2019
annual report

CLIQ
entertainment first

ABOUT CLIQ DIGITAL

CLIQ Digital (www.cliqdigital.com) is a leading digital lifestyle company, providing consumers worldwide with streaming entertainment services.

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,

In line with the forecast CLIQ Digital realized a growth in revenue and a sustainable increase in net result for the year 2019. The revenue for the year increased by 8% to EUR 63.1 million (2018: EUR 58.4 million) and the profit increased with EUR 0.9 million (30%) to EUR 3.9 million (2018: EUR 3.0 million).

The growth in revenue and improved profitability have been the result of the investments made in content, integrating and improving the cooperation between subsidiaries and expanding its knowledge and experience in media buying since the beginning of 2018. The shift in the applied marketing strategy proved to be successful in especially the second half year of 2019 in which the CLIQ Digital Group was able to return to a sustainable growth path, after temporarily lower revenue and results in 2018. During the second half year 2019 the net revenue and marketing spend both increased by 24% compared to first half year.

The revenue grew by EUR 7.7 million to EUR 34.9 million in the second half year of 2019 from EUR 28.2 million in the first half year of 2019. Simultaneously the marketing spend increased from EUR 9.9 million in the first half year to EUR 12.3 million in the second half year of 2019. Additionally, a growing number of customers are using credit card billing as their payment method of choice. The net revenue increased by 25% from EUR 19.6 million in the first half year of 2019 to EUR 24.6 million in the second half year of 2019 and by 13% compared to the full year 2018 (EUR 39.1 million).

The investments made and experience built with media buying in combination with the (predictive) information from the business intelligence department resulted in improved control on the profitability of marketing campaigns. By having a better understanding on the conversion from marketing campaigns into new subscribers and improved predictions on the expected revenues of the new subscribers, the CLIQ Digital Group was able to significantly improve the CLIQ-factor. The CLIQ-factor is a key indicator for measuring the profitability of new customers and equalled 1.51 for the year 2019 (2018: 1.36).

The increased marketing spend and CLIQ-factor resulted in an increase of the gross margin by 16% to EUR 18.8 million (2018: EUR 16.2 million). The total operating expenses remained relatively stable, resulting in an increase of EBITDA by 49% to EUR 5.8 million (2018: EUR 3.9 million). The profit for the year 2019 ended at EUR 3.9 million compared to EUR 3.0 million the year before.

The customer base value, an important indicator for estimating the expected cash inflow based on existing customers, ended substantially higher at EUR 26.0 million as of 31 December 2019. This is an increase of 8% compared to December 2018 (EUR 24.0 million) and 6% compared to the first half year of 2019 (EUR 24.5 million).

WORKING AS ONE STRONG INTERNATIONAL TEAM

In the year 2019 CLIQ Digital focused on the completion of integrating the foreign subsidiaries which were acquired in the years 2017 and 2018 into the CLIQ Digital Group. The cooperation between departments within the Group have been strengthened.

The CLIQ Digital Group increased its interest in its UK subsidiary from 51% to 80% in the year 2019. By increasing the interest in its UK subsidiary the CLIQ Digital Group is able to further improve the cooperation between the UK-operations and the other subsidiaries within the CLIQ Digital Group. This will help the CLIQ Digital Group to continue to grow by using the expertise, digital entertainment services, technology and connections to the market that each subsidiary has and simultaneously realize synergies and cost savings.

We believe that working together as one strong team, in which every individual or team can grow to it's true potential by focusing on what they do best, will result in a solid basis for future growth and profit maximization for the CLIQ Digital Group as a whole.

DEVELOPMENT ON THE CAPITAL MARKET

The new growth strategy which was initiated in 2018, proved to be successful. Results that significantly exceeded capital market expectations in the course of the year led to the CLIQ share outperforming the indices with an impressive increase of 70.1% from EUR 1.70 as of 2 January 2019 to EUR 2.90 as of 30 December 2019.

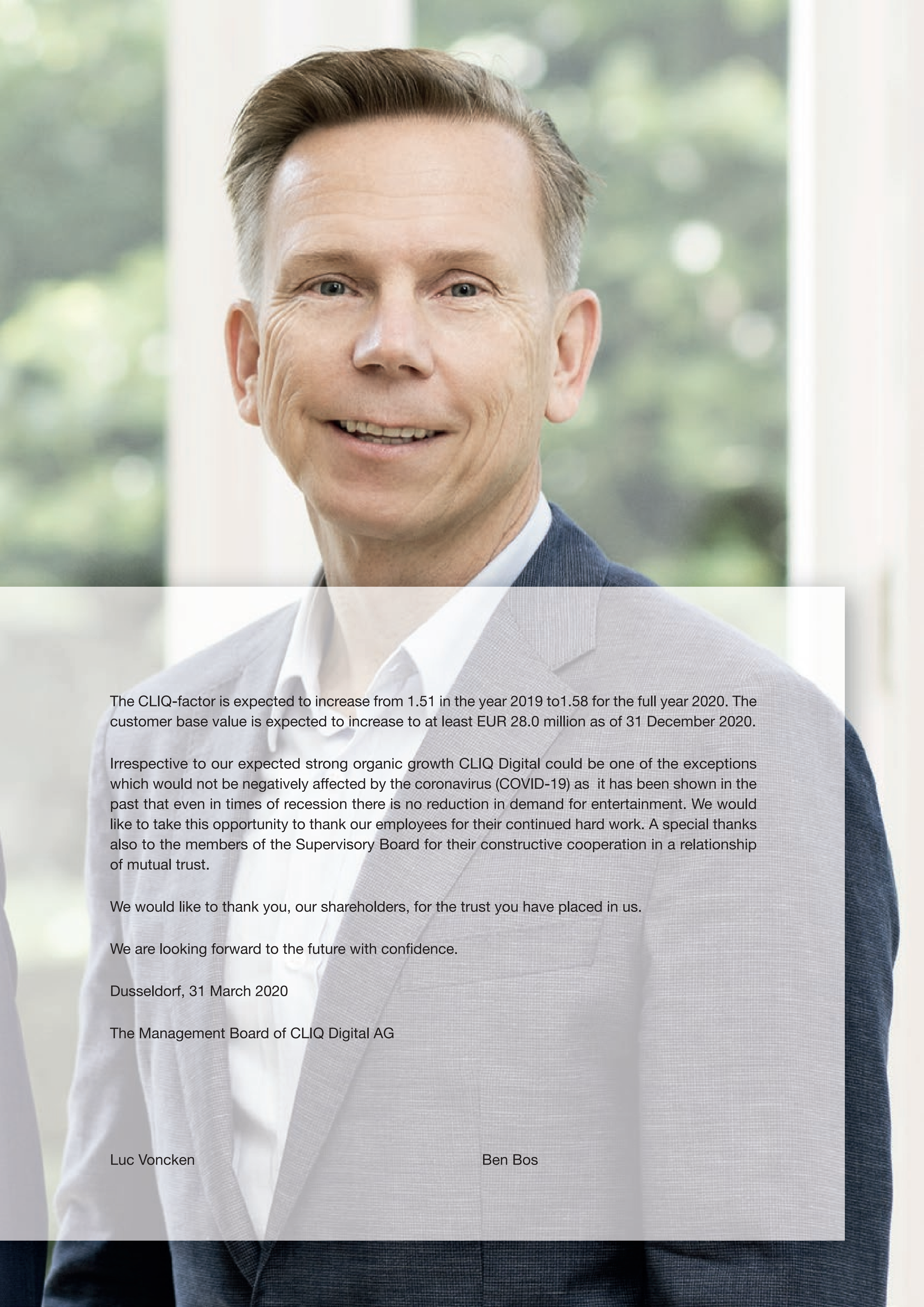
The coronavirus (COVID-19) pandemic that first emerged in China last December has spread globally and has become one of the biggest threats to the global economy and financial markets. The global uncertainty and negative sentiment have largely reduced the positive developments of the CLIQ share in the first 2 months of 2020 in which the CLIQ share reached a high of EUR 4.23.

Warburg research analyst Felix Ellmann believes that CLIQ Digital, as a supplier of digital entertainment services, could be one of the few companies that is not negatively affected by the coronavirus and may even benefit and therefore recently rated the CLIQ share as “Buy” with a price target of EUR 6.10.

THE OUTLOOK FOR 2020

With the focus on our own media buying, investments made in content, the expansion in credit card payment processing and our international team of creative, energetic and motivated people, the CLIQ Digital Group is ready to scale its activities and realize significant growth in the year 2020.

For the year 2020 CLIQ Digital is aiming at a strong organic growth in EBITDA, revenues and marketing spend (one of CLIQ Digital’s important KPI’s). The board is confident that the CLIQ Digital Group is able to realize an EBITDA of at least EUR 7.5 million for the year 2020 with expected gross revenues of EUR 75.0 million and a total marketing spend amounting to EUR 26.0 million.



The CLIQ-factor is expected to increase from 1.51 in the year 2019 to1.58 for the full year 2020. The customer base value is expected to increase to at least EUR 28.0 million as of 31 December 2020.

Irrespective to our expected strong organic growth CLIQ Digital could be one of the exceptions which would not be negatively affected by the coronavirus (COVID-19) as it has been shown in the past that even in times of recession there is no reduction in demand for entertainment. We would like to take this opportunity to thank our employees for their continued hard work. A special thanks also to the members of the Supervisory Board for their constructive cooperation in a relationship of mutual trust.

We would like to thank you, our shareholders, for the trust you have placed in us.

We are looking forward to the future with confidence.

Dusseldorf, 31 March 2020

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 2019 and the results of the audit of the annual and consolidated financial statements 2019.

During the past reporting year 2019, 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 Management 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 5 regular meetings in 2019. 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 within this context. The regular meetings in 2019 were held on 14 February, 3 April, 17 May, 26 September and 13 December. In addition to the resolutions taken in the regular meetings, the Supervisory Board approved the setting up of the permanent establishment of Red27Mobile Limited in Spain, the acquisition of an additional 29% stake in Red27Mobile Limited, the acquisition of 100% of the shares of Hypecode S.A.S. by Tornika S.A.S, and the new Credit Agreement and ancillary documents between the company and its group companies as borrower and Commerzbank Aktiengesellschaft and Postbank Luxemburg as lender. 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 2019 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 2019.

FOCAL POINTS OF THE SUPERVISORY ACTIVITY

At the 5 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 2019 financial year, the following significant items were also covered / approved during Supervisory Board meetings:

- Prolongation of Management Board contracts
- The approval of the setting up of the permanent establishment of Red27Mobile Limited in Spain
- The approval of the acquisition of an additional 29% stake in Red27Mobile Limited
- The approval of the acquisition of 100% of the shares of Hypecode S.A.S. by Tornika S.A.S.
- The approval of the Credit Agreement and ancillary documents between the company and its group companies as borrower and Commerzbank Aktiengesellschaft and Postbank Luxemburg as lender
- Business planning, budgets and Group strategy
- Quarterly- and half-year figures 2019
- Financial status and financing of the Group
- Approval and adoption of the standalone financial statements 2018
- Approval of the consolidated financial statements 2018
- Reflection of the Annual General Meeting of Cliq Digital AG 2018
- Approval of 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 2019 in the composition of the Supervisory Board.

APPROVAL OF SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2019

The single-entity and consolidated financial statements as of 31 December 2019, as well as the group management report for the 2019 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 2019 as well as the group management report for the 2019 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 31 March 2020, the Management Board explained the single-entity and consolidated financial statements as of 31 December 2019, the group management report for the 2019 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 31 March 2020: The single-entity financial statements as of 31 December 2019 as well as the consolidated financial statements as of 31 December 2019 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, 31 March 2020

Dr. Mathias Schlichting

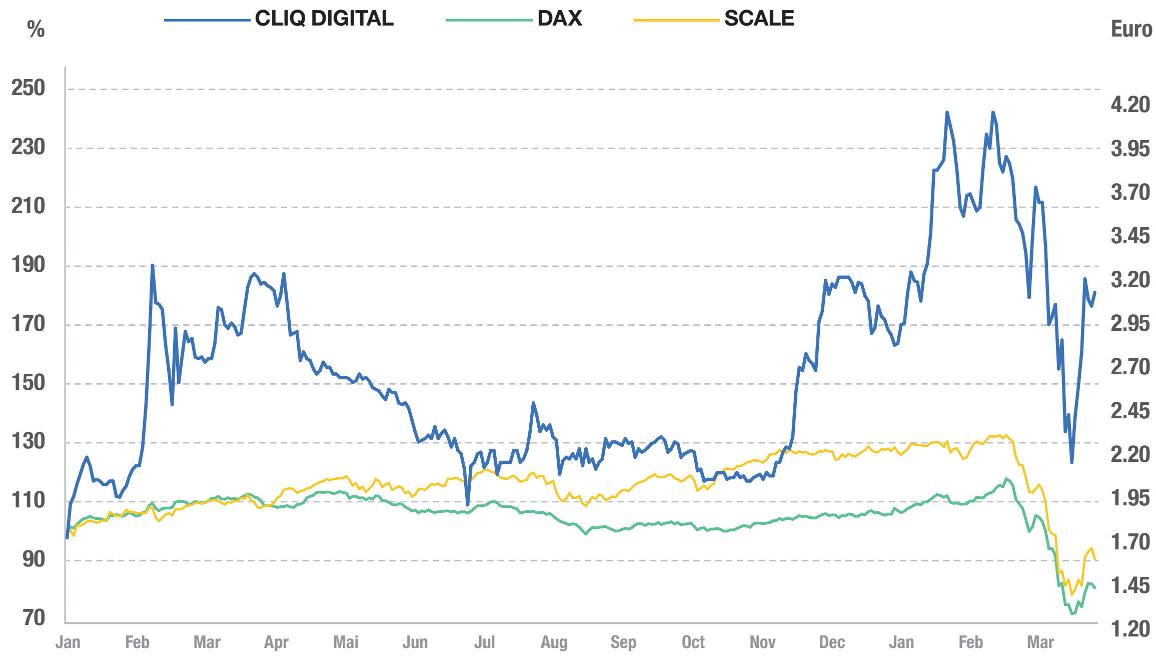
Chairman of the Supervisory Board

THE SHARE

In the 2019 reporting year, international capital markets were undeterred by a rather weaking global economy, the trade dispute between China and the USA, or the continuous uncertainty related to the Brexit. Despite a disappointing economic climate, the ongoing accommodative monetary policy of Central Banks stimulated sharply rising prices in major stock markets.

In Germany, all indices reflected the positive development of global stock markets. The German share index DAX, starting on 2 January 2019 with 10,478 points, after initial increases, reached an intermediate low in the middle of the year following undiminished interest rates of the European Central Bank and increased tension in the US-Chinese trade disputes. In the further course of the year, the DAX rose to its high on 16 December at 13,426 points. At the end of the year, on 30 December, the DAX closed at 13,249 points, which represents an increase of 25.5% year-on-year. The MDAX index of medium-sized companies rose 31.2%, the small-cap index SDAX 31.6%. German technology index TecDAX recorded a performance of 23.0% in 2019. While the Scale All Share Index, in which the CLIQ Digital AG share is also listed, increased (compared to the other indices) by 12.3.

THE CLIQ SHARE DEVELOPMENT



SHARE PRICE DEVELOPMENT 2019

The new growth strategy with the strong switch from affiliate marketing to direct media buying, which was initiated in 2018, proved to be successful and put CLIQ Digital Group back on track. Results that significantly exceeded capital market expectations in the course of the year led to the CLIQ share outperforming the indices with an increase of 69.6% compared to the end of 2018.

Following a year-end closing price of EUR 1.71 in 2018, the share certificates started the 2019 trading year on 2 January 2019 with a price of EUR 1.70, which also represented the twelve-month low. The CLIQ Digital share reached an annual high of EUR 3.41 on 7 February 2019. At year-end, the shares ended trading on 30 December 2019 at a price of EUR 2.90. The market capitalization as per 30 December 2019 of CLIQ Digital AG increased to EUR 17.9 million (28 December 2018: EUR 10.6 million) on the basis of 6,188,714 outstanding shares on the balance sheet date 2019. The average daily trading volume of CLIQ Digital shares on all German stock exchanges amounted to 6,201 shares in financial year 2019, compared to 16,277 shares in the previous year.

SHARE PRICE DEVELOPMENT IN THE FIRST QUARTER 2020

In the first quarter of the current 2020 financial year, CLIQ Digital AG‘s share price showed a positive development with an increase of more than 29,3% compared to the closing price 2019. However, the global uncertainty and negative market sentiment evoked by the coronavirus pandemic have largely reduced the positive developments of the CLIQ share in the first quarter of 2020 in which the CLIQ share reached a high of EUR 4.40 on 24 January 2020. Nevertheless, CLIQ was able to outperform the DAX and Scale All Share Index in the first quarter of 2020. This positive overall performance of the share price demonstrates that CLIQ Digital could benefit even in times of a crisis, whilst most companies have been negatively affected by coronavirus pandemic, thanks to its innovative and solid business model and the increasing demand of digital entertainment contents.

The CLIQ Digital AG share started on 2 January 2020 at a price of EUR 2.81 and closed on 31 March at a closing price of EUR 3.75 and a market capitalization of EUR 23.2 million.

INVESTOR RELATIONS

In the 2019 reporting year, CLIQ Digital AG continued to communicate transparently and continuously with analysts, institutional and private investors 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. 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.

EVENTS & ROADSHOWS

Frankfurt/Main	19 February 2019	13th ODDO BHF German Conference
Frankfurt/Main	13 May 2019	German Spring Conference
Frankfurt/Main	2-3 September 2019	Fall Conference
Madrid	19 September 2019	Dr. Kalliwoda Capital Markets
London	2-3 October 2019	Mid-/Small- Cap Forum
Madrid	19 November 2019	Deutsche Börse Investor Targeting
Frankfurt/Main	25 November 2019	German Equity Forum
Geneva	4-5 December 2019	CF&B European MidCap Event

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. In the financial year 2019, the Designated Sponsors, Lang & Schwarz Broker GmbH and Oddo Seydler Bank AG ensured for appropriate liquidity and tradability of the CLIQ share.

ANNUAL GENERAL MEETING

On 17 May 2019, the Management Board of CLIQ Digital AG informed the shareholders at the Annual General Meeting in Dusseldorf about the business development in 2018. At the time of the vote, 42.07% of the share capital was represented. The shareholders were pleased 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 2019.

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 approx. 28% of the voting rights. The free float, as defined by Deutsche Börse with voting rights of less than 5%, amounts to 72% of the share capital as of 31 December 2019.

RESEARCH COVERAGE

PUBLISHER	DATE	TARGET PRICE	EMPFEHLUNG
Warburg	13 March 2020	EUR 6.10	BUY
Warburg	20 February 2020	EUR 5.40	BUY
Warburg	22 November 2019	EUR 4.80	BUY
Warburg	19 August 2019	EUR 4.20	BUY
Warburg	17 May 2019	EUR 4.20	BUY
Warburg	20 February 2019	EUR 5.00	BUY

Die Warburg Research GmbH analysiert und bewertet die CLIQ Digital-Aktie regelmäßig: In dem zuletzt erfolgten Update vom 13. März 2020 hat Analyst Felix Ellmann das Kursziel auf 6,10 Euro (vorher: 5,40 Euro) angehoben und unverändert eine "Buy"-Empfehlung ausgesprochen: „Während die meisten Unternehmen negativ vom Coronavirus betroffen sind, könnte CLIQ Digital eine der wenigen Ausnahmen sein und sogar profitieren. Angesichts des Geschäftsmodells und der Erweiterung des Produktportfolios durch das Angebot neuer Inhalte in Zeiten, in denen die Nachfrage nach digitalen Unterhaltungsprodukten steigt, könnte CLIQ davon profitieren und seine Gewinne steigern."

Auf Basis des Jahresschlusskurses von EUR 2,90 zum 30. Dezember 2019 hat die Aktie der CLIQ Digital AG ein Kurspotenzial von mehr als 210 %. Aktuelle Analysen und Bewertungen erfolgen auf Grundlage der veröffentlichten Zahlen dieses Geschäftsberichts und werden nach Erhalt auf der Website der Gesellschaft veröffentlicht. Weitere Research-Studien sowie Informationen stehen interessierten Anlegern auf www.cliqdigital.com unter der Rubrik Research zur Verfügung. Darüber hinaus stehen Ansprechpartner per E-Mail (sh@crossalliance.de) und telefonisch (+49 89 125 09 03-30) zur Verfügung.

KEY DATA CLIQ DIGITAL SHARE (AS OF 31 DECEMBER 2019)

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 at a glance

10 Billion monthly impressions

36 Million monthly clicks

2.2 Billion consumers

200,000 Monthly conversions

28 Nationalities

34 Connected countries

110 Connected carriers

offices

Düsseldorf **(HQ)**
Paris
London
Amsterdam

90+ Employees

24% female
76% male

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 Düsseldorf, employs 84 people (2018: 99). 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 products to consumers via its sales and marketing teams.

CLIQ Entertainment First is the service to provide users access to multiple content categories with one subscription and in one place. All in one, for the whole family without any device restrictions. The current product range comprises of music, audiobooks, sports, movies and games.

CLIQ Digital uses media buying to target new customers for its digital entertainment services through online and mobile marketing channels. 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. CLIQ Digital is working together with payment service providers in every country it is operating, providing it's consumers with multiple payment options like mobile carrier billing, credit card, app store billing and many other options.

SUPERVISORY BOARD AND MANAGEMENT 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 2019.

The company also demonstrates its continuity with its management. The Supervisory Board of CLIQ Digital AG unanimously decided to extend the contracts of the Management Board members Luc Voncken and Ben Bos by a further five years until 2024. Luc Voncken has been a member of the Management Board since 2012 and Ben Bos was appointed as a board member in 2014.

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 2019.

STRUCTURE OF THE CLIQ DIGITAL GROUP

The parent company of the group is CLIQ Digital AG, located in Düsseldorf, Germany. All the company's holding activities are managed from Düsseldorf. 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 consolidated financial statements. The changes compared to prior year are described in the next section.

Changes in group structure during the financial year

In order to benefit from further synergies CLIQ Digital Group expanded its interest in the subsidiary Red27Mobile Limited from 51% to 80% with effect of 1 April 2019. The increase in the subsidiary has a positive influence on the earnings per share for the CLIQ Digital Group in 2019 and the future. Reference is made to Note 29 of the consolidated financial statements for further details. A complete overview of the group is disclosed in Note 17 of the consolidated financial statements.

REPORT ON ECONOMIC POSITION

ECONOMIC ENVIRONMENT

Macro-economic trends

Following the outbreak of the coronavirus in December 2019, the International Monetary Fund (IMF) had revised its outlook of 3.3% global growth in 2020 and 3.4% in 2021, initially reported in October 2019, by -0.1 percentage points. In view of the slowdown in the Chinese economy and the potential international impact, economists initially expected little impact on global economic development.[1] With the spread of the disease into a global pandemic, the IMF estimates that the effects can no longer be quantified at present. For 2020, the International Monetary Fund now expects at least a global recession at the level of the financial crisis. Recovery is therefore not likely before 2021, depending on the containment of the virus. The earlier this happens, according to the IMF, the higher the recovery will be in the following year. At the same time, industrialized countries are likely to be more robustly positioned for the crisis than emerging markets.[2]

Gross domestic product in Europe is expected to grow by 1.3% in 2020 and by 1.4% in 2021, following a downward correction of 0.1 percentage. According to the IMF, the growth in the Euro countries will be supported by the expected improvements in the external demand.[3] As stated by Eurostat, the annual inflation rate in the Euro-Zone was reported at 1.3% in December 2019, 0.2 percentage point lower than the previous year.[4]

According to the Federal Statistical Office (Destatis), the German economy grew by 0.6% in 2019 and with that Germany has grown for

[1] https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020
[2] https://www.imf.org/en/News/Articles/2020/03/23/pr2098-imf-managing-director-statement-following-a-g20-ministerial-call-on-the-coronavirus-emergency
[3] https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020
[4] https://ec.europa.eu/eurostat/documents/2995521/10159416/2-21022020-AP-DE.pdf/59a271bb-70a7-064a-7542-f172da73edd2

10 years in a row. However, the German growth pace in 2019 was weaker than the average rate of the past ten years of 1.3%. Growth in 2019 was driven more by consumption in both private households and the public sector than in previous years. The annual average inflation rate in Germany of 1.4% in 2019 drifted away the European monetary policy target of just under 2%. In 2018, the price increase amounted to 1.8%.[5] The International Monetary Fund expects prices to rise by 1.7% in 2020.[6]

Market position

The digital content industry is facing a constant growth worldwide driven especially by the increasing number of smart connected devices used by people to access the internet. The industry is characterized by high competition, with numerous players offering various content, that need to be tailored to the customers' needs. This impacts the fast pace of the industry development. Within the digital content industry CLIQ Digital focuses on the direct selling and marketing of digital content through direct media buying and a qualified sales partner network.

MARKET DEVELOPMENTS

The business activities of CLIQ Digital are affected by several market factors:

Internet users and mobile devices

According to the market research company Wearesocial, the total number of active internet users in 2019 increased by 7% to 4.5 billion compared to 2018. The share of 4.1 billion mobile internet users represents 53% of the world´s population. The total number of mobile connections are reported at 7.9 billion worldwide, representing 102% of the total population. The share of mobile connections that are associated with smartphones is stated at 69.6%. One of the global digital trends in 2019 was the download of apps, with 31 billion mobile apps downloaded worldwide. Furthermore, internet users´ favorite activity is watching videos online: 91%. Almost 70% use music streaming services.[7]

Internet users in Western Europe are 92% of the population, according to Wearesocial. The number of mobile connections compared to total population is reported at 117%.[8] Germany has around 77.8 million internet users. That means a penetration of 93% of the whole German population, with 110.7 million connections by mobile phones: an increase of 2 million connections compared to last year. 63% of internet users in Germany use mobile entertainment apps, followed by music apps with 45% and games apps (42%).[8]

Looking at the types of devices used to access the web in 2019 at a global level, mobile phones were in the lead with a share of 51.7%. Tablet devices can be found at third place with a share of 3.7% after laptops and computers.

Programmatic Advertising

According to Zenithmedia, investments in advertising have increased worldwide by 5.1% on average since 2010 and are expected to raise by 4.3% in 2020. On the contrary, the supply of commercial audiences has decreased by 1.3% a year since 2010, because of the decline of traditional mass audiences (print and television). Consumers are more and more turning to non-commercial media. They use adblockers and prefer to watch commercial free videos like Netflix or Amazon Prime. Supported by an increased use of smartphones, online video and social media are supposed to remain the fastest-growing channels for advertising between 2019 and 2022, expected to increase by respectively 16.6% and 13.8% per year on average.[9]

Expenditures for programmatic advertising grew to over USD 100 billion in the reporting year and

[5] https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20_019_611.html
[6] https://www.imf.org/en/Publications/WEO/Issues/2019/10/01/world-economic-outlook-october-2019
[7] https://datareportal.com/reports/digital-2019-q4-global-digital-statshot
[8] https://wearesocial.com/de/blog/2020/02/digital-2020-deutschland-zu-90-online
[9] Zenithmedia: Global Advertisers and Adspend

are expected to increase up to USD 127 billion in 2020. According to Zenithmedia in 2019, 65% of paid-for digital advertising was traded programmatically and is expected to increase to 69% in 2020. Although programmatic advertising continues to grow at double-digit rates, it is currently held back by the fact that the industry is facing privacy and supply chain challenges. While the growth rate of programmatic expenditures slowed down from 35% in 2018 to 22% in the year under review, a further decline to 19% in 2020 is expected.[10]

Payment methods

The payments industry has been evolving a lot during the past few years. Especially with the growing use of smartphones to access the world wide web, new trends for mobile payments are gaining interest. Drivers of this evolution include growing adoption of mobile payment methods, uptake in contactless technology, and digital innovation from technology players and card giants. Looking deeper into the European market, cards are still the most popular payment method, with debit, prepaid and credit cards having a leading position for online payments. As reported by Payments Europe, debit and prepaid cards are still the most preferred way of paying online purchases, with a share of 33%. Credit card payments have a share of 19%. Over 80% of European consumers feel safe by paying with cards for online purchases. The use of fintech and banking apps is almost as common as payment via credit cards, with respectively a share of 20% and 19%.[11]

Content categories

According to the consulting company PwC, the global revenues of the entertainment and media industry continue to rise steadily with an average annual growth rate of 4.3% from 2018 to 2023. Following revenues of USD 2.2 trillion in 2019, PwC expects USD 2.3 trillion for 2020.

Digital revenues represent a large share of the Entertainment and Media industry. In the reporting year, 55.4% of the total revenues were made by digital revenues. People worldwide like to enjoy media experiences tailored to their preferences from everywhere, thanks to their mobile devices.[12]

The audiobook market is growing faster than the overall Entertainment and Media industry. According to Deloitte, the global audiobook market in 2020 will grow by 25% up to 3.5 billion US dollars with Europe grossing revenues for about 500 million US dollars.[13]

Another growing pillar of CLIQ Digital is the world of sport-apps. The e-sports category remains small with global revenues of 1.3 billion US dollars, but its potential is still high.[14 15]

The sector of Video on Demand is facing a big challenge with new players entering the market. The global OTT video market is experiencing a fast growth and an increase of 72.8 billion US dollars is expected until 2023, according to PwC.[16]

Gaming remains a mass phenomenon. According to the market research company "Newzoo", revenues of the global games market have grown by 9.6% in 2019, reaching USD 152.1 billion. Mobile gaming on smartphones and tablets still remains the biggest segment in 2019, representing the 45% of the whole gaming market. 80% of all mobile game revenues derive, in fact, from smartphone games.[17]

COURSE OF BUSINESS

The below statements show the developments in the first and second half year of the financial year 2019 and the developments of the full year 2019 compared to the year 2018 on the operational performance of the CLIQ Digital Group.

[10] Zenithmedia 2019: Programmatic Advertising
[11] https://www.paymentseurope.eu/wp-content/uploads/2019/12/Payments-Europe-Report_Cards-in-the-evolving-European-payments-landscape.pdf
[12] https://www.pwc.com/gx/en/industries/tmt/media/outlook/segment-findings.html
[13] https://www2.deloitte.com/us/en/insights/industry/technology/technology-media-and-telecom-predictions/2020/rise-of-audiobooks-podcast-industry.html
[14] https://www.pwc.com/gx/en/industries/tmt/media/outlook/segment-findings.html
[15] https://www2.deloitte.com/us/en/insights/industry/technology/technology-media-and-telecom-predictions/2020/rise-of-audiobooks-podcast-industry.html
[16] https://www.pwc.com/gx/en/industries/tmt/media/outlook/segment-findings.html
[17] Newzoo, 2019

EUR million	HY1 2019	HY2 2019	2019	2018	2019 as a % of 2018
Gross revenue	**28.2**	**34.9**	**63.1**	**58.2**	**108%**
Share third parties	-8.6	-10.3	-18.9	-19.1	
Net revenue	**19.6**	**24.6**	**44.2**	**39.1**	**113%**
Marketing spend	-9.9	-12.3	-22.2	-18.8	118%
Other cost of sales	-1.8	-1.4	-3.2	-4.1	
Gross Margin	**7.9**	**10.9**	**18.8**	**16.2**	**116%**
% of revenue	**28%**	**31%**	**30%**	**28%**	
Personnel expenses	-4.0	-4.5	-8.5	-8.4	
Other operating expenses	-1.9	-2.0	-3.9	-3.7	
Impairment losses and gains on trade receivables and contract costs	-0.2	-0.4	-0.6	-0.2	
Total operating expenses	**-6.1**	**-6.9**	**-13.0**	**-12.3**	**106%**
EBITDA	**1.8**	**4.0**	**5.8**	**3.9**	**149%**
% of revenue	**6%**	**11%**	**9%**	**7%**	

The efforts made since the beginning of the year 2018 to integrate the new subsidiaries, improving the cooperation between the subsidiaries and expand its knowledge and experience in media buying resulted in positive financial developments in especially the second half year of 2019.

In the second half year of 2019 the CLIQ Digital Group realized a growth in gross revenue of 24% compared to the first half year of 2019 and an even bigger growth of 34% compared to the same period in 2018. Due to the strong performance in the second half year of 2019 the gross revenue for the year 2019 amounted to EUR 63.1 million (2018: EUR 58.2 million) which is an increase of 8% compared to the full year 2018. The net revenue for the year rose even faster by 13% to EUR 44.2 million in the year under review (2018: EUR 39.1 million). The relative increase in net revenue is related to an increasing number of customers that are using credit card billing as their payment method which has a lower share third party costs (payment service provider costs).

The growth in revenue is highly related to the shift in the applied marketing strategy. In the past, the company was focused on marketing via third party affiliate partners. During the last 18 months, CLIQ Digital has significantly invested in its media buying team in order to be more independent from affiliate partners and have more control over marketing campaigns to promote its services.

The investments in media buying resulted in a significant increase of 24% in marketing spend, amounting to EUR 12.3 million for the second half year of 2019, compared to EUR 9.9 million in the first half year. When the marketing spend is compared to the second half year of 2018 (EUR 8.8 million) the increase is even higher with 39%. The total marketing spend for the year 2019 ended at EUR 22.2 million which is an increase of 18% compared to the year before (2018: 18.8 million).

Due to the experience build and the investments made in media buying together with the in-house business intelligence department the CLIQ Digital Group was able to better monitor its marketing campaigns and predict the expected revenues resulting in a significantly higher CLIQ-factor[12] for the year 2019 of 1.51 (2018: 1.36).

Due to the positive developments in CLIQ-factor and share third parties the gross margin of the CLIQ Digital Group increased by 16% to EUR 18.8 million (2018: EUR 16.2 million).

The EBITDA, amounting to EUR 5.8 million, increased by 49% compared to last year (2018: EUR 3.9 million) as a result of an increase in the gross margin of EUR 2.6 million and relatively stable other operating expenses. The increase in EBITDA is largely attributable to the second half of 2019 in which the EBITDA amounted to EUR 4.0 million compared to EUR 1.8 million in the first half year.

The customer base value, an important indicator for estimating the expected cash inflow based on existing customers, ended substantially higher at EUR 26.0 million. This is an increase of 8% compared to December 2018 (EUR 24.0 million) and 6% compared to the first half year of 2019 (EUR 24.5 million).

RESULTS OF OPERATIONS

Revenue development

The CLIQ Digital Group generated revenue of EUR 63.1 million in 2019 (2018: EUR 58.2 million), an increase in revenue of 8%. The growth in revenue is largely attributable to the success of the in-house media buying team in the second half of the year 2019 resulting in an increase of gross revenue by 24% compared to the first 6 months of the year. The revenue per continent is shown hereunder:

Territory	Revenue 2019 EUR million	% of Gross Revenue	Revenue 2018 EUR million	% of Gross Revenue
Europe	48.4	77%	46.5	80%
North America	8.9	14%	6.5	11%
Other continents	5.8	9%	5.2	9%
Total	**63.1**	**100%**	**58.2**	**100%**

The European market which represents the vast majority of the CLIQ Digital Group's revenue increased by EUR 1.9 million to EUR 48.4 million. This represents 77% of the CLIQ Digital Group gross revenue and is slightly lower than last year in which the European market was 80% of the CLIQ Digital Group total revenue. The main reason for this relative decrease in market share is due to the growth in the North America region which is attributable to new campaigns that have been successfully launched in the United States. The CLIQ Digital Group is expecting a further increase in this region for the year 2020.

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.

Share third parties

Share third parties consists of the costs that the CLIQ Digital group pays to payment service providers and relates to the share for network operators, gateways, acquiring banks and payment platforms that provide the technical connections and solutions to invoice the CLIQ Digital Group's consumers.

The payment service provider costs are variable and vary significantly between countries. The share of end-customer revenue that goes to the payment service providers ranges from approximately 25% to more than 70% depending on the country. As a percentage of gross revenue, share third parties decreased from 40% in 2017, to 33% in 2018 and to 30% in 2019.

The decrease in share third parties mainly relates to the increase in consumers using credit cards as their payment method. In general credit card billing has a lower share third party.

Marketing spend and other cost of sales

The marketing spend and other cost of sales are as follows:

EUR Million	2019	2018
Marketing spend	**-22.2**	**-18.8**
Capitalized marketing spend	20.2	16.0
Amortized contract costs	-19.3	-16.1
Other cost of sales	-4.1	-4.0
Total other cost of sales	**-3.2**	**-4.1**

Marketing spend, capitalized contract and amortized contract costs

Efficient marketing is of great importance to CLIQ Digital. It impacts two of the most important performance indicators of the CLIQ Digital Group being the marketing spend and the CLIQ-Factor, representing the profitability of new subscribers (see also page 29).

The marketing spend reflects the costs to acquire new customers and subsequently for revenue growth within the Group. The marketing spend for customer acquisition that can be directly allocated to new users of our subscription services are accounted for as contract costs and amortized over the customer's revenue lifecycle with a maximum amortization period of 18 months.

The marketing spend for the year amounted to EUR 22,2 million of which 91% (EUR 20.2 million) was related to subscription services and therefore capitalized as contract costs, compared to 85% (EUR 16.0 million) in previous year. The increase in (capitalized) marketing spend is mainly due to the increase in subscription services. This also resulted in an increase in the amortization of contract costs. The total amount of amortized contract costs amounted to EUR 19.3 million (2018: EUR 16.1 million). As the increase in marketing spend is largely attributable to the second half year of 2019 the increase in amortized contract costs is relatively lower than the capitalized marketing spend resulting in an increase of EUR 1.0 million in the contract costs assets recognized in the financial position.

Other cost of sales

The other cost of sales mainly consist of fixed connectivity costs to payment service providers and content costs for licensed products. Most of the other cost of sales are variable and vary between countries.

Operating expenses

Personnel expenses

Personnel expenses amounted to EUR 8.5 million in 2019 compared to EUR 8.4 million in 2018, thereby accounting for 65% of total operating costs (68% in 2018). The number of employees decreased from FTE 85 in 2018 to 80 in 2019. The decrease is largely related to the Amsterdam office. The decrease in number of employees is not reflected in lower personnel expenses due to the higher fair value of the share options that is caused by the positive share price developments from EUR 1.92 to EUR 2.90. If the fair value movement (EUR 0.8 million) is excluded the personnel expenses decreased by 8%.

Other operating expenses

Other operating expenses contain the following items:

EUR million	2019	2018
Professional fees	1.7	1.4
IT costs	1.1	1.1
Other	1.1	1.2
Total	**3.9**	**3.7**

The professional fees are related to costs for legal advice, fiscal advice, audit and financial reporting, investor relations and acquisition costs. The increase in professional fees is attributable to a higher number of entities that require statutory audits and fiscal advisory costs. Despite the increased revenues and activities the Group's IT costs and other operational expenses remained at similar levels as last year due to a higher efficiency and cost reductions.

Impairment losses and gains on trade receivables and contract costs

During the financial year the CLIQ Digital Group recognized a total impairment loss of EUR 0.6 million (2018: EUR 0.2 million) of expected (future) credit losses. The increase compared to prior year is largely related to higher outstanding trade receivables at balance sheet date which is the result of the growth in revenue.

Comments on the profit for the year

This chapter includes the management commentary on other significant events impacting the profit for the year. Reference is made to the consolidated income statement on page 38.

Financial income and expenses

The financial result for the year ended at EUR 0.9 million negative compared to EUR 0.4 million positive in 2018. The main reason for the positive financial result in the financial year 2018 was related to the fair value movement in the Group's contingent consideration arrangement for the amount of EUR 0.8 million.

Taxes on income

The effective income tax rate in 2019 equals 0.7% compared to -11.7% in 2018. The lower tax burden in the current year is mainly attributable to adjustments related to prior years. In total a positive prior year tax adjustment has been recognized for an amount of EUR 0.8 million.

COMMENTS ON THE FINANCIAL POSITION AS PER 31 DECEMBER 2019

In this chapter the significant movements and events related to the balance sheet as presented in the consolidated financial statements are explained and commented. Reference is made to the consolidated statement of the financial position on page 40.

Goodwill

Goodwill increased by EUR 0.2 million to EUR 48.1 million in 2019 due to positive exchange rate differences on the translation of foreign operations in the United Kingdom. The annual impairment test performed on the goodwill did not result in any impairments to be recognized.

Contract costs

The contract costs amounting to EUR 5.8 million as of 31 December 2019 (2018: EUR 4.8 million) 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. The increase of EUR 1.0 million is largely related to the higher marketing spend in the fourth quarter of 2019, that is directly related to subscription services, compared to the same quarter previous year.

Trade receivables

The trade receivables at balance sheet date amount to EUR 8.2 million (2018: EUR 6.5 million). The total outstanding receivables increased by 26%.

Net cash position

The net cash position of the company can be specified as follows:

EUR Million	2019	2018
Cash and cash equivalents	0.7	1.3
Bank financing facilities	-10.3	-8.1
Net cash position	**-9.6**	**-6.8**

The movement in the net cash position of the company is primarily related to a positive operational cash flow for the year and net cash used in financing and investment activities for acquisitions. For further details reference is made to the section about the Cash flow.

Bank borrowings

The CLIQ Digital Group reported bank borrowings of EUR 9.9 million (31 Dec 2018: EUR 8.1 million) which include an amount of EUR 10.3 million (31 Dec 2018: EUR 8.1 million) for bank financing facilities and EUR 0.4 million (31 Dec 2018: EUR nil) for capitalized finance expenses. The capitalized finance expenses consist of fees directly attributable to obtain the new bank borrowings and are amortized and presented as interest expenses over the term of the new contract.

On 21 May 2019 CLIQ Digital AG signed a new financing facility for 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.

The new overdraft facility provided by Commerzbank AG and Postbank AG for a maximum amount of EUR 13.5 million contains a borrowing base facility and a fixed credit facility. The borrowing base facility has an interest rate of 3M-Euribor plus 2.15% and the fixed credit facility has an interest of 3M-Euribor plus 2.9%. A commitment fee is applicable on the above facilities for which 35% of the interest margin is charged over the unused facility amount per quarter.

Financial liabilities

The financial liabilities amounting to EUR 2.6 million (2018: EUR 2.0 million) consist of the lease liabilities (EUR 0.6 million), the contingent considerations (EUR 1.2 million) and deferred payments (EUR 0.8 million) related to the acquisition of the additional 29% share in the subsidiary Red27Mobile Limited.

The CLIQ Digital Group made a final settlement payment for the outstanding liability related to the 51% share in the “UK operations” in July 2019. Additionally the CLIQ Digital Group recognized a total amount of EUR 5.3 million in financial liabilities, related to the purchase of an additional 29% interest in Red27Mobile Limited, of which EUR 2.1 million is outstanding as at 31 December 2019.

The lease liabilities decreased by EUR 0.5 million as a result of payments during the period in the amount of EUR 0.3 million and the termination of office rental agreements due to the reorganization that was executed in the first half year resulted in a reduced number of employees.

For further details reference is made to Note 27 and 29 of the consolidated financial statements.

Income taxes

The CLIQ Digital Group deferred tax assets related to carry forward losses increased by EUR 1.3 million to EUR 2.9 million as of 31 December 2019. An analysis of the recoverability of deferred taxes was prepared as of balance sheet date. The analysis clarified the fact 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.

The net current income tax position as of 31 December 2019 amounts to EUR 1.0 million payable and is slightly higher compared to 31 December 2018 (EUR 0.8 million). The deferred tax assets and liabilities related to temporary differences at the end of the year amounted to EUR 1.0 million payable which is an increase of EUR 0.2 million to 2018 and mainly related to the increase in contract costs.

Equity

CLIQ Digital reported consolidated equity of EUR 46.7 million as of 31 December 2019 (EUR 47.8 million in 2018). 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 2019 (2018: 4,000 shares). The share premium as of December 2019 amounted to EUR 46.6 million (2018: EUR 46.6 million).

The movement in equity relates to the profit for the year (EUR 3.9 million), the fair value of the considerations transferred (EUR 5.4 million) for the additional 29% interest that was obtained in the subsidiary Red27Mobile Limited and the movements in foreign exchange rates related to subsidiaries having a functional currency different from EUR. No dividends were paid during the year.

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 liquidity plans and are continually adjusted on the basis of current figures. Activities at CLIQ Digital continue to focus on investments in growth and the core competencies.

Cash flow for the year 2019

The cash flow for the year can be specified as follows:

EUR Million	2019	2018
Net cash generated by operating activities	2.5	3.8
Net cash (used in)/generated by investing activities	-0.4	-1.5
Net cash used in financing activities	-5.0	-3.6
Free cash flow	**-2.9**	**-1.2**

The CLIQ Digital Group generated a positive operational cash flow of EUR 2.5 million (2018: EUR 3.8 million). The increases in revenues are not directly reflected in an increase in operational cash flow as the investments made in marketing spend are immediately payable and usually exceed the income of the first months.

Net cash used in investing activities amounted to EUR 0.4 million compared to EUR 1.5 million in 2018. The cash used in investing activities is largely related to investments in intangible fixed assets related to software and content licenses. The lower amount of cash used in investing activities is because there has not been any acquisition during this period.

The cash used in financing activities for an amount of EUR 5.0 million (2018: EUR 3.6 million) is largely related to payments (EUR 3.4 million) made for the additional 29% interest in Red27Mobile Limited and repayments of borrowings (EUR 0.9 million).

The Board of CLIQ Digital assesses the development of business and the overall economic situation as positive. Despite macro-economic trends, like the Brexit, the outbreak of the coronavirus and uncertainty in the trading relationship between China and the USA the digital content industry is still facing a constant growth, resulting in a growth in revenue of 8% to EUR 63.1 million for the CLIQ Digital Group.

KEY PERFORMANCE INDICATORS

CLIQ Digital is using key performance 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) and represents the profitability of newly acquired customers. The customer base value is the total net revenue, gross revenue less share third parties, 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. The development in Key Performance Indicators are presented in the following table:

	2019	2018	2017	2016
CLIQ-factor (ARPU/CPA)	1.51	1.36	1.47	1.41
Marketing spend in EUR million	22.2	18.8	18.6	21.6
Customer base value in EUR million	26.0	24.0	26.0	20.9

All key financial performance indicators show a significant improvement over the previous year and the CLIQ Digital Group was able to outperform on the targets communicated in the 2018 annual report for the year 2019.

The CLIQ-factor increased from 1.36 in 2018 to 1.51 in 2019, indicating an increase in customer profitability of newly acquired customers. The increase in CLIQ-factor is related to the achievements of the marketing teams together with the business intelligence department in successfully targeting new customers while keeping the cost per acquisition under control. The marketing spend for the year increased by 18% (EUR 0.2 million) to EUR 22.2 million (2018: EUR 18.8 million) of which EUR 2.0 million (2018: 2.8 million) is related to non-subscription services. The customer base value as of 31 December 2019 grew to EUR 26.0 million which is an increase of EUR 2.0 million compared to last year. The higher customer base value is the result of the increase in marketing spend in especially the last half year of 2019 resulting in a growing number of active customers.

REPORT ON EXPECTED DEVELOPMENTS AND ON OPPORTUNITIES AND RISKS

REPORT ON EXPECTED DEVELOP-MENTS

With the focus on our own media buying, the expansion in credit card payment processing and our international team of creative, energetic and motivated people, the CLIQ Digital Group is ready to scale its activities and realize further growth in the year 2020.

For the year 2020 CLIQ Digital is aiming at a strong organic growth in EBITDA, revenues and marketing spend (the main value driver which directly influences all other performance indicators). The board is confident that the CLIQ Digital Group is able to realize an EBITDA of EUR 7.5 million for the year 2020 with expected gross revenues of EUR 75.0 million and a total marketing spend amounting to EUR 26.0 million.

The CLIQ-factor is expected to increase from 1.51 in the year 2019 to at least 1.58 for the full year 2020. The customer base value is expected to increase to at least EUR 28.0 million as of 31 December 2020.

Irrespective to our expected strong organic growth CLIQ Digital could be one of the few exceptions which would not be negatively affected by the coronavirus (COVID-19) as it has been shown in the past that even in times of recession there was a demand for entertainment.

The below table presents the key performance indicators of 2019 and the expected developments for the year 2020:

	2019	2020	Delta %
Gross revenue	EUR 63.1 Mio	EUR 75.0 Mio	19%
Marketing spend	EUR 22.2 Mio	EUR 26.0 Mio	17%
EBITDA	EUR 5.8 Mio	EUR 7.5 Mio	30%
CLIQ-Factor	1.51	1.58	
Customer base value	EUR 26.0 Mio	EUR 28.0 Mio	

REPORT ON OPPORTUNITIES

The market for mobile content is largely influenced by the technical capabilities of smartphones, the increase of the available bandwidth, and the ability for more and more people on the globe to be always online with a growing number of devices. Due to the increasing usage of smartphones and increased mobile operator networks such as 4G and 5G, CLIQ Digital expects an increased supply and demand for streaming digital entertainment services for mobile and other devices. As a marketer and distributor of digital entertainment content CLIQ Digital considers this is a significant opportunity for further growth.

The digital consumer market CLIQ Digital Group is targeting requires that CLIQ Digital offers a wide variety of digital products. Instead of building a large creative and product development department, CLIQ Digital focuses on marketing and selling licensed content. 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. Considering the importance of digital content CLIQ Digital can offer to its customers, CLIQ Digital is actively searching for cooperation with strong content providers to further improve and increase CLIQ Digital product portfolio.

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. CLIQ Digital expects to use its experience in the last half year to realize further growth in the North American region in the year to come.

The outbreak of the coronavirus have resulted in quarantine and lock-down measures in Europe and other countries. These measures might have a positive impact on the sales and revenues of the CLIQ Digital Group as people will spend more time at home on their digital devices. The impact that the coronavirus might have on other industries and companies brings significant uncertainty and therefore makes it difficult to predict how people, being potential new customers and existing customers, would react on the longer term. Therefore it is not possible to predict the mid-term or long-term effect of the corona virus on the operations of the CLIQ Digital Group.

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 changes. 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 external payment service providers, network operators, technical service providers

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. Furthermore, 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 is using a growing number of other payment methods and payment service providers, such as acquiring banks and payment platforms (e.g. PayPal). These payment service providers 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 both for inhouse media buying (e.g. Google, Facebook) and third party media advertisers for 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 risks

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 refinancing 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

On 29 March 2017, the government of the United Kingdom (UK) invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the European Union (EU). At 31 January 2020 the UK left the EU after which they entered into the transition period which is due to last until 31 December 2020. During this period, the UK will remain in both the EU customs union and single market. This will give everyone more time to prepare themselves for the new agreements that the EU and the UK will conclude concerning their future relationship after 31 December 2020. If both the UK and the EU agree, this transition period may be extended once by two years, meaning it could remain in place until 31 December 2022. British Prime Minister Johnson has said, however, that he will not seek an extension.

Due to 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 UK, 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 might 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., CLIQ UK Holding 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, Red27Mobile Ltd (80%), TGITT Ltd, Luboka Media 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 these risks.

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

31 March 2020

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 2019

in EUR thousand	Note	2019	2018
Gross revenue	6	63,138.6	58,206.7
Cost of sales	7	-44,343.3	-42,053.6
Gross margin		**18.795,3**	**16,153.1**
Personnel expenses	8	-8,511.1	-8,435.5
Other operating expenses	9	-3,887.1	-3,686.6
Impairment losses and gains on trade receivables and contract costs	19	-646.6	-175.4
Total operating expenses		**-13,044.8**	**-12,297.5**
EBITDA		**5,750.5**	**3,855.6**
Depreciation, amortization and impairment charges applied to intangible, tangible and other current assets	10	-980.0	-871.7
EBIT		**4,770.5**	**2,983.9**
Financial income and financial expenses	11	-906.7	377.3
Profit for the year from continuing operations		**3,863.8**	**3,361.2**
Income taxes	12	27.5	-367.9
PROFIT FOR THE YEAR		**3,891.3**	**2,993.3**
Attributable to:			
Owners of the Company		2,211.6	2,155.5
Non-controlling interest		1,679.7	837.8
PROFIT FOR THE YEAR		**3,891.3**	**2,993.3**
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)		208.5	177.5
Basic earnings per share (in EUR)	13	0.36	0.35
Diluted earnings per share (in EUR)	13	0.35	0.34

2 CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

in EUR thousand	Note	2019	2018
PROFIT FOR THE YEAR		**3,891.3**	**2,993.3**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		39.5	-44.7
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,930.8**	**2,948.6**
Attributable to:			
Shareholders of the company		2,251.1	2,110.8
Non-controlling interest		1,679.7	837.8
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,930.8**	**2,948.6**

3 CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION AS AT 31 DECEMBER 2019

ASSETS in EUR thousand	Note	2019	2018
NON-CURRENT ASSETS			
Goodwill	14	48,113.6	47,877.7
Other intangible assets	15	713.3	906.7
Plant, operating and office equipment	16	677.2	1,286.4
Contract costs	18	273.3	969.2
Deferred tax assets	12	3,118.5	1,758.9
Total non-current assets		**52,895.9**	**52,798.9**
CURRENT ASSETS			
Trade receivables	19	8,208.9	6,518.1
Contract costs	18	5,572.7	3,876.8
Income tax receivables	12	54.2	439.8
Other assets	20	638.6	760.9
Cash and cash equivalents	21	735.5	1,332.3
Total current assets		**15,209.9**	**12,927.9**
Total assets		**68,105.8**	**65,726.8**

EQUITY AND LIABILITIES in EUR thousand	Note	2019	2018
EQUITY			
Issued capital	22	6,188.7	6,188.7
Share premium	22	46,635.8	46,635.8
Retained earnings	23	-8,246.6	-5,608.2
Other reserves	24	129.7	-241.7
Equity attributable to the shareholders		**44,707.6**	**46,974.6**
Non-controlling interest	25	1,990.6	809.2
Total equity		**46,698.2**	**47,783.8**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	12	1,239.1	894.6
Bank borrowings	26	9,936.5	-
Other financial liabilities	27	1,184.2	886.0
Other liabilities	28	357.3	48.6
Total non-current liabilities		**12,717.1**	**1,829.2**
Current liabilities			
Bank borrowings	26	-	8,090.1
Other financial liabilities	27	1,454.3	1,116.3
Provisions		-	13.0
Trade payables	28	2,010.1	2,272.9
Income tax liabilities	12	1,079.2	1,160.5
Other liabilities	28	4,146.9	3,461.0
Total current liabilities		**8,690.5**	**16,113.8**
Total liabilities		**21,407.6**	**17,943.0**
Total equity and liabilities		**68,105.8**	**65,726.8**

4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 2019

		PARENT COMPANY		
in EUR thousand	Note	Issued capital	Share premium	Retained earnings
Balance as of 1 January 2018		**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		-	-	-481.6
Impact of correction of error		-	-	-704.0
Currency translation difference		-	-	-
Adjustment arising from change in non-controlling interest		-	-	-369.4
Balance as of 31 December 2018		**6,188.7**	**46,635.8**	**-5,608.2**
Net profit / loss for the period		-	-	2,211.6
Other comprehensive income		-	-	-
Currency translation difference		-	-	-
Acquisition of non-controlling interest	29	-	-	-4,850.0
Balance as of 31 December 2019		**6,188.7**	**46,635.8**	**-8,246.6**

PARENT COMPANY			
Other reserves	Equity attributable to the shareholders	Non-controlling interest	Total equity
-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**
-	2,211.6	1,679.7	3,891.3
39.5	39.5	-	39.5
331.9	331.9	44.4	376.3
-	-4,850.0	-542.7	-5,392.7
129.7	**44,707.6**	**1,990.6**	**46,698.2**

5 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR 2019

in EUR thousand	Note	2019	2018
Cash flow from operating activities			
Result for the year		3,891.3	2.993,3
Adjustments for:			
Income tax expense recognized in profit or loss			367,9
Net (gain)/loss arising on financial liabilities designated as at fair value through profit and loss	11	101.2	-786.6
Other finance costs recognized in profit or loss	11	805.5	409.3
Depreciation and amortization of non-current assets	10	980.0	871.7
		5,750.5	**3,855.6**
Changes in working capital		-1,908.9	2,909.6
Cash generated from operations		**3,841.6**	**6,765.1**
Income taxes (paid)/received		-742.8	-2,536.5
Interest (paid)/received		-599.7	-384.0
Net cash generated by operating activities		**2,499.1**	**3,844.6**
Cash flow from investing activities			
Payments for property, plant and equipment	16	-22.1	-46.4
Payments for intangible fixed assets	15	-373.9	-540.4
Net cash (outflow)/inflow on acquisition of subsidiaries	29	-	-890.6
Net cash (used in)/generated by investing activities		**-396.0**	**-1,477.4**

in EUR thousand	Note	2019	2018
Cash flow from financing activities			
Repayment of borrowings		-931.2	-2,718.4
Transaction costs related to loans and borrowings		-378.6	-172.0
Lease instalments paid	27.1	-275.4	-264.5
Acquisition of non-controlling interest	30	-3,368.9	-450.0
Net cash used in financing activities		**-4,954.1**	**-3,604.9**
Free cash flow		**-2,851.0**	**-1,237.7**
Cash and cash equivalents at the beginning of the year		**-6,757.8**	**-5,505.8**
Free cash flow		-2,851.0	-1,237.7
Effects of exchange rate changes on the balance of cash held in foreign currencies		31.3	-14.3
Cash and cash equivalents at the end of the year		**-9,577.5**	**-6,757.8**
Cash and bank balances		735.5	1,332.3
Bank borrowing overdraft facility	26	-10,313.0	-8,090.1
Cash and cash equivalents in cash flow statement		**-9,577.5**	**-6,757.8**

4 NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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 consumers via online- and mobile-marketing channels. CLIQ Digital is a valuable strategic business partner for networks, content owners, publishers, and brands.

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 Reporting Standards (IFRS) as adopted by the EU. Cliq Digital AG is obligated to prepare consolidated financial statements according to German accounting standards. However, an exemption is available when the company prepares consolidated financial statements according to IFRS.

These consolidated IFRS financial statements are prepared 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 January 1 and ends on December 31 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 2019.

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 consolidated financial statements.

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

During the period amendments were made to IFRS 9 “Prepayment Features with Negative Compensation”, IAS 28 “Long-term Interest in Associates and Joint Ventures”, IAS 19 “Employee Benefits Plan Amendment, Curtailment or Settlement”, IFRIC 23 “Uncertainty over Income Tax Treatments” and IAS 12, IAS 23, IFRS 3 and IFRS 11 as part of the Annual Improvements. None of these amendments had a significant impact on the consolidated financial statements of the Group.

In advance of its effective date, the Group has applied IFRS 16 Leases retrospectively from 1 January 2018 in the consolidated financial statements 2018.

2.2 New and revised IFRS in issue but not yet effective

At the date of authorization of these consolidated 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 consolidated financial statements of the Group in future periods, except as noted below:

Standard Interpre-tation	Content of the amendment	Mandatory application	Adoption by the EU	Prospective effects on CLIQ Digital
IFRS 17	***Insurance contracts*** The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	01/01/2022	Not yet endorsed	No
IFRS 10 / IAS 28	***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** 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
IFRS 3	***Definition of a business*** The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.	01/01/2020	endorsed	No
IAS 1 / IAS 8	***Definition of material*** The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.	01/01/2020	endorsed	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 applies the historical cost convention for measurement, except for financial instruments that are measured at 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 2019. 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 2018	**5**	**8**	**4**	**7**	**24**
Acquisition	-	-	-	1	**1**
Establish	-	1	1	-	**2**
31 December 2019	**5**	**9**	**5**	**8**	**27**

In the financial year 2019 the Group of consolidated companies changed as a result of the following:

- The acquisition of a French company, Hypecode SAS
- The incorporation of UK Holdings B.V. in the Netherlands
- The incorporation of Luboka Media Ltd in the United Kingdom

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.

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. 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 included in the line other financial liabilities in the consolidated statement of the 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 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 consolidated 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 31.

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 in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 20 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 requirements for revenue recognition.

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

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 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 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.

3.17.3 Derecognition

3.17.3.1 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.

3.17.3.2 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.

3.17.4 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 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

3.18.1.1 Financial instruments and contract costs

The Group recognizes a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortized cost or at FVTOCI, trade receivables and contract costs. 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 costs 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 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 (CGUs), 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 Useful life, residual value and impairment of contract costs

The carrying value of the contract costs is calculated on the basis of estimates of amortization periods derived from 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 2019 was EUR 48.1 million (31 December 2018: EUR 47.9 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 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.

4.1.4 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.

4.1.5 Taxes

When preparing the consolidated financial statements the Company makes every effort to assess all relevant tax risks and process up-to-date tax position details in the consolidated 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 consolidated 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 consolidated 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 consolidated 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 to the operating segment and for which discrete financial information is available.

6 GROSS REVENUE

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

in EUR thousand	2019	2018
Digital entertainment services	58,148.4	51,595.0
Digital marketing services	4,990.2	6,611.7
Total gross revenue	**63,138.6**	**58,206.7**

In the following table gross revenue from contracts with customers is disaggregated by geographical market:

in EUR thousand	2019	2018
Europe	48,366.7	46,538.0
North America	8,911.9	6,524.0
Other continents	5,860.0	5,144.7
Total gross revenue	**63,138.6**	**58,206.7**

6.1 Contract balances

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

7 COST OF SALES

The cost of sales are composed as follows:

in EUR thousand	2019	2018
Marketing spend	22,161.1	18,794.6
Capitalized Marketing spend	-20,202.1	-15,956.5
Amortized contract costs	19,323.3	16,052.1
Share third parties	18,871.4	19,137.1
Other COS	4,189.6	4,026.3
Total	**44,343.3**	**42,053.6**

8 PERSONNEL EXPENSES

The personnel expenses are composed as follows:

In EUR thousand	2019	2018
Wages and salaries	5,812.1	6,377.5
Pension contributions	27.4	47.4
Social security contributions	841.3	776.3
Share-based payments	308.8	-471.1
Hired staff and related costs	895.0	1,585.2
Redundancy costs	503.3	-
Other	123.2	120.2
Total	**8,511.1**	**8,435.5**

8.1 Employees

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

	2019	2018
Employees (FTE)	**80.2**	**85.3**
Germany	3.2	3.2
The Netherlands	58.0	63.1
United Kingdom	10.0	10.0
France	9.0	9.0

The average number of employees in the financial year 2019 was:

	2019	2018
Employees (Average Headcount)	**84.5**	**98.5**
Full-time employees	71.5	84.0
Part-time employees	13.0	14.5

9 OTHER OPERATING EXPENSES

Other operating expenses include the following expenses:

In EUR thousand	2019	2018
Premises costs	309.8	414.7
Travel costs	486.9	619.6
Professional Fees	1,642.2	1,411.9
Supervisory Board Compensation	102.6	103.5
IT costs	1,131.2	1,082.5
Other	214.4	54.4
Total	**3,887.1**	**3,686.6**

9.1 Auditor's fees

The following fees were expensed in the 2019 and 2018 financial years for services rendered by Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (Group Auditor):

in EUR thousand	2019	2018
For auditing of the consolidated financial statements	**278.6**	**200.5**
Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft	191.1	174.3
Other	87.5	26.2
For tax advice services	**149.1**	**40.1**
Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft	83.9	36.6
Other	65.2	3.5

10 DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

in EUR thousand	2019	2018
Licenses and trademarks	470.3	254.3
Other intangible assets	114.7	176.2
Right of Use Assets	259.4	304.7
Plant, operating and office equipment	135.6	136.5
Total	**980.0**	**871.7**

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 (Notes 14 and 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	2019	2018
Financial income		
Interest income	-	24.2
Fair value movements on financial liabilities designated as FVTPL	-	786.6
	-	**810.8**
Financial expenses		
Interest on bank overdrafts and loans	-268.6	-200.9
Amortization capitalized finance expenses	-78.4	-
Exchange results	-178.5	-68.5
Interest expense on lease liabilities	-31.8	-49.5
Bank costs	-107.1	-109.5
Other financial expenses	-141.1	-5.1
Fair value movements on financial liabilities designated as FVTPL	-101.2	-
Total Financial income and financial expenses	**-906.7**	**377.3**

12 INCOME TAX

This note contains further details on all the items of the consolidated 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 2019, all deferred taxes on temporary differences were calculated on the basis of a combined rounded 31.2% tax rate for Germany (DE), 25.0% tax rate for The Netherlands (NL), 19.0% tax rate for the United Kingdom (UK) 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	2019	2018
Current income tax						
Income tax current year	207.0	164.0	-623.1	-251.9	-504.0	-108.2
Adjustment for prior years	207.9	-44.4	117.1	0.7	281.3	216.1
Total current income tax	**414.9**	**119.6**	**-506.0**	**-251.2**	**-222.7**	**107.9**
Deferred income tax						
Origination and reversal of temporary differences	485.1	-330.4	-110.3	205.8	250.2	-475.8
Total deferred income tax	**485.1**	**-330.4**	**-110.3**	**205.8**	**250.2**	**-475.8**
Total income tax	**900.0**	**-210.8**	**-616.3**	**-45.4**	**27.5**	**-367.9**

12.2 Reconciliation of the effective tax rate

in EUR thousand	DE	NL	UK	Other	2019	2018
Profit before tax	**-1,112.0**	**784.2**	**4,449.9**	**-258.3**	**3,863.8**	**3,361.2**
Nominal tax rate	31.2%	25.0%	19.0%	31.2%	31.2%	30.0%
Income tax calculated at nominal rate	**347.2**	**-196.1**	**-845.5**	**80.7**	**-1,206.5**	**-1,008.4**
Acquisition costs that are non deductible	-29.9	-	-	-1.2	-31.1	-34.5
Expenses share option plan which are not tax deductible	-23.5	-	-	-	-23.5	16.0
Participation exemption	-89.4	-	-	-	-89.4	-22.0
Tax results from previous years	690.4	-16.4	113.8	0.7	788.5	216.1
Effects of different tax rates of subsidiaries operating in other jurisdictions	-	-	-	-	592.8	279.7
Deferred tax assets not recognized	-	-	-	-	-	-2.4
Financial liabilities as FVTPL non deductible	-31.6	-	-	-	-31.6	236.0
Non-deductible amortization and depreciation expenses	-	-	-	-90.8	-90.8	-
Research and development enhancements	-	-	111.7	-	111.7	-
Other	36.7	1.7	3.7	-34.7	7.4	-48.5
Income tax in profit or loss account (effective)	**900.0**	**-210.8**	**-616.3**	**-45.3**	**27.5**	**-367.9**
	-80.9%	**-26.9%**	**-13.8%**	**17.6%**	**0.7%**	**-10.9%**

The effective income tax rate in 2019 of 0.7% is -11.7 percentage points lower than the 2018 effective income tax rate of 10.9%. Both are lower than the domestic income tax rate of 31.2%. The lower tax burden in the current year is mainly attributable to tax adjustments from previous year. 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 (25.0%) and the United Kingdom (19.0%).

During the reporting period the company filed several tax returns related to previous years. After receiving the tax declaration from the tax offices any differences between the tax amount on the tax declaration and recognized on the balance sheet will be corrected as tax results from previous years in the statement of profit and loss.

The Tax authorities treated the dividend received by Cliq Digital AG in 2017 for 95% tax free in the tax assessment issued during summer 2019. As a consequence the deferred tax assets from carry forward losses increased with EUR 0.5 million and the current tax payable decreased with 0.2 million, resulting in a positive prior year tax adjustment of EUR 0.7 million in the year 2019. It is currently uncertain whether an audit by the tax authorities would arrive at a different opinion which could impact the results and deferred tax assets in the future.

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.

in TEUR	2019	2018
Intangible assets	206.3	238.7
Tangible assets	-	7.1
Contract costs	-1,315.4	-1,109.5
Trade receivables	62.5	147.9
Other assets	-	-61.1
Bank borrowings	-117.6	-
Other financial liabilities	11.0	-
Other liabilities (share option plan)	97.4	10.2
Tax loss carry forwards	2,935.2	1,631.0
Total of deferred tax assets and liabilities	**1,879.4**	**864.3**
Reflected in the statement of financial position as follows:		
Deferred tax assets	3,118.5	1,758.9
Deferred tax liabilities	-1,239.1	-894.6
Net deferred taxes	1,879.4	864.3

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	2019	2018
Profit/loss attributable to CLIQ Digital AG shareholders	2,211.6	2,155.5
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)	**0.36**	**0.35**
Number of potentially dilutive ordinary shares	208,500	177,500
Weighted average number of shares for the calculation of diluted earnings per share	6,397,214	6,366,214
Diluted earnings per share (in EUR)	**0.35**	**0.34**

14 GOODWILL

A reconciliation of the carrying amount is detailed below:

in EUR thousand	2019	2018
Cost	48,219.2	47,983.3
Accumulated impairment losses	-105.6	-105.6
Total goodwill	**48,113.6**	**47,877.7**

in EUR thousand	2019	2018
Cost		
1 January	**47,983.3**	**47,454.6**
Acquisition through business combination	-	573.4
Effect of foreign currency exchange differences	235.9	-44.7
31 December	**48,219.2**	**47,983.3**
Accumulated impairment losses		
1 January	**- 105.6**	**-105.6**
Impairment	-	-
Effect of foreign currency exchange differences	-	-
31 December	**-105.6**	**-105.6**
Total carrying amount	**48,113.6**	**47,877.7**

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 Red27Mobile Limited.
- Other covering the activities relating to Netacy and Tornika SAS.

The carrying amount of goodwill was allocated to cash-generating units as follows:

in EUR thousand	2019	2018
CLIQ AG and CLIQ BV	43,217.0	43,217.0
UK operations	4,313.3	4,087.3
Other	583.3	573.4
Total goodwill	**48,113.6**	**47,877.7**

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 (2019: EUR 43.2 million; 2018: 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.

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	2022-2028	Terminal Value Period
Gross revenue (growth rate)	Based on bottom-up Marketing spend Revenue yield	0.0%
Share third parties	2021's % of Gross revenue	
Marketing spend	Average of assumed long-term marketing spend of the Reported and Expected management cases. Net Revenues / Market Spend ratio 55%	
Other COS	Average 2019-2021's % of Net Revenue	
Staff expenses	2021's % of Net revenue	
Other OpEx	2021's % of Net revenue	
Corporate income tax rate	CLIQ AG: 30.0% CLIQ B.V.: 24.5%	
Net working capital	CLIQ AG: 1.6% CLIQ B.V.: 1.6%	
Other D&A - Other CapEx	2021'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 AG	
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 AG" 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 June 1, 2017 of the UK entities: Universal Mobile Enterprises Limited, Moonlight Mobile Limited and Red27Mobile Limited.

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.

The recoverable amount 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 8.0% 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 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).

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

Value driver	2022-2028	Terminal Value Period
Gross revenue (growth rate)	Based on bottom-up Marketing spend Revenue yield	0.0%
Share third parties	2021‘s % of Gross revenue	
Marketing spend	Average of assumed long-term marketing spend of the Reported and Expected management cases. Net Revenues / Market Spend ratio 60%	
Other COS	Average 2019-2021‘s % of Net Revenue	
Staff expenses	2021‘s % of Net revenue	
Other OpEx	2021‘s % of Net revenue	
Corporate income tax rate	19.0%	
Net working capital	6.1%	
Other D&A - Other CapEx	2021‘s % of Net revenue (other CapEx and other D&A set equal to 25,000 annually on a consolidated level)	
WACC	8.0%	

14.4 Other

The other goodwill is related to the operations of Tornika SAS in the amount of EUR 0.1 million (2018: EUR 0.1 million) and Netacy Inc. the amount of EUR 0.6 million (2018: EUR 0.5 million). 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 7.5% 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 in-tangible assets	Total
Cost				
1 January 2018	**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**
Additions	-	233.9	140.0	373.9
Disposals	-	-103.9	-5,386.2	-5,490.1
Effect of foreign currency exchange differences	-	14.0	5.9	19.9
31 December 2019	**-**	**1,067.4**	**538.3**	**1,605.7**
Amortization and impairment losses				
1 January 2018	**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**
Amortization in the financial year	-	470.3	114.7	585.0
Disposals	-	-103.8	-5,386.2	-5,490.0
Effect of foreign currency exchange differences	-	-0.2	2,3	2.1
31 December 2019	**-**	**620.7**	**271.7**	**892.4**
Carrying amount 31 December 2018	**-**	**669.0**	**237.7**	**906.7**
Carrying amount 31 December 2019	**-**	**446,7**	**266.6**	**713.3**

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

16 PLANT, OPERATING AND OFFICE EQUIPMENT

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

in EUR thousand	Plant, operating and office equipment	Right of use assets	Plant, operating and office equipment
Cost			
1 January 2018	**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**
Additions	22.1	-	22.1
Disposals	-1,949.8	-332.0	-2,281.8
Effect of foreign currency exchange differences	-0.6	4.7	4.1
31 December 2019	**725.4**	**1,062.2**	**1,787.6**
Amortization and impairment losses			
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**
Amortization in the financial year	135.6	259.4	395.0
Disposals	-1,949.0	-93.2	-2,042.2
Effect of foreign currency exchange differences	-1.1	1.9	0.8
31 December 2019	**637.7**	**472.7**	**1,110.4**
Carrying amount 31 December 2018	**201.5**	**1,084.9**	**1,286.4**
Carrying amount 31 December 2019	**87.7**	**589.5**	**677.2**

16.1 Right of use assets

During the period the Group cancelled one floor of the rental agreement from to the Amsterdam office and recognized a disposal.

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 2019	31 Dec 2018
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%
CLIQ UK Holding B.V.	Holding	Amsterdam, The Netherlands	100%	0%
Luboka Media Limited	Sales and marketing of digital products	Witney, United Kingdom	100%	0%
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.	Sales and marketing of digital products	Amsterdam, The Netherlands	80%	80%
CMind B.V.	Sales and marketing of digital products	Amsterdam, The Netherlands	80%	80%
Tornika Media B.V.	Sales and marketing of digital products	Amsterdam, The Netherlands	80%	80%
Tornika SAS	Sales and marketing of digital products	Paris, France	80%	80%
Hypecode SAS	Sales and marketing of digital products	Paris, France	80%	0%
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%	100%
TGITT Limited	Sales and marketing of digital products	Witney, United Kingdom	100%	100%

Name of subsidiary	Principal activity	Place of incorporation and operation	„Proportion of ownership interest and voting power held by the Group“	
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%
Red27Mobile Limited	Sales and marketing of digital products	Witney, United Kingdom	80%	51%

18 CONTRACT COSTS

In EUR thousand	2019	2018
Current	5,572.7	3,876.8
Non-Current	273.3	969.2
Total contract costs	**5,846.0**	**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	2019	2018
Trade receivables, gross	3,890.2	3,066.0
Receivables arising from services that have not yet been invoiced	5,846.0	4,644.1
Loss allowance	-1,527.3	-1,192.0
Total trade receivables	**8,208.9**	**6,518.1**

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 Notes 32.5.1. and 32.5.3. The following table shows the movement in lifetime expected credit losses (ECL) that has been recognized for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

In EUR thousand	2019	2018
Balance loss allowance as at 1 January	**-1,192.0**	**-336.3**
Initial application IFRS 9	-	-687.8
Initial application IFRS 15	-	-473.4
Amounts written-off	340.7	330.8
Amounts recovered	-	53.9
Change in loss allowance due to changes in gross receivables	-646.6	-80.3
Foreign exchange result	-29.4	1.1
Balance loss allowance as at 31 December	**-1,527.3**	**-1,192.0**

20 OTHER ASSETS

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

In EUR thousand	2019	2018
Deposits	20.8	19.1
Prepayments	234.6	342.9
Other assets	383.2	398.9
Total	**638.6**	**760.9**

21 CASH AND CASH EQUIVALENTS

This item contains cash at banks of EUR 735.0 thousand in 2019 (2018: EUR 1,331.7 thousand), and cash in hand of EUR 0.5 thousand in 2019 (2018: EUR 0.6 thousand).

22 ISSUED SHARE CAPITAL

The issued share capital did not change during the financial year 2019 and amounts to EUR 6,188,714.00 per 31 December 2019. The share capital consists of 6,188,714 non-par value bearer shares with a nominal value of EUR 1.00 per share. All shares issued until 31 December 2019 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 2019. 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 15 May 2019 resolved to cancel the existing Authorized Capital 2016 and to authorize the management board to increase the Company's share capital with the approval of the supervisory board by up to EUR 3,094,357.00 in the period up to 16 May 2024 by issuing up to 3,094,357 new no-par value bearer shares against contribution in cash and/or in kind on one or several occasions (Authorized Capital 2019).The shareholders' share subscription rights may be excluded in certain cases with the consent of the Supervisory Board. The Authorized Capital 2019 and the cancellation of the Authorized Capital 2016 became effective upon registration with the commercial register on 3 June 2019. The Authorized Capital 2019 as at 31 December 2019 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 cancelled up to 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 treasury 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 2019 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 in the year 2019 and 2018.

24 OTHER RESERVES

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

in EUR thousand	Translation differences of foreign operations	Currency translation difference	Total Other reserves
Balance as of 1 January 2018	**-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**
Other comprehensive income	39.5	-	39.5
Currency translation difference	-	331.9	331.9
Balance as of 31 December 2019	**-71.7**	**201.4**	**129.7**

25 NON-CONTROLLING INTEREST

in EUR thousand	2019	2018
Balance at beginning of year	**809.2**	**94.1**
Share of profit for the year	1,679.7	837.8
Non-controlling interests arising on acquisition	-542.7	-87.4
Adjustment on initial application of IFRS 9, net of tax	-	-28.8
Effect of foreign currency exchange differences	44.4	-6.5
Balance at end of year	**1,990.6**	**809.2**

26 BANK BORROWINGS

Bank borrowings reported on 31 December 2019 correspond to overdraft facility provided by the Commerzbank AG.

in EUR thousand	2019	2018
Credit facility	6,500.0	4,224.1
Borrowing base facility	3,813.0	3,866.0
Total secured bank loans	**10,313.0**	**8,090.1**
Capitalized finance expenses	-376.5	-
Total bank borrowings	**9,936.5**	**8,090.1**

On 21 May 2019 CLIQ Digital AG signed a new financing 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. The new overdraft facility provided by Commerzbank AG and Postbank AG in the amount of maximum EUR 13.5 million contains a borrowing base facility and a fixed credit facility. The borrowing base facility has an interest rate of 3M-Euribor plus 2.15% and the fixed credit facility has an interest of 3M-Euribor plus 2.9% for the year 2019.

Depending on certain performance indicators the margin on the borrowing base facility can vary between 2.00% - 2.15% and the margin on the fixed credit facility between 2.65% - 2.90%.

Per 31 December 2019 the total overdraft facility available amounted to EUR 10.3 million (2018: EUR 8.9 million) of which an amount of EUR 10.3 million (2018: EUR 8.1 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 2019, 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	2019	2018
Non-current liabilities		
Lease liabilities	300.4	700.8
Contingent considerations resulting from acquisitions	883.8	185.2
	1,184.2	**886.0**
Current liabilities		
Lease liabilities	314.3	407.0
Contingent considerations resulting from acquisitions	337.4	644.8
Other	802.6	64.5
	1,454.3	**1,116.3**
Total other financial liabilities	**2,638.5**	**2,002.3**

27.1 Lease liability

The Group leases several assets including buildings and IT equipment. The average remaining lease term is 4 years (2018: 5 years). During the year the Group prematurely terminated the lease agreement for one floor of the office in Amsterdam resulting in a reduction of the lease liabilities.

A maturity analysis of lease payments is presented below:

in EUR thousand	2019	2018
Not later than 1 year	314.3	407.0
Later than 1 year and not later than 5 years	300.4	700.8
Later than 5 years	-	-
Total	**614.7**	**1,107.8**

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

Contingent considerations are related to the acquisition of the UK operations that occurred in the financial year 2017 and the additional share of 29% in 2019 in Red27Mobile Limited. Movements in the contingent considerations are related to additions (EUR 1,561.9 thousand), payments (EUR 340.8) 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 101.2 thousand negative (2018: EUR 786.6 positive). The cumulative change in fair value at reporting date amounts to EUR 728.8 thousand positive (2018: EUR 830.0 thousand positive).

28 TRADE PAYABLES AND OTHER LIABILITIES

in EUR thousand	2019	2018
Trade payables	2,010.1	2,272.9
Other liabilities	4,504.2	3,509.6
Total trade payables and other liabilities	**6,514.3**	**5,782.5**

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	2019	2018
Non-current liabilities		
Liability for share-based payments	357.3	48.6
	357.3	**48.6**
Current liabilities		
Accrual marketing spend	1,108.1	1,079.7
Accrual other cost of sales	249.0	525.3
VAT and other taxes	841.2	806.2
Refund liability	255.1	109.8
Employee benefits	881.7	508.7
Other liabilities	811.8	431.3
	4,146.9	**3,461.0**
Total other liabilities	**4,504.2**	**3,509.6**

28.2 Liability for share-based payments

The movement in the liability from share-based payments during the current year is completely attributable to the fair value movements which is mainly attributable the higher share price of CLIQ Digital AG at the end of the reporting period. Refer to Note 31.1 for further details on the assumptions underlying the stock option plans.

29 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

In April 2019 the Group acquired an additional 29.0% interest in Red27Mobile Limited, increasing its ownership from 51.0% to 80.0%.The carrying amount of Red27Mobile net assets in the Group's consolidated financial statements on the date of acquisition was EUR 1,871 thousand. The considerations paid consist of an amount of EUR 3,804 thousand in cash equivalents of which EUR 803 thousand is deferred. Additionally an earn-out agreement based on several performance indicators was agreed and valued at EUR 1.562 thousand at acquisition date. The earn-out arrangement and deferred payments are presented as contingent considerations from acquisitions (Note 27.2) within the financial liabilities.

30 ACQUISITION OF NON-CONTROLLING INTEREST

in EUR thousand	
Carrying amount of NCI acquired (EUR 1,872 x 29%)	542.7
Fair value of considerations payable to NCI	-5,392.7
Decrease in equity attributable to owners of the Company	**-4,850.0**

in EUR thousand	
Considerations paid during the period	3,368.9
Deferred considerations payable recognized as other financial liabilities (Note 27)	802.7
Contingent considerations resulting from acquisitions (Note 27)	1,221.1
Total fair value of considerations payable for NCI	**5,392.7**

31 SHARE-BASED PAYMENTS

Per 31 December the fair value of the active option plans is disclosed as other liabilities (Note 28) and can be specified as follows:

	2019		2018	
	Number of instruments	Recognized liability	Number of instruments	Recognized liability
Stock option plan 2015	118.5	93.9	118.5	40.2
Share appreciation rights 2017	74.0	25.0	59.0	8.4
Stock option plan 2017	90.0	200.0	-	-
Share appreciation rights 2019	34.6	38.5	-	-
Total	**317.1**	**357.4**	**177.5**	**48.6**

The movement in the option plans is as follows:

	2019		2018	
	Average exercise price		Average exercise price	
	Number	EUR	Number	EUR
1 January	177,500	3,68	154,335	2.44
Granted	139,600	1,91	59,000	7.20
Stock options exercised	-	-	-	-
Stock options expired	-	-	-35,835	3.85
31 December	**317,100**	**2,06**	**177,500**	**3.68**
Exercisable on 31 December	**118,500**	**1.92**	**-**	**-**

31.1 Assumptions underlying the stock option plans

The assumptions underlying the fair value calculation of the share appreciation rights and stock option plans are as follows:

	Stock option plan 2015	Share apprecia-tion rights 2017	Stock option plan 2017	Share apprecia-tion rights 2019
Number of options issued	118,500	74,000	90,000	34.600
Fair value of the option on the issue date	EUR 1.05	EUR 2.52	EUR 1.46	EUR 0.65
Exercise price of the option on the issue date	EUR 1.92	EUR 7.20	EUR 1.00	EUR 2.00
Expected volatility	60%	60%	60%	60%
Duration of the option	7 yrs	5 yrs	7 yrs	7 yrs
Expected dividends	5,0%	5,0%	5.00%	5.00%
Risk-free interest rate	0,0%	0,0%	0.00%	0.00%
Turnover rate / Barrier	0,0%	0,0%	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.

31.2 Share based payment plans

31.2.1 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. Additionally the Group has granted a share appreciation rights program to several of its employees.

31.2.2 Stock option plan 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.

31.2.3 Share appreciation rights 2017

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.

31.2.4 Stock option plan 2017

The purpose of this plan is the persistent linking of the interests of the members of the Management Board and of employees of the company with the interests of the shareholders of the company in a long-term increase of the corporate value so as to have regard to the shareholder value concept.

The options issued within the framework of the Plan entitle the holder thereof to subscribe shares in the Company. One option entitles the holder thereof to subscribe one share in the company. Such right to subscribe shares may be satisfied either out of a contingent capital created for this purpose or out of the holdings of the Company's own shares. This will be decided by the Supervisory Board as far as the Management Board is concerned and by the Management Board for the other participants. The term of each option ends after expiration of seven years since grand date of the option to the respective participant. 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 of Euro 1.00. A prerequisite for the exercise of options is the achievement of the annual performance target within the waiting period. The main performance target for the exercise of options is achieved if the closing price of the share in the Company in Xetra trading at the Frankfurt stock exceeds the target share price corresponding to the year and month of the grand date on a total of fifty stock exchange trading days within a period of twelve months following the granting of the relevant options.

31.2.5 Share appreciation rights 2019

On 2 January 2019 and 14 May 2019 the Group granted a total of 34,600 share appreciation rights (SARs) to employees that entitle them to a cash payment after 7 years of service. The share appreciation rights expire at the end of a 7-year period after grant date. A precondition for the exercise of the share appreciation rights is that the respective year performance target has been achieved within the four-year waiting period. The year performance target is based on the Group EBITDA in comparison to the Group budgeted EBITDA. The amount of cash payment is determined based on the increase in the share price of the Company between grant date and the time of exercise.

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 2019

		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		8,208.9	-	8,208.9	-	8,208.9	-	8,208.9
Cash and cash equivalents		735.5	-	735.5	735.5	-	-	735.5
Other assets		638.6	-	638.6	-	638.6	-	638.6
		9,583.0	**-**	**9,583.0**	**735.5**	**8,847.5**	**-**	**9,583.0**
Financial liabilities measured at fair value								
Liability for share-based payments	28.1	-	-357.3	-357.3	-	-	-357.3	-357.3
Contingent considerations	27.2	-	-1,221.2	-1,221.2	-	-	-1,221.2	-1,221.2
		-	**-1,578.5**	**-1,578.5**	**-**	**-**	**-1,578.5**	**-1,578.5**
Financial liabilities not measured at fair value								
Bank borrowings		-	-10,313.0	-10,313.0	-10,313.0	-	-	-10,313.0
Lease liabilities		-	-614.7	-614.7	-	-614.7	-	-614.7
Trade and other liabilities		-	-6,157.0	-6,157.0	-	-6,157.0	-	-6,157.0
Other financial liabilities		-	-802.6	-802.6	-	-802.6	-	-802.6
		-	**-17,887.3**	**-17,887.3**	**-10,313.0**	**-7,574.3**	**-**	**-17,887.3**

32.3 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**

32.4 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 22 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: low credit risk, normal credit risk, increased credit risk or individually credit rated. Customers within the category low and normal risk are paying in line with expectations. Customers which are overdue for a longer period, without an acceptable reason for the delay, are classified as increased credit risk resulting in a higher percentage of all the outstanding receivables from that customer to be impaired. 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 costs from individual customers as at 31 December 2019.

	2019			2018		
	Trade receiva-bles	Loss allowances	Weighted average loss rate	Trade receiva-bles	Loss allowances	Weighted average loss rate
Low credit risk	2,876.9	-18.2	0.6%	-	-	-
Normal credit risk	5,151.9	-213.4	4.1%	6,004.1	-328.7	5.5%
Increased credit risk	13.4	-10.5	78.4%	431.4	-265.6	61.6%
Individually credit rated	1,694.0	-1,285.2	75.9%	1,274.3	-597.4	46.9%
Total	**9,736.2**	**-1,527.3**	**15.7%**	**7,709.8**	**-1,191.7**	**15.5%**

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 735.5 thousand (2018: EUR 1,332.3 thousand) are available to cover liquidity requirements. Overall, liquidity risk is categorized as low.

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

in EUR thousand	Gross value 31 December 2019	Payments 2020	Payments 2021 to 2024	Payments from 2025
Trade payables	2,010.1	2,010.1	-	-
Bank borrowings (Note 26)	9,936.5	-	9,936.5	-
Other financial liabilities	2,638.5	1,454.3	1,184.2	-
Other liabilities	4,504.2	4,146.9	357.3	-
Total	**19,089.3**	**7,611.3**	**11,478.0**	**-**

in EUR thousand	Gross value 31 December 2018	Payments 2019	Payments 2020 to 2023	Payments from 2024
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**	**-**

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.

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 10,313.0 (2018: EUR 8,203.3) 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 0.0 (2018: EUR 8,203.3) 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 2019, 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	2019	2018
Payments due in the short term (excluding share-based compensation)	712.4	709.3
Share-based compensation	245.3	-417.9
Total compensation	**957.7**	**291.4**

As of 31 December 2019, the Management Board held a total of 190,000 stock options. (2018: 100,000 stock options). The stock options can be exercised in a four-year period, under the conditions that the agreed performance targets are reached.

33.2 Remuneration for members of the supervisory board

Per 31 December 2019 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 2019 financial year (2018: EUR 88 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 2019 (2018: nil).

34 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As of the balance sheet date, the Group was not exposed to contingencies (2018: EUR nil), except for those disclosed in Note 27.2 related to the acquisition of the UK Operations.

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

On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of the coronavirus (COVID-19). Since 11 March 2020, the WHO has classified the spread of the coronavirus as a pandemic. The further course of the spread of the coronavirus and the consequences for the Group‘s business performance are constantly monitored.

Since the implementation of the containment measures, the Cliq Digital Group has recorded positive sales developments and an increase in demand for digital products. Whether there is a (partial) correlation to the outbreak and the positive sales development of the coronavirus we cannot substantiate. On the basis of current observations, the Management Board therefore sees no reason to materially adjust its previous expectations of future business development. No other significant events have occurred since the balance sheet date which are of significant importance to the CLIQ Digital Group.

31 March 2020

CLIQ Digital AG

Luc Voncken

Ben Bos

INDEPENDENT AUDITOR'S REPORT

To Cliq Digital AG

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 profit and loss statement/ 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 2019.

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 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, 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, 31. March 2020

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Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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