot of flexibility and goodwill where reimbursements are concerned. It is particularly important to take customers' wishes into account and to consider these when developing and licensing new products.

The products that are marketed by CLIQ Digital are mainly licensed from third parties. Some products are developed in-house or by other companies commissioned by CLIQ Digital. As a result of licensing content as opposed to developing proprietary content, the licensing costs develop at the same pace as CLIQ Digital's revenue.

The Cost of Sales in a percentage of revenues increased from 5.0% in 2017 to 6.9% in 2018 and amount to EUR 4.0 million for the year 2018 (2017: EUR 3.5 million) which is an increase of EUR 0.5 million. This increase in cost of sales is attributable to the acquired activities from Netacy.

Expenses, depreciation, and amortization

Personnel expenses

Personnel expenses amounted to EUR 8.4 million in 2018 compared to EUR 8.8 million in 2017, thereby accounting for 69% of total operating costs (71% in 2017). The number of employees decreased from FTE 103 in 2017 to FTE 99. In addition to a reduction of the number of employees the lower personnel expenses are also attributable to fair value movement in the share option liability.

Other operating expenses

Other operating expenses contain the following items:

EUR million	2018	2017
Professional fees	1.4	1.6
IT costs	1.1	0.7
Other	1.2	1.3
Total	**3.7**	**3.6**

The professional fees are related to costs for legal advice, fiscal advice, audit and financial reporting, investor relations and in particular the acquisition of new business like Tornika and Netacy in the current year and UK operations in prior year. The increase in IT costs is related to the acquisition of Tornika and Netacy and increasing demand to streaming portals which need higher performance and bandwidth of our IT environment.

Impairment losses and gains on trade receivables and contract assets

The Group initially applied IFRS 9 as of 1 January 2018, which requires the Group to recognize expected credit losses on trade receivables as of day 1. The amount of EUR 0.2 million impairment losses recognized in the result is related to the expected (future) credit losses on the outstanding trade receivables at reporting date and the actual impairment recognized during the year.

Amortization and impairment charges

Total depreciation and amortization increased with 0,6 million to EUR 0,9 million in 2018 (EUR 0.3 million in 2017), most of which reflects the first-time application of IFRS 16 in which the right to use assets (including rental of office building) are recognized on the balance sheet and depreciated over the expected life time of the lease contract.

Net financial result

The financial result ended EUR 0.4 million positive in 2018 compared to EUR 0.7 million negative in 2017. The main reason for the positive financial result is the fair value movement in the Group's contingent consideration arrangement in the amount of EUR 0.7 million.

Taxes on income

The effective income tax rate in 2018 of 10.9% is 14.6%-points lower than the 2017 effective income tax rate of 25.5%. The lower tax burden in the current year is mainly attributable to the profit from the fair value movements in the financial liabilities which are not taxable.

Financial position

Goodwill

The Goodwill increased with EUR 0.6 million to EUR 47.9 million in 2018. The increase in goodwill is related to the acquisition of Netacy and Tornika SAS. The annual impairment test performed on the goodwill did not result in any impairments to be recognized.

Other intangible assets

The other intangible assets amounting to EUR 0.9 million (2017: EUR 0,2 million) mainly relate to content licenses and the right to use the licensed domain names and technology from

Netacy which were acquired during the financial year. After the initial application of IFRS 15 the customer acquisition costs are being presented as contract costs instead of other intangible assets (EUR 5.0 million as of 31 December 2017).

Tangible assets

The CLIQ Digital Group reported tangible fixed assets of EUR 1.3 million 31 December 2018 (EUR 0.3 million in 2017). The movement during the year is mainly related to the initial application of IFRS 16 resulting in a right of use asset (EUR 1.4 million) which is related to the rent of office buildings and the depreciation for the period (EUR 0.3 million). The other tangible assets comprise IT equipment for which small investments were made during the year and depreciation was applied (EUR 0.1 million).

Contract costs

The contract costs amounting to EUR 4.8 million consist of customer acquisition costs paid which are required to obtain new contracts with customers. These costs are amortized based on the customer's revenue life cycle. The customer's revenue life cycle is calculated as the average customer's revenue per comparable customer group over the lifetime of the customer with a maximum of 18 months. These costs are similar costs as previously recognized by the Group as customer acquisition costs as part of the other intangible assets (EUR 5.0 million as of 31 December 2017).

Deferred tax assets and liabilities

At the 2018 balance sheet date, the deferred tax assets of CLIQ Digital amounted to EUR 1.8 million (2017: EUR 2.1 million) and the deferred tax liabilities amounted to EUR 0.9 million (2017: EUR 0.4 million). The movement in the deferred tax position is primarily caused by utilization of carry forward losses (EUR 0.8 million). An analysis of the recoverability of deferred taxes was prepared as of balance sheet date. The analysis clarified that the capitalized deferred tax can be utilized in the future. No deferred tax assets were formed based on tax losses for which carry forwards are uncertain.

Trade receivables

The trade receivables at balance sheet date amount to EUR 6.5 million (2017: EUR 5.1 million) and include an amount of EUR 4.6 million (2017: EUR 5.1 million) for receivables arising from services that have not yet been invoiced. Before the application of IFRS 15 these receivables were presented as other assets. The total outstanding receivables decreased due to lower revenues and relatively faster collection. The faster collection is explained by the increased share of credit card billing compared to direct carrier billing and the marketing activities of Netacy which in general have a faster payment term.

Other assets

The other assets in the amount of EUR 0.8 million as of 31 December 2018 decreased compared to prior year due to change in presentation of the receivables arising from services that have not yet been invoiced as described in the previous paragraph. The remaining other assets are related to prepayments in the amount of EUR 0.3 million (2017: EUR 0.5 million), short-term loans in the amount of EUR 0.3 million (2017: EUR 0.3 million) and capitalized finance expenses in the amount of EUR 0.2 million (2017: nil).

Cash and cash equivalents

Cash in hand and cash at banks amounted to EUR 1.3 million as of 31 December 2018 (2017: EUR 0.2 million).

Equity

CLIQ Digital reported consolidated equity of EUR 47.8 million as of 31 December 2018 (EUR 46.6 million in 2017). The company's share capital amounts to EUR 6,188,714.00, which consists of 6,188,714 listed shares, at a nominal amount of EUR 1.00 per share.

The company held 4,000 treasury shares as of 31 December 2018 (2017: 4,000 shares). The share premium as of December 2018 amounted to EUR 46.6 million (2017: EUR 46.6 million).

Retained earnings of EUR -6.2 million as of 31 December 2017 increased to EUR -5.6 million as of 31 December 2018 due to the profit of EUR 2.2 million generated in 2018 which is attributable to the shareholders. In addition, a total of EUR -0.5 million for the first-time application of new IFRS standards and an amount of EUR 0.7 million in relation the correction of prior year errors (see Note 31 for further details) have been recognized in retained earnings. Finally, the additional 13% interest acquired in the subsidiary CMind has resulted in a reduction of retained earnings of EUR 0.4 million and a reduction on non-controlling interest of EUR 80 thousand.

The movement in other reserves is related to movements in foreign exchange rates related to subsidiaries having a functional currency different from EUR. No dividends were paid during the year.

The movement in non-controlling interest is primairly related to the result of the period which is not attributable to the shareholders of CLIQ Digital.

Bank borrowings

The overdraft facility provided by Commerzbank AG contains a borrowing base financing with an interest rate of 3M-Euribor plus 2.1% and a maximum fixed amount of EUR 5.0 million with an interest rate of 3M-Euribor plus 3.3%. Bank borrowings reported on 31 December 2018 corresponds fully to the overdraft facility of the Commerzbank AG. As the original end date of the contract with Commerzbank has been extended till the 15th of April 2019 the loan amount has been presented short-term.

At the date of this report CLIQ Digital AG and Commerzbank AG are in the final stage to refinance the existing financing from Commerzbank AG with a new facility in the amount of EUR 13.5 million and a maturity until 31 March 2022 provided by a consortium consisting of Commerzbank AG and Postbank AG. CLIQ Digital is convinced that the refinance of the current credit facility will be completed shortly and therefore continue its operations as a going concern.

Financial liabilities

The financial liabilities amounting to EUR 2.0 million (2017: EUR 4.2 million) are mainly related to the lease liabilities for an amount of EUR 1.1 million and the contingent considerations related to the acquisition of the "UK operations" for an amount of EUR 0.8 million (2017: EUR 4.2 million).

The movements during the year relate to the payments of the contingent considerations for an amount of EUR 2.5 million and fair value movements recognized in profit and loss for an amount of EUR 0.7 million. The initial application of IFRS 16 resulted in the recognition of a lease liability for an amount of EUR 1.4 million of which 0.3 million was paid during the year.

For further details reference is made to note 27 of the financial statements.

Income taxes

The balance of income tax receivables (EUR 0.4 million) and income tax liabilities (EUR 1.2 million) decreased to EUR 0.8 million (2017: EUR 3.2 million) due to the payment of corporate income taxes in the amount of EUR 2.5 million and the relatively low taxable profit for the year.

Trade payables and other liabilities

The trade payables and other liabilities amounting to EUR 5.7 million as of 31 December 2018 decreased with EUR 0.2 million compared to prior year. The decrease is mainly related to the lower liability for the share option plan which is caused by the lower share price of CLIQ Digital AG at year end.

Cashflow

Principles and objectives of financial management

The financial management of CLIQ Digital is organized centrally at group level. The company pursues value-oriented financial principles to secure liquidity at all times and to be able to minimize any financial risks. CLIQ Digital also aims for a balanced ratio in terms of due dates and maturities. Financing requirements are calculated using budgets and cash flow plans and are updated on a weekly and monthly basis based on actual figures. Activities at CLIQ Digital continue to focus on investments in growth and the core competencies.

Cash flow

In 2018 CLIQ Digital generated a free cash flow of EUR -1.2 million (2017: EUR 5.0 million). The negative free cash flow is mainly attributable to the payments of corporate income taxes (EUR 2.5 million), repayment of borrowings (EUR 2.7 million), the acquisition of subsidiaries Netacy and Tornika (0.9 million) and the additional share in CMind (EUR 0.5 million).

As of 1 January 2018 the Group applied IFRS 15 and recognized reclassified the customer acquisition costs which were part of the other intangible fixed assets as contract assets. As a result of this new accounting policies the cash flow related to the acquisition of new customers is now recognized as cash flow from operating activities (EUR 16.0 million) whereas this was presented as cash flow from investing activities in 2017 (EUR 18.1 million). Additionally after the application of IFRS 16 the lease payments (EUR 0.3 million) are presented as cash flow from financing activities instead of a cash flow from operating activities.

Financial and non-financial key performance indicators

CLIQ Digital is using both financial and non-financial indicators to monitor and manage its business. Financial and non-financial performance indicators are measured continually and are part of the monthly reports to the Management Board.

The financial key performance indicators used to manage the business performance of CLIQ Digital are revenue, marketing spend, CLIQ-factor and customer base value. The CLIQ-factor is the ratio between the average net revenue per user (ARPU) in the first six months and the costs per acquisition (CPA). The customer base value is the total net revenues that is expected to be generated by the existing customers. The CLIQ-factor is the determining factor in the decision-making process as to whether to invest in certain products or markets.

In the year under review the CLIQ-factor decreased from 1.47 over 2017 to 1.36 in 2018, indicating a decrease in customer profitability. The decrease in CLIQ-factor is related to the transformation from affiliate marketing to in-house media buying which is less risky from a regulation point of view but also less profitable. The marketing spend increased with EUR 0.2 million to EUR 18.8 million of which EUR 2.8 million is related to non-subscription services. The customer base value decreased with EUR 2.0 million from EUR 26.0 million by the end of 2017 to EUR 24.0 million as of 31 December 2018. The lower customer base value is mainly related to a reduction of marketing spend for subscription services and the reduced CLIQ-factor.

Changes in Key Performance Indicators in 2018

	2018	2017	2016	2015
CLIQ-factor (ARPU/CPA)	1.36	1.47	1.41	1.40
Marketing spend in EUR million	18.8	18.6	21.6	17.5
Customer value base in EUR million	24.0	26.0	20.9	19.2

REPORT ON EXPECTED DEVELOPMENTS AND ON OPPORTUNITIES AND RISKS

Report on expected developments

For the year 2019 CLIQ Digital is aiming at a steady organic growth in revenues by (slightly) increasing marketing spend and keeping the CLIQ-factor on a similar level as 2018. Together with a focus on synergies and cost reduction within the different business units of the Group, CLIQ Digital is expecting a (slightly) higher EBITDA.

The below table presents the key performance indicators of 2018 and the expected developments for the year 2019:

	2018	Target 2019
CLIQ-factor (ARPU/CPA)	1.36	Stable
Revenue	EUR 58.2 Mio.	(Slight) increase
Marketing spend	EUR 18.8 Mio.	(Slight) increase
EBITDA	EUR 3.9 Mio.	(Slight) increase
Customer value base	EUR 24.0 Mio.	(Slight) increase

Report on opportunities

Usage of smartphones

The market for mobile content is largely influenced by the technical capabilities of handsets/smartphones, the increase of the available bandwidth, and the ability for more and more people on the globe to be always online. As smartphones play an increasing role in many people‘s lives, it is an opportunity for CLIQ Digital as a marketer and distributor of digital content and functional software for smartphones. CLIQ Digital pursues a strategy to obtain content from third-parties instead of being limited by a development team of its own. This enables CLIQ Digital to expand quickly and have a flexible product portfolio with a minimal time to market and without the need to build up in-depth knowledge required to develop successful products in new segments. The experience CLIQ Digital has in licensing third-party content makes CLIQ Digital a well-positioned party to enter a large variety of new product areas.

Availability of content

CLIQ Digital‘s heterogeneous target market requires that CLIQ Digital offers a wide variety of products. Instead of building up a large creative and product development department, CLIQ Digital focuses on marketing and selling licensed content, and to a lesser extent on purchased content. A dedicated team within CLIQ Digital continuously explores and investigates the digital product market and is tasked to select and contract parties who can deliver relevant digital products for CLIQ Digital.

Especially due to the growing penetration of smartphones and increased bandwidth (internet speeds) such as 4G and 5G, CLIQ Digital expects an increased supply and demand for functional software applications for mobile devices. Therefore CLIQ Digital will, in its efforts to select and license the right content for its customers, increase its focus on this segment of the digital mobile products market.

In the last years, CLIQ Digital has gained a broad experience in successfully expanding to new markets. CLIQ Digital has developed well-established methods and instruments to reliably target, analyze and successfully enter new markets. It will continue to use its experience to expand its business to other countries, which have a promising customer base for considerable profits.

Overall, CLIQ Digital sees sufficient opportunities for the profitable direct marketing of digital products in multiple geographical markets.

Risks

More intense competitive environment

The economic environment in the market of digital mobile products is highly competitive. CLIQ Digital faces various competitors in its entire business. It is exposed to the risk of increased competition by other companies who are currently active in associated markets and/or decide to expand to directly market digital mobile products due to the expected high growth rates of this market. It is possible that some of CLIQ Digital‘s competitors have significantly greater financial resources, better financing opportunities or higher technical resources and are therefore able to win market share from CLIQ Digital. In addition, it is possible that competitors source, develop and offer products or services which are superior to CLIQ Digital‘s products and services, or which may achieve greater market acceptance. Some competitors may also have more experience in marketing their products.

Furthermore, the barriers to entering the market of digital mobile products are low, since sourcing, developing and offering such products do not necessarily require voluminous investments or a complex technical infrastructure.

Dependency of technical developments

The market of digital products is a business subject to quick change. It is characterized by rapidly-changing technologies, frequent introductions of new or amended products and fast-changing customer demands. The success of CLIQ Digital highly depends on the Company‘s ability to duly anticipate and recognize new trends and developments in the use of digital products, to continuously improve its offered digital products to keep them attractive, to offer new products at the right time, to rapidly react on changing customer demands, and especially to attract and keep a considerable number of customers who are willing to pay for the products offered by CLIQ Digital. For this purpose, CLIQ Digital has to spend significant resources on market research and analysis, as well as on marketing to introduce new digital products. Decisions about these matters must often be made well in advance of product releases in order to timely implement them. CLIQ Digital‘s success therefore depends, in part, on unpredictable and volatile factors beyond its control, including consumer preferences, competing digital products, new mobile payment platforms and the availability of other entertainment activities. Furthermore, CLIQ Digital is dependent on developers and the quality of their products and their willingness and ability to continuously improve them.

Dependency on network operators, technical service-providers and invoicing partners

When marketing its products, CLIQ Digital is dependent on external service providers. In particular, mobile network operators play an important role in the provision and invoicing of mobile and interactive services. The network operators' services include, to a certain extent, the billing of CLIQ Digital's digital products through telephone invoices and prepaid accounts, for which they receive a substantial part of the overall payments to be made by end-customers. If such network providers change the technical framework or the financial terms of their services to the detriment of CLIQ Digital, CLIQ Digital may not be able to pass on such disadvantages to its customers. Additional risks arising from the co-operation with network operators are contractual penalties and temporary or structural failures of platforms, systems, data and settlement systems.

In addition, the involvement of technical service providers (for instance gateways which provide the connections to the network operators) always bears the risk of temporary or structural failures of platforms, systems, data and settlement systems. Further, the solvency of service providers themselves bears a separate risk which could affect, in particular, CLIQ Digital's ability to receive payments through the network operator's customer billing practice.

Besides mobile network providers, CLIQ Digital uses other payment methods and payment partners, e.g., PayPal which also entail risks in connection with revenue losses or liability risks, for example due to settlement failures, hacker attacks or any failure of the service providers to meet their financial commitments towards CLIQ Digital.

Tighter legal requirements and regulation

CLIQ Digital is confronted with increasing requirements under telecommunication laws and regulations, as well as tighter regulations for marketing expressions, in particular, an increasing level of laws for the protection of consumers. The markets for digital mobile products are young, characterized by permanent technical and commercial innovations and show strong growth. There is a tendency of certain governments, legislators, consumer protection associations, mobile network operators, data protection authorities and other authorities in some of the countries in which CLIQ Digital markets its products, to intensify regulations in certain areas that are relevant to CLIQ Digital's business activities. Here, the risk of over-regulation exists, or even the discontinuation or banning of certain services or business models. Due to the advancing tightening of regulations, CLIQ Digital must respond to these changes, and partially adjust its own business model accordingly. Shutdowns, fines or bans comprise particular risks in this respect. It is also important to respond quickly and adequately to such rapidly changing regulations.

Dependency on end-consumers and trends

End-consumers, particularly young people, like to follow new trends. In other words, customers may no longer accept products that are popular today. This can have a negative effect on media efficiencies (e.g., the costs per new customer), price sensitivity, cancellation rates, prepaid credits, sales per customer, and products' market acceptance. The general economic situation can also strongly impact seasonality, price sensitivity, and target groups' purchasing power. Deterioration of the economic situation, for example through a widening of the financial crisis, or a collapse in consumer confidence, can have a negative effect on the Company's revenue and profitability. The Company can come under pressure due to a decline in customers' (potential) purchasing power. Consumers can also switch to other products or offerings due to technology convergence.

Dependency on content providers

Content-providers enjoy strong positions of power in certain areas, and can influence the business and its profitability. Particularly in the music and movies area, in some countries differences of opinion prevail concerning the ownership of rights to the marketing of ring tones, and of music clips and (music) videos, and concerning different market participants (music publishers, the GEMA, recording industry companies, and aggregators). Mergers and international concentration are also occurring among content-providers. Some individual market participants own important and successful rights (e.g., games licenses, name rights, technical patents). Depending on the provider, price increases, minimum fees, or even restrictions or exclusions of particular providers can always occur. In the area of online games and mobile games, games are utilized which are licensed by third parties. License terms, cooperation, and, in particular, further technical developments represent important elements in this context, all of which can lead to complications.

Dependency on marketing companies

The cooperation with marketing partners and the purchase of advertising space is very important to the business of CLIQ Digital. Legal or factual changes in the availability of media and advertising space (including through programming, broadcasters‘ orientation, regulation) could adversely influence CLIQ Digital‘s business. Also, CLIQ Digital must rely on the use of the marketing materials by its media partners being compliant with local laws, in order to avoid administrative fines, shutdowns or any other negative consequences. In addition, an increase in costs for advertising space could require that CLIQ Digital either increases its media and advertising budget or cuts back its media activities, which could result in a diminished visibility for customers. Also, intensified media and advertising activities of competitors could challenge CLIQ Digital‘s ability to defend its market position.

Dependency on software, it-systems and networks

Business operations, particularly the management of the range of services substantially relies on its in-house developed software and external software. It also relies on centralized, standardized information technology systems and networks to support business processes, as well as internal and external communication systems. Software, systems, and networks are potentially vulnerable to errors, virus attacks, damages, interruptions and security threats from a variety of sources. The precautionary measures adopted by CLIQ Digital could prove insufficient to exclude the risks related to software, systems and network disruptions and threats, to outages in a data center and/or telecommunications networks utilized by CLIQ Digital‘s systems, to any security breaches or to any similar event.

Dependency on managers and staff

The future achievement of CLIQ Digital’s strategic and operating goals depends on the ability to recruit qualified expert employees and executives and to retain them in the Company in the long term. Intense competition in the market for digital mobile products has resulted in a shortage of qualified employees who have the necessary knowledge of the market, and the Company is in vigorous competition with its competitors for qualified employees.

Risks relating to acquisitions

CLIQ Digital intends to realize external growth by acquisitions of businesses, companies and equity interests in companies. Such transactions, in particular, the acquisition of entire enterprises, bear the risk that CLIQ Digital — despite a thorough due diligence exercise — overestimates the potential yield and synergies, but underestimates the transaction risks and, as a consequence, pays an excessive purchase price.

Cash flow risk

CLIQ Digital operates in a capital-intensive market where sufficient media budgets are required to realize forecasted revenue growth. The forecasted operational cash flow is sufficient to make the necessary investments in media. However, if, for whatever reason, the operational cash flow is lacking this might limit CLIQ Digital in re-investing sufficient funds in marketing, which could impact the growth potential of CLIQ Digital.

Receivables defaults

Most of CLIQ Digital's receivables are due from a number of technical service-providers and network operators. The Company could encounter financial shortfalls or problems if one of these partners encountered potential payment difficulties or failed to pay for other reasons.

Financing working capital through prepayments

CLIQ Digital is generally required to pay media companies in advance. However, network operators, payment providers and technical service providers generally pay later. A part of this financing gap is financed by the Commerzbank. The discontinuation of these prepayments without replacement funding, or the discontinuation of borrowing base financing would make it more difficult to implement CLIQ Digital's growth strategy, and could have significant negative effects on the Company's financial position and results of operations.

Foreign exchange risks

A significant part of the revenue of CLIQ Digital is denominated in a currency other than the base currency EURO. An adverse movement in the exchange rate of a local currency in relation to the EURO might impact the profitability of CLIQ Digital in the respective country.

Interest rate risk

The business operations of CLIQ Digital are financed to a substantial degree through debt financing. Therefore, CLIQ Digital's profitability can be negatively affected by substantial increases in interest rates. Furthermore, CLIQ Digital must rely on being able to obtain re-financing at adequate terms.

Dependency on macro developments

CLIQ Digital is subject to macroeconomic risks caused by the volatility of worldwide economic conditions. For example, concerns persist regarding the debt burden of certain Euro-zone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency, given the diverse economic and political circumstances in individual member states. An unfavorable economic development, be it on a regional or worldwide level could result in a weak growth or even in market downturns, high unemployment, currency instability, increased counterparty credit risk and high levels of volatility, as well as other outcomes that might adversely impact CLIQ Digital's business.

Young markets

Statistical data on market shares, growth rates and revenues of providers of mobile and interactive value-added services are mainly based on estimates of market research institutes or on research of the providers themselves.

Since the markets are young and dynamic, it is quite difficult to make accurate estimates. This is also due to the fact that there are no precise definitions of the market areas. Therefore, there is no accurate information available about the market size and the growth rates, actual or potential competitors or market trends.

Risks relating to rights of third parties

CLIQ Digital markets digital products for mobile devices, which are mostly developed by external persons and enterprises. Since CLIQ Digital in most cases does not directly participate in the development process, its ability to prevent violations of third parties' intellectual property rights is limited. This concerns patents, copyrights and trademarks in particular, as well as any other intellectual property rights.

When distributing digital products, which infringe upon such rights, CLIQ Digital could inadvertently infringe upon third parties' intellectual property rights, too.

Risks relating to vat, trade tax and corporation tax loss carried forwards

CLIQ Digital is subject to income tax in various countries. Significant judgment is required in determining the worldwide provision for income tax, and, in the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. CLIQ Digital is also required to estimate its tax obligations for the future.

Moreover, changes in tax legislation of the various jurisdictions CLIQ Digital is subject to, especially with regard to a possible limitation on the offsetting of loss carry-forwards could have adverse effects on CLIQ Digital. Although they are not on a cash basis, deferred tax income and expenses can also have a substantial influence on consolidated profits.

Brexit

Following the UK's decision to leave the EU ("Brexit") following the referendum held on 23 June 2016 and the consequential uncertainty surrounding the UK economy, the Group has considered the impact that this decision will have on the Groups activities and in particular in relation to its UK subsidiaries in the short and longer term. On the date of preparing this consolidated annual report, there remains uncertainty regarding the impact that Brexit will have on the Group's industry within the U.K., the EU and other jurisdictions. Although management monitors these developments, it remains difficult to predict the extent of such future laws and regulations, and the effect that they will have on the company's business.

Holding company and liability risk

CLIQ Digital AG is liable for C Formats GmbH and Claus Mobi GmbH on the basis of a profit-and-loss-transfer agreement. Artiq Mobile B.V., Bluetiq GmbH, Guerilla Mobile Asia Pacific Pte. Ltd., Bob Mobile Hellas S.A., C Formats GmbH, Claus Mobi GmbH, CLIQ B.V., CPay B.V., TMG Singapore PTE Ltd., The Mobile Generation Americas Inc., Cructiq AG, Rheinkraft Production GmbH, GIM Global Investments Munich GmbH, iDNA B.V. VIPMOB B.V.(80%) Hype Ventures B.V. (80%), CMind B.V.(80%), Tornika SAS (80%), Tornika Media BV (80%), Universal Mobile Enterprises Ltd, Moonlight Mobile Ltd, Red27 Mobile Ltd (51%), TGITT Ltd, Netacy Inc, comprise wholly-owned subsidiaries (except for the mentioned entities for which the equity interest is mentioned). CLIQ Digital AG acts as a supplier to these companies, and, in some cases – such as in the case of international master agreements with service providers – as the main contractual partner. As the parent company, CLIQ Digital AG partially assumes liability and guarantees, as well as the adoption of losses. CLIQ Digital AG's business also entails various liability risks. Liability risks can arise, for example, through customers and partners as the result of products, which are not received, which are defective, as well as through viruses. License providers, rights administrators, content sellers, content producers and brand owners can also give rise to risks as the result of licenses and rights that have not been acquired legally, or which have not been clarified. Media companies, network operators and other partners can give rise to risks as the result of erroneous invoices, system breakdowns, non-compliance with media or other regulations and/or agreements. Liability situations can also arise from regulators and consumer associations.

Above risks are frequently monitored via CLIQ Digital's risk management system and monthly reporting system. Special attention is given to this subject to mitigate this risk.

Overall, it can be assumed that the risks will have no negative consequences for the continued existence of CLIQ Digital.

3 April 2019

The Management Board

Luc Voncken　　　　Ben Bos

3 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

1 CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

in EUR thousand	Note	2018	2017
Gross revenue	6	58,206.7	70,527.5
Cost of sales	7	-42,053.6	-31,981.2
Gross margin		**16,153.1**	**38,546.3**
Personnel expenses	8	-8,435.5	-8,805.0
Other operating expenses	9	-3,686.6	-3,592.4
Impairment losses and gains on trade receivables and contract assets		-175.4	-
Total operating expenses		**-12,297.5**	**-12,397.4**
EBITDA		**3,855.6**	**26,148.9**
Amortization and impairment charges applied to intangible, tangible and current assets	10	-871.7	-20,981.1
EBIT		**2,983.9**	**5,167.8**
Financial income and financial expenses	11	377.3	-641.1
Profit for the year from continuing operations		**3,361.2**	**4,526.7**
Income tax expense	12	-367.9	-1,152.3
PROFIT FOR THE YEAR		**2,993.3**	**3,374.4**
Attributable to:			
Owners of the Company		2,155.5	3,286.7
Non-controlling interest		837.8	87.7
		2,993.3	**3,374.4**

Earnings per share			
Number of shares for calculation of basic earnings per share (in thousands)		6,188.7	6,188.7
Number of shares for calculation of diluted earnings per share (in thousands)		177.5	154.3
Basic earnings per share (in EUR)	13	0.35	0.53
Diluted earnings per share (in EUR)	13	0.34	0.52

2 CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

in EUR thousand	Note	2018	2017
PROFIT FOR THE YEAR		**2,993.3**	**3,374.4**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	14	-44.7	-66.5
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,948.6**	**3,307.9**
Attributable to:			
Owners of the Company		2,110.8	3,220.2
Non-controlling interest		837.8	87.7
		2,948.6	3,307.9

3 CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION AS AT 31 DECEMBER 2018

ASSETS in EUR thousand	Note	2018	2017
NON-CURRENT ASSETS			
Goodwill	14	47,877.7	47,349.0
Other intangible assets	15	906.7	5,205.5
Plant, operating and office equipment	16	1,286.4	289.5
Contract costs	18	969.2	-
Deferred tax assets	12	1,758.9	2,072.2
Total non-current assets		**52,798.9**	**54,916.2**
CURRENT ASSETS			
Trade receivables	19	6,518.1	5,124.4
Contract costs	18	3,876.8	-
Income tax receivables	12	439.8	-
Other assets	20	760.9	5,845.5
Cash and cash equivalents	21	1,332.3	168.5
Total current assets		**12,927.9**	**11,138.4**
Total assets		**65,726.8**	**66,054.6**

EQUITY AND LIABILITIES in EUR thousand	Note	2018	2017
EQUITY			
Issued capital	22	6,188.7	6,188.7
Share premium	22	46,635.8	46,635.8
Retained earnings	23	-5,608.2	-6,208.7
Other reserves	24	-241.7	-153.3
Equity attributable to the shareholders		**46,974.6**	**46,462.5**
Non-controlling interest	25	809.2	94.1
Total equity		**47,783.8**	**46,556.6**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	12	894.6	431.8
Other financial liabilities	27	886.0	705.6
Other liabilities	28	48.6	519.7
Total non-current liabilities		**1,829.2**	**1,657.1**
Current liabilities			
Bank borrowings	26	8,090.1	5,674.3
Other financial liabilities	27	1,116.3	3,468.7
Provisions		13.0	20.0
Trade payables	28	2,272.9	2,124.9
Income tax liabilities	12	1,160.5	3,185.1
Other liabilities	28	3,461.0	3,367.9
Total current liabilities		**16,113.8**	**17,840.9**
Total liabilities		**17,943.1**	**19,498.0**
Total equity and liabilities		**65,726.8**	**66,054.6**

4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 2018

		PARENT COMPANY		
in EUR thousand	Note	Issued capital	Share premium	Retained earnings
Balance as of 1 January 2017		**6,188.7**	**46,635.8**	**-9,454.8**
Net profit / loss for the period		-	-	3,286.7
Other comprehensive income		-	-	-
Equity-settled employee benefits reserve		-	-	-40.6
Currency translation difference		-	-	-
Balance as of 31 December 2017		**6,188.7**	**46,635.8**	**-6,208.7**
Net profit / loss for the period		-	-	2,155.5
Other comprehensive income		-	-	-
Adjustment on initial application of IFRS 9. net of tax	2.1.1	-	-	-481.6
Impact of correction of error	31	-	-	-704.0
Currency translation difference		-	-	-
Adjustment arising from change in non-controlling interest	29.1	-	-	-369.4
Balance as of 31 December 2018		**6,188.7**	**46,635.8**	**-5,608.2**

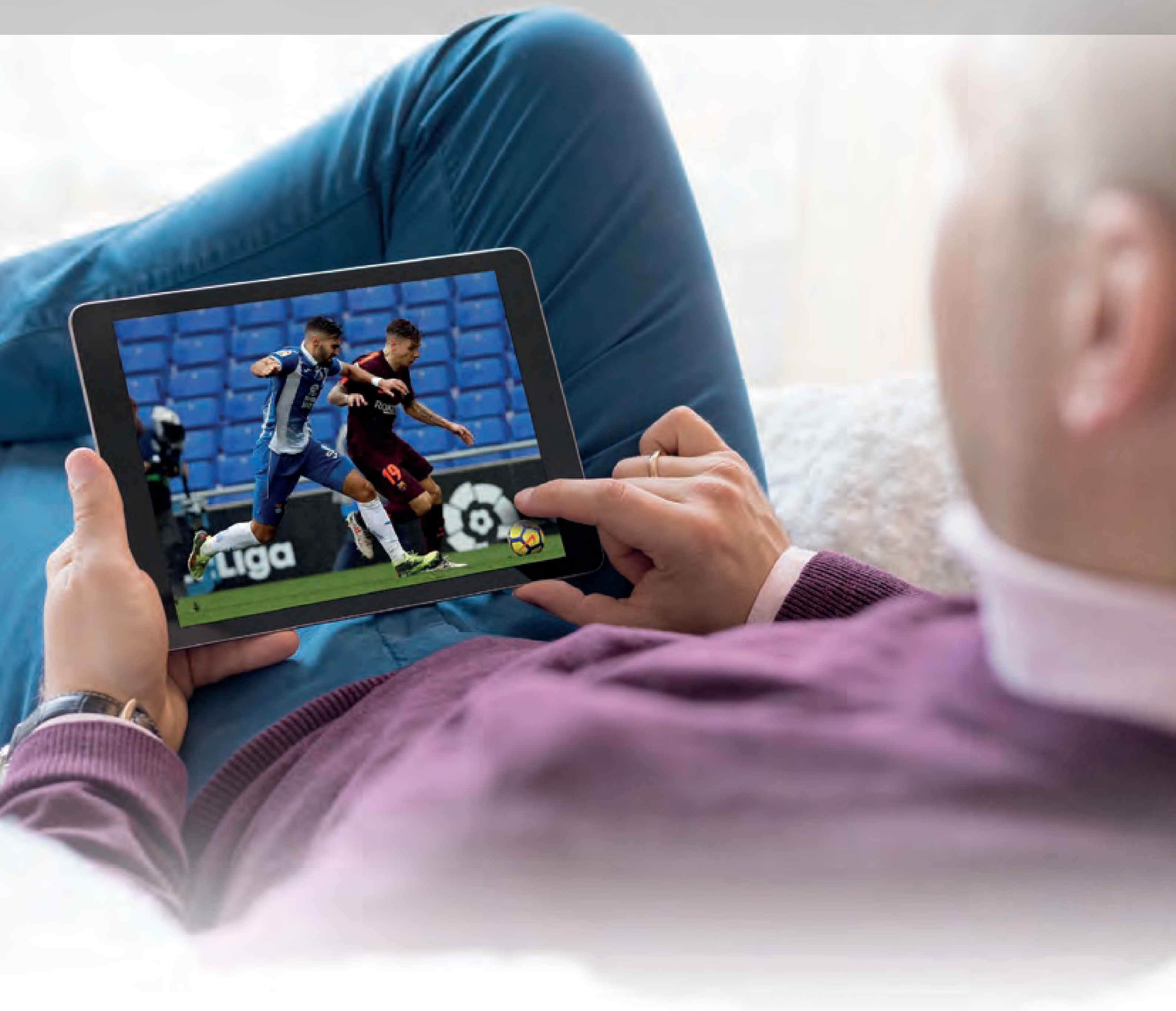
PARENT COMPANY		Non-controlling shareholders	
Other reserves	Equity attributable to the Shareholders	Non-controlling interest	Total equity
50.5	**43,420.2**	**6.4**	**43,426.6**
-	3,286.7	87.7	3,374.4
-66.5	-66.5	-	-66.5
-45.1	-85.7	-	-85.7
-92.2	-92.2	-	-92.2
-153.3	**46,462.5**	**94.1**	**46,556.6**
-	2,155.5	837.8	2,993.3
-44.7	-44.7	-	-44.7
-	-481.6	-28.8	-510.4
-	-704.0	-	-704.0
-43.7	-43.7	-6.5	-50.2
-	-369.4	-87.4	-456.8
-241.7	**46,974.6**	**809.2**	**47,783.8**

5 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR 2018

in EUR thousand	Note	2018	2017
Cash flow from operating activities			
Result for the year		2,993.3	3,374.4
Adjustments for:			
Income tax expense recognized in profit or loss		367.9	1,152.3
Finance costs recognized in profit or loss	11	409.3	641.1
Net (gain)/loss arising on financial liabilities designated as at fair value through profit and loss	11	-786.6	-
Impairment loss/(gain) recognized on trade receivables and other current assets	10	175.4	-37.4
Net (gain)/loss arising on fair value movement share options	8	-471.1	-
Depreciation and amortization of non-current assets	10	871.7	21,018.5
		3,559.9	**26,148.9**
Changes in working capital		3,205.2	8.4
Cash generated from operations		**6,765.1**	**26,157.3**
Income taxes (paid)/received		-2,536.5	-248.2
Interest (paid)/received		-384.0	-684.5
Net cash generated by operating activities		**3,844.6**	**25,224.6**
Cash flow from investing activities			
Payments for property, plant and equipment	16	-46,4	-101,1
Payments for intangbile fixed assets	15	-540,4	-18.114,0
Net cash (outflow)/inflow on acquisition of subsidiaries	29	-890,6	-1.740,6
Net cash (used in)/generated by investing activities		**-1.477,4**	**-19.955,7**

in EUR thousand	Note	2018	2017
Cash flow from financing activities			
Repayment of borrowings		-2.718,4	-
Transaction costs related to loans and borrowings		-172,0	-
Lease installments paid	27.1	-264,5	-37,2
Acquisition of non-controlling interest	29.1	-450,0	-
Share options	30	-	-93,7
Net cash used in financing activities		**-3.604,9**	**-130,9**
Free cash flow		**-1.237,7**	**5,138.0**
Cash and cash equivalents at the beginning of the year		**-5.505,8**	**-10.588,6**
Free cash flow		-1.237,7	5,138.0
Effects of exchange rate changes on the balance of cash held in foreign currencies		-14,3	-55,2
Cash and cash equivalents at the end of the year		**-6.757,8**	**-5.505,8**
Cash and bank balances		1.332,3	168,5
Bank borrowing overdraft facility	26	-8.090,1	-5.674,3
Cash and cash equivalents in cash flow statement		**-6.757,8**	**-5.505,8**

4 NOTES



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notes to the financial statements

1 General information

CLIQ Digital is a leading sales and marketing organization for digital products with its own payment platform. The core business of the Group is the direct marketing and billing of its products to end-customers via online- and mobile-marketing channels. CLIQ Digital offers its customers attractive products and is a valuable strategic business partner for networks, developers, publishers and advertisers. The Group conducts its development activities in multiple countries.

The Group parent company is CLIQ Digital Aktiengesellschaft (hereinafter referred to as "CLIQ Digital"), which is headquartered at Immermannstrasse 13, 40210 Dusseldorf, Germany. The company is entered in the commercial register of the Amtsgericht Dusseldorf (Commercial Register Sheet 69068). The shares of CLIQ Digital AG are listed on the Frankfurt Stock Exchange in the Open Market segment, forming part of the Scale Segment of the Deutsche Börse AG. Pursuant to Section 2 (5) of the German Securities Trading Act (WpHG), the Open Market does not comprise an organized or regulated market. The guidelines for Deutsche Börse AG's regulated unofficial market form the basis for including securities in the Open Market. As a consequence, CLIQ Digital AG is not a capital market-oriented company pursuant to Section 264d of the German Commercial Code (HGB) and is also not obligated pursuant to Section 315e of the German Commercial Code (HGB) to prepare consolidated financial statements on the basis of International Financial Accounting Standards (IFRS). According to characteristics relating to size, CLIQ Digital AG is obligated to prepare consolidated financial statements, on the basis of German accounting standards. These consolidated IFRS financial statements are prepared voluntarily, to provide investors with additional financial information in line with capital markets expectations and to fulfill disclosure obligations to Deutsche Börse AG under the General Terms and Conditions of Deutsche Börse AG for the Open Market of the Frankfurt Stock Exchange.

The Group's financial year starts on 1st of January and ends on 31st of December of each calendar year. These consolidated financial statements are prepared in Euros, which is the functional and reporting currency of CLIQ Digital. Reporting is in thousands of Euros (EUR thousand) unless stated otherwise.

To improve the clarity of the accounts, various items of the consolidated balance sheet and the consolidated statement of comprehensive income have been combined. These items are presented and explained separately in the notes to the consolidated financial statements. The statement of comprehensive income is structured according to the nature of the expense method.

2 Application of international financial reporting standards (IFRS)

In the financial year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

Section 2.1 describes the impact of the application of new and revised international financial reporting standards whereas section 2.2 provides a description of changes in accounting standards which did not had a material impact on the disclosures or the amounts reported in these financial statements.

2.1 Significant new and revised International Financial Reporting Standards (IFRS)

2.1.1 Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures, that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities;
2. Impairment of financial assets; and
3. General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

2.1.1.1 Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognized as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018.

All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no significant impact on the classification of the Group's financial assets.

2.1.1.2 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, IFRS 9 requires the Group to recognize a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortized cost or at FVTOCI;
(2) Trade receivables and contract assets.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Consequently, the Group reclassified impairment losses amounting to EUR 175.4 thousand, recognized under IAS 39, from 'impairment expenses' to 'impairment losses and gains on financial assets' in the statement of profit or loss for the year ended 31 December 2018. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

2.1.1.3 General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

The application of the IFRS 9 hedge accounting requirements has had no significant impact on the results and financial position of the Group for the current and/or prior years. Please refer to note 32.5 for detailed disclosures regarding the Group's risk management activities.

2.1.1.4 Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of IFRS 9.

2.1.1.5 Impact of the application of IFRS 9 on the financial statements for the year

Impact as at 1 Jan 2018 in EUR thousand	Note	**As reported**	IFRS 9 adjustments	**As previously reported**
Deferred tax assets		2,249.6	177.4	2,072.2
Trade receivables	19	4,436.6	-687.8	5,124.4
Total effect on net assets		**6,686.2**	**-510.4**	**7,196.6**
Equity attributable to the shareholders		-45,980.9	481.6	-46,462.5
Non-controlling interest	25	-65.3	28.8	-94.1
Total effect on equity		**-46,046.2**	**510.4**	**-46,556.6**

2.1.2 Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group has adopted IFRS 15 using the cumulative effect method (with practical expedients), with the effect of initially applying this standard recognized at the date of initial application. Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue'. In addition the Standard refers to 'contract costs' for incremental costs of obtaining a contract with a customer which are similar costs as previously recognized by the Group as Customer Acquistion Costs as included in the other intangible fixed assets. Allthough the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position the Group has adopted the terminology used in IFRS 15 to describe such balances.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below. The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is illustrated below.

2.1.2.1 Impact of the application of IFRS 15 on the financial statements for the year

Impact as at 1 Jan 2018 in EUR thousand	Note	**As reported**	IFRS 15 adjustments	As previously reported
Contract costs	18	4,968.4	4,968.4	-
Other intangible assets (CUSACQ)	15	-	-4,968.4	4,968.4
Trade receivables	19	10,191.5	5,067.1	5,124.4
Other assets	20	778.4	-5,067.1	5,845.5
Total effect on net assets		**10,969.9**	**-**	**10,969.9**

2.1.3 Impact of application IFRS 16 Leases

In the current year, the Group, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016) in advance of its effective date.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases qualified as a finance lease except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3.8. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The group has applied IFRS 16 Leases retrospectively from 1 January 2018 but has not restated comparatives for the 2017 reporting period as permitted under the specific transition provisions in the standard (IFRS 16 C8).

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2018. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2018 was 4%.

Impact as at 1 Jan 2018 in EUR thousand	As previously reported
Operating lease commitments disclosed as at 31 December 2017	**1,828.3**
Discounted using the Group´s incremental borrowing rate	-131.0
Less: low-value and short-term leases recognized on a straight-line as expenses	-9.3
Less: contracts reassessed as service contracts	-374.0
Lease liability recognized as at 1 January 2018	**1,314.0**

2.1.3.1 Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1 January 2018.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2018 (whether it is a lessor or a lessee in the lease contract).

2.1.3.2 Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

a) recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, measured at the presented value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application;
b) recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the consolidated statement of profit or loss.

2.1.3.3 Financial impact of initial application of IFRS 16

The application of IFRS 16 Leases has resulted in the recognition of a right-of-use asset for an amount of EUR 1,390 thousand and a lease liability as of EUR 1,314 thousand as of 1 January 2018. During the current year the application of IFRS 16 Leases has resulted in a deduction of the other operating expenses of EUR 330 thousand and an increase in amortization and impairment charges applied to intangible, tangible and current assets in the amount of EUR 305 thousand and an increase in financial expenses of EUR 48 thousand in the current year.

The application of IFRS 16 has an impact on the consolidated statement cash flows of the Group. Under IFRS 16 lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (the Group has included these payments as part of payments to suppliers and employees);
- Cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include the interest paid as part of operating activities); and
- Cash payments for the principal portion for leases liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by EUR 255 thousand and net cash used in financing activities increased by the same amount. The adoption of IFRS 16 did not have an impact on net cash flows.

2.2 Other new and revised International Financial Reporting Standards (IFRS)

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements and are described below to the extend relevant to these financial statements.

2.2.1 IFRS 2 (amendments)

The Group has adopted the amendments to IFRS 2 for the first time in the current year. The amendments which are relevant to the Group clarify the following:

In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2.2.2 IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

2.3 New and revised IFRS in issue but not yet effective

At the date of authorization of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective or had not yet been adopted by the EU. The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

Standard – Interpretation	Content of the amendment	Mandatory application	Adoption by the EU	Prospective effects on CLIQ Digital
IFRS 17	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	01/01/2012	Not yet endorsed	No
IAS 28	The amendment clarifies that IFRS 9, including its impairment requirements, applies to long term interests. Furthermore, in applying IFRS 9 to long term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).	01/01/2019	11/02/2019	No
IAS 19	The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).	01/01/2019	14/03/2019	No
IFRS 10 / IAS 28	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.	To be determined	Not yet endorsed	No
IFRIC 23	IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to: • determine whether uncertain tax positions are assessed separately or as a group; and • assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: – If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. – If no, the entity should reflect the effect of uncertainty in determining its accounting tax position	01/01/2019	01/01/2019	No

Standard – Interpre-tation	Content of the amendment	Mandatory application	Adoption by the EU	Prospective effects on CLIQ Digital
IFRSs 2015 - 2017 Cycle	The Annual Improvements include amendments to four Standards. *IAS 12 Income Taxes* The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. *IAS 23 Borrowing Costs* The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. *IFRS 3 Business Combinations* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation. *IFRS 11 Joint Arrangements* The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.	01/01/2019	14/03/2019	No

3 Significant accounting policies

3.1 Basis of preparation

These consolidated financial statements correspond with the regulations of Section 315e of the German Commercial Code (HGB). This forms the legal basis for Group financial accounting according to IFRS in Germany together with EC Directive No. 1606/2002 of the European Parliament and Council of July 19, 2002, concerning the application of international accounting standards, and is applicable for financial years commencing on or after 1 January 2005.

The Group‘s accounting policies on consolidation, measurement of assets and liabilities and determination of results are set out below. These policies are in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

The Group’s applies the historical cost convention for measurement, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Scope of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. The Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.3 Changes in the scope of consolidation

During the financial year the following changes in the scope of consolidation have been made to the number of consolidated companies in addition to CLIQ Digital AG:

	Germany	The Netherlands	United Kingdom	Other countries	Total
31 December 2017	**5**	**7**	**3**	**5**	**20**
Acquisition	-	-	-	1	**1**
Incorporated	-	1	1	1	**3**
31 December 2018	**5**	**8**	**4**	**7**	**24**

In the financial year 2018 the Group of consolidated companies changed as a result of the following:

- The acquisition of a French company, Tornika SAS (see note 29 for further details)
- The incorporation of Netacy Inc in the United States, TGITT Ltd in the United Kingdom and Tornika Media BV in The Netherlands.

Please refer to note 17 for the listing of the Group's shareholdings pursuant to Section 313 (2) of the German Commercial Code (HGB).

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.4 above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6 Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Group recognizes revenue from the following major sources:

- Digital entertaining services to end users who use the digital content that the Group makes available to subscribers and can be used by subscribers as much as they want, anytime, anywhere.
- Marketing services in which the Group purchases and sells traffic from digital sources to third parties.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

3.6.1 Digital entertainment services

Digital entertainment services are invoiced for a fixed amount per period, which is usually charged on a weekly or monthly basis. The performance obligation is satisfied when payment confirmation has been received and the customers obtained access to the digital content. The transaction price is the amount that has been agreed with the customer taking into consideration a refund liability for considerations received or receivable for which it expects to refund some or all of the considerations to the customer.

3.6.2 Digital marketing

Digital marketing is usually invoiced on a monthly or weekly basis to the customer for a predefined amount per unit. The performance obligation is satisfied when the Group receives confirmation from its customer that the unit (e.g. a new subscriber) has been delivered.

3.7 Financial income and financial expenses

The Group's finance income and finance costs include:

- interest income;
- interest from leasing liabilities;
- interest expense such as interest on bank overdrafts and loans;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the fair value loss on contingent consideration classified as a financial liability;

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3.8 Leasing

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

The lease liability is presented as other financial liabilities in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. In general the depreciation period is between 3 and 5 years.

The right-of-use assets are presented as part of property, plant and equipment in the consolidated statement of financial position as the majority of the right-of-use assets is related to the rent of buildings.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.18.

3.9 Foreign currencies

In preparing the financial statements of each individual group entity, 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Euro using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

3.10 Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred. The direct allocation of borrowing costs to the purchase or development of a qualified intangible asset, which could accordingly generate purchase or manufacturing costs, is not performed.

3.11 Employee benefits

3.11.1 Short-term employee benefits

Short-term employee benefits are benefits payable within a year of the end of the year in which the employee rendered the service. Within CLIQ Digital Group, this category includes wages and salaries (including holiday pay) and fixed and variable allowances, social security contributions, paid sick leave, profit sharing and variable short-term remuneration. The costs of these employee benefits are recognized in the income statement when the service is rendered or the rights to benefits are accrued (e.g. holiday pay).

3.11.2 Post-employment benefits

The Group has one pension plan with a Dutch entity for employees working in The Netherlands which have a limited number of participants.

The Dutch plan is financed through contributions to pension providers such as insurance companies. The pension obligations plans are valued according to the ‘valuation to pension fund approach’. This approach accounts for the contribution payable to the pension provider as an expense in the profit and loss account. As at year-end no pension receivables and no obligations existed for the Group in addition to the payment of the annual contribution due to the pension provider.

3.12 Share-based payment arrangements

As at the end of the reporting period the Group had several share-based payments arrangements which are all cash-settled. Details regarding the share-based payments arrangements are set out in note 32.

Cash-settled share-based payments to employees and others providing similar services are measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

3.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.13.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group‘s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

3.13.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for unused tax losses, unused tax credits and for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.13.3 Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets are netted with deferred tax liabilities if entitlement to the offsetting of actual taxes exists, and the items relate to taxes on income which are levied by the same tax authorities, and which arise at the same company, or within the same tax entity.

3.14 Plant, operating and office equipment

Plant, operating and office equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises the purchase price, incidental purchase costs, and subsequent purchase costs less any purchase price reductions received.

Costs for repairing property, plant and equipment, such as maintenance expenses, are generally carried through profit and loss.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Plant, operating and office equipment is predominantly depreciated over a period of three to five years.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.15 Intangible assets

3.15.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.15.2 Internally-generated intangible assets – research and development expenditure

Costs associated with maintaining internally generated intangible assets (software) are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognized as intangible assets when the following criteria are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. The Group generally amortizes capitalized development costs using the straight-line method over the period 3 to 5 years.

3.15.3 Licenses and trademarks

Separately acquired licenses and trademarks which have finite useful lives are measured at cost less accumulated amortization and impairment losses. The Group predominantly amortizes licenses and trademarks using the straight-line method over the period of 2 to 10 years.

3.15.4 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.15.5 Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

3.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

3.16.1 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized less cumulative amortization recognized in accordance with the principles of IFRS 15.

3.17 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3.17.1 Financial assets – Policy applicable from 1 January 2018

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

3.17.1.1 Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group has not designated any debt investments that meet the amortized cost or FVTOCI criteria as measured at FVTPL.

3.17.1.2 Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see 3.18.1.4 to 3.18.1.6 below) are measured at FVTPL. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3.17.1.3 Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

3.17.1.4 Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

3.17.1.5 Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

3.17.2 Financial assets – Policy applicable before 1 January 2018

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss‘ (FVTPL), ‘held-to-maturity‘ investments, ‘available-for-sale‘ (AFS) financial assets and ‘loans and receivables‘. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.17.2.1 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 3.1.

3.17.2.2 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

3.17.2.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

3.17.2.4 Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in note 3.1. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3.17.3 Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3.17.4 Derecognition

3.17.4.1 Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3.17.4.2 Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.17.5 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.17.5.1 Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL. An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

3.17.6 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.18 Impairment

3.18.1 Non-derivative financial assets – Policy applicable from 1 January 2018

3.18.1.1 Financial instruments and contract assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The expected credit losses on trade receivables and contract assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3.18.1.2 Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

3.18.1.3 Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

3.18.1.4 Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3.18.2 Non-derivative financial assets – Policy applicable before 1 January 2018

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset‘s carrying amount and the present value of estimated future cash flows, discounted at the financial asset‘s original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset‘s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. The previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3.18.3 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite useful lives, assets not yet available for use and goodwill are tested annually for impairment.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Board Members of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant to the balance sheet date. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements and key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1.1 Amortization of contract costs

The carrying value of the contract costs is calculated on the basis of estimates of the expected customer's revenue life cycle. The expected customer's revenue life cycle may change under the influence of consumer-trends, market conditions or legal requirements and regulations. These factors may also give rise to the need to recognize an impairment on assets.

4.1.2 Impairment of non-financial assets

Goodwill is not amortized, but an annual impairment test is carried out to identify if there are any changes or events that could lead to an impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Board Members to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2018 was EUR 47.9 million (31 December 2017: EUR 47.3 million). Details of the impairment calculation are set out in note 14.

An impairment test is carried out on other non-financial assets in case of any events or changes that call for an impairment test.

4.1.3 Purchase price allocation and fair value measurement identified assets related to Netacy

The Company was required to recognize the assets from the Netacy operations at the acquisition date fair values. Determination of these fair values at acquisition date required that the Board Members and Finance Director applied judgement and used estimates. These judgements and estimates may change under the influence of market conditions or legal requirements and regulations.

4.1.4 Fair value measurements of financial instruments

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

The Finance Director is responsible for the preperation of the fair value calculations of the concerning financial assets and financial liabilities required for financial reporting purposes. The Finance Director reports directly to the Board every quarter, in line with the Group quarterly reporting dates, to explain the cause of fluctuations in the fair value of the assets and liabilities.

4.1.5 Claims and disputes

The Group is the subject of various claims and disputes, which are part of its business operations. The Board Members together with the Legal Director assesses the claims and court cases instituted against it on the basis of facts and seeks legal advice when required. In addition the Company is also involved in disputes as claiming party. In both cases this involves subjective elements and projected outcomes. However, it is not possible to obtain certainty about the final outcome and any negotiations on claims and disputes. For a more detailed explanation see Contingent assets and liabilities, note 34.

4.1.6 Taxes

When preparing the financial statements the Company makes every effort to assess all relevant tax risks and process up-to-date tax position details in the financial statements to the best of its ability. Evolving insights, for example following final tax assessments for prior years, can result in additional tax burdens or benefits, and new tax risks may arise. In the valuation of deferred tax assets for reporting and tax purposes in the financial statements, assumptions are made regarding the extent to which and the period within which such assets can be realized. This is done, for instance, on the basis of business plans. In addition, when preparing the financial statements assumptions are made regarding temporary and permanent differences between the values for reporting and tax purposes. The actual situation may deviate from the assumptions used to determine deferred tax positions, due for instance to diverging insights and changes in tax laws and regulations. See note 12 in the financial statements for a more detailed explanation.

5 Segment reporting

During the current and previous reporting period there is only one significant operating segment, digital entertainment services, which is regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated is the operating segment and for which discrete financial information is available.

6 Revenue

The Group derives revenue from services at a point in time for the following services:

in EUR thousand	Digital entertainment services	Marketing services	2018
Segment revenue	51,595.0	14,709.9	66,304.9
Inter-segment revenue	-	-8,098.2	-8,098.2
Revenue from external customers	**51,595.0**	**6,611.7**	**58,206.7**
Timing of revenue recognition			
Point in time	51,595.0	6,611.7	58,206.7
Over time	-	-	-
Total revenue	**51,595.0**	**6,611.7**	**58,206.7**

6.1 Contract balances

For further details about the contract balances reference is made to the notes of trade receivables (Note 19) and contract costs (Note 18).

7 Cost of sales

The cost of sales are composed as follows:

in EUR thousand	2018	2017
Marketing spend	18,794.6	18,551.4
Capitalized Markting spend	-15,956.5	-18,081.9
Amortized contract costs	16,052.1	-
Share third parties	19,137.1	28,036.4
Other COS	4,026.3	3,475.3
Total	**42,053.6**	**31,981.2**

8 Personnel expenses

The personnel expenses are composed as follows:

In EUR thousand	2018	2017
Wages and salaries	6,377.5	6,965.4
Pension contributions	47.4	20.2
Social security contributions	776.3	784.4
Share-based payments	-471.1	376.1
Hired staff and related costs	1,585.2	621.1
Other	120.2	37.7
Total	**8,435.5**	**8,805.0**

8.1 Employees

The number of employees in the financial year was as follows:

	2018	2017
Employees (FTE)	**85.3**	**116.1**
Germany	3.2	4.2
The Netherlands	63.1	104.9
United Kingdom	10.0	7.0
France	9.0	-

The average number of employees in the financial year 2018 was:

	2018	2017
Employees (Average Headcount)	**98.5**	**103.0**
Full-time employees	84.0	88.0
Part-time employees	14.5	15.0

9 Other operating expenses

Other operating expenses include the following expenses:

In EUR thousand	2018	2017
Premises costs	414.7	437.1
Travel costs	619.6	685.0
Professional Fees	1,411.9	1,563.3
Supervisory Board Compensation	103.5	81.8
IT costs	1,082.5	728.6
Other	54.4	96.6
Total	**3,686.6**	**3,592.4**

9.1 Auditor's fees

The following fees were expensed in the 2018 and 2017 financial years for services rendered by Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (Group Auditor):

in EUR thousand	2018	2017
For auditing of the financial statements	**200.5**	**187.2**
Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft	174.3	176.9
Other	26.2	10.3
For tax advice services	**40.1**	**115.5**
Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft	36.6	96.9
Other	3.5	18.6

10 Depreciation, amortization and impairment expenses

in EUR thousand	2018	2017
Customer Acquisition Costs	-	20,624.1
Licenses and trademarks	254.3	-
Other intangible assets	176.2	182.5
Right of Use Assets	304.7	-
Plant, operating and office equipment	136.5	211.9
Other assets	-	-37.4
Total	**871.7**	**20,981.1**

After the initial application of IFRS 15 as of 1 January 2018 the Costomer Acquistion Costs are presented as amortization contract costs under cost of sales (Note 7).

For more information about depreciation, amortization and impairment charges applied to intangible assets and tangible assets reference is made to the disclosure of the intangible assets (note 14, 15) and tangible assets (note 16).

11 Financial income and financial expenses

The table below contains a breakdown of the financial income and expenses. Financial expenses relating to financial liabilities classified as fair value through profit or loss are included in the fair value movement on financial liabilities designated as at FVTPL.

in EUR thousand	2018	2017
Financial income		
Interest income	24.2	35.7
Fair value movements on financial liabilities designated as FVTPL	786.6	43.4
	810.8	**79.1**
Financial expenses		
Interest on bank overdrafts and loans	-200.9	-264.2
Exchange results	-68.5	-310.4
Interest expense on lease liabilities	-49.5	-2.5
Other financial expenses	-114.6	-143.1
	-433.5	**-720.2**
Total Financial income and financial expenses	**377.3**	**-641.1**

12 Income tax expense

This note contains further details on all the items of the financial statements with regard to income tax. This tax can be divided into income tax recognized in the statement of profit and loss, deferred taxes recognized in the statement of financial position and current tax positions in the statement of financial position.

12.1 Income tax in the statement of profit and loss

As of 31 December 2018, all deferred taxes on temporary differences were calculated, as in the previous year, on the basis of a combined rounded 30% tax rate for Germany, 25% tax rate for The Netherlands, 19% tax rate for the United Kingdom and the applicable tax rate for other foreign jurisdictions. As in the previous year, the recognition of deferred taxes on German tax loss carry forwards were based throughout on tax rates of 15% for trade tax, and 15% for corporation tax and the solidarity surcharge.

EUR thousand	DE	NL	UK	Other	2018	2017
Current income tax						
Income tax current year	-	-319.0	261.6	165.6	108.2	1,736.8
Adjustment for prior years	-6.2	-209.9	-	-	-216.1	35.0
Total current income tax	**-6.2**	**-528.9**	**261.6**	**165.6**	**-107.9**	**1,771.8**
Deferred income tax						
Origination and reversal of temporary differences	-4.3	291.9	205.7	-17.5	475.8	-619.5
Total deferred income tax	**-4.3**	**291.9**	**205.7**	**-17.5**	**475.8**	**-619.5**
Total income tax	**-10.5**	**-237.0**	**467.3**	**148.1**	**367.9**	**1,152.3**

12.2 Reconciliation of the effective tax rate

in EUR thousand	DE	NL	UK	Other	2018	2017
Profit before tax	**582.9**	**151.8**	**2,473.8**	**152.6**	**3,361.2**	**4,526.8**
Nominal tax rate	30.0%	25.0%	19.0%	30.0%	30.0%	30.0%
Income tax calculated at nominal rate	**174.9**	**38.0**	**470.0**	**45.8**	**1,008.4**	**1,358.0**
Acquisition costs that are non deductible	34.5	-	-	-	34.5	64.5
Expenses share option plan which are not tax deductible	-16.0	-	-	-	-16.0	27.3
Taxable profits which cannot be utilized in current year	-	-	-	-	-	68.7
Participation exemption	6.6	-76.9	-	92.3	22.0	-
Tax results from previous years	-6.2	-209.9	-	-	-216.1	39.1
Effects of different tax rates of subsidiaries operating in other jurisdictions					-279.7	-365.3
Deferred tax assets not recognized	2.4	-	-	-	2.4	-
Financial liabilities as FVTPL non deductible	-236.0	-	-	-	-236.0	-
Other	29.3	11.9	-2.7	10.0	48.5	-40.0
Income tax expense in profit or loss account (effective)	**-10.5**	**-237.0**	**467.3**	**148.1**	**367.9**	**1,152.3**
	-1.8%	**-156.1%**	**18.9%**	**97.0%**	**10.9%**	**25.5%**

The effective income tax rate in 2018 of 10.9% is 14.5 percentage points lower than the 2017 effective income tax rate of 25.5%. Both are lower than the domestic income tax rate of 30%. The lower tax burden in the current year is mainly attributableto to tax loss carry-forwards and the profit from the fair value movement in the financial liabilities which is not taxable. In general for both years a lower tax burden is expected due to the effect of different tax rates of subsidiaries operating in other jurisdictions in which lower tax rates are applicable, like The Netherlands (25%) and the United Kingdom (19%).

12.3 Deferred tax in the statement of financial position

The deferred tax assets and deferred tax liabilities as of reporting date are related to the items below. Deferred tax assets and liabilities are netted if they relate to the same fiscal unity and the company at the head of this fiscal unity has a legally enforceable right to do so.

	2018		2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	243.8	5.1	249.3	1,276.8
Tangible assets	2.1	-5.0	2.1	-
Contract costs	-9.8	1,099.7	-	-

	2018		2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade receivables	112.2	-35.7	-	-
Other assets	-51.6	9.5	-	-
Other liabilities (share option plan)	10.2	-	135.6	-
Tax loss carry forwards	1,452.0	-179.0	2,530.2	-
	1,758.9	**894.6**	**2,917.2**	**1,276.8**
Netting of deferred tax assets and liabilities	**1,758.9**	**894.6**	**2,072.2**	**431.8**

13 Earnings per share

Basic earnings per share are calculated by dividing the share of earnings attributable to CLIQ Digital AG shareholders by the weighted average number of shares in issue. Diluted earnings per share also take into account shares that can potentially be issued due to the stock option program (note 30).

In EUR thousand	2018	2017
Profit/loss attributable to CLIQ Digital AG shareholders	2,155.5	3,286.7
Number of shares in circulation as of 1 January	6,188,714	6,188,714
Number of shares in circulation as of 31 December	6,188,714	6,188,714
Weighted average number of shares in issue	6,188,714	6,188,714
Basic earnings per share (in EUR)	**0.35**	**0.53**
Number of potentially dilutive ordinary shares	177,500	154,335
Weighted average number of shares for the calculation of diluted earnings per share	6,366,214	6,343,049
Diluted earnings per share (in EUR)	**0.34**	**0.52**
Number of shares in circulation as of 31 December	6,188,714	6,188,714
Basic earnings per share (in EUR) divided by the number of shares as per year end	**0.35**	**0.53**
Number of potentially dilutive ordinary shares as per year end	177,500	154,335
Number of shares for the calculation of diluted earnings per share as per year end	6,366,214	6,343,049
Diluted earnings per share (in EUR) divided by the number of shares as per year end	**0.34**	**0.52**

14 Goodwill

A reconciliation of the carrying amount is detailed below:

in EUR thousand	2018	2017
Cost	47,877.7	47,349.0
Accumulated impairment losses	-	-
Total goodwill	**47,877.7**	**47,349.0**

in EUR thousand	2018	2017
Cost		
1 January	**47,454.6**	**43,322.2**
Acquisition through business combination	573.4	4,199.0
Effect of foreign currency exchange differences	-44.7	-66.6
31 December	**47,983.3**	**47,454.6**
Accumulated impairment losses		
1 January	**105.6**	**105.6**
Impairment	-	-
Effect of foreign currency exchange differences	-	-
31 December	**105.6**	**105.6**
Carrying amount 31 December	**47,877.7**	**47,349.0**

14.1 Allocation of goodwill to cash generating units

For the purpose of impairment testing, goodwill acquired in a business combination must be allocated from the acquisition date to each of the acquirer's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill has been allocated for impairment testing purposes to the following cash-generating units.

- CLIQ AG and CLIQ BV covering the formerly Bob Mobile AG activities and CLIQ BV group activities.
- UK operations covering the activities of Universal Mobile Limited, Moonlight Mobile Limited and Red27 Mobile Limited.
- Other covering the activities relating to Netacy and Tornika SAS.

Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows.

in EUR thousand	2018	2017
CLIQ AG and CLIQ BV	43,217.0	43,217.0
UK operations	4,087.3	4,132.0
Other	573.4	-
Total goodwill	**47,877.7**	**47,349.0**

The carrying amounts of the Group's assets are examined as of the balance sheet date as to whether indications of impairment exist as per IAS 36. If such indications exist, the recoverable amount of the asset is estimated, and impairment losses, if required, are expensed.

14.2 CLIQ AG and CLIQ B.V.

Goodwill arising on acquisitions exists as a result of the merger with CLIQ B.V. in the financial year 2012. The retention of the value of this goodwill with an indefinite useful life (2018: EUR 43.2 million; 2017: EUR 43.2 million) is tested with an annual impairment test on the balance sheet date which is based on assumptions pertaining to the future. The Recoverable Amounts have been determined on the basis of the 'Income Approach' and have been benchmarked with the 'Market Approach', more specifically the 'Comparable Companies Approach'. The impairment test also considers various sensitivities on the Recoverable Amount as indicated by the Income Approach to test the robustness of the impairment test outcome.

For the purpose of impairment testing, goodwill is allocated to each of the CGU's, or groups of CGU's, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The financial budget for the next two years which is used within the 'Income Approach' is derived from past developments and includes management expectations with respect to future market developments and does not include any restructuring activities that the Group is not yet committed to or any capital expenditure related to its ordinary business that will enhance the earnings of the CGU's being tested. Significant assumptions in preparing the financial budget are related to revenue and media spend growth per country and the development of ARPU (Average Revenue Per User) and CPA (Customer Acquisition Costs). Cash-flows beyond the two-year planning period are extrapolated, based upon a conservative approach, using the estimated growth rates as stated below:

Value driver	2021-2027	Terminal Value Period
Gross revenue (growth rate)	Based on bottom-up Marketing spend Revenue yield	0.0%
Share third parties	2020's % of Gross revenue	
Marketing spend	2020's Absolute amount Net Revenues / Market Spend ratio 60%	
Staff expenses	2020's % of Net revenue	
Other OpEx	2020's % of Net revenue	
Corporate income tax rate	CLIQ AG: 30.0% CLIQ B.V.: 26.2%	
Net working capital	CLIQ AG: -0.5% CLIQ B.V.: -0.5%	
Other D&A - Other CapEx	2020's % of Net revenue (other CapEx and other D&A set equal to 150,000 annually on a consolidated level) for CLIQ B.V. and CLIQ A.G.	
WACC	CLIQ AG: 7.5% CLIQ B.V.: 8.0%	

The cash flow projections are discounted following the Discounted Cash Flow (DCF) method at pre-tax interest rates ('WACC') as stated in the table above (7.5% for the CGU "CLIQ A.G." and 8.0% for the CGU "CLIQ B.V.").

14.3 UK operations

The goodwill related to the UK operations originates from the acquisition on 1 June 2017 of the UK entities: Universal Mobile Enterprises Limited, Moonlight Mobile Limited and Red27 Mobile Limited. The recoverable amount of has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Board covering a two-year period, and a discount rate of 9.0% per annum. Cash flows beyond that two-year period have been extrapolated using a conservative steady 0.0% per annum growth rate. The Board Members believe that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the UK operations carrying amount to exceed its recoverable amount.

The key assumptions used in the value in use calculations for the UK operations cash generating units are as follows.

Value driver	2021-2027	Terminal Value Period
Gross revenue (growth rate)	Based on bottom-up Marketing spend Revenue yield	0.0%
Share third parties	2020's % of Gross revenue	
Marketing spend	2020's Absolute Amount Net Revenues / Market Spend ratio 60%	
Staff expenses	2020's % of Net revenue	
Other OpEx	2020's % of Net revenue	
Corporate income tax rate	19.0%	
Net working capital	17.8%	
Other D&A - Other CapEx	2020's % of Net revenue (other CapEx and other D&A set equal to 25,000 annually on a consolidated level)	
WACC	9.0%	

14.4 Other

The other goodwill is related to the operations of Tornika SAS in the amount of EUR 0.1 million (2017: nil) and Netacy in the amount of EUR 0.5 million (2017: nil). The recoverable amounts related to this goodwill have been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Board covering a two-year period, and a discount rate of 9.0% per annum. Cash flows beyond that two-year period have been extrapolated using a conservative steady 0.0% per annum growth rate. The Board Members believe that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the cash generating unit carrying amount to exceed its recoverable amount.

15 Other intangible assets

in EUR thousand	Customer acquisition costs	Licenses and trademarks	Internally generated intangible assets	Total
Cost				
31 December 2016	**29,340.3**	**-**	**5,607.7**	**34,948.0**
Acquisition through business combination	1,610.9	-	42.4	1,653.3
Additions	18,081.7	-	32.3	18,114.0
Disposals	-20,148.5	-	-78.0	-20,226.5
Effect of foreign currency exchange differences	-31.0	-	-	-31.0
31 December 2017	**28,853.4**	**-**	**5,604.4**	**34,457.8**
Acquisition through business combination	-	555.0	-	555.0
Initial application IFRS 15	-28,853.4	-	-	-28,853.4
Additions	-	368.2	172.2	540.4
Effect of foreign currency exchange differences	-	0.2	2.0	2.2
31 December 2018	**-**	**923.4**	**5,778.6**	**6,702.0**
Amortization and impairment losses				
31 December 2016	**23,415.4**	**-**	**5,250.4**	**28,665.8**
Amortization in the financial year	20,624.2	-	182.5	20,806.7
Disposals	-20,148.9	-	-65.6	-20,214.5
Effect of foreign currency exchange differences	-5.7	-	-	-5.7
31 December 2017	**23,885.0**	**-**	**5,367.3**	**29,252.3**
Initial application IFRS 15	-23,885.0	-	-	-23,885.0
Amortization in the financial year	-	254.4	176.2	430.6
Disposals	-	-	-2.1	-2.1
Effect of foreign currency exchange differences	-	-	-0.5	-0.5
31 December 2018	**-**	**254.4**	**5,540.9**	**5,795.3**
Carrying amount 31 December 2017	**4,968.4**	**-**	**237.1**	**5,205.5**
Carrying amount 31 December 2018	**-**	**669.0**	**237.7**	**906.7**

After the initial application of IFRS 15 as of 1 January 2018 the Costomer Acquistion Costs are presented as contract costs (Note 18).

16 Property, plant and equipment

The following movements occurred during the current and prior financial year:

in EUR thousand	Plant, operating and ofice equipment	Right of use assets	Plant, operating and office equipment
Cost			
31 December 2016	**2,507.4**	**-**	**2,507.4**
Acquisition through business combination	9.2	-	9.2
Additions	101.1	-	101.1
Disposals	-9.9	-	-9.9
Effect of foreign currency exchange differences	-0.2	-	-0.2
31 December 2017	**2,607.6**	**-**	**2,607.6**
Additions	46.4	1,389.8	1,436.2
Effect of foreign currency exchange differences	-0.3	-0.3	-0.6
31 December 2018	**2,653.7**	**1,389.5**	**4,043.2**
Amortization and impairment losses			
31 December 2016	**2,128.0**	**-**	**2,128.0**
Amortization in the financial year	211.9	-	211.9
Disposals	-21.8	-	-21.8
31 December 2017	**2,318.1**	**-**	**2,318.1**
Amortization in the financial year	136.5	304.7	441.2
Disposals	-2.2	-	-2.2
Effect of foreign currency exchange differences	-0.2	-0.1	-0.3
31 December 2018	**2,452.2**	**304.6**	**2,756.8**
Carrying amount 31 December 2017	**289.5**	**-**	**289.5**
Carrying amount 31 December 2018	**201.5**	**1,084.9**	**1,286.4**

17 Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	„Proportion of ownership interest and voting power held by the Group“	
			31 Dec 2018	31 Dec 2017
C Formats GmbH	Sales and marketing of digital products	Dusseldorf, Germany	100%	100%
Bob Mobile Hellas S.A.	Dormant	Attiki, Greece	100%	100%
Cructiq AG	Sales and marketing of digital products	Baar, Switzerland	100%	100%
Rheinkraft Production GmbH	Dormant	Dusseldorf, Germany	100%	100%
Bluetiq GmbH	Sales and marketing of digital products	Dusseldorf, Germany	100%	100%
Guerilla Mobile Asia Pacific Pte. Ltd	Sales and marketing of digital products	Singapore	100%	100%
CLIQ B.V.	Holding	Amsterdam, The Netherlands	100%	100%
Artiq Mobile B.V.	Sales and marketing of digital products	Amsterdam, The Netherlands	100%	100%
TMG Singapore PTE Ltd.	Dormant	Singapore	100%	100%
The Mobile Generation Americas Inc.	Sales and marketing of digital products	Toronto, Canada	100%	100%
GIM Global Investments Munich GmbH	Dormant	Munich, Germany	100%	100%
iDNA B.V.	Sales and marketing of digital products	Amsterdam, The Netherlands	100%	100%
Hype Ventures B.V. (former Grumbl Media B.V.)	Sales and marketing of digital products	Amsterdam, The Netherlands	80%	100%
CMind B.V.	Sales and marketing of digital products	Amsterdam, The Netherlands	80%	67%
Tornika Media B.V.	Sales and marketing of digital products	Amsterdam, The Netherlands	80%	Nil
Tornika SAS	Sales and marketing of digital products	Paris, France	80%	Nil
CPay B.V.	Sales and marketing of digital products	Amsterdam, The Netherlands	100%	100%
Claus Mobi GmbH	Sales and marketing of digital products	Dusseldorf, Germany	100%	100%
VIPMOB B.V.	Sales and marketing of digital products	Amsterdam, The Netherlands	80%	80%
Netacy Inc.	Sales and marketing of digital products	Dover, USA	100%	Nil
TGITT Limited	Sales and marketing of digital products	Witney, United Kingdom	100%	Nil
Universal Mobile Enterprises Limited	Sales and marketing of digital products	Witney, United Kingdom	100%	100%
Moonlight Mobile Limited	Sales and marketing of digital products	Witney, United Kingdom	100%	100%
Red27 Mobile Limited	Sales and marketing of digital products	Witney, United Kingdom	51%	51%

18 Contract costs

In EUR thousand	2018	2017
Current	3,876.8	-
Non-Current	969.2	-
Total contract costs	**4,846.0**	**-**

The contract costs consist of customer acquisition costs paid which are required to obtain contracts with customers. These costs are amortized based on the customer's revenue life cycle. The customer's revenue life cycle is calculated as the average customer's revenue per comparable customer group over the lifetime of the customer with a maximum of 18 months.

19 Trade receivables

In EUR thousand	2018	2017
Trade receivables, gross	3,066.0	5,460.7
Receivables arising from services that have not yet been invoiced	4,644.1	-
Loss allowance	-1,192.0	-336.3
Total trade receivables	**6,518.1**	**5,124.4**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. In order to secure the credit facility, the CLIQ Digital Group transferred part of its trade receivables to Commerzbank by way of global assignment (Note 26).

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 32.5.1. and 32.5.3. The following table shows the movement in lifetime ECL that has been recognized for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

In EUR thousand	2018	2017
Balance loss allowance as at 1 January	**-336.3**	**-355**
Initial application IFRS 9	-687.8	-
Initial application IFRS 15	-473.4	-
Amounts written-off	330.8	-
Amounts recoverred	53.9	-
Change in loss allowance due to changes in gross receivables	-80.3	-
Foreign exchange result	1.1	18.4
Balance loss allowance as at 31 December	**-1,192.0**	**-336.3**

As of 1 January 2018 the receivables arising from services that have not yet been invoiced are in accordance with IFRS 15 presented as trade receivables. In the net amount (EUR 5,067.1 thousand) presented as at 31 December 2017 a provision for loss allowance was included in the amount of EUR 473.4 thousand.

20 Other assets

The reported other assets carry a residual term of up to one year and are composed as follows:

In EUR thousand	2018	2017
Deposits	19.1	13.8
Prepayments	342.9	450.1
Receivables arising from services that have not yet been in-voiced	-	5,067.1
Other tax receivables	-	13.7
Other assets	398.9	300.8
Total	**760.9**	**5,845.5**

21 Cash and cash equivalents

This item contains cash at banks of EUR 1,331.8 thousand in 2018 (2017: EUR 167.9 thousand), and cash in hand of EUR 0.6 thousand in 2018 (2017: EUR 0.6 thousand).

22 Issued share capital

The issued share capital did not change during the financial year 2018 and amounts to EUR 6,188,714.00 per 31 December 2018. The share capital consists of 6,188,714 non-par value bearer shares. All shares issued until 31 December 2018 are fully paid in. Each share is granted a ranking voting right as well as a dividend claim, which corresponds in each case to their share in the share capital.

22.1 Treasury shares

The entire treasury share position amounted to 4,000 shares as of 31 December 2018. This corresponds to 0.06% of the share capital. The purchase costs of EUR 15.48 thousand (including incidental purchase costs of EUR 0.0 thousand) were deducted as a total from equity.

22.2 Authorized capital

The annual general meeting held on 26 August 2016 resolved to authorize the management board to increase the Company's share capital with the approval of the supervisory board by up to EUR 1,547,178.00 in the period up to 25 August 2021 by issuing up to 1,547,178 new no-par value bearer shares against contribution in cash and/or in kind on one or several occasions (Authorized

Capital 2016).The shareholders' stock options may be excluded in certain cases with the consent of the Supervisory Board. The Authorized Capital 2016 became effective upon registration with the commercial register on 6 October 2016. The Authorized Capital 2016 as at 31 December 2018 remains at its initial amount.

22.3 Contingent capital

22.3.1 Contingent Capital II (stock options)

By resolution of the Company's Annual General Meeting on 14 August 2008, the Company's share capital was contingently increased by up to EUR 133,366.00, divided into 133,366 new no-par value bearer shares ("Contingent Capital II"). The Contingent Capital II is exclusively for the purpose to cover option rights from stock options of members of the management board and of employees of the Company and of members of the management and employees of affiliated companies or future affiliated companies inland or abroad in the meaning of Secs. 15 seq. AktG which have been granted pursuant to the authorization by the Annual General Meeting on 14 August 2008 within a period of five years following the registration of the Contingent Capital II. An increase of the registered share capital out of the Contingent Capital II shall only be implemented to the extent that holders of issued option rights exercise their option rights and to the extent the Company does not choose treasury shares or cash settlement for fulfilment. The new shares shall participate in the profits from the beginning of the financial year for which at the time of the exercise of the option rights a resolution on the appropriation of the balance sheet profits has not yet been adopted.

By resolution of the Company's Annual General Meeting on 19 May 2017 the Contingent Capital II was partially canceled a remaining amount of up to EUR 14,000.00. This partial cancellation occurred because part of the stock options which the Company had issued with regard to Contingent Capital II had expired or had been cancelled against cash compensation. The partial cancellation of the Contingent Capital II became effective upon registration of the corresponding amendment to the articles of association with the commercial register on 2 August 2017.

22.3.2 Contingent Capital 2012 (stock options)

By virtue of the resolution adopted by the Annual General Meeting on 24 August 2012, the Company's share capital was contingently increased by up to EUR 250,000.00, divided into 250,000 new no-par value bearer shares ("Contingent Capital 2012"). The Contingent Capital 2012 serves the exclusive purpose to cover option rights which have been issued in accordance with the authorization adopted by the Annual General Meeting on 24 August 2012. An increase of the registered share capital out of the Contingent Capital 2012 shall only be implemented to the extent that holders of option rights exercise their rights to subscribe to shares of the Company and that the Company does not choose to fulfil these rights with treasury shares. The new shares shall participate in the profits from the beginning of the financial year in which they are created through the exercise of option rights.

22.3.3 Contingent Capital 2017/I (conversion or option rights or conversion obligations of certain financial instruments)

By virtue of the resolution adopted by the Annual General Meeting on 19 May 2017, the Company's share capital was contingently increased by up to EUR 2,480,991.00, divided into up to 2,480,991 new no-par value bearer shares ("Contingent Capital 2017/I"). The Contingent Capital 2017/I is resolved only for the purpose to grant ordinary bearer shares to holders or creditors of conversion bonds, option bonds and/or profit participation bonds and/or profit participation rights (or combinations of these instruments) which have been issued in accordance with the authorization adopted by the General Meeting on 28 August 2014 under agenda item 6 and by the General Meeting on 19 May 2017 under agenda item 7 by the Company or its direct or indirect majority-owned companies inland or abroad and which grant a conversion or option right to no-par value shares of the Company or a conversion obligation.

The new no-par value shares from the Contingent Capital 2014 may only be granted for a conversion or option price that meets the conditions of the authorization granted by the General Meeting on 28 August 2014 under agenda item 6 and by the General Meeting on 19 May 2017 under agenda item 7.

The contingent capital increase is only implemented to the extent that warrants or conversion rights are exercised or the bearers, or holders comply with their conversion obligation, or shares are delivered under the Company‘s right of substitution and this right is not serviced using treasury shares or new shares issued from Authorized Capital. The new no-par value bearer shares are entitled to profit participation from the start of the financial year in which they are issued as a result of the exercise of warrants or conversion rights, the fulfilment of conversion obligations or the exercise of delivery rights. The Management Board is authorized to determine the further details of the implementation of the contingent capital increase.

Contingent Capital 2017/I became effective upon registration with the commercial register on 2 August 2017.

22.3.4 Contingent Capital 2017/II (stock options)

By virtue of the resolution adopted by the Annual General Meeting on 19 May 2017, the Company‘s share capital was contingently increased by up to EUR 230,000.00, divided into up to 230,000 new no-par value bearer shares with a pro rata amount of the share capital of EUR 1,00 per share (“Contingent Capital 2017/II”). The Contingent Capital 2017/II shall grant shares to holders of stock options under the 2017 stock option program in accordance with the resolution of General Meeting on 19 May 2017 regarding the agenda item 6. insofar as the Company does not grant own shares to fulfil the stock options. The new no-par value shares from the Contingent Capital 2017/II may only be granted for an exercise price per issue amount that meets the conditions of the authorization granted by the General Meeting on 19 May 2017 under agenda item 6 lit. a). The new no-par value bearer shares are entitled to profit participation from the start of the financial year in which they are issued.

Contingent Capital 2017/II became effective upon registration with the commercial register on 2 August 2017.

The total conditional capital of the company as of 31 December 2018 amounts to EUR 2,974,991.00.

22.4 Authorization to issue warrant and/or conversion participation rights, warrant bonds, convertible bonds and/or profit participation bonds, and to exclude subscription rights

The Annual General Meeting on 19 May 2017 resolved to authorize the Management Board, with the approval of the Supervisory Board, to issue limited or unlimited bearer convertible bonds, bearer bonds with warrants and/or bearer income bonds and/or profit participation rights (or combinations of these instruments) (referred to collectively as „debt instruments") on one or more occasions up to and including 18 May 2022 up to a maximum total nominal amount of EUR 30,000,000.00, and to grant the bearers or holders of these debt instruments conversion rights or warrants to subscribe for up to 2,480,991 no-par value bearer shares with a total notional interest in the Company's share capital of up to EUR 2,480,991.00 in accordance with the detailed conditions of the debt instruments and/or to include obligations to convert the respective debt instruments into such no-par value shares in the conditions of the debt instruments. The debt instruments may be issued in exchange for cash or non-cash contributions.

The above authorization became effective upon registration of Contingent Capital 2017/I with the commercial register on 2 August 2017.

23 Retained earnings

This item contains the accumulated retained earnings of the subsidiaries included in the consolidated financial statements, the profit/loss for the period and other consolidation reserves. No dividends have been paid for the year 2018 or 2017.

24 Other reserves

The other reserves at year-end can be specified as follows:

in EUR thousand	Equity-settled employee benefits reserve	Other comprehensive income	Currency translation difference	Total Other reserves
Balance as of 1 January 2017	**45.1**	**-**	**5.4**	**50.5**
Other comprehensive income	-	-66.5	-	-66.5
Equity-settled employee benefits reserve	-45.1	-	-	-45.1
Currency translation difference	-	-	-92.2	-92.2
Balance as of 31 December 2017	**-**	**-66.5**	**-86.8**	**-153.3**
Other comprehensive income	-	-44.7	-	-44.7
Currency translation difference	-	-	-43.7	-43.7
Balance as of 31 December 2018	**-**	**-111.2**	**-130.5**	**-241.7**

25 Non-controlling interest

in EUR thousand	2018	2017
Balance at beginning of year	**94.1**	**6.4**
Share of profit for the year	837.8	87.7
Non-controlling interests arising on acquisition	-87.4	-
Adjustment on initial application of IFRS 9, net of tax	-28.8	-
Effect of foreign currency exchange differences	-6.5	-
Balance at end of year	**809.2**	**94.1**

26 Bank borrowings

Bank borrowings reported on 31 December 2018 correspond to overdraft facility provided by the Commerzbank AG. The overdraft facility provided by Commerzbank AG of in total EUR 13.0 million contains 1) a borrowing base financing with an interest rate of 3M-Euribor plus 2.1% with a maximum of EUR 8.0 million and 2) a maximum fixed amount of EUR 5.0 million with an interest rate of 3M-Euribor plus 3.3%. The original end date of the contract with Commerzbank was the 28th of February 2018 and has been extended till the 15th of April 2019. At the date of this report CLIQ Digital AG and Commerzbank AG are in the final stage to refinance the existing financing from Commerzbank AG with a new facility in the amount of EUR 13.5 million and a maturity until 31 March 2022 provided by a consortium consisting of Commerzbank AG and Postbank AG.

Per 31 December 2018 the total overdraft facility available amounted to EUR 8.9 million (2017: EUR 9.6 million) of which an amount of EUR 8.1 million (2017: EUR 5.7 million) was used.

CLIQ Digital AG is obliged to comply with the covenants set out in the loan agreements with Commerzbank. For the financial year 2018, all covenants are met. In order to secure the credit facility, the CLIQ Digital Group transferred its trade receivables to Commerzbank by way of global assignment.

27 Other financial liabilities

in EUR thousand	2018	2017
Non-current liabilities		
Lease liabilities	700.8	-
Contingent considerations resulting from acquisitions	185.2	705.6
	886.0	**705.6**
Current liabilities		
Lease liabilities	407.0	9.3
Contingent considerations resulting from acquisitions	644.8	3,459.4
Other	64.5	-
	1,116.3	**3,468.7**
Total other financial liabilities	**2,002.3**	**4,174.3**

27.1 Lease liability

The Group leases several assets including buildings and IT equipment. The average lease term is 5 years (2017: 5 years).

A maturity analysis of lease payments is presented below:

in EUR thousand	2018	2017
Not later than 1 year	407.0	9.3
Later than 1 year and not later than 5 years	700.8	-
Later than 5 years	-	-
Total	**1,107.8**	**9.3**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

27.2 Contingent considerations resulting from acquisitions

The contingent considerations are related to the acquisition of the UK operations that occurred in the financial year 2017. Movements in the contingent considerations are related to payments and fair value movements which are recognized in profit and loss. The change in fair value which is recognized in profit and loss during the period amounted to EUR 786.6 thousand (2017: EUR 43.4). The cumulative change in fair value at reporting date amounts to EUR 830.0 thousand (2017: EUR 43.4).

The non-current portion is payable between 1 to 5 years after reporting date.

28 Trade payables and other liabilities

in EUR thousand	2018	2017
Trade payables	2,272.9	2,124.9
Other liabilities	3,509.6	3,887.6
Total trade payables and other liabilities	**5,782.5**	**6,012.5**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 to 90 days. For most suppliers no interest is charged on the trade payables for the first days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

28.1 Other liabilities

in EUR thousand	2018	2017
Non-current liabilities		
Liability for share-based payments	48.6	519.7
	48.6	**519.7**
Current liabilities		
Accrual marketing spend	1,079.7	761.9
Accrual other cost of sales	525.3	624.1
VAT and other taxes	806.2	422.4
Refund liability	109.8	160.0
Employee benefits	508.7	522.9
Other liabilities	431.3	876.6
	3,461.0	**3,367.9**
Total other liabilities	**3,509.6**	**3,887.6**

29 Business combinations

29.1 Tornika SAS, CMind BV and Hype Ventures BV

During the period the Group acquired a new subsidiary, Tornika SAS, by obtaining an interest share of 80%. In this transaction the Group increased its existing interest in CMind BV from 66.7% to 80.0% and sold 20% of its interest in Hype Ventures B.V.

29.1.1 Subsidiaries acquired

in EUR thousand	Principal activity	Date of acquisition	Proportion of voting equity interests acquired
Tornika SAS	Sales and marketing of digital products	1 Jan 2018	80%

Tornika SAS was an important supplier to the Group with knowledge about media buying. The acquisition of this company fits in the Groups strategy to increase its marketing activities.

29.1.2 Considerations transferred

In EUR thousand	Hype Ventures BV	CMind BV	Tornika SAS	Total
Cash	-	450.0	50.0	500.0
Consideration transferred	**-**	**450.0**	**50.0**	**500.0**

The acquisition of Tornika SAS was included in one transaction involving the existing subsidiaries Hype Ventures BV and CMind BV. The total considerations transferred amounted to EUR 500 thousand and has been allocated as follows:

29.1.3 Net assets acquired

In EUR thousand	Tornika SAS
Current assets	**1,095.0**
Cash and cash equivalents	208.4
Trade receivables	854.6
Other receivables	32.0
Non-current assets	**19.2**
Deferred taxes	16.5
Plant, property and office equipment	2.7
Current liabilities	**-1,151.0**
Trade payables	-137.4
Other payables	-1,013.6
Non-current liabilities	**-**
Net assets acquired	**-36.8**

The receivables acquired (which principally comprised trade receivables and accrued revenues) with a fair value of EUR 855 thousand and a gross contractual amount of EUR 855 thousand respectively. The best estimate at acquisition date of the contractual cash flows not expected to be collected are nil.

29.1.4 Non-controlling interests

The non-controlling interest of 20% recognized at acquisition date was measured by reference to the noncontrolling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets proportionate and amounted to EUR 7 thousand.

29.1.5 Goodwill arising on acquisition

In EUR thousand	Tornika SAS
Consideration transferred	50.0
Plus: non-controlling interests (20%)	-7.4
less: fair value of identifiable net assets acquired	36.8
Goodwill arising on acquisition	**79.4**

Goodwill arose in the acquisition of Tornika SAS because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquired companies. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

29.1.6 Net cash outflow on acquisition of subsidiaries

In EUR thousand	Hype Ventures BV	CMind BV	Tornika SAS	Total
Paid amounts (in cash)	-	450.0	50.0	500.0
Cash and cash equivalents	-	-	-208.4	-208.4
Net cash (outflow)/inflow on acquisition of subsidiaries	**-**	**450.0**	**-158.4**	**291.6**

29.1.7 Impact of acquisition on the result of the group

Included in the revenue for the year is EUR 607 thousand attributable to the additional business generated by Tornika SAS. Net profit for the year includes EUR 51 thousand in respect to Tornika SAS.

29.2 Netacy

In 2018 CLIQ Digital incorporated the company Netacy Inc in the United States of America and entered into a license agreement to obtain the exclusive and perpetual right to use the domain names, technology and other operating assets to continue the marketing services related to the member based websites.

29.2.1 Subsidiaries acquired

Entity name	Non-current liabilities	Date of acquisition	Proportion of voting equity interests acquired
Netacy Inc.	Marketing services	1 Jan 2018	100%

29.2.2 Considerations transferred

In EUR thousand	Netacy
Cash	1,049.0
Consideration transferred	**1,049.0**

29.2.3 Net assets acquired

In EUR thousand	Netacy
Current assets	**-**
Non-current assets	**555.0**
Other intangible fixes assets	555.0
Current liabilities	**-**
Non-current liabilities	**-**
Net assets acquired	**555.5**

The fair value of the assets acquired in the financial statements 2018 are different from the reported value in the interim financial report. As of the date of publication of the interim financial report the initial accounting was incomplete and provisional amounts were presented for the identified assets. As new information became available after reporting of the interim financial report but within the measurement period the fair value of the identified assets where adjusted and the differences where retrospectively recognized at acquisition date.

29.2.4 Goodwill arising on acquisition

In EUR thousand	Netacy
Consideration transferred	1,049.0
less: fair value of identifiable net assets acquired	-555.0
Goodwill arising on acquisition	**494.0**

Goodwill arose in the acquisition of Netacy because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected revenue growth, future market development and the assembled workforce who operated the acquired assets. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

29.2.5 Net cash outflow on acquisition of subsidiaries

In EUR thousand	Netacy
Paid amounts (in cash)	1,049.0
Cash and cash equivalents	-
Net cash (outflow)/inflow on acquisition of subsidiaries	**1,049.0**

29.2.6 Impact of acquisition on the result of the group

Included in the revenue for the year is EUR 6.0 million attributable to the additional business generated by Netacy. Net profit for the year includes EUR 80 thousand in respect to Netacy.

30 Share-based payments

For the financial years 2018 the stock option plan 2012 were active.

30.1 Stock option plan 2012

The Annual General Meeting of 24 August 2012 adopted the resolution to authorize the Management Board to issue, with the consent of the Supervisory Board, in the period until 23 August 2017 up to 250,000 stock options for bearer shares of the Company.

To cover the stock options granted under this authorization, the Annual General Meeting also resolved to create a contingent capital of up to EUR 250,000.00, divided into 250,000 new no-par value bearer shares.

The basic details of the issuance of the stock options are as follows ("Stock Option Plan 2012"):

Stock options may only be issued to members of the Management Board of the Company, to members of the management of group companies and to employees of the Company and of group companies. The exact group of entitled persons and the extent of the stock options to be granted in each case, will be defined by the Management Board. If members of the Management Board of the Company are to receive stock options, their determination and the issue of stock options will be the sole responsibility of the Supervisory Board. The total number of stock options shall be allocated to the entitled groups as follows:

- members of the Management Board will be granted a maximum of in total 50,000 stock options;
- members of the management of group companies will be granted a maximum of in total 50,000 stock options;
- employees of the Company and of group companies will be granted a maximum of in total 150,000 stock options.

CLIQ Digital AG has granted two stock option programs so far in January 2015 and December 2018.

30.1.1 Stock option program January 2015

The holding period of the options amounts to four years. Each stock option gives the right to a no-par value share in the Company, against payment of the exercise price. In each case, the exercise price corresponds with the average share price to 100% of the market value of the shares on the date of the resolution concerning the allocation of options on 5 January 2015 (EUR 1.92). In case of a share capital increase or any (special) other subscription right, the program can be adjusted with approval from the supervisory board.

A precondition for the exercise of stock options is that the respective year performance target has been achieved within the four-year waiting period. The year performance target is as follows: For each such year, the performance target is achieved if the Group EBITDA for the respective quarter reaches or exceeds the budgeted Group EBITDA for the respective quarter in three of the four quarters. The applicable four quarters of the calendar year are those in which the stock options have been issued, beginning with the calendar year. If the performance target is not achieved in one or several years, the issued stock options forfeit proportionally, i.e. to an extent of a third, half, three quarters or completely.

After the waiting period, all stock options for which the above performance target has been achieved can be exercised until the end of their term, within a period of four weeks respectively following the Annual General Meeting of the Company and four weeks after the publication of the results of the respective quarter or financial year.

The stock options can generally only be exercised if the individual entitled to the subscription rights is in the permanent employment of CLIQ Digital AG or a company associated with it.

The Company can only redeem the options by allocating shares or through cash settlement. The duration of the stock option program amounts to seven years, commencing from the 31 December following the issuance of the stock option. If the individuals entitled to the subscription rights to not exercise the stock options within the duration, the stock options expire worthless.

Additional blocking periods for special reasons in exceptional justified cases may be stipulated by the Supervisory Board if the Management Board is involved and by the Management Board if the other entitled persons are involved. Advance information will be provided to the entitled person in due time. Under no circumstances, the waiting period may fall below the four-year waiting period, and the end of the term may under no circumstances be exceeded.

30.1.2 Stock option program December 2018

The Group granted a stock appreciation right program to certain employees. The following terms are valid for this program. Each stock option gives the right to a no-par value share in the Company, against payment of the exercise price. In each case, the exercise price corresponds with the average share price to 100% of the market value of the shares on the date of the resolution concerning the allocation of options on 6 February 2017 (EUR 7.20). In case of a share capital increase or any (special) other subscription right, the program can be adjusted with approval from the supervisory board.

A precondition for the exercise of stock options is that the respective year performance target has been achieved within the four-year waiting period. The year performance target is as follows: For each such year, the performance target is achieved if the group EBITDA for the respective quarter reaches or exceeds the budgeted group EBITDA for the respective quarter in three of the four quarters. The applicable four quarters of the calendar year are those in which the stock options have been issued, beginning with the calendar year. If the performance target is not achieved in one or several years, the issued stock options forfeit proportionally, i.e. to an extent of a third, half, three quarters or completely.

After the waiting period, all stock options for which the above performance target has been achieved can be exercised until the end of their term, within a period of four weeks respectively following the Annual General Meeting of the Company and four weeks after the publication of the results of the respective quarter or financial year.

The duration of the stock option program is seven years, commencing from the 31 December following the issuance of the stock option. The stock options can only be exercised if the individual entitled to the subscription rights is in the permanent employment of CLIQ Digital AG or a company associated with it. The company can only redeem the options through cash settlement. The stock options will be exercised and settled in cash as soon as possible.

30.2 Assumptions underlying the stock option plans

The assumptions underlying the Stock Option Plan 2012 are as follows:

	Stock option plan 2012 2015 program	Stock option plan 2012 2018 program
Number of options issued	118,500	59,000
Fair value of the option on the issue date	EUR 1.05	EUR 6.95
Exercise price of the option on the issue date	EUR 1.92	EUR 7.20
Expected volatility	60%	60%
Duration of the option	7 yrs	7 yrs
Expected dividends	5.00%	5.00%
Risk-free interest rate	0.00%	0.00%
Turnover rate / Barrier	0.00%	0.00%

The fair value of the options was calculated by an external valuation expert using the Black-Scholes-Merton formula. For all the programs, plausible estimates were made of the expected volatility, including price increases that occurred in the relevant periods until balance sheet date.

The stock options performed as follows:

	2018 Average exercise price		2017 Average exercise price	
	Number	EUR	Number	EUR
1 January	154,335	2.44	163,550	2.72
Pledged	59,000	7.20	80,000	4.59
Stock options exercised	-	-	-79,215	4.59
Stock options expired	-35,835	3.85	-10,000	5.11
31 December	177,500	3.68	154,335	2.44
Exercisable on 31 December	-	-	33,335	-

Per 31 December the fair value of the options is disclosed as other liabilities (note 27) and can be specified as follows:

In EUR thousand	2018	2017
Stock option plan 2008	-	128.7
Stock option plan 2012 - January 2015	40.2	391.0
Stock option plan 2012 - December 2018	8.4	-
Total compensation	**48.6**	**519.7**

31 Correction of errors

During 2018, the Group discovered that the income taxes in relation to dividend received from subsidiaries where not exempt from income taxes as expected. As a consequence, the current income tax payables were understated and the deferred tax assets were overstated. The following table summarizes the impact on the Group's consolidated financial statements.

1 January 2018 in EUR thousand	Note	**After adjustment**	Correction of error	As previously reported
Deferred tax assets	12	1,577.7	-494.5	2,072.2
Other		63,982.4	-	63,982.4
Total assets		**65,560.1**	**-494.5**	**66,054.6**
Income tax liabilities	12	-3,394.7	-209.6	-3,185.1
Other		-16,312.9	-	-16,312.9
Total liabilities		**-19,707.6**	**-209.6**	**-19,498.0**
Retained earnings		6,912.7	704.0	6,208.7
Other		-52,765.3	-	-52,765.3
Total equity		**-45,852.6**	**704.0**	**-46,556.6**

32 Reporting on financial instruments

32.1 Accounting classifications and fair values

The following tables present the carrying amounts and fair values of individual financial assets and liabilities for each individual category of financial instruments and reconcile these with the corresponding balance sheet items. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The fair values of non-current financial assets and liabilities are calculated as the present value of the expected future cash flows. Normal market interest rates relating to the corresponding maturities are utilized for discounting.

32.2 Carrying amounts, valuations and fair values by measurement categories as of 31 December 2018

		Carrying amounts			Fair value			
in EUR thousand	Note	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
Financial assets not measured at fair value								
Trade receivables		6,518.1	-	6,518.1	-	6,518.1	-	6,518.1
Cash and cash equivalents		1,332.3	-	1,332.3	1,332.3	-	-	1,332.3
Other assets		760.9	-	760.9	-	760.9	-	760.9
		8,611.3	**-**	**8,611.3**	**1,332.3**	**7,279.0**	**-**	**8,611.3**
Financial liabilities measured at fair value								
Liability for share-based payments		-	-48,6	-48,6	-	-	-48,6	-48,6
Contingent considerations		-	-830.0	-830.0	-	-	-830,0	-830,0
		-	**-878.6**	**-878.6**	**-**	**-**	**-878.6**	**-878.6**
Financial liabilities not measured at fair value								
Bank borrowings		-	-8,090.1	-8,090.1	-8.090,1	-	-	-8.090,1
Lease liabilities		-	-1,107.8	-1,107.8	-	-1.107,8	-	-1.107,8
Trade and other liabilities		-	-5,733.9	-5,733.9	-	-5.733,9	-	-5.733,9
Other financial liabilities		-	-64.5	-64.5	-	-64,5	-	-64,5
		-	**-14,996.3**	**-14,996.3**	**-8.090,1**	**-6.906,2**	**-**	**-14.996,3**

32.3 Carrying amounts, valuations and fair values by measurement categories as of 31 December 2017

	Carrying amounts				Fair value			
in EUR thousand	Loans and receivables	Financial liabilities at FVTPL	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
Financial assets not measured at fair value								
Trade receivables	5,124.4	-	-	5,124.4	-	5.124,4	-	5.124,4
Other assets	5,845.5	-	-	5,845.5	-	5.845,5	-	5.845,5
Cash and cash equivalents	168.5	-	-	168.5	168,5	-	-	168,5
	11,138.4	**-**	**-**	**11,138.4**	**168,5**	**10.969,9**	**-**	**11.138,4**
Financial liabilities measured at fair value								
Contingent considerations	-	-4,174.3	-	-4,174.3	-	-	-4,174.3	-4,174.3
	-	**-4,174.3**	**-**	**-4,174.3**	**-**	**-**	**-4,174.3**	**-4,174.3**
Financial liabilities not measured at fair value								
Bank borrowings	-	-	-5,674.3	-5,674.3	-5.674,3	-	-	-5.674,3
Trade payables	-	-	-2,124.9	-2,124.9	-	-2.124,9	-	-2.124,9
Other liabilities	-	-	-7,072.7	-7,072.7	-	-7.072,7	-	-7.072,7
	-	**-**	**-14,871.9**	**-14,871.9**	**-5.674,3**	**-9.197,6**	**-**	**-14.871,9**

32.4 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt (borrowings as detailed in note 26) offset by cash and bank balances) and equity of the Group (comprising issued capital, share premium, retained earnings, other reserves and non-controlling interests as detailed in notes 21 to 25). The Group's management reviews the capital structure of the Group on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

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

32.5 Financial risk management

Typical risks arising from financial instruments include credit risk, liquidity risk and individual market risks. The Group's risk management system, including its objectives, methods and processes, is presented in the risk report in the Group management report. On the basis of the information presented below, we identify no explicit concentration of risk arising from financial risks.

32.5.1 Credit risks

CLIQ Digital endeavors to reduce default risk on primary financial instruments through trade information, credit limits and debt management, including a reminder and warning system, and aggressive collection. Furthermore, CLIQ Digital is only doing business with credit-worthy customers. The maximum default risk is derived from the carrying amounts of the financial assets recognized in the balance sheet.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Based on historical experience, ageing of outstanding receivables and specific events which occurred or information available the Group classify each customer in one of the following categories for credit rating: normal credit risk, increased credit risk or individually credit rated. Customers within the category normal credit risk are paying in line with expectations. When customers have outstanding receivables which are overdue and there is no clear or acceptable reason these customers are classified as increased credit risk. When a specific event related to a customer occurred and the outstanding receivables from a customer are considered significant the customer is classified as individually credit rated.

Outstanding gross amounts from customers categorized as normal credit risk and increased credit risk are impaired using a provision matrix which takes into account the ageing of the receivables and the increased credit risk based on classification of the customer. For customers categorized as individually credit rated management uses all the information available at reporting date to make a best estimate of the expected lifetime credit loss for the customer.

The following table provides information about the exposure to credit risk for trade receivables and contract assets from individual customers as at 31 December 2018.

	2018		2017	
	Trade receivables	Loss allowances	Trade receivables	Loss allowances
Normal credit risk	6,004.1	-328.7	9,436.9	-540.0
Increased credit risk	431.4	-265.6	280.4	-147.8
Individually credit risk	1,274.3	-597.4	1,300.6	-809.8
Total	**7,709.8**	**-1,191.7**	**11,017.9**	**-1,497.6**

32.5.2 Liquidity risks

Operational liquidity management includes a cash controlling process which aggregates resources of cash and cash equivalents. This allows liquidity surpluses and requirements to be managed according to the needs of the Group as well as individual Group companies. Short- and medium-term liquidity management includes the maturities of financial assets and financial liabilities, as well as estimates of operating cash flows. Cash and cash equivalents totaling EUR 1,332.3 thousand (2017: EUR 168.5 thousand) are available to cover liquidity requirements. In addition, CLIQ Digital has, dependent on compliance with certain covenants („borrowing base"), access to total credit lines of EUR 662.7 thousand (2017: EUR 3,955.7 thousand), which have not yet been utilized. Overall, liquidity risk is categorized as low as a consequence.

The following (undiscounted) payments prospectively arise from the financial liabilities over the coming years:

in EUR thousand	Gross value 31 December 2018	Payments 2018	Payments 2019 to 2022	Payments from 2023
Trade payables	2,272.9	2,272.9	-	-
Bank borrowings (Note 26)	8,090.1	8,090.1	-	-
Other financial liabilities	2,002.3	1,116.3	886.0	-
Other liabilities	3,509.6	3,461.0	48.6	-
Total	**15,874.9**	**14,940.3**	**934.6**	**-**

in EUR thousand	Gross value 31 December 2017	Payments 2017	Payments 2018 to 2021	Payments from 2022
Trade payables	2,124.9	2,101.0	20.5	3.4
Bank borrowings (Note 26)	5,674.3	5,674.3	-	-
Other liabilities	3,887.6	3,367.9	519.7	-
Total	**11,686.8**	**11,143.2**	**540.2**	**3.4**

32.5.3 Market risks

Market risk refers to the risk that the fair values or future cash flows from the primary or derivative financial instruments fluctuate due to changes in risk factors. The risks of changes to interest rates are the main market risks to which CLIQ Digital is exposed. Fluctuations in earnings, equity and cash flows can result from such risks.

The analysis presented below shows hypothetical and forward-looking information which can differ from actual events due to unforeseeable developments on financial markets. This analysis also excludes risks which are of a non-financial nature, or which cannot be quantified, such as business risks.

32.5.4 Foreign currency risks

The currency risk of (trade) receivables of significant revenues denominated in other foreign currencies other than USD, GBP, PLN are hedged by the Group for at least 75%. The Group uses forward exchange contracts to hedge its currency risk, with a maturity of less than 1 year from the reporting date. Receivables of revenues in USD, GBP, PLN are generally not hedged since (future) income as well as expenses (primarily marketing expenses and cost of sales) are incurred in the same currencies as the revenues.

32.5.5 Interest-rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group had outstanding debt of EUR 8,203.3 (2017: EUR 5,674.3) thousand, which created an inherent interest rate risk which can negatively impact financial results in the future. At year-end, the outstanding debt consist of total short-term debt of EUR 8,203.3 (2017: EUR 5,674.3) thousand.

33 Related parties

The associated companies of CLIQ Digital AG are presented in the consolidation scope (note 17). Along with the Management Board, their close family members, and generally the Supervisory Board, participating interests and their owners are regarded as “related parties” in the meaning of IAS 24 Related Party Disclosures.

In 2018, the Board of the CLIQ Digital AG consisted of the following members:

Surname	Name	Since	Function
Voncken	Luc	5 October 2012	Chairman of the Management Board
Bos	Ben	1 June 2014	Member of the Management Board

33.1 Remuneration for members of the management board

Management Board compensation is composed as follows:

in EUR thousand	2018	2017
Payments due in the short term (excluding share-based compensation)	709.3	800.0
Share-based compensation	-417.9	165.0
Total compensation	**291.4**	**965.0**

As of 31 December 2018, the Management Board held a total of 100,000 stock options. (2017: 133,335 stock options). The stock options can be exercised in a four-year period, under the conditions that the agreed performance targets are reached.

32.2 Remuneration for members of the supervisory board

Per 31 December 2018 the Supervisory Board consisted of the following members:

Surname	Name	Profession	City	Function
Schlichting Dr.	Mathias	Lawyer	Hamburg, Germany	Chairman
Tempelaar	Karel	Private Investor	Amsterdam, The Netherlands	Full Member
Walboomers	Niels	Managing Director	Amsterdam, The Netherlands	Full Member

The Supervisory Board members received EUR 85 thousand to reimburse their expenses in the 2018 financial year (2017: EUR 82 thousand). A long-term compensation component has not been agreed for Supervisory Board members. None of the Supervisory Board members held stock options as of 31 December 2018 (2017: nil).

34 Contingent liabilities and contingent assets

As of the balance sheet date, the Group was not exposed to contingencies (2017: EUR nil), except for those disclosed in note 27.2 related to the acquisition of the UK companies.

35 Commitment for expenditure

The Group has no significant commitments for expenditures which have not already been recognized at balance sheet date.

36 Events after the balance sheet date

No other events have occurred after the balance sheet date, 31 December 2018, which are of significant importance to the CLIQ Digital Group.

3 April 2019

CLIQ Digital AG

Luc Voncken

Ben Bos

independent auditor‘s report

To Cliq Digital AG

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of Cliq Digital AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Cliq Digital AG for the financial year from 1 January to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional 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 audit opinions on the consolidated financial statements and on the group management report.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined 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 executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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 whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, 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 audit opinions. 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 of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive 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 the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 be able 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 present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance 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.

Berlin, 3 April 2019

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Kleinmann Wirtschaftsprüfer [German Public Auditor]	Kaufhold Wirtschaftsprüferin [German Public Auditor]

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