CLIQ DIGITAL

Annual report 2017

CLIQ

About CLIQ Digital

CLIQ Digital (www.cliqdigital.com) 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 of its digital entertainment products to consumers via mobile and online marketing channels. CLIQ Digital is a valuable strategic business partner for networks, content owners, publishers and brands. The Group, based in Dusseldorf, employs +100 staff. 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 the year under review, we were able to continue our international growth once again, posting a double-digit increase in earnings. We raised our revenue from EUR 65.3 million to EUR 70.5 million, equating to an increase of 8%. Earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted for amortization of customer acquisition costs, increased from EUR 5.1 million to EUR 5.5 million – an upturn of 8.6%. Net income developed even more dynamically and saw a rise of 23% from 2.7 million in 2016 to EUR 3.3 million in 2017. Due to the positive results and cash flows in the financial year, we were able to reduce our bank liabilities by 47% to EUR 5.7 million at year-end. Continuous repayment is the result of the increase in the Company's profitability and favorable refinancing conditions.

Our main Key Performance Indicators (KPIs) continued to improve in the financial year 2017. We were able to lift our CLIQ factor by 4% to 1.47 (2016: 1.41). The CLIQ factor is derived by dividing the Average Revenue Per User (ARPU) – up 12% to EUR 13.16 (2016: EUR 11.73) – by the Cost Per Acquisition (CPA) which increased by 8% to EUR 8.98 (2016: EUR 8.32). The higher CLIQ factor means we are operating our sales side more profitably by focusing on more profitable markets and traffic. As a consequence, our media spend decreased by 14% showing a total media spend of EUR 18.6 million (2016: EUR 21.6 million). Finally, our most important indicator for estimating future revenues generated, the customer base value, increased to EUR 26.0 million (2016: EUR 20.9 million) at year-end representing an increase of 24%.

Opportunities recognized, opportunities seized: that was 2017

We are living in a world which offers a range of opportunities mainly due to advancing (mobile) digitalization. The way in which we communicate, consume and obtain information has dramatically changed within a few years. Games, movies, music, books, and news are available anytime, anywhere. This has resulted in a reversal in sales logistics for some time. It is no longer the customer who is looking for the best provider. Instead, suppliers are now being asked to find the best way to reach their customers. In this context, digital marketing and distribution channels provide the solution.

Our core competencies are in this area. We managed to latch onto this trend mainly through our sales power, marketing tools, and innovative products. That means we are where our consumer is with enjoyable content anywhere, anytime.

For example, with our entertainment products like PLAYFILMS which offers unlimited streaming in HD quality on all available devices. PLAYFILMS is a true success story with a significant

contribution to sales and earnings right from the start. The profitability of the streaming portal stems directly from CLIQ Digital's core competence by the targeted offer of film titles with known famous actors, like Morgan Freeman, Richard Gere and Josh Hartnett.

In April 2017, in relation to the distribution of promising digital products, we reached an agreement with the US publisher John Wiley & Sons Inc., whose roster includes maintaining and publishing the successful format of the “For Dummies” books. “For Dummies” is one of the most successful book series worldwide with over 250 million printed copies sold. For over 20 years, the strikingly yellow books have simplified complex topics into easy to read and entertaining guidebook texts. Our experience shows that self-help literature, in particular, is suitable as output channels for the smartphone or tablet PC. As easy to read content, it is ideal when on the go, as fans of the successful series no longer have to resort to the printed book.

Our CLIQMOJI app also perfectly matches with the digital lifestyle of our customers. With this app, users are able to use personalized emojis in their communication via smartphone. Considering the personal aspect of this app CLIQ used influencer marketing to promote this great app. Stars like Formula 1 world champion Lewis Hamilton and the social celebrity Senna Gammour are among our emoji fans and have created their emoji collection in collaboration with CLIQ Digital.

Two new equity investments, one strong team

To further expand our leading position and ensure sustainable growth in the future, we decided to strengthen CLIQ Digital in certain areas through precisely fitting acquisitions. In June 2017, CLIQ Digital was able to set a local footprint in one of the Company's primary markets and significantly increased its sales power by acquiring majority participation in the UK-based business operations of Universal Mobile Enterprises (UME). UME is aiming for further growth in the near future and we believe that the use of the know-how and the infrastructure of CLIQ Digital will help to accelerate this expansion. Additionally, we expect to have operational synergies and cross-selling effects in marketing and sales as a result of the cooperation which will improve the profitability of CLIQ Digital.

As of February 2018, CLIQ Digital holds an indirect majority stake of 80% in both AffiMobiz (Tornika SAS) and CMind. The acquisition of AffiMobiz underlines the execution of our strategy, to position CLIQ Digital stronger in the media buying sector. We are therefore less dependent on certain media agencies and have more control over our media buying. We are optimistic about advancing our expansion strategy by acquiring existing companies with a proven track record and join forces to benefit from specialized local knowledge and the experience of CLIQ Digital in growing businesses.

Growth requires demand and trust: development on the capital market

Our positive earnings and market developments as well as the improved visibility in the investors community resulted in exceptional performance of our share price. The share prices opened at EUR 5.20 as at 2 January 2017 and closed at EUR 8.13 at the end of the financial year 2017, showing an increase of 58.8%. Unfortunately, after a strong January, the decrease of stock markets in general and the relatively high volatility of the CLIQ share resulted in a disappointing first quarter compared to the excellent performance during 2017.

As a founding member of the Deutsche Börse Scale segment, we are very proud to have been included in the German Stock Exchange's new selection index Scale 30 as of February 2018. CLIQ Digital has qualified for inclusion as one of the most liquid securities in the SME segment Scale on the Xetra and Frankfurt stock exchanges. The new index enhances visibility for investors of the most frequently stocks traded in the Scale segment. With an above-average performance of our shares, we used the increased visibility to communicate more transparently about the development of our company. We will continue to promote our transparency level for institutional and private investors in the future and are anticipating a growing recognition level for the Company, while at the same time generating increased attractiveness for potential investors.

On track for further growth: the outlook for 2018

We are confident that we can continue to grow sustainable in the coming year. The market for digital products continues to offer numerous opportunities. We expect a rising penetration rate of smartphones and increased bandwidth (e.g., 4G/5G) in the near future and see global market players which are looking for solutions to connect everyone to the internet by steadily improving the

coverage. Mobile payments solutions are being more accepted by the general public worldwide. As a result, we believe the volume in digital content being consumed will continue to increase for the upcoming years. With our current content range covering movies, music, games, books, and software and the product groups sports and fitness to be released in 2018 we have an excellent market positioning and cover precisely our customer preferences.

We are fully aware of our strengths of which our team of creative, innovative and persevering people is most important. As at the end of 2017, 105 employees from 27 nations were working at CLIQ Digital. At this, we would like to thank our colleagues. Without them, without this outstanding team, this success would not have been possible.

We are positive about the 2018 financial year. We are aiming for an ambitious double-digit growth in earnings for the year 2018. We believe this can be achieved by increasing our marketing spend while focusing on a stable CLIQ factor, resulting in an increase in revenues.

We are looking forward to the future – our common future.

Dusseldorf, 5 April 2018

The Management Board of CLIQ Digital AG

Luc Voncken | Ben Bos

REPORT OF SUPERVISORY BOARD

Dear shareholders,

The following report of the Supervisory Board informs about its activities in the financial year 2017 and the results of the audit of the annual and consolidated financial statements 2017.

During the past reporting year 2017, the Supervisory Board of CLIQ Digital AG thoroughly fulfilled the tasks incumbent to the law, the Company's articles of incorporation, and its rules of business procedure. The Supervisory Board continuously supervised the Management Board and advised the Board on the strategic orientation and management of the Company. The Supervisory Board was involved timely in all decisions that were of fundamental importance for the CLIQ Digital Group.

The Supervisory Board held a total of 4 regular meetings in 2017. The Supervisory Board was informed regularly by the Management Board about the Company's situation and development, as well as about important business transactions. The mandatory reporting requirements pursuant to Section 90 of the German Stock Corporation Act (AktG) were complied with in this context. The ordinary meetings in 2017 were held on 6 April, 19 May, 25 September and 8 December. Next to the regular meeting, the Supervisory Board approved on 20 April 2017 the acquisition of the "UK operations". 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 2017 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 2017.

Focal points of the supervisory activity

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

In the 2017 financial year, the following significant items were also covered / approved during Supervisory Board meetings:

- Luc Voncken was reappointed as member of the Management Board of CLIQ Digital AG for a period of 5 years
- Cybersecurity as important topic for the Group
- Majority stake in UK operations of the "UME Group"
- Further discussions on M&A strategy of the Group which resulted already in the announcement of the acquisition of AffiMobiz (Tornika SAS)
- Business planning, budgets and Group strategy, financial guidance
- Quarterly- and half-year figures 2017
- Financial status and financing of the Company
- Reflection of the Annual General Meeting of CLIQ Digital AG 2016
- The agenda and date of the Annual General Meeting 2017
- Approval and adoption of the single entity financial statements for the 2016 financial year
- Approval of the consolidated financial statements for the 2016 financial year
- Decide on the incorporation, acquisition, and liquidation of several entities of the Group
- Approval of the resignation and 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 2017 in the composition of the Supervisory Board.

Approval of single-entity and consolidated financial statements for 2017

The single-entity and consolidated financial statements as of 31 December 2017, as well as the group management report for the 2017 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 2017 as well as the group management report for the 2017 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 5 April 2018, the Management Board explained the single-entity and consolidated financial statements as of 31 December 2017, the group management report for the 2017 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 5 April 2018: The single-entity financial statements as of 31 December 2017 as well as the consolidated financial statements as of 31 December 2017 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.

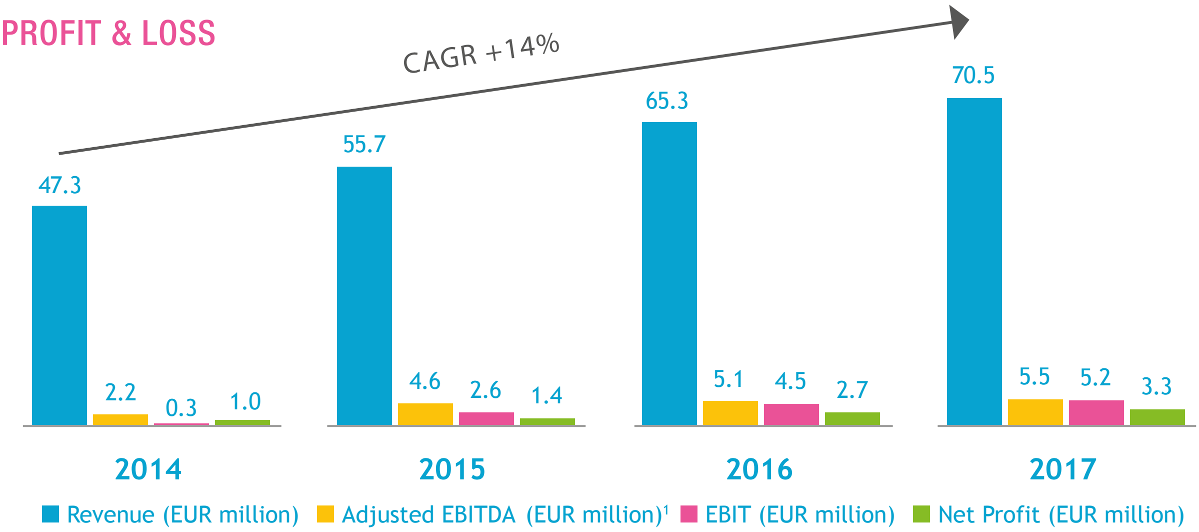
Dusseldorf, 5 April 2018

Dr. Mathias Schlichting

Chairman of the Supervisory Board

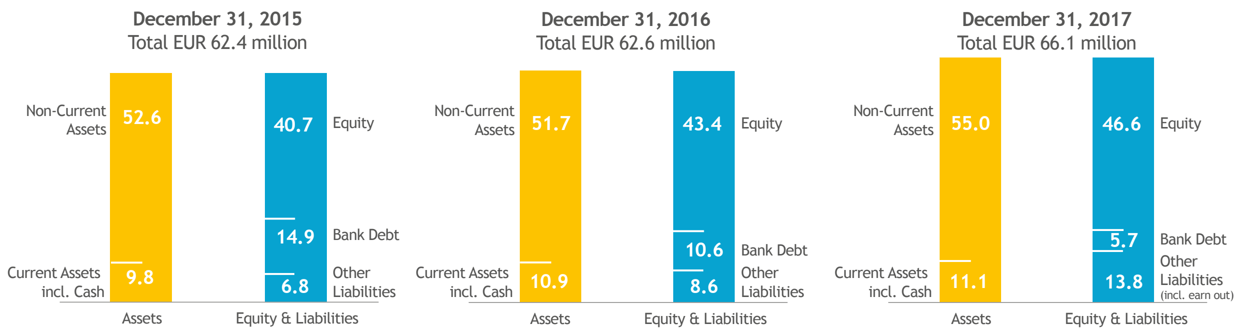
KEY FIGURES

PROFIT & LOSS

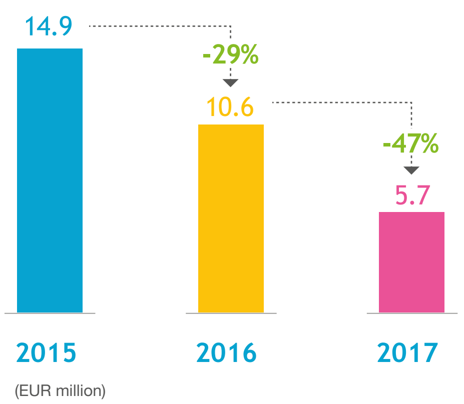


[1] EBITDA minus amortization customer acquisition cost

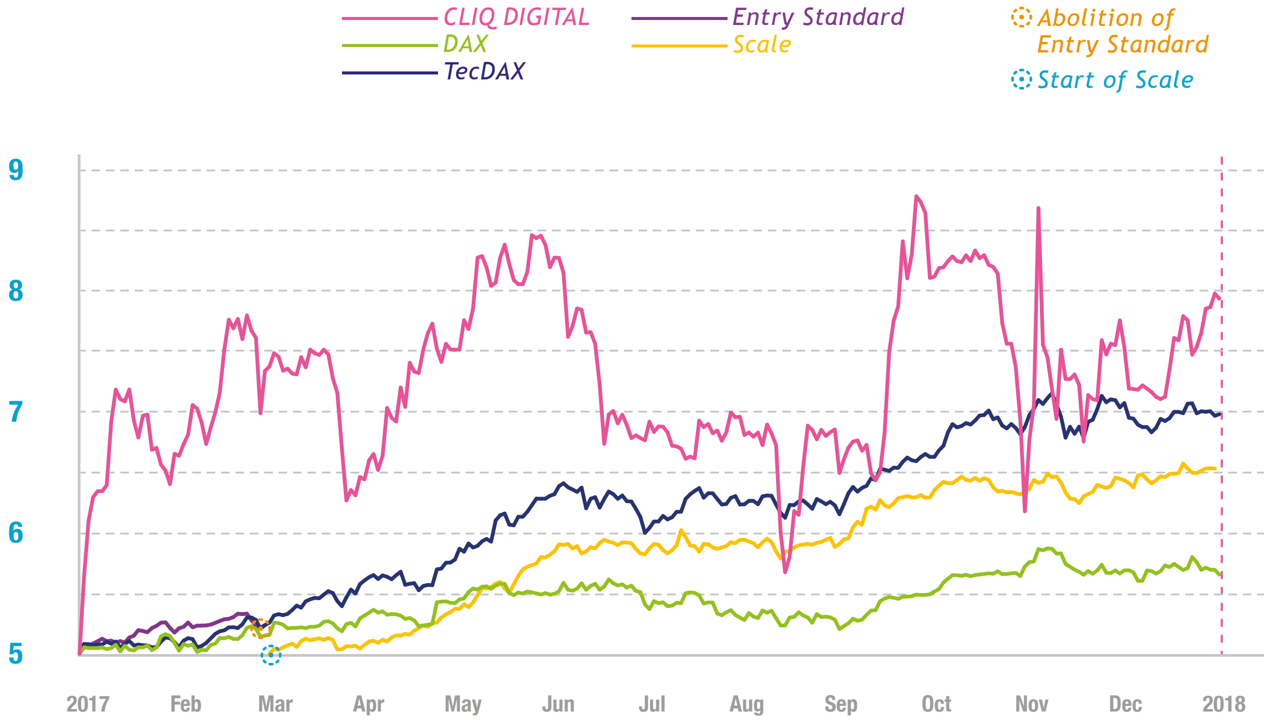
BALANCE SHEET



DEVELOPMENT BANK BORROWING



THE SHARE



After a positive start to the year, the DAX headed towards 13,000 points in the first half of 2017. Meanwhile, neither the interest rate hike of the US Federal Reserve in March, rising yields on bond markets nor the erratic leadership of the new US president Donald Trump were able to fluster the international stock markets. In 2017, investors appeared unimpressed by risks such as the elections in Europe, the uncertainty surrounding the Brexit, terrorist attacks, political events in Turkey and the US government‘s isolation and North Korea policy. Emerging markets‘ stock markets led the performance rankings, but industrialized nations also recorded splendid price increases. At the end of 2017, the markets in Germany and the USA lost some of their momentum after a strong trading year. Nonetheless, the Dow Jones blue-chip index in the USA still presented the highest annual profit since 2013. Europe‘s stock markets achieved their sixth consecutive annual profit in 2017, their longest profit streak to date. In 2017, the German benchmark index DAX rose by 12.5%, the MDAX index for medium-sized companies by 18.1% and the German small-cap index SDAX by 24.9%. Whereas, the TecDAX was up 39.6%, as was the Scale All Share Index, in which also the CLIQ Digital share is listed, with a plus of 30.6%. Since February 2018, CLIQ Digital has been included in Deutsche Börse‘s new Scale 30 selection index.

Share-price performance in 2017

The CLIQ Digital AG share price rose by an extraordinary 58.7 % in the year under review and even outperformed the very good development of the Scale All Share Index. Following a year-end price of EUR 5.12 in 2016, the shares began the trading year 2017 with a stronger start on 2 January 2017 with a price of EUR 5.20. The CLIQ Digital share reached its low on the first trading day of 2017 at EUR 5.12. Subsequently, the CLIQ Digital share recorded a sustained increase in value in a dynamic price development. The CLIQ Digital share reached its high for the year on 22 September 2017 at EUR 9.07. At the end of the year, CLIQ Digital AG‘s share closed the trading year on 29 December 2017 at a price of EUR 8.13. The market capitalization of CLIQ Digital AG increased to EUR 50.3 million on the basis of 6,188,714 shares in circulation as of the balance sheet date 2017. At the balance sheet date 2016, the stock market value was EUR 31.7 million at the same number of shares and a year-end closing price of EUR 5.12 (all figures based on Xetra prices). The average daily trading volume of CLIQ Digital shares in the past financial year was 19,425 shares on all German stock exchanges compared to 9,526 shares in the previous year.

Investor Relations

In the reporting year 2017, CLIQ Digital carried on communicating continuously with institutional investors, private investors and analysts about current business developments and events of significance for the performance of the Company‘s share price. In addition, the management presented the Company at the Oddo Seydler Small and Mid Cap Conference in February 2017 and the DVFA Spring Conference in Frankfurt in May 2017. Further presentations of CLIQ Digital AG took place, among others, in September 2017 at the IR-Boat-Trip of Rüttnauer Research and at the Zurich Capital Market Conference ZKK, in October 2017 at the Family Office Day Investors‘ Conference in Vienna and in November 2017 at the German Equity Forum in Frankfurt as well as at roadshows in Amsterdam, Frankfurt and London. The Executive Board of CLIQ Digital AG also engaged actively with the financial and business press to present the Company to the capital market. In the current financial year 2018, CLIQ Digital will continue to intensify its communication with capital market participants in order to present the CLIQ Digital AG share to a wider range of investors.

The CLIQ Digital AG share belongs to the qualified market segment for growth companies, Scale, in the Open Market of the Frankfurt Stock Exchange. As designated sponsors, Oddo Seydler Bank AG and Lang & Schwarz Broker GmbH ensure that the CLIQ share is adequately liquid and tradable at all times by providing binding bid and offer prices.

Annual General Meeting

On 19 May 2017, the Executive Board of CLIQ Digital AG informed the shareholders at the Annual General Meeting in Dusseldorf about the course of the financial year 2016 and answered their questions. At the time of the voting, 65.50% of the share capital was present. The shareholders expressed their satisfaction with the development of the Company and approved the actions of the Management Board and Supervisory Board. In all items on the agenda, the management‘s proposals were adopted by a large majority. The voting results of the Annual General Meeting can be viewed at www.cliqdigital.com under Investor Relations / Annual General Meeting 2017.

Shareholder structure

The shareholder structure of CLIQ Digital AG did not change significantly in the reporting period. The members of the Management Board and of the Supervisory Board hold 28% of the voting rights. According to Deutsche Börse's definition, 53% of the share capital as of 31 December 2017 is in free float with voting rights of less than 5%.

Research coverage

The renowned Warburg Research GmbH analyses and evaluates the CLIQ Digital share on a regular basis: In most recent update on 16 February 2018, Warburg Research reiterated the buy recommendation for the CLIQ Digital share with a target price of EUR 10.30. Based on the year-end closing price of EUR 8.13 on 29 December 2017, the CLIQ Digital AG share has a price potential of around 27%. Current analyses and evaluations are based on the published figures in this annual report and will be published on the Company's website on receipt. Further research studies and information are available to interested investors at www.cliqdigital.com under Investor Relations / Research. In addition, contact persons are available by e-mail (sh@crossalliance.de).

Key Data CLIQ Digital Share (as of December 31, 2017)

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	December 31

CLIQ DIGITAL AT A GLANCE

10
Billion monthly impressions

36
Million monthly clicks

200,000
Monthly conversions

2.2
Billion customers

110
Connected carriers

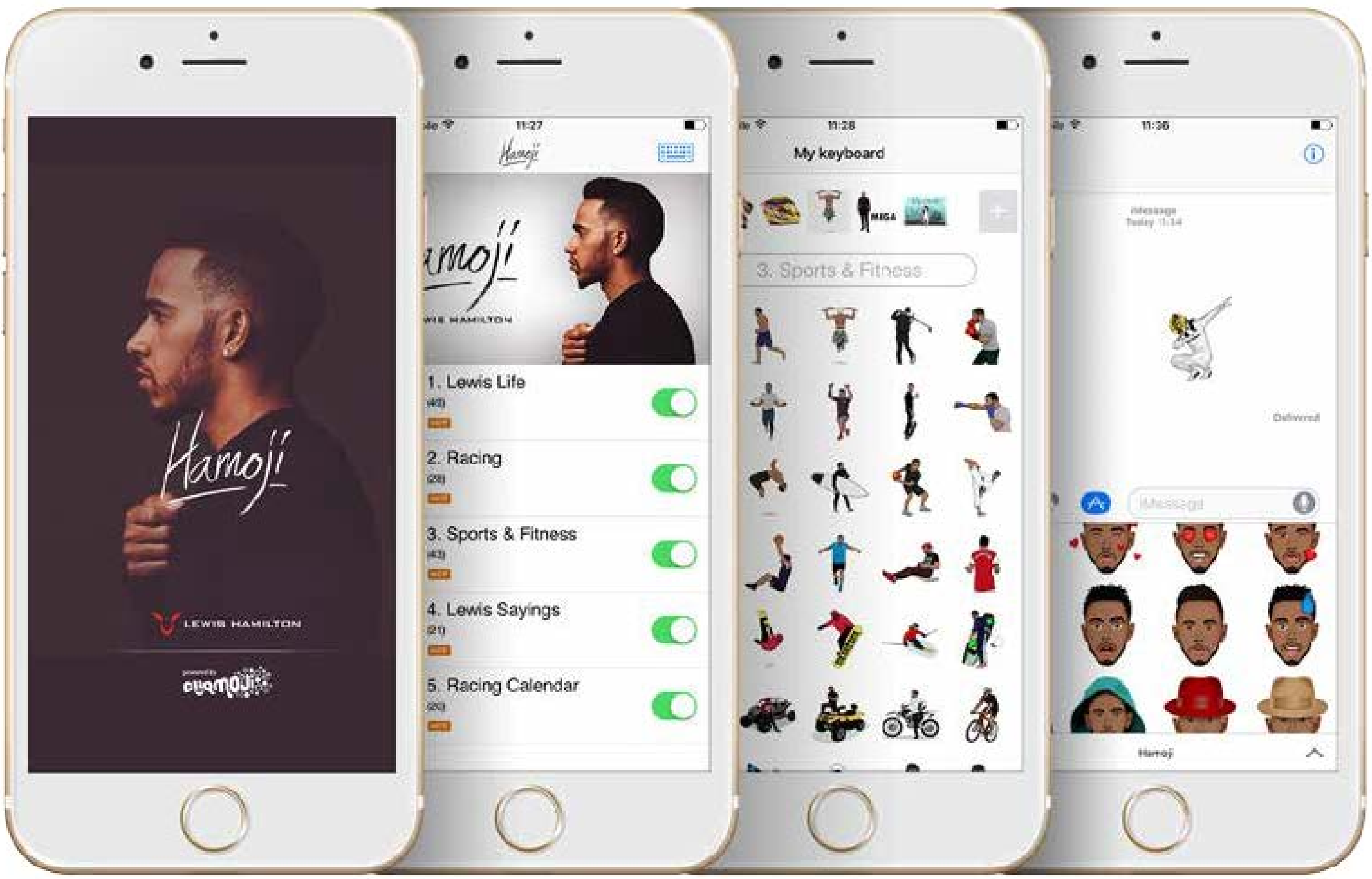
34
Connected countries

100+
Employees
34% female
66% male
Average age 34

27
Nationalities working at CLIQ

Offices
Dusseldorf (HQ)
Paris
London
Amsterdam

2 GROUP MANAGEMENT REPORT


Hamoji
LEWIS HAMILTON
11:27
Hamoji
1. Lewis Life
2. Racing
3. Sports & Fitness
4. Lewis Sayings
5. Racing Calendar
11:28
My keyboard
3. Sports & Fitness
11:36
Delivered
Hamoji

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. CLIQ Digital, based in Dusseldorf, employs 105 people (2016: 101). The shares of CLIQ Digital AG are listed in the Scale 30 segment at the Frankfurt Stock Exchange (ISIN DE000A0HHJR3).

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 compared to, for instance, brand marketing or viral marketing), although CLIQ Digital is performing several tests with social (viral) marketing. Direct response marketing comprises the placing of advertisements on (mobile) Internet websites, which aim at triggering a direct purchasing decision. For CLIQ Digital, it will continue to be the most dominant marketing method going forward. The largest part of CLIQ Digital's sales numbers is achieved via affiliate marketing, whereby the affiliate partner is rewarded for each customer that signs up for a CLIQ Digital service. Besides affiliate marketing, a growing number of customers is acquired via in-house media buying, whereby CLIQ Digital is responsible for the acquisition of internet traffic and conversion from visitor to customer. CLIQ Digital is very pleased that AffiMobiz (Tornika SAS) becomes part of CLIQ Digital after closing the transaction in February 2018. This enables CLIQ to expand its market share, deepen the Group's understanding of media buying and further strengthen its relationship with networks having access to media sources.

CLIQ Digital is primarily offering its products (as described below) to consumers via the subscription model, in which customers can enjoy unlimited access for a daily, weekly or monthly subscription fee. Only in exceptional cases, CLIQ Digital is offering products for a one-off fee. Depending on the country, payments can be made through premium SMS (PSMS), direct carrier billing (DCB), app store billing, credit card and many other options.

As a result of targeted efforts, the product team at CLIQ Digital is able to provide its sales and marketing teams with the latest and hottest products. In turn, sales and marketing sell the products directly, and highly efficiently, to consumers. Our current product range comprises movies, music, games, books, and software. And the product range sports and fitness will be released in 2018. Our product range is divided in the following four groups:

ENTERTAINMENT

With the help of country-specific portals, the "Entertainment" product group sells digital premium products and services that provide consumers with local content, entertainment and information services. These include, for example, themed live streaming video portals, infotainment, images and more. CLIQ Digital rapidly responds to customers' changing preferences with new and innovative digital entertainment products.

An example is PLAYFILMS, which allows unlimited streaming in HD-quality on all available devices. The streaming platform PLAYFILMS was launched in 2017, first in France. Since 2018 PLAYFILMS is also playing in Italy. The launch in Germany, Spain, and further countries will follow in the current business year as well as the introduction on new devices.

The products are promoted through Internet banners. When customers click on a banner, they are redirected to the campaign landing page, where they can subscribe and access the country specific content fulfillment portal.

CLIQ Digital's next streaming highlight will be launched in the 2018 with VIDI.

But CLIQ Digital is not only for entertainment enthusiasts, sports fans will also be thrilled by CLIQ in the course of 2018 – introducing: SPORTSPLUS+ offering more than the best of the premier soccer leagues in Spain, France, and China.

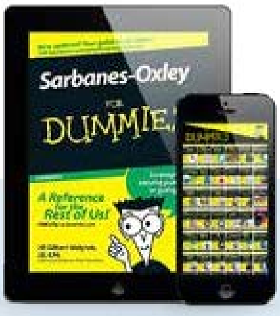
GAMES

The “Games” group generates an important share of CLIQ Digital’s revenue. The Games portfolio includes a range of high-quality HTML5 games from leading publisher Anuman Interactive/Microids and special games for basic mobile phones.

In addition, the games offering includes games as apps for iOS and Android devices. Overall consumers can be entertained on a variety of different devices. The “Games” products are offered in a similar way to the “Entertainment” products. In addition, “Games” are also offered via game portals and third-party digital shops.

In 2017, CLIQ Digital extended its portfolio by licensing 70 HTML5 games from BlackMoon Design.

APPS



CLIQ Digital buys its “Apps” offerings for Android as well as iOS devices worldwide with its own licensing team. These apps are available to consumers in different packages and individually. The “Apps” product group focuses on “fun” and applications that can only be downloaded on smartphones. The apps cover a wide range of genres, such as entertainment, ebooks, discovery, productivity, lifestyle, travel, sports and social media.

CLIQ Digital strengthened its portfolio in the product group “Apps” by signing an agreement with US publisher John Wiley & Sons Inc. (worldwide distributor of “For Dummies” guides).

cliqmoji

Furthermore, CLIQ Digital launched several “Emoji”-apps during FY 2017 with Lewis Hamilton (Hamoji), the Dutch Superstar Lil’ Kleine and the social media celebrity Senna Gammour.

In 2018, CLIQ Digital will also launch its new fitness app ‘FitMe’ which completes the Group‘s digital lifestyle offering. CLIQ Digital thus proves another of its core competences: Feeling the pulse of the times. With FitMe, CLIQ Digital speaks for the high-impact lifestyle of its target group of digital nomads and offers the opportunity to meet fitness needs at any time and anywhere.

SOFTWARE

The “Software” product group comprises premium quality functional software applications for smartphones, laptops, and desktops. The software applications are licensed from market-leading software developers such as AVG/Avast, iolo Technologies, Kaspersky Lab or ZONER software and include award-winning security software solutions and tuning utilities. CLIQ Digital’s partners benefit from CLIQs specialized marketing abilities in order to gain more customers in multiple markets.

For over 10 years, CLIQ Digital has been marketing and selling its products and services in multiple countries on every continent. Before entering a new market, CLIQ Digital analyses the market conditions as well as the legal environment of the relevant country. Furthermore, it repeatedly investigates the change of customers’ preferences, changes in the legal situation and all other developments in such markets. In doing so, CLIQ Digital has gained knowledge and strong experience in these countries, including in-depth knowledge of the local regulatory environment of online and mobile advertising and mobile payments. CLIQ Digital, therefore, believes that, based on such knowledge and experience, it is in a good position to successfully compete with its competitors and to sustainably expand its business in these markets.

CLIQ Digital is developing core technology in-house to advertise, deliver and invoice its products. The Company is working together with external partners on connections to mobile network operators and on implementing various invoicing methods. Product development (mobile services and games) occurs almost completely externally, partially commissioned by CLIQ Digital. CLIQ Digital product range are predominately licensed.

The (Supervisory) Board

The Supervisory Board of CLIQ Digital AG consists of Dr. Mathias Schlichting (Chairman), Karel Gustaaf Tempelaar and Niels Walboomers. There have been no changes in the composition of the Supervisory Board during the year 2017.

The composition of the Executive Board also remained unchanged in 2017. 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 2017.

Structure of the CLIQ Digital Group

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

A complete overview of all the subsidiaries which are part of the CLIQ Digital Group at year-end are presented in note 16 to the financial statements. The changes compared to prior year are described in the next section.

Changes in group structure during the financial year

In April 2017 the Greek entity Just A Game Hellas S.A. was liquidated. In June 2017 completed the acquisition of the "UK operations" after which the subsidiaries Universal Mobile Enterprises Ltd, Moonlight Mobile Ltd and Red27 Mobile Ltd were added to the CLIQ Digital Group.

UK operations

With the acquisition of the UK operations CLIQ Digital was able to set a local footprint in one of the Company's primary markets and significantly increase its sales power. The use of the know-how and the infrastructure of the CLIQ Digital Group will help to accelerate the growth of the UK operations. Additionally, we expect to have operational synergies and cross-selling effects in marketing and sales as a result of the cooperation which will improve the profitability of the CLIQ Digital group. Further details about the transaction are disclosed in Note 27 of the financial statements.

Report on economic position

Economic environment

Macro-economic trends

According to the International Monetary Fund (IMF), the global economic upswing continued to stabilize in 2017 with a growth of 3.7%, after 3.2% in the prior year. In the previous forecast, the IMF had expected an increase of 3.6%. The growth rates in Europe and Asia came as a particularly positive surprise. World trade has grown sharply in recent months, supported by a revival of investment, particularly in the industrialized countries, and an increase in production in Asia in the run-up to the introduction of new smartphone models. In 2018, global economic growth is expected to continue to benefit from favorable financing conditions and the economic recovery in the industrialized nations, rising to 3.9%. This represents an increase of 0.2 percentage points compared to the October 2017 forecast, reflecting the global acceleration of growth and the expected impact of the recent US tax cuts.[1 2 3]

For the eurozone, the International Monetary Fund raised its forecasts for economic development for the year 2017 as a whole to 2.4% after a stronger than expected first half year on a broad front. This is 0.3 percentage points more than in October 2017. In 2016 GDP growth in the euro area amounted to 1.8%. The growth drivers were stronger consumption of private households, corporate investments, and exports as a result of increasing labor force participation. The recovery in the euro zone strengthened considerably in 2017, before it should weaken slightly at 2.2% in 2018. Nevertheless, economic growth in the financial year is still 0.3 percentage points above the IMF's October forecasts. Inflation in the single currency area continued to rise in 2017, rising to 1.5% from 0.2% in the previous year. The International Monetary Fund had expected 1.7%.[4 5 6]

According to the Federal Statistical Office (Destatis), economic output in Germany rose by 2.2% in 2017, after 1.9% in the previous year. With a strong increase, the German economy has thus grown for the eighth consecutive year. Positive stimuli came primarily from inside Germany in 2017: In particular, consumer spending was higher than a year earlier. German exports also continued to grow in 2017, with imports recording even stronger growth. Income increased significantly in the past fiscal year and was even higher than the increase in corporate and investment income. Consumer spending also went up in line with income development. The inflation rate in Germany rose by 1.8% on average in 2017 and was thus within the European monetary policy target of just under 2%. According to Destatis, economic growth of 2.5% is expected for Germany in the financial year.[7 8]

The economic weakness of the USA in the first quarter of 2017 was only temporary, while corporate investment continued to grow partly in response to the recovery in the energy sector. In the third quarter, economic development exceeded the October forecasts. As a result, according to the IMF, the US economy grew by 2.3% in 2017, as originally expected, and thus significantly stronger than in the previous year at 1.5%. In 2018, the IMF expects growth of 2.7%, after 2.3% in the previous year. The forecast increase is due to the expected increase in foreign demand, as well as the tax reform, agreed upon, in particular, the reduction of corporate tax rates, and the associated prospects for corporate investments.[9 10 11]

[1] IMF, World Economic Outlook, October 2017: Seeking Sustainable Growth, Chapter 1 - Global Prospects and Policies
[2] IMF, World Economic Outlook, April 2017: Gaining Momentum, Chapter 1 - Global Prospects and Policies
[3] IMF, World Economic Outlook Update, January 2018: Brighter Prospects, Optimistic Markets, Challenges Ahead
[4] IMF, World Economic Outlook, April 2017: Gaining Momentum, Chapter 1 - Global Prospects and Policies
[5] IMF, World Economic Outlook Update, January 2018: Brighter Prospects, Optimistic Markets, Challenges Ahead
[6] World Economic Outlook, Update, January 2018 Brighter Prospects, Optimistic Markets, Challenges Ahead
[7] Destatis 2018: Deutsche Wirtschaft wächst auch im Jahr 2017 kräftig
[8] IfW Kiel 2017: Deutsche Wirtschaft unter Volldampf
[9] IMF, World Economic Outlook, October 2017: Seeking Sustainable Growth, Chapter 1 - Global Prospects and Policies
[10] IMF, World Economic Outlook, April 2017: Gaining Momentum, Chapter 1 - Global Prospects and Policies
[11] IMF, World Economic Outlook Update, January 2018: Brighter Prospects, Optimistic Markets, Challenges Ahead

The economic performance of the People's Republic of China increased by 6.8% in 2017 according to IMF forecasts, after 6.7% in the previous year. This represents an increase of 0.2% compared to the original forecast. Supported by political reforms to transform the economy, growth moved within the 6.5 to 7.0% range envisaged by the Chinese government. For the year 2018, the International Monetary Fund expects China's economic performance to slow down to 6.6%. This is 0.1 percentage points above the October forecast in the expectation that the Chinese government will continue its expansionary fiscal policy and that demand for exports will increase.[12 13 14]

Trends in the mobile content sector

The adoption of smartphones will continue to drive growth in the number of internet users.[15] By the end of 2017, nearly 47% of people worldwide will use the internet — either through a personal computer or mobile device — a 6.1% increase over 2016 according to the market research firm eMarketer Inc. The number of internet users worldwide in the year under review was 3.5 billion up from 3.3 billion in 2016. By 2018, the penetration is expected to grow to 49% or 3.7 billion people. eMarketer estimates that internet adoption will surpass the halfway mark in 2019, when 50.6% of the world's population goes online, equating to 3.8 billion people. The projections reflect the increases in China and Asia-Pacific as well as Central and Eastern Europe and Western Europe.[16]

In the mature markets almost all mobile phone internet users will use a smartphone to go online – in 2017 more than 98% in North America and 97% in Western Europe. Older age groups going online for the first time will account for any significant growth in the number of internet users in these regions. At the same time, in Asia-Pacific, Central and Eastern Europe, Latin America and the Middle East and Africa, many people are expected to go online for the first time via mobile internet. Over 79% of people worldwide who access the internet will do so from a mobile phone in 2017, up 9.3% points from 2016. Smartphone adoption is expected to have continued its double-digit growth in 2017 to reach 2.7 billion people or 36.9% of the global population. eMarketer predicts 54% of people with mobile phones worldwide will have a smartphone by the end of 2017. The widespread availability of smartphones reflects cheaper handsets and increasingly affordable data plans. The number of smartphone users will grow by double digits in every market except for North America in 2017.[17] [18] Accordingly, mobile data traffic will increase threefold between 2016 and 2021, growing at a CAGR of 24% as the network company Cisco Systems states in its Visual Networking Index. Global mobile data traffic will expand twice as fast as fixed IP traffic from 2016 to 2021. By 2021 Smartphone traffic will exceed PC traffic with PCs accounting for only 37% of traffic. Smartphones will account for 33% of total traffic in 2021, up from 13% in 2016.[19]

The rapid expansion of smartphone ownership across the world has transformed the way that advertisers communicate with consumers. It increases the number of contacts between brands and consumers by connecting consumers to content wherever they are, at any time in the day, by paid advertising in third-party or branded content as well as social media engagement. According to Zenithmedia the amount of money spent on mobile ads has overtaken the amount spent on desktop ads for the first time in 2017, growing from 44% in 2016 to 53%. The proportion is set to rise to 59% in 2018.[20 21] Thus, global internet advertising expenditure was up 13% to reach USD 205 billion in 2017,

[12] IMF, World Economic Outlook, October 2017: Seeking Sustainable Growth, Chapter 1 - Global Prospects and Policies
[13] IMF, World Economic Outlook, April 2017: Gaining Momentum, Chapter 1 - Global Prospects and Policies
[14] IMF, World Economic Outlook Update, January 2018: Brighter Prospects, Optimistic Markets, Challenges Ahead
[15] eMarketer April 2017: Updates Wordwide Internet and Mobile User Figures
[16] eMarketer, April 2017: Updates Wordwide Internet and Mobile User Figures
[17] eMarketer, April 2017: Updates Wordwide Internet and Mobile User Figures
[18] eMarketer, April 2017: Wordwide Internet and Mobile Users - eMarketer's Estimates 2016-2021
[19] Cisco 2017: Cisco Visual Networking Index - Forecast and Methodology, 2016-2021
[20] Zenith 2016: Zenith forecasts 75% of internet use will be mobile in 2017
[21] Zenith 2017: Smartphone penetration to reach 66% in 2018

with internet advertising attracting 36.9% of all advertising expenditure, up from 34.0% in 2016. At the same time, more money was spent on internet advertising than on traditional television, which totaled USD 192 billion. Social media advertising is the fastest-growing component of internet advertising, forecasted to at an average rate of 20% a year up to USD 55 billion in 2019. Meanwhile, the internet advertising growth rate is slowing from 17% in 2016 to 13% in 2017. Newspaper advertising is shrinking by 5% a year to USD 50 billion in 2019.[22]

Innovative digital formats such as with social media in-feed ads, online video and other digital formats such as paid content and native will drive global advertising growth to 2019 with compound average growth rates of 14%. Total display expenditure will rise from USD 84 billion to USD 126 billion over this period, accounting for 64% of all the growth in global advertising expenditure. By 2019 total display will account for 50.4% of internet advertising expenditure, exceeding 50% for the first time. Paid search – the biggest internet advertising channel until 2015 – experienced recent growth from innovations in mobile and location-based search. Future growth will come from adapting search advertising to voice-activated personal assistants like Siri and Alexa. Expenditure on paid search is expected by a compound average growth rate of 10% to USD 103 billion in 2019.[23] The value of programmatic advertising is expected to rise from USD 57.5 billion in 2017 to USD 84.9 billion in 2019, growing at an average rate of 21%. With 67% two-thirds of the global digital advertising will be traded programmatically by 2019, up from 59% in 2017, according to Zenithmedia.[24]

Online video consumption grew 20% in 2017, driven by a 35% increase in viewing on mobile devices. Available video content is rising rapidly across all platforms with social media adding tools to encourage users and brands to create and share videos in the recent years. In many markets, Facebook is now the second-biggest supplier of video content, after YouTube. Meanwhile, mobile video consumption is expected to grow 25% in 2018 and 29% in 2019, driven by the spread of mobile devices, improved displays and faster mobile data connections. By 2019, mobile devices will account for 72% of all online video viewing, up from 61% in 2017 according to Zenithmedia. The rise in video consumption is equally affecting growth in video advertising. Global expenditure on online video advertising was forecasted to grow 23% in 2017 to USD 27.2 billion, up from USD 22.2 billion in 2016. Online video advertising is expected to reach USD 38.7 billion. As video is becoming an integral part of the consumer's experience of the internet, online video advertising is becoming steadily more important for digital display advertising. By 2019 online video will account for 31% of total expenditure on digital display advertising, up from 28% in 2017. Although most of the consumption is mobile, still the biggest part of advertising expenditure goes to fixed devices. Spendings on fixed video advertising was forecasted to amount USD 15.2 billion in 2017, compared to mobile video advertising at USD 12.0 billion. By 2018 mobile video advertising – at USD 18.0 billion – will overtake fixed video – at USD 15.0 billion.[25] Subscription Video on Demand (SVoD) services will be key drivers of digital content with major OTT (Over The Top) players such as Netflix and Amazon committing budgets of more than USD 5 billion to original productions in 2018. Meanwhile, Apple and Facebook are each expected to invest at least USD 1 billion for the first time, adding further momentum to the growth of the VOD market. Furthermore, the trend towards multiple subscriptions per household is increasing, leading to a greater opportunity for content aggregation and curation. According to Juniper

[22] Zenith 2017: Internet advertising expenditure to exceed USD200bn this year
[23] Zenith 2017: Innovative digital formats drive global ad growth to 2019
[24] Zenith 2017: 67% of digital display to be sold programmatically by 2019
[25] Zenith 2017: Mobile devices to lift online viewing by 20% in 2017

Research, global consumer spend on digital content will reach USD 202 billion in 2018, up 10% on this year's total of USD 184 billion.[26]

After a period of stagnation, direct carrier billing is now growing faster than operator data income. And by 2022, it will transact more than global SMS revenue. According to the research firm Ovum carrier billing is evolving from stagnation between 2012 and 2014 to a period of re-growth. The global mobile transactional market is expected to reach USD 45 billion by 2022 from just under USD 18 billion in 2017 driven mainly by direct carrier billing. App stores make up the single biggest component of carrier billing revenue with around 40% in 2017 and will grow to about 50% by 2022. That growth is expected to continue with the rollout of carrier billing by services such as Google Play with nearly 50 countries and Apple Pay with 25 countries in 2017.[27] With Google's announcement that 900 Million Android phones are now capable of using DCB in the Google Play store, nearly 1 in every 8 people on the planet can pay on the internet. According to the mobile payments provider Bango, the uptake of Android services has flourished in some of the biggest markets in the world – India, Africa, Latin America, EMEA and more all vastly adopting Google Play carrier billing – while credit card growth by comparison, has slowed. But not only emerging markets are rapidly developing mobile payments and commerce beyond traditional credit cards, taking on alternative payments such as DCB as a norm, even in developed markets, credit card adoption has substantially slowed down amongst the millennial generation, who are on the whole looking towards mobile payment alternatives.[28] Next to app stores, the second key driver of re-growth has been streaming music and video. Though gaming dominates carrier billing, video and music providers are catching up. Direct carrier billing simply is the universal way to bridge the gap in the content market where there is a large number of people that have devices that are compatible with content services, and very small number that hold a credit or debit card that would allow them to pay for these services. However, music and video content providers are ramping up their direct carrier billing activity in mature markets, too. Here, billing is used for distribution by creating trials and bolt-ons with mobile operators, basically leveraging the operators' direct billing relationship to acquire paying customers. Over-the-top (OTT) video providers like Netflix or Amazon Prime are very avid in pursuing this strategy, closing deals not just with mobile operators but also set-top box providers. Ovum estimates direct carrier billing to account for 10% of all OTT video revenues by 2022.[29]

As games cater to a much wider variety of interests, gaming is rapidly becoming the world's favorite pastime, including lean-forward (gaming intensely or casually), lean-back (viewing content created by peers or provided by the professional gaming scene), creating unique content and sharing (on-demand and live streaming). According to the consulting firm Newzoo, from the terms 'game developer' and 'publisher' no longer fit with the games-as-a-service model and the broadening of games as a business. An industry perspective CLIQ Digital has already envisaged. As the global games market exceeded the USD 100 billion mark in 2017 with USD 108.9 billion up 7.8%, Newzoo expects mobile to account for 42% of revenues, revealing that mobile gaming was the most lucrative segment with USD 46 billion in revenues in 2017, up 19% overall. With USD 35.3 billion, more than three-quarters will come from smartphone gaming. Mobile gaming surpassed the PC and console game markets accounting for USD 29.4 billion and USD 33.5 billion in 2017. In 2020, mobile gaming will represent just more than half of the total games market with USD 64.9 billion. Newzoo predicts the global market to grow at a CAGR of 6.2% toward 2020 to reach USD 128.5 billion. Asia-Pacific is by

[26] Juniper Research 2017: Digital content revenues to pass $200 billion next year
[27] Juniper Research 2017: Digital content revenues to pass $200 billion next year
[28] Bango 2017: The evolution of Android carrier billing
[29] MEF 2017: Carrier billing global outlook and opportunities

far the largest region, with China expected to generate USD 27.5 billion, or one-quarter of all revenues in 2017. The Latin American mobile games market will be the second fastest-growing region in 2017, with a year-on-year growth rate of 13.9%. The mobile segment is the largest revenue shareholder in Latin American gamers, up 34.6% year on year. This impressive growth is set to continue as revenues for smartphones and tablets increase toward 2020, driven by rapid growth of the mobile segment and increasing internet penetration. With a year-on-year growth of 25% the Middle East and Africa region accounted for the strongest increase. The Western European mobile game market remains one of the slowest at approx. 5% growth year-over-year but 1 percentage point stronger than in the prior year. Most of this growth is expected to come from smartphone gaming, a mature market but not saturated.[30]

In 2017 two of the most prominent challenges and trends with artificial intelligence (AI) and ad fraud represented two sides of the same coin for publishers. According to Juniper Research, total revenue loss owing to advertising fraud will reach USD 44 billion in 2022, rising from USD 14.2 billion in 2017, the vast majority of which occurs over programmatic advertising exchanges. The amount of ads placed over digital platforms makes it almost impossible to manually identify potentially fraudulent transactions. While unsophisticated ad fraud is easy to detect and monitor prevention of bot fraud requires further efforts. AI which can analyze Big Data, literally without human interaction, could be the most notable solution to identify and prevent fraudulent traffic. While AI has been successfully implemented in targeting strategies according to Juniper Research, the technology is continually being used to tackle bot activity.[31]

With the new Payment Services Directive (PSD2) becoming effective in Europe, the payments industry is revolutionized as everything from the way consumers pay for goods and services, to the safety and security of their data online is affected. The regulatory update is standardizing and improving payment efficiency across the EU, all while promoting innovation and competition between banks and new payment service providers.

At the same time, these new services challenge existing companies such as MasterCard and Visa by offering a range of services that make banking hassle-free and are shaped to improve the customer experience. While PSD2 will encourage new innovative and integrated payment methods, direct carrier billing services are also facing requirements from the new directive according to DOCOMO Digital as PSD2 has constricted the rules on direct carrier billing for consumers who have become accustomed to buying digital goods and services via their mobile phone. The new directive is seeing single direct carrier billing transactions being capped to a maximum of EUR 50 per transaction, with a maximum monthly limit of EUR 300. On the other hand, PSD2 allows electronic money institutions to extend the scope of direct carrier billing from digital content to the purchase of physical goods while the original directive restricted the kind of goods, such as wallpaper, music, and ringtones, which could be billed to a mobile phone user‘s bill after purchase. CLIQ Digital does not expect any negative effects from the limitations of the individual transactions.

This original regulation was significantly holding back the market for carriers and merchants. Furthermore, the safety standards required by the new regulation fosters the already established relationships between customers and their carrier providers as the new two-factor authentication and risk management processes offer improved fraud protection without adversely affecting the purchase experience. Carrier billing services

[30] Newzoo 2017: Global Games Market Will Reach $108.9 Billion in 2017 With Mobile Taking 42%
[31] Juniper Research 2017: ad fraud - how will ai rescue your budget
[32] mobile paymentstoday 2018: The future of direct carrier billing in 2018

will manage and keep secure the consumer's personal information without Merchants having direct access. At the bottom line, there is plenty of reason for optimism in the direct carrier billing market, despite more strict regulations.[32]

Market position

The digital content market is characterized by a large number of different types of companies, each playing their own role in the digital content marketplace. Some companies focus on generating digital content, or mobile or online payment solutions, while other companies focus on the distribution of digital content, or, like CLIQ Digital, focus on the direct marketing of digital content. Compared to other companies involved in the direct marketing of digital content, CLIQ Digital considers itself one of the top players worldwide in this market; the main competitors are Buongiorno, Acotel Group, NeoMobile, Zed Worldwide, Freenet digital, Sam-Media Group, Crowd Mobile, and TIM W.E. SGPS.

[32] https://www.mobilepaymentstoday.com/articles/the-future-of-direct-carrier-billing-in-2018/?utm_source=MPT&utm_medium=email&utm_campaign=EMNA&utm_content=2018-02-01

Course of business

The development of the results in 2017 compared to 2016 can be summarized as follows:

EUR million	2017	2016	2017 as % of 2016
Gross revenue	70.5	65.3	108%
Cost of sales	-32.0	-28.7	
Gross margin	**38.5**	**36.6**	**105%**
% of revenue	**55%**	**56%**	
Personnel expenses	-8.8	-7.7	
Other operating expenses	-3.6	-2.8	
Total operating expenses	**-12.4**	**-10.5**	
EBITDA	**26.1**	**26.1**	**100%**
Amortization and impairment charges applied to customer acquisition costs[1]	-20.6	-21.0	
Adjusted EBITDA	**5.5**	**5.1**	**108%**
Amortization and impairment charges applied to other intangible, tangible and current assets[1]	-0.4	-0.6	
EBIT	**5.2**	**4.5**	**116%**
Net financial result	-0.6	-0.9	
Profit / loss before taxes	**4.5**	**3.6**	
Taxes on income	-1.1	-0.9	
Profit for the year	**3.4**	**2.7**	**126%**
Profit / loss attributable to minority interest	0.1	-	
Profit / loss attributable to CLIQ Digital AG shareholders	**3.3**	**2.7**	**122%**

[1)] Total of 'Amortization and impairment charges applied to Customer acquisition costs' and 'Amortization and impairment charges applied to other intangible, tangible and current assets' are presented in the consolidated statement of comprehensive income as total 'Amortization and impairment charges applied to intangible, tangible and current assets'.

The year 2017 was a successful year for CLIQ Digital, in which revenue, Adjusted EBITDA and EBIT for the year all showed growth compared to the previous financial year. The net result 2017 even showed a double-digit growth compared to 2016. Revenue increased by 8% in 2017 to EUR 70.5 million (2016: EUR 65.3 million). Marketing spend showed a 14% decline compared to 2016 and amounted to EUR 18.6 million (2016: EUR 21.6 million). The CLIQ factor increased from 1.41 in 2016 to 1.47 in 2017. The profitability of the Group as a whole substantially increased due to more profitable marketing campaigns and a higher ARPU (Average Revenue per User) in Europe, which represents 76% (2016: 82%) of the Group´s revenues.

EBITDA margin decreased from 40% in 2016 to 37% in 2017, however, when excluding the acquisition costs of the “UK operations” the EBITDA margin would have remained stable in 2017 at 40%. Adjusted EBITDA (EBITDA adjusted for amortization and impairment charges to capitalized customer acquisition costs), an important indicator for the performance of CLIQ Digital, also increased significantly by about 8% to EUR 5.5 million compared to EUR 5.1 million in the prior year period.

EBIT showed an even greater increase of 15% to EUR 5.2 million (2016: EUR 4.5 million). This equates to an EBIT margin increase from 6.9% in the previous year to 7.3% in the period under review.

The net result after non-controlling interest shows a double-digit growth of 20%, amounting to EUR 3.3 million in the reporting period as compared to EUR 2.7 million in the previous year.

The customer base value rose by 24% to EUR 26.0 million in 2017 versus EUR 20.9 million in the previous year. The customer base value is an important figure for estimating future revenue generated from current customers.

In addition, successful business performance in the 2017 financial year allowed the Company to significantly reduce its debt with its financing institution. Liabilities to banks amounted to EUR 5.7 million as at 31 December 2017, which thus equates to a decrease of 47% compared to the previous year’s figure (31 December 2016: EUR 10.6 million).

Results of operations

Revenue development

The CLIQ Digital Group generated revenue of EUR 70.5 million in 2017 (2016: EUR 65.3 million), an increase in revenue of 8.0% compared to 2016. Due to a shift in sales focus to other markets with a higher CLIQ factor and the acquisition of the “UK operations”, CLIQ Digital has realized a year over year growth in revenue in 2017.

The revenue per continent is shown hereunder:

Territory	Revenue 2017 EUR million	% of Gross Revenue	Revenue 2016 EUR million	% of Gross Revenue
Europe	53.9	76%	53.5	82%
Asia	3.7	5%	3.9	6%
Australia	5.7	8%	2.8	4%
Africa	5.8	8%	4.9	8%
South America	-	0%	-	0%
North America	1.4	2%	0.2	0%
TOTAL	**70.5**	**100%**	**65.3**	**100%**

For more information regarding exchange risks associated with the international character of the CLIQ Digital business, see the section Currency Risks in note 26 Reporting on financial instruments.

Gross margin

CLIQ Digital generated gross margin in 2017 of EUR 38.5 million (2016: EUR 36.6 million). The Gross Margin can be specified as follows:

EUR Million	2017	2016
Revenue	70.5	65.3
Marketing spend	-18.6	-21.6
Capitalized Marketing spend	18.1	21.1
Share third parties	-28.0	-24.7
Other COS	-3.5	-3.5
Gross Margin	**38.5**	**36.6**

Marketing spend and capitalized marketing spend

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

Marketing spend for the financial year is 14% lower than the previous year. The higher CLIQ factor (1.47 in 2017 versus 1.41 in 2016) compensated the lower marketing spend, resulting in overall increasing revenues. Due to the focus on high profitability countries, CLIQ Digital decided to lower marketing spend in several (low-margin) countries to maintain the high CLIQ factor.

The marketing spend for customer acquisition is accounted for as an intangible asset and amortized over the customer's revenue life-cycle with a maximum amortization period of 18 months. Because of the lower marketing spend in 2017 the capitalized marketing spend also decreased compared to prior year.

Share third parties

Share third parties consists of the share for network operators and gateways that provide the technical connections with the network operators and payment providers. The costs are almost completely variable and vary significantly between countries. The share of end-customer revenue that goes to the network operators and gateways ranges from approximately 25% in some markets to more than 70% depending on the country. In Europe the average network operators and gateway share was 35% in 2017 (2016: 37%), however for example in Asia the average network operators and gateway share was 53% in 2017 (2016: 54%). As a percentage of gross revenues, Share third parties increased from 37.8% in 2016 to 39.8% in 2017. The increase mainly relates to the country mix, as CLIQ Digital generated a larger portion of its revenue in Australia (2017: 8%, 2016: 4%), with an opposite trend in Europe (2017: 76%, 2016: 82%). On average the share of third parties in Australia equal 42%, while the percentage in Europe is 35% resulting in a relatively higher share third parties.

Other cost of sales (COS)

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

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

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

The other cost of sales amounting to EUR 3.5 million in both 2016 and 2017 remained stable while revenues increased. The other cost of sales in a percentage of revenues decreased from 5.4% in 2016 to 5.0% in 2017 and is attributable to cost savings on one side and a different country mix on the other side.

Expenses, depreciation, and amortization

Personnel expenses

Personnel expenses amounted to EUR 8.8 million in 2017 compared to EUR 7.7 million in 2016, thereby accounting for 71% of total operating costs (73% in 2016). Increased activities of the Group also resulted in an increase of FTE. The FTE amounted to 116 in 2017, compared to 105 in 2016 representing an increase of 10.5%. In addition the personnel expenses increased due to strong share price of CLIQ Digital at year-end resulting in additional expenses being recognized for the share option plan in the amount of EUR 377 thousand (2016: EUR 232 thousand).

Other operating expenses

Other operating expenses, which came in at EUR 3.6 million (EUR 2.8 million in 2016), contain the following items in particular:

EUR million	2017	2016
Premises costs	0.4	0.4
Travel costs	0.7	0.5
Professional fees	1.6	1.3
Supervisory Board comp.	0.1	0.1
IT costs	0.7	0.5
Other	0.1	-
Total	**3.6**	**2.8**

The higher travel costs are related to the internationalization of the Group resulting in more travelling and overnight stays. The increase in professional fees is related to the acquisition of the UK operations. The increase in IT costs are related to changes in the product range in which CLIQ provides more and more streaming portals. The streaming portals demand higher performance and bandwidth of our IT environment.

Amortization and impairment charges

Total depreciation and amortization decreased in 2017 to EUR 21.0 million (EUR 21.6 million in 2016), most of which reflects the decreased amortization of customer acquisition costs amounting to EUR 20.6 million (EUR 21.0 million in 2016). The noticeable lower amortization is a direct result of the decreased capitalized marketing spend in 2017 (EUR 18.1 million) compared to 2016 (EUR 21.1 million).

Net financial result

The negative result from financial income and expenses amounted to EUR 0.6 million in 2017 (2016: EUR 0.9 million). The financial income and expenses consisted mainly of interest expenses (2017: EUR 0.3 million; 2016: EUR 0.4 million) and other financial expenses (2017: EUR 0.4 million; 2016 EUR 0.5 million).

Taxes on income

The effective tax rate is impacted by the different national tax regulations of the countries in which CLIQ Digital‘s subsidiaries are located. Furthermore, the effective tax rate is impacted by tax losses carry forwards. Overall, the effective tax rate for 2017 amounts to 25.5% (2016: 23.6%). The increase in effective tax rate is due to the acquisition costs which are not tax deductible. For a detailed analysis of the tax situation, see note 12 of the Financial Statements.

Financial position

Intangible assets

CLIQ Digital reported intangible assets of EUR 52.6 million as of 31 December 2017 (EUR 49.5 million in 2016). The most important component of intangible assets is goodwill, which increased with EUR 4.1 million in the financial year 2017, due to the acquisition of the "UK operations", from EUR 43.2 million in 2016 to 47.3 million in 2017. Goodwill has been confirmed by an impairment test.

Capitalized marketing expenses for customer acquisition amounted to EUR 5.0 million as at 31 December 2017 (2016: EUR 5.9 million).

The internally generated intangible assets decreased from EUR 0.4 million at 31 December 2016 to EUR 0.2 million at 31 December 2017 due to amortization.

Tangible assets

The CLIQ Digital Group reported tangible fixed assets of EUR 0.3 million as of 31 December 2017 (EUR 0.4 million in 2016). These particularly comprise IT equipment. In the reporting year EUR 101 thousand was invested in tangible assets (EUR 80 thousand in 2016).

Deferred tax assets and liabilities

At the 2017 balance sheet date, the deferred tax assets of CLIQ Digital amounted to EUR 2.1 million (2016: EUR 1.8 million) and the deferred tax liabilities amounted to EUR 0.4 million (2016: EUR 0.4 million). The total asset side overhang increased by EUR 0.3 million to EUR 1.7 million at 31 December 2017 (2016: EUR 1.4 million).

The movement in the deferred tax position is primarily caused by utilization of carry forward losses (EUR 128 thousand) and a reduction of temporary valuation differences caused by lower customer acquisition costs at year-end resulting in a decrease (EUR 430 thousand) of the deferred tax liability.

An analysis of the recoverability of deferred taxes was prepared as of the 2017 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.

Short-term receivables and other assets

Both trade receivables and receivables from services that have not yet been invoiced decreased slightly compared to prior year. Trade receivables decreased to EUR 5.1 million as of 31 December 2017 (2016: EUR 5.2 million) and the receivables from services that have not yet been invoiced decreased to EUR 5.1 million (2016: EUR 5.3 million).

Cash and cash equivalents

Cash in hand and cash at banks amounted to EUR 169 thousand as of 31 December 2017 (2016: EUR 49 thousand).

Equity

CLIQ Digital reported consolidated equity of EUR 46.6 million as of 31 December 2017 (EUR 43.4 million in 2016). 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 2017 (2016: 4,000 shares). The share premium as of December 2017 amounted to EUR 46.6 million (2016: EUR 46.6 million).

The loss carried forward of EUR -9.5 million as of 31 December 2016 increased to EUR -6.2 million as of 31 December 2017 due to the profit of EUR 3.3 million generated in 2017. The movement in other reserves is related to movements in foreign exchange rates related to subsidiaries having a functional currency different from EUR and the cash payment of equity-settled share options.

No dividends were paid during the year.

Bank borrowings

The overdraft facility provided by Commerzbank AG contains a borrowing base financing with an interest rate of 3M-Euribor plus 2.1% and a maximum fixed amount of EUR 5.0 million with an interest rate of 3M-Euribor plus 3.3%. Bank borrowings reported on 31 December 2017 corresponds fully to the overdraft facility of the Commerzbank AG. As the original end date of the contract with Commerzbank has been extended till the 30th of June 2018 the loan amount has been presented short-term. The relative short short-term extension is because CLIQ Digital is in negotiations with Commerzbank and others to increase the debt facilities to support the non-organic growth ambitions of CLIQ Digital.

At the time of writing this report, CLIQ Digital AG has received (initial) offers from Commerzbank AG and other banks to extend and increase the current credit facility to approximately EUR 25,0 million for a duration of 3 years.

Considering the offers received and the positive meetings that have occurred with numerous bank, CLIQ Digital is convinced that it will be able to increase and extend the current credit facility and does not foresee a direct threat for the Group's operations or going concern of the Group.

Financial liabilities

The financial liabilities amounting to EUR 4.2 million are related to the acquisition of the "UK operations" and are payable to the former shareholders of the acquired companies when certain conditions related to future revenues and results of the UK operations are realized. For further details reference is made to note 27.

Income tax liability

The income tax liability increased to EUR 3.2 million (2016: EUR 0.5 million) due to the profitable results of the Group and the acquisition of the UK operations. The acquisition balance of the UK operations included an amount of EUR 1.2 million related to income taxes payable for prior year profits and were paid in the first quarter of 2018 after filing the income tax return in the United Kingdom.

Trade payables and other liabilities

EUR million	2017	2016
Trade payables	2.1	2.9
Marketing and other COS	1.3	2.1
Share option plan	0.5	0.3
Other taxes	0.2	0.2
Auditing of the financial statements	0.2	0.1
Other liabilities and accruals	1.7	1.8
Total	**6.0**	**7.4**

The total decrease of 32% in trade payables and marketing and other COS is attributable to the lower media spend in the fourth quarter of 2017. The liability regarding the share option plan increased as a result of the higher share price of CLIQ Digital AG at year end.

Cashflow

Principles and objectives of financial management

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

Cashflow

In 2017 CLIQ Digital generated a free cash flow of EUR 5.1 million (2016: EUR 0.5 million). The higher free cash flow is attributable to the increase of EUR 3.8 million in the cash flow from financing activities and the lower amount (EUR 1.2 million) of cash used in investing activities while the operational cash flow remained stable at EUR 25.1 million for the year 2017 compared to EUR 25.5 million in prior year.

The improved cash flow from financing activities is due to the absence of repayments of borrowings (2016: EUR 3.8 million) as after the repayment of 2016 the Company has no other bank borrowings than the overdraft facility which is included in the cash and cash equivalents balance for the cash flow statement. The net cash used in investing activities decreased by EUR 1.2 million from EUR -21.2 million in 2016 to EUR -20.0 million in 2017. The decrease is caused by lower investments in the intangible fixed assets as a result of the lower marketing spend during the year. The net cash outflow on acquisition in the amount of 1.7 million is related to the acquisition of the UK operations (for further details references is made to note 27.6 of the financial statements.

Investments in intangible and tangible fixed assets

The net financing requirements in the investment area of intangible fixed assets amounted to EUR 18.1 million in 2017 (EUR 21.2 million in 2016). This is almost completely comprised of the marketing spend for customer acquisition amounting to EUR 18.1 million (2016: EUR 21.1 million).

During the year 2017 an amount of EUR 32.3 thousand (2016: EUR 28.4 thousand) was invested in intangible assets created by the Company itself. The investments in tangible fixed assets amounted EUR 101.1 thousand in 2017 (2016: EUR 80.2 thousand) and related mainly to hardware investments.

Financial and non-financial key performance indicators

CLIQ Digital is using both financial and non-financial indicators to monitor and manage its business. Financial and non-financial performance indicators are measured continually and are part of the monthly reports to the Management Board. These reports include an analysis of actual figures and their variances from planned figures by country. Additional specific analyses are performed on an event-driven basis.

The financial key performance indicators used to manage the business performance of CLIQ Digital are revenue and marketing spend. Furthermore, the average net revenue per user in the first six months (ARPU), the costs per acquisition (CPA), the ratio of ARPU to CPA (so-called CLIQ factor) and the customer base value (Net revenue that will be generated by the existing customers) are the most important KPIs. ARPU and CPA are the determining factors in the decision-making process as to whether to invest in certain products/markets. In the year under review, CLIQ Digital increased its focus on high revenue countries and ARPU has risen to EUR 13.16 compared with EUR 11.73 in 2016, an increase of 12%. The CPA increased by 8% in the same period. As a result, the ratio of ARPU to CPA (CLIQ factor) increased from 1.41 in 2016 to 1.47 in 2017, indicating an increase in customer profitability. The customer base value increased from EUR 20.9 million as of 31 December 2016 to EUR 26.0 million as of 31 December 2017.

In comparison to the targets set in the year 2016 CLIQ Digital was able to reach the target set for the most important KPI's being the CLIQ factor and the customer value base. CLIQ Digital was able to increase (4%) the CLIQ factor (target: stable) and realize a double digit growth (24%) on the customer value base (target: double digit growth). Double digit growth (12%) was also realized on ARPU (target: slight decrease) which offsets the smaller increase (8%) in CPA (target: slight decrease).

The number of sales and marketing spend decreased (target: double digit growth). The main reason for not reaching these targets is that CLIQ Digital focused on better quality traffic (with a higher CLIQ factor) and reduced the number of media partners. Given the increasing regulatory burden and the importance of CLIQ Digital's reputation the Group decided to tighten the acceptance requirements applicable to media partners.

Changes in Key Performance Indicators in 2017:

	2017	2016	2015	2014
Number of sales	2,066,018	2,599,389	2,263,852	3,123,901
ARPU (net-revenue per user for the first 6 months) in EUR	13.16	11.73	10.80	5.91
CPA (Cost per Acquisition) in EUR	8.98	8.32	7.74	4.37
ARPU/CPA (CLIQ factor)	1.47	1.41	1.40	1.35
Marketing spend in EUR million	18.6	21.6	17.5	13.7
Customer value base in EUR million	26.0	20.9	19.2	15.0

4. Report on expected developments and on opportunities and risks

Report on expected developments

The Group is aiming at double digit growth in result for the year 2018. The main driver in realizing this will be a stable CLIQ factor while (slightly) increasing the number of sales and media spend. The increased media spend will in turn result in (slightly) higher revenues and the customer base value for the year, but not necessarily for the first quarter compared to 2017 due to a lower marketing spend in last quarter of 2017.

The below table presents the key performance indicators of 2017 and the expected developments.

	2017	Target 2018
Number of sales	2,066,018	Stable
ARPU (net-revenue per user for the first 6 months) in EUR	13.16	(Slight) increase
CPA (Costs per Acquisition) in EUR	8.98	(Slight) increase
ARPU/CPA (CLIQ factor)	1.47	Stable
Marketing spend in EUR million	18.6	(Slight) increase
Customer value base in EUR million	26.0	(Slight) increase

Report on opportunities

Usage of smartphones

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

Availability of content

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

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

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

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

Media buy

CLIQ Digital expects an increase in the gross margin and a stronger grip on the value chain by shifting to Media Buying and own CLIQ Affiliate Marketing. As a consequence, CLIQ Digital is very pleased with the acquisition of AffiMobiz early 2018 resulting in an increased market share in this market. By taking out third-party affiliation, CLIQ aims at a better control of marketing efforts.

Risks

More intense competitive environment

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

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

Dependency of technical developments

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

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

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

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

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

Tighter legal requirements and regulation

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

Dependency on end-consumers and trends

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

Dependency on content providers

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

Dependency on marketing companies

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

Dependency on software, it-systems and networks

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

Dependency on managers and staff

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

Risks relating to acquisitions

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

Cash flow risk

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

Receivables defaults

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

Financing working capital through prepayments

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

Foreign exchange risks

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

Interest rate risk

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

Deferred tax income can also result from recognizing tax loss carry-forwards as an asset in the consolidated balance sheet.

Holding company and liability risk

CLIQ Digital AG is liable for C Formats 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., CMind B.V. (66.67%), CPay B.V., TMG Singapore PTE Ltd., The Mobile Generation Americas Inc., Cructiq AG, Just A Game Hellas S.A., Rheinkraft Production GmbH, GIM Global Investments Munich GmbH, iDNA B.V., VIPMOB B.V. (80%), Grumbl Media B.V., Universal Mobile Enterprises Ltd, Moonlight Mobile Ltd and Red27 Mobile Ltd (51%) comprise wholly-owned subsidiaries (except for the mentioned entities for which the equity interest is mentioned). CLIQ Digital AG acts as a supplier to these companies, and, in some cases — such as in the case of international master agreements with service providers — as the main contractual partner. As the parent company, CLIQ Digital AG partially assumes liability and guarantees, as well as the adoption of losses. CLIQ Digital AG's business also entails various liability risks. Liability risks can arise, for example, through customers and partners as the result of products, which are not received, which are defective, as well as through viruses. License providers, rights administrators, content sellers, content producers and brand owners can also give rise to risks as the result of licenses and rights that have not been acquired legally, or which have not been clarified. Media companies, network operators and other partners can give rise to risks as the result of erroneous invoices, system breakdowns, non-compliance with media or other regulations and/or agreements. Liability situations can also arise from regulators and consumer associations.

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

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

5 April 2018

The Management Board

Luc Voncken Ben Bos

3 CONSOLIDATED FINANCIAL STATEMENTS

consolidated statement of profit and loss
FOR THE YEAR ENDED 31 DECEMBER 2017

in EUR thousand	Note	2017	2016
Gross revenue	6	70,527.5	65,295.9
Cost of sales	7	-31,981.2	-28,659.5
Gross margin		**38,546.3**	**36,636.4**
Personnel expenses	8	-8,805.0	-7,686.1
Other operating expenses	9	-3,592.4	-2,823.8
Total operating expenses		**-12,397.4**	**-10,509.9**
EBITDA		**26,148.9**	**26,126.5**
Amortization and impairment charges applied to intangible, tangible and current assets	10	-20,981.1	-21,643.3
EBIT		**5,167.8**	**4,483.2**
Financial income and financial expenses	11	-641.1	-880.8
Profit for the year from continuing operations		**4,526.7**	**3,602.4**
Income tax expense	12	-1,152.3	-850.2
Profit for the year		**3,374.4**	**2,752.2**
Attributable to:			
Owners of the Company		3,286.7	2,745.8
Non-controlling interest		87.7	6.4
		3,374.4	**2,752.2**
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)		154.3	163.6
Basic earnings per share (in EUR)	13	0.53	0.44
Diluted earnings per share (in EUR)	13	0.52	0.43

consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2017

in EUR thousand	2017	2016
Profit for the year	**3,374.4**	**2,752.2**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	-66,5	-
Total comprehensive income for the year	**3,307.9**	**2,752.2**
Attributable to:		
Owners of the Company	3,220.2	2,745.8
Non-controlling interest	87.7	6.4
	3,307.9	**2.752,2**

consolidated statement of the financial position

AS AT 31 DECEMBER 2017

ASSETS in EUR thousand	Note	2017	2016
NON-CURRENT ASSETS			
Intangible assets		**52,554.5**	**49,498.8**
Internally generated intangible assets	14	237.1	357.3
Customer acquision costs	14	4,968.4	5,924.9
Goodwill	14	47,349.0	43,216.6
Tangible assets		**289.5**	**379.4**
Plant, operating and office equipment	15	289.5	379.4
Deferred tax assets	12	**2,072.2**	**1,795.9**
Total non-current assets		**54,916.2**	**51,674.1**
CURRENT ASSETS			
Receivables		**10,969.9**	**10,882.4**
Trade receivables	17	5,124.4	5,152.0
Other assets	18	5,845.5	5,730.4
Cash and cash equivalents	19	**168.5**	**49.4**
Total current assets		**11,138.4**	**10,931.8**
Total assets		**66,054.6**	**62,605.9**

EQUITY AND LIABILITIES in EUR thousand	Note	2017	2016
Equity			
Issued capital	20	6,188.7	6,188.7
Share premium	20	46,635.8	46,635.8
Retained earnings	21	-6,208.7	-9,454.8
Other reserves	22	-153.3	50.5
Equity attributable to the shareholders		**46,462.5**	**43,420.2**
Non-controlling interest	23	94.1	6.4
Total equity		**46,556.6**	**43,426.6**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	12	431.8	459.0
Financial liabilities	25	705.6	9.3
Bank borrowings	25	-	5,000.0
Other liabilities	25	519.7	315.8
Total non-current liabilities		**1,657.1**	**5,784.1**
Current liabilities			
Provisions	24	20.0	100.0
Bank borrowings	25	5,674.3	5,638.0
Trade payables	25	2,124.9	2,851.5
Financial liabilities	25	3,468.7	37.2
Income tax liabilities	12	3,185.1	502.4
Other liabilities	25	3,367.9	4,266.1
Total current liabilities		**17,840.9**	**13,395.2**
Total liabilities		**19,498.0**	**19,179.3**
Total equity and liabilities		**66,054.6**	**62,605.9**

consolidated statement of changes in equity

AS OF DECEMBER 31, 2017

	Parent Company		
in EUR thousand	**Issued capital**	**Share premium**	**Retained earnings**
Balance as of January 1, 2016	**6,188.7**	**46,635.8**	**-12,072.1**
Issue of shares	-	-	-
Net profit / loss for the period	-	-	2,745.8
Other comprehensive income	-	-	-
Equity-settled employee benefits reserve	-	-	-128.5
Currency translation difference	-	-	-
Balance as of December 31, 2016	**6,188.7**	**46,635.8**	**-9,454.8**
Issue of shares	-	-	-
Net profit / loss for the period	-	-	3,286.7
Other comprehensive income	-	-	-
Equity-settled employee benefits reserve	-	-	-40.6
Currency translation difference	-	-	-
Balance as of December 31, 2017	**6,188.7**	**46,635.8**	**-6,208.7**

	Parent Company		Non-controlling shareholders
Other reserves	Equity attributable to the Shareholders	Non-controlling interest	Total equity
-4.6	**40,747.8**	**-**	**40,747.8**
-	-	-	-
-	2,745.8	6.4	2,752.2
-	-	-	-
45.1	-83.4	-	-83.4
10.0	10.0	-	10.0
50.5	**43,420.2**	**6.4**	**43,426.6**
-	-	-	-
-	3,286.7	87.7	3,374.4
-66.5	-66.5	-	-66.5
-45.1	-85.7	-	-85.7
-92.2	-92.2	-	-92.2
-153.3	**46,462.5**	**94.1**	**46,556.6**

consolidated statement of cash flows

FOR THE YEAR 2017

in EUR thousand	2017	2016
Cash flow from operating activities		
Result for the year	3,374.4	2,752.2
Adjustment for:		
Income tax expense recognized in profit or loss	1,152.3	850.2
Finance cost recognized in profit or loss	641.1	880.8
Impairment loss/(gain) recognized on trade receivables and other current assets	-37.4	195.8
Depreciation and amortisation of non-current assets	21,018.5	21,447.5
	26,148.9	**26,126.5**
Changes in working capital	8.4	38.9
Cash generated from operations	**26,157.3**	**26,165.4**
Income taxes (paid)/received	-248.2	231.5
Interest (paid)/received	-684.5	-880.8
Net cash generated by operating activities	**25,224.6**	**25,516.1**
Cash flow from investing activities		
Payments for property, plant and equipment	-101.1	-80.2
Payments for intangible fixed assets	-18,114.0	-21,158.0
Net cash (outflow)/inflow on acquisition of subsidiaries	-1,740.6	-
Net cash (used in)/generated by investing activities	**-19,955.7**	**-21,238.2**
Cash flow from financing activities		
Repayment of borrowings	-	-3,716.9
Finance lease installments paid	-37.2	-39.1
Share options	-93.7	-
Net cash used in financing activities	**-130.9**	**-3,756.0**

in EUR thousand	2017	2016
Free cash flow	**5,138.0**	**521.9**
Cash and cash equivalents at the beginning of the year	**-10,588.6**	**-11,136.1**
Free cash flow	5,138.0	521.9
Effects of exchange rate changes on the balance of cash held in foreign currencies	-55.2	25.6
Cash and cash equivalents at the end of the year	**-5,505.8**	**-10,588.6**
Cash and bank balances	168.5	49.4
Bank borrowing overdraft facility	-5,674.3	-10,638.0
Cash and cash equivalents in cash flow statement	**-5,505.8**	**-10,588.6**

4 NOTES


ACTION
PUZZLE
NO INSTALL
ARCADE
10:49
WizzGames
TOP GAME
ACTION GAMES
NEW GAMES
FEATURED RACING
GARFIELD KART
RACING GAME
INSTALL
JOIN GARFIELD AND HIS FRIENDS

notes to the financial statements

1. General information

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

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

2.1 Application of new and revised 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 January 1, 2017.

2.1.1 Amendments to IAS 7 disclosure initiative

The Group has applied these amendments for the first time in the financial year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

2.1.2 Amendments to IAS 12 recognition of deferred tax assets for unrealised losses

The Group has applied these amendments for the first time in the financial year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

2.1.3 Annual improvements to IFRSS 2014-2016 cycle

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the financial year. The other amendments included in this package are not yet mandatorily effective, and they have not been early adopted by the Group (see note 2.2).

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

2.2 New and revised ifrs in issue but not yet effective

The Group has not voluntarily applied in advance new or amended standards or interpretations that will not be mandatory until the 2017 financial year or later. The Group is currently examining the consequences of the new standards and interpretations and amendments to existing standards listed below, which will be mandatory as from the 2018 financial year or later (as stated). The European Union has adopted the following new standards and amendments:

Standard – Interpre-tation	Content of the amendment
IFRS 9	Financial Instruments: Removes the multiple classification and measurement models for financial fixed assets required by IAS 39 and introduces a model that has only two classification categories: amortized cost and fair value.
IFRS 15	Revenue from Contracts with Customers: IFRS 15 replaces IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of interpretations related to sales.
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: Consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business.
IAS 40	Transfers of Investment Property The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property
IFRS 16	Leases: New standard of lease accounting. IFRS 16 replaces the previous leases standard, IAS 17, and its related interpretations.
IFRIC 22	Foreign Currency Transactions and Advance Consideration addresses how to determine the ‘date of transaction’ for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability
IFRSs 2014 – 2016 Cycle	Annual Improvements The Annual Improvements include amendments to IFRS 1, IFRS 12 and IAS 28. The amendments to IAS 28 clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture.
IFRIC 23	The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.
AIP 2015-2017	The annual improvements include amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.
IFRS 2	Share-based Payment: IFRS 2 clarifies the following aspects: Consideration of vesting conditions for the accounting of cash-settled share-based payments. Classification of share-based payment transactions with net settlement features free of withholding tax. Accounting for modifications of share-based payment transactions from cash-settled to equity-settled

Publication by the IASB	Mandatory application	Adoption by the EU	Prospective effects on CLIQ Digital
11/2013	1/1/2018	No	No
5/2014	1/1/2018	No	No
9/2014	postponed for an indefinite period.	No	No
12/2016	1/1/2018	No	No
5/2014	1/1/2019	No	No
12/2016	1/1/2018	No	No
12/2016	1/1/2018	No	No
6/2017	1/1/2019	No	Not substantial
12/2017	1/1/2018	No	Not substantial
6/2016	1/1/2018	Yes	Not substantial

3. Significant accounting policies

3.1 Basis of preparation

These consolidated financial statements correspond with the regulations of Section 315f 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 January 1, 2005.

The accounting and valuation principles correspond to those of the previous year.

The Group‘s accounting policies on consolidation, measurement of assets and liabilities and determination of results are set out below. These policies are in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU). The Group’s applies the historical cost convention for measurement, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, 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 2017. 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 2017 the following changes in the scope of consolidation have been made. The number of consolidated companies in addition to CLIQ Digital AG:

	Germany	The Netherlands	Other countries	Total
31 December 2016	**5**	**7**	**6**	**18**
Acquisition	-	-	3	**3**
Liquidation	-	-	-1	**-1**
31 December 2017	**5**	**7**	**8**	**20**

In the financial year 2017 the Group of consolidated companies changed as a result of the following:

- Just A Game Hellas S.A., Attiki, Greece, was liquidated on 3 April 2017.
- The acquisition of the UK operations after which 3 additional subsidiaries have been consolidated (see note 27 for further details).

Please refer to note 16 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 is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.7 Rendering services

Revenue from the transfer of utilization rights for mobile applications is reported as soon as the inflow of an economic benefit arising from the sale is sufficiently likely, and the level of revenue can be determined reliably. No revenue is reported if significant risks exist relating to the receipt of the consideration, or if the customer is unable to realize the utilization right for reasons for which the customer does not bear responsibility.

3.8 Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.9 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.9.1 CLIQ digital as lessee in a finance lease

If CLIQ Digital is a lessee in a finance lease, the lower of the fair value and the present value of the minimum lease payments at the start of the lease is capitalized on the balance sheet, and the liability is recognized under bank borrowings at the same time. The minimum lease components primarily comprise financing costs and the repayment share of the residual liability. The leased object is depreciated over the estimated useful life or the contractual duration, whichever is shorter. The lease installments repaid are split into a repayment component and interest expenses according to the effective interest method.

3.9.2 CLIQ digital as lessee in an operational lease

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.10 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Nonmonetary 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.

3.11 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.

3.12 Employee benefits

3.12.1 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).

3.12.2 Post-employement benefits

The Group has one pension plan with a Dutch entity for employees working in The Netherlands which have a limited number of participants. For the German entities no pension schemes are in place. Employees in Germany have the opportunity to arrange pensions based on direct insurance where the contributions are paid by the employees through salary conversion.

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.

3.13 Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share-based transactions are set out in note 28.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, 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.

3.14 Taxation

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

3.14.1 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.

3.14.2 Deferred tax

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

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

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

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

3.14.3 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.

3.15 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.

Other plant, operating and office equipment is predominantly depreciated over a period of between three and five years. Straight-line depreciation is applied to tangible assets in line with the economic useful life.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

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.

3.16 Intangible assets

3.16.1 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, except for the customer base and customer acquisition costs. Amortization of the customer base and customer acquisition costs are 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 in relation to customer acquisition costs and 60 months for the customer base.

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.

3.16.2 Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- 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.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Capitalized development costs are generally amortized from the production start across the expected product life-cycle, generally comprising 3 to 5 years.

A significant portion of development costs within the Group comprises further developments and improvements of already existing applications and platform components, which fail to satisfy the criteria for separate capitalization as development costs pursuant IAS 38. In addition, individual development projects are frequently subject to approval and certification procedures so that the conditions for capitalization of costs arising before approval are frequently not satisfied.

3.16.3 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.

3.16.4 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.

3.17 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.18 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.

3.19 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.

3.20 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.

3.20.1 Financial assets

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

3.20.2 Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.20.3 Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.
- A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 26.

3.20.4 Held-to-maturity investments

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

3.20.5 Loans and receivables

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

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

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

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

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in note 26. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

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

3.20.7 Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

3.20.8 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

3.20.9 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.20.10 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

3.20.11 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.20.12 Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the ‘other gains and losses‘ line item. Fair value is determined in the manner described in note 26.

3.20.13 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method as described in note 3.20.2.

3.20.14 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.

3.20.15 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. Further details of derivative financial instruments are disclosed in note 26.

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.

3.20.16 Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

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 Usefull life, residual value and impairment of customer acquisition costs

The carrying value of the customer acquisition 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 goodwill and non-current assets

Goodwill is not amortized, but an annual impairment test is carried out to identify if there are any changes or evens 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 2017 was EUR 47.3 million (31 December 2016: EUR 43.2 million). Details of the impairment calculation are set out in note 14.

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

4.1.3 Purchase price allocation and fair value measurement of contingent considerations of the acquired UK operations

The Company was required to recognize the assets acquired and liabilities assumed from the “UK operations” at the acquisition date fair values. Determination of these fair values, particularly the customer acquisition costs and the contingent considerations at acquisition date required that the Board Members and Finance Director applied judgement and used estimates. As described in note 4.1.1 these judgements and estimates may change under the influence of consumer-trends, market conditions or legal requirements and regulations.

4.1.4 Fair value measurements of financial instruments

Some of the Group’s assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

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

4.1.5 Claims and disputes

The Group is the subject of various claims and disputes, which are part of its business operations. The Board Members together with the Legal Director assesses the claims and court cases instituted against it on the basis of facts and seeks legal advice when required. In addition the Company is also involved in disputes as claiming party. In both cases this involves subjective elements and projected outcomes. However, it is not possible to obtain certainty about the final outcome and any negotiations on claims and disputes. For a more detailed explanation see Contingent assets and liabilities, note 30.

4.1.6 Taxes

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

5. Segment reporting

Pursuant to IFRS 8 Operating Segments, the Group‘s activities are demarcated by business segments as part of segment reporting. Internal reporting within the Group occurred until 2012 on the basis of the customer profiles of Mobile and Online Games; the areas of Mobile and Online Games have been defined as operating segments in accordance with IFRS 8.10 in the past. On the basis of the reporting system, the Management Board, as the main decision-making organ as per IFRS 8, assessed the performance of these two operating segments, and made decisions concerning the allocation of resources. In particular, the operating segments‘ performance was measured using the “revenue with external customers” and “EBITDA” metrics.

At the end of 2012 it has been decided to exit the Online Games activities and therefore the segment Mobile is the only left operating segment. Therefore no segment reporting is applicable anymore for 2013 onwards.

6. Revenue

All revenue is generated from mobile value-added services. The distribution of revenue per continent can be found in the Group Management Report section Revenue Development.

7. Cost of sales

The cost of sales are composed as follows:

in EUR thousand	2017	2016
Marketing spend	18,551.4	21,624.9
Capitalized marketing spend	-18,081.9	-21,129.6
Share third parties	28,036.4	24,664.9
Other COS	3,475.3	3,499.3
Total	**31,981.2**	**28,659.5**

8. Personnel expenses

Personnel expenses include obligations to salaried employees. In both financial years 2017 and 2016 no personnel expenses have been capitalized as development costs. The personnel expenses are composed as follows:

In EUR thousand	2017	2016
Wages and salaries	8,000.4	6,957.9
Pension contributions	20.2	21.8
Social security contributions	784.4	706.4
Total	**8,805.0**	**7,686.1**

8.1 Employees

The number of FTE in the 2017 financial year was as follows:

	2017	2016
Employees (FTE)	**116.1**	**105.3**
Germany	4.2	4.2
The Netherlands	104.9	101.1
United Kingdom	7.0	-

The number of average headcount in the 2017 financial year was as follows:

	2017	2016
Employees (Average Headcount)	**103.0**	**95.0**
Full-time employees	88.0	79.0
Part-time employees	15.0	16.0

9. Other operating expenses

Other operating expenses include the following expenses:

In EUR thousand	2017	2016
Premises costs	437.1	393.1
Travel costs	685.0	500.1
Professional fees	1,563.3	1,317.0
Supervisory Board compensation	81.8	52.0
IT costs	728.6	469.4
Other	96.6	92.2
Total	**3,592.4**	**2,823.8**

9.1 Auditor's fees

The following fees were expensed in the 2017 and 2016 financial years for services rendered by Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (Group Auditor):

in EUR thousand	2017	2016
For auditing of the financial statements	**187.2**	**194.3**
Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft	176.9	189.2
Other	10.3	5.1
For tax advice services	**115.5**	**172.6**
Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft	96.9	167.0
Other	18.6	5.6

10. Depreciation, amortization and impairment expenses

in EUR thousand	2017	2016
Internally generated intangible assets	182.5	196.1
Customer acquisition costs	20,624.1	21,037.7
Intangible assets	**20,806.6**	**21,233.8**
Plant, operating and office equipment	211.9	213.7
Tangible assets	**211.9**	**213.7**
Current assets	-37.4	195.8
Impairments	**-37.4**	**195.8**
Total depreciation, amortization and impairment expenses	**20,981.1**	**21,643.3**

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

The impairment of current assets in 2016 were the result of the corporate income tax audit performed by the Dutch tax authorities after which the withholding taxes paid in certain countries were not deductible from the Dutch corporate income taxes payable. As a consequence, the current assets recognized in relation to these withholding taxes have been fully impaired. Refer to note 12 for further details.

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 at fair value through profit or loss are included in the fair value movement on financial liabilities designated as at FVTPL.

in EUR thousand	2017	2016
Financial income		
Interest income	35.7	-
Other financial income	-	-
Fair value movements on financial liabilities designated as FVTPL	43.4	-
	79.1	-
Financial expenses		
Interest on bank overdrafts and loans	-264.2	-364.9
Exchange results	-310.4	-272.9
Other financial expenses	-145.6	-243.0
	-720.2	**-880.8**
Total Financial income and financial expenses	**-641.1**	**-880.8**

12. Income tax expense

This note contains further details on all the items of the financial statements with regard to income tax. This tax can be divided into income tax recognized in the statement of income, 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 income

As of December 31, 2017, all deferred taxes on temporary differences were calculated, as in the previous year, on the basis of a combined rounded 30% tax rate for Germany, 25% tax rate for The Netherlands, 19% tax rate for the United Kingdom and the applicable tax rate for other foreign jurisdictions. As in the previous year, the recognition of deferred taxes on German tax loss carry forwards were based throughout on tax rates of 14% for trade tax, and 16% for corporation tax and the solidarity surcharge.

EUR thousand	DE	NL	UK	Other	2017	2016
Current income tax						
Income tax current year	46.7	1,135.7	547.2	7.2	1,736.8	222.0
Adjustment for prior years	40.2	-1.1	-	-4.1	35.0	-456.6
Total current income tax	**86.9**	**1,134.6**	**547.2**	3.1	1,771.8	-234.6
Deferred income tax						
Origination and reversal of temporary differences	-326.0	1.1	-301.0	6.4	-619.5	1,084.8
Total deferred income tax	**-326.0**	**1.1**	**-301.0**	**6.4**	**-619.5**	**1,084.8**
Total income tax	**-239.1**	**1,135.7**	**246.2**	**9.5**	**1,152.3**	**850.2**

12.2 Reconciliation of the effective tax rate

in EUR thousand	DE	NL	UK	Other	2017	2016
Profit before tax	**-1,250.3**	**4,455.6**	**1,295.8**	**25.7**	**4,526.8**	**3,602.4**
Nominal tax rate	30.0%	25.0%	19.0%	30.0%	30.0%	30.0%
Income tax calculated at nominal rate	**-375.1**	**1,113.9**	**246.2**	**7.7**	**1,358.0**	**1,080.7**
Acquisition costs that are non deductible	64.5	-	-	-	64.5	-
Expenses share option plan which are not tax deductible	3.9	23.4	-	-	27.3	9.3
Taxable profits which cannot be utilized in current year	68.7	-	-	-	68.7	-
Tax results from previous years	40.2	-1.1	-	-	39.1	-456.6
Effects of different tax rates of subsidiaries operating in other jurisdictions	-	-	-	-	-365.3	-123.3
Other	-41.4	-0.6	-	1.9	-40.1	340.1
Income tax expense in profit or loss account (effective)	**-239.2**	**1,135.6**	**246.2**	**9.6**	**1,152.2**	**850.2**
	19.1%	**25.5%**	**19.0%**	**37.4%**	**25.5%**	**23.6%**

The effective income tax rate in 2017 of 25.5% is 1.9 percentage points higher than the 2016 effective income tax rate of 23.6%. Both are lower than the domestic income tax rate of 30%. The lower tax burden in both years is primarily attributable to the effect of different tax rates of subsidiaries operating in other jurisdictions, like The Netherlands (25%) and the United Kingdom (19%), in which lower tax rates are applicable.

In 2016 the Dutch tax authorities finalized the corporation and VAT-tax audit regarding the fiscal year 2013 on the Dutch fiscal entities. This audit resulted in an adjustment for the years 2011-2013 of the reclaimed withholding Taxes (WHT) which were deducted by the gateways on the out payments to several Dutch CLIQ entities. The effect of this adjustment for the years 2011-2013 and onwards were fully included in the financial year 2016, resulting in an impairment loss on current assets as disclosed in note 10.

12.3 Deferred tax in the statement of financial position

The tax 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 EUR thousand	2017 Deferred tax assets	2017 Deferred tax liabilities	2016 Deferred tax assets	2016 Deferred tax liabilities
Intangible assets	249.3	1,276.8	299.7	1,674.8
Tangible assets	2.1	-	6.4	-
Other liabilities (share option plan)	135.6	-	78.3	-
Tax loss carry forwards	2,530.2	-	2,627.3	-
	2,917.2	**1,276.8**	**3,011.7**	**1,674.8**
Netting of deferred tax assets and liabilities	**2,072.2**	**431.8**	**1,795.9**	**459.0**

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 28).

In EUR thousand	2017	2016
Profit/loss attributable to CLIQ Digital AG shareholders	3,286.7	2,745.8
Number of shares in circulation as of January 1	6,188,714	6,188,714
Number of shares in circulation as of December 31	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)	**0.53**	**0.44**
Number of potentially dilutive ordinary shares	154,335	163,550
Weighted average number of shares for the calculation of diluted earnings per share	6,343,049	6,352,264
Diluted earnings per share (in EUR)	**0.52**	**0.43**
Number of shares in circulation as of December 31	6,188,714	6,188,714
Basic earnings per share (in EUR) divided by the number of shares as per year end	**0.53**	**0.44**
Number of potentially dilutive ordinary shares as per year end	154,335	163,550
Number of shares for the calculation of diluted earnings per share as per year end	6,343,049	6,352,264
Diluted earnings per share (in EUR) divided by the number of shares as per year end	**0.52**	**0.43**

14. Intangible assets

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

in EUR thousand	Internally generated intangible assets	Customer base	Customer acquisition costs	Goodwill	Total
Cost					
31 December 2015	**5,579.2**	**11,720.8**	**23,274.6**	**43,322.2**	**83,896.8**
Additions	28.4	-	21,129.6	-	21,158.0
Disposals	0.1	-11,720.8	-15,063.9	-	-26,784.6
31 December 2016	**5,607.7**	**-**	**29,340.3**	**43,322.2**	**78,270.2**
Acquisition through business combination	42.4	-	1,610.9	4,199.0	5,852.3
Additions	32.3	-	18,081.7	-	18,114.0
Disposals	-78.0	-	-20,148.5	-	-20,226.5
Effect of foreign currency exchange differences	-	-	-31.0	-66.6	-97.6
31 December 2017	**5,604.4**	**-**	**28,853.4**	**47,454.6**	**81,912.4**
Amortization and impairment losses					
31 December 2015	**5,054.2**	**11,720.8**	**17,442.4**	**105.6**	**34,323.0**
Amortization in the financial year	196.1	-	21,037.7	-	21,233.8
Disposals	0.1	-11,720.8	-15,064.7	-	-26,785.4
December 31, 2016	**5,250.4**	**-**	**23,415.4**	**105.6**	**28,771.4**
Amortization in the financial year	182.5	-	20,624.2	-	20,806.7
Disposals	-65.6	-	-20,148.9	-	-20,214.5
Effect of foreign currency exchange differences	-	-	-5.7	-	-5.7
31 December 2017	**5,367.3**	**-**	**23,885.0**	**105.6**	**29,357.9**
Carrying amount 31 December 2016	**357.3**	**-**	**5,924.9**	**43,216.6**	**49,498.8**
Carrying amount 31 December 2017	**237.1**	**-**	**4,968.4**	**47,349.0**	**52,554.5**

14.1 Goodwill

in EUR thousand	2017	2016
Cost	47,349	43,217
Accumulated impairment losses	-	-
	47,349	**43,217**

in EUR thousand	2017	2016
Balance at beginning of year	**43,217**	**43,217**
Additional amounts recognized from business combinations occurring during the year	4,199	-
Effect of foreign currency exchange differences	-67	-
Balance at end of year	**47,349**	**43,217**

14.1.1 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” (formerly Bob Mobile AG group activities): covering the German language countries (Germany, Austria, and Switzerland (DACH));
- “CLIQ B.V.” (formerly CLIQ B.V. group activities): covering the remaining countries with United Kingdom, France, Poland and The Netherlands as the main countries.
- “UK operations” (formerly Universal Mobile Limited, Moonlight Mobile Limited and Red27 Mobile Limited)

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

in EUR thousand	2017	2016
CLIQ AG	458	458
CLIQ BV	42,759	42,759
UK operations	4,132	-
	47,349	**43,217**

With the exception of deferred tax assets (see note 12), and financial assets (see note 26), 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.

14.1.2 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 (2017: EUR 43,216.6 thousand; 2016: EUR 43,216.6 thousand) is tested with an annual impairment test on the balance sheet date which is based on assumptions pertaining to the future. The recoverable amounts have been determined on the basis of the 'income approach' and have been benchmarked with the 'market approach', more specifically the 'comparable companies approach'. The impairment test also considers various sensitivities on the recoverable amount as indicated by the income approach to test the robustness of the impairment test outcome.

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

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

Value driver	2019-2025	Terminal Value Period
Gross revenue (growth rate)	Based on bottom-up Marketing spend Revenue yield	0.0%
Share third parties	2019's % of Gross revenue	
Marketing spend	2019's Absolute amount	
Staff expenses	2019's % of Net revenue	
Other OpEx	2019's % of Net revenue	
Corporate income tax rate	CLIQ AG: 29.8% CLIQ B.V.: 26.2%	
Net working capital	CLIQ AG: 3.6% CLIQ B.V.: 2.4%	
Other D&A - Other CapEx	2019's % of Net revenue (other CapEx and other D&A set equal to 150,000 annually on a consolidated level)	
WACC	CLIQ AG: 8.5% CLIQ B.V.: 9.5%	

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 (8.5% for the CGU "CLIQ AG" and 9.5% for the CGU "CLIQ B.V.").

14.1.3 UK operations

The goodwill related to the UK operations originates from the acquisition on 1 June 2017 of the UK entities: Universal Mobile Enterprises Limited, Moonlight Mobile Limited and Red27 Mobile Limited. The recoverable amount of has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Board covering a two-year period, and a discount rate of 9.5% 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 UK operations carrying amount to exceed its recoverable amount.

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

Value driver	2019-2025	Terminal Value Period
„Gross revenue (growth rate)“	Based on bottom-up Marketing spend Revenue yield	0.0%
Share third parties	2019‘s % of Gross revenue	
Marketing spend	2019‘s Absolute amount	
Staff expenses	2019‘s % of Net revenue	
Other OpEx	2019‘s % of Net revenue	
Corporate income tax rate	19.0%	
Net working capital	4.0%	
"Other D&A - Other CapEx“	2019‘s % of Net revenue (other CapEx and other D&A set equal to 25,000 annually on a consolidated level)	
WACC	9.5%	

15. Tangible assets

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

in EUR thousand	Plant, operating and office equipment
Cost	
31 December 2015	**2,429.4**
Additions	80.2
Disposals	-2.2
31 December 2016	**2,507.4**
Acquisition through business combination	9.2
Additions	101.1
Disposals	-9.9
Effect of foreign currency exchange differences	-0.2
31 December 2017	**2,607.6**
Depreciation and impairment losses	
31 December 2015	**1,932.3**
Depreciation in the financial year	197.9
Disposals	-2.2
December 31, 2016	**2,128.0**
Depreciation in the financial year	211.9
Disposals	-21.8
31 December 2017	**2,318.1**
Carrying amount 31 December 2016	**379.4**
Carrying amount 31 December 2017	**289.5**

16. Subsidiaries

Details of the Group's material 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“	
			31.12.2017	31.12.2016
C Formats GmbH (former Bob Mobile Deutschland 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%
Just A Game Hellas S.A.	Dormant / Liquidated	Attiki, Greece	Null	100%
Bluetiq GmbH (former Just A Game GmbH)	Sales and marketing of digital products	Dusseldorf, Germany	100%	100%
Guerilla Mobile Asia Pacific Pte. Ltd	Sales and marketing of digital products	Singapore	100%	100%
CLIQ B.V.	Holding	Amsterdam, The Netherlands	100%	100%
Artiq Mobile B.V.	Sales and marketing of digital products	Amsterdam, The Netherlands	100%	100%
TMG Singapore PTE Ltd.	Dormant	Singapore	100%	100%
The Mobile Generation Americas Inc.	Sales and marketing of digital products	Toronto, Canada	100%	100%
GIM Global Investments Munich GmbH	Dormant	Munich, Germany	100%	100%
iDNA B.V.	Sales and marketing of digital products	Amsterdam, The Netherlands	100%	100%
Grumbl Media B.V.	Sales and marketing of digital products	Amsterdam, The Netherlands	100%	100%
CMind B.V.	Sales and marketing of digital products	Amsterdam, The Netherlands	67%	67%
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%
Universal Mobile Enterprises Limited	Sales and marketing of digital products	Witney, United Kingdom	100%	Nil
Moonlight Mobile Limited	Sales and marketing of digital products	Witney, United Kingdom	100%	Nil
Red27 Mobile Limited	Sales and marketing of digital products	Witney, United Kingdom	51%	Nil

17. Trade receivables

Trade receivables are composed as follows:

In EUR thousand	2017	2016
Trade receivables, gross	5,460.7	5,506.7
Less: Valuation adjustments	-336.3	-354.7
	5,124.4	**5,152.0**

The reported trade receivables carry a residual term of up to one year.

The reported valuation adjustments applied to trade receivables changed as follows:

In EUR thousand	Specific valuation adjustments		Portfolio valuation adjustments		Total	
	2017	2016	2017	2016	2017	2016
January 1	**354.7**	**1,510.2**	**-**	**-**	**354.7**	**1,510.2**
Changes to valuation adjustments carried through profit and loss	-18.4	-6.5	-	-	-18.4	-6.5
Changes to valuation adjustments used for write off	-	-1,149.0	-	-	-	-1,149.0
December 31	**336.3**	**354.7**	**-**	**-**	**336.3**	**354.7**

The following overdue, but unimpaired trade receivables were reported as of the balance sheet date:

In EUR thousand	Overdue by 1-30 days	Overdue by 30-180 days	Overdue by more than 180 days
December 31, 2017	27.9	50.6	334.1
December 31, 2016	4.7	66.5	158.6

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

18. Miscellaneous receivables and other assets

Miscellaneous receivables and other assets are composed as follows:

In EUR thousand	2017	2016
VAT	-	131.5
Receivables arising from services that have not yet been invoiced	5,067.1	5,252.5
Deposits	13.8	45.1
Prepayments and accrued income	450.1	276.7
Tax reimbursement claims from Greek tax authorities	13.7	-
Miscellaneous	300.8	24.6
Total	**5,845.5**	**5,730.4**

The reported miscellaneous receivables and other assets carry a residual term of up to one year.

19. Cash and cash equivalents

This item contains cash at banks of EUR 167.9 thousand (2016: EUR 48.8 thousand), and cash in hand of EUR 0.6 thousand (2016: EUR 0.6 thousand).

20. Issued share capital

The issued share capital did not change during the financial year 2017 and amounts to EUR 6,188,714.00 per 31 December 2017. The share capital consists of 6,188,714 non-par value bearer shares, at a nominal amount of EUR 1.00 per share. All shares issued until 31 December 2017 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.

in EUR thousand	
January 1, 2017	6,188,714
Issue of new shares	
As a result of capital increase	-
As a result of conversion of bond	-
December 31, 2017	**6,188,714**
Weighted average number of shares in the 2017 financial year[1)]	6,188,714

[1)] Including 4,000 treasury shares.

20.1 Treasury shares

By virtue of the resolution adopted by the Extraordinary General Meeting on 22 December 2011 the Management Board, in the period until 21 December 2016, is authorized to acquire own shares (treasury shares) of the Company. The authorization was not exercised during the financial year 2016 and expired at the end of December 21, 2016.

The entire treasury share position amounted to 4,000 shares as of 31 December 2016. 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.

20.2 Authorized capital

The annual general meeting held on 26 August 2016 resolved to authorize the management board to increase the Company's share capital with the approval of the supervisory board by up to EUR 1,547,178.00 in the period up to 25 August 2021 by issuing up to 1,547,178 new no-par value bearer shares against contribution in cash and/or in kind on one or several occasions (Authorized Capital 2016).The shareholders' stock options may be excluded in certain cases with the consent of the Supervisory Board. The Authorized Capital 2016 became effective upon registration with the commercial register on 2 August 2017. The Authorized Capital 2016 as at 31 December 2017 remains at its initial amount.

20.3 Contingent capital

Contingent Capital II (stock options)

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

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

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.

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.

Contingent Capital 2017/II (stock options)

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

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

The total conditional capital of the Company as of 31 December 2017 amounts to EUR 2,974,991.00.

20.4 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/II with the commercial register on 2 August 2017.

21. Retained earnings

This item contains the accumulated retained earnings of the subsidiaries included in the consolidated financial statements, the profit/loss for the period and other consolidation reserves. No dividends have been paid for the year 2017 or 2016.

22. Other reserves

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

in EUR thousand	2017	2016
Equity-settled employee benefits reserve	-	45.1
Other comprehensive income	-66.5	-
Currency translation difference	-86.8	5.4
Total other reserves	**-153.3**	**50.5**

23. Non-controlling interest

in EUR thousand	2017	2016
Balance at beginning of year	6.4	-
Share of profit for the year	87.7	6.4
Effect of foreign currency exchange differences	-	-
Balance at end of year	**94.1**	**6.4**

24. Provisions

The provisions amounting to EUR 20 thousand (2016: EUR 100 thousand) are related to remaining claims. The movement in the year amounting to EUR 80 thousand is related to the utilization of the provided amounts for legal cases which were settled in the financial year.

25. Liabilities

			Residual term		
in EUR thousand		Total	Up to 1 year	1 to 5 years	> 5 years
Taxes on income	2017	3,185.1	3,185.1	-	-
	2016	502.4	502.4	-	-
Trade payables	2017	2,124.9	2,101.0	20.5	3.4
	2016	2,851.5	2,851.5	-	-
Bank borrowings	2017	5,674.3	5,674.3	-	-
	2016	10,638.0	5,638.0	5,000.0	-
Financial liabilities	2017	4,174.3	3,468.7	705.6	-
	2016	46.5	37.2	9.3	-
Other liabilities	2017	3,887.6	3,367.9	519.7	-
	2016	4,581.9	4,266.1	315.8	-
Total	**2017**	**19,046.2**	**17,797.0**	**1,245.8**	**3.4**
	2016	**18,620.3**	**13,295.2**	**5,325.1**	**-**

25.1 Bank borrowings

Bank borrowings reported on 31 December 2017 correspond fully to the overdraft facility of the Commerzbank AG. The overdraft facility provided by Commerzbank AG of in total EUR 13.0 million contains 1) a borrowing base financing with an interest rate of 3M-Euribor plus 2.1% with a maximum of EUR 8.0 million and 2) a maximum fixed amount of EUR 5.0 million with an interest rate of 3M-Euribor plus 3.3%. The original end date of the contract with Commerzbank was the 28 February 2018 and has been extended until the 30 June 2018. At the date of this report, CLIQ Digital AG and Commerzbank AG are in negotiations to extend and increase the current credit facility.

Per 31 December 2017 the total overdraft facility available amounted to EUR 9.6 million (2016: EUR 13.2 million) of which an amount of EUR 5.7 million (2016: EUR 10.6 million) was used and an amount of EUR 3.9 million (2016: EUR 2.6 million) was unused.

CLIQ Digital AG is obliged to comply with the covenants set out in the loan agreements with Commerzbank. For the financial year 2017, all covenants are met. In order to secure the credit facility, the CLIQ Digital Group transferred its receivables to Commerzbank by way of global assignment.

25.2 Financial liabilities

The financial liabilities consist of contingent liabilities, amounting to EUR 4,165 thousand (2016: nil), related to the acquisition of the UK operations (see note 27 for further details) and financial lease liabilities in the amount of EUR 9.3 thousand (2016: EUR 46.5 thousand).

Financial lease liabilities consist of two financial lease contracts for computer hardware with an original amount of EUR 83.3 thousand and an original amount of EUR 34.0 thousand. Both contracts have been provided in November 2014.

Note 31 includes further information about other financial liabilities.

25.3 Other liabilities

The other liabilities are composed of accruals related to marketing and other COS in the amount of EUR 1,287 thousand (2016: EUR 2,050 thousand), other taxes amounting to EUR 237 thousand (2016: EUR 240 thousand), liabilities for the cash settled share option plans totaling EUR 519 thousand (2016: EUR 315 thousand), costs in relation to the financial statements and auditing in the amount of EUR 134 thousand (2016: EUR 122 thousand) and several other liabilities and accruals for a total amount of EUR 1,711 thousand (2016: EUR 1,855).

26 Reporting on financial instruments

26.1 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 2016.

The capital structure of the Group consists of net debt (borrowings as detailed in note 25) 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 20 to 23). 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.

26.2 Categories of financial instruments

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. As the items of the balance sheet “Miscellaneous receivables and other assets” and “Other liabilities” include financial instruments as well as non-financial assets and liabilities, the column “Of which outside IFRS 7” provides this transition.

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

in EUR thousand	IAS 39 measurement category	Carrying amount in balance sheet	Of which outside IFRS 7
Assets			
Cash and cash equivalents	LaR	168.5	-
Trade receivables	LaR	5,124.4	-
Receivables from companies in which the Company has a participating interest	LaR	-	-
Other assets	LaR	5,845.5	-
Financial assets	LaR	-	-
Liabilities			
Trade payables	FLAC	-2,124.9	-
Liabilities due to companies where an interest is held	FLAC	-	-
Bank borrowings	FLAC	-5,674.3	-
Financial liabilities	FVO	-4,174.3	-
Other liabilities	FLAC	-7,072.7	-
Aggregated according to IAS 39 measurement categories:			
Loans and receivables	LaR	9,013.5	-
Assets and liabilities measured at fair value through profit and loss (fair value option)	FVO	-	-
Financial assets measured at fair value through profit and loss (held for trading)	HfT	-	-
Financial liabilities measured at amortized cost	FLAC	-12,747.0	-

Amortized cost	Of which balance sheet valuation as per IAS 39: Fair value carried directly to equity	Fair value through profit and loss	Of which valuation as per IAS 17	Fair value of financial instruments within IFRS 7
168.5	-	-	-	168.5
5,124.4	-	-	-	5,124.4
-	-	-	-	-
5,845.5	-	-	-	5,845.5
-	-	-	-	-
-2,124.9	-	-	-	-2,124.9
-	-	-	-	-
-5,674.3	-	-	-	-5,674.3
-4,174.3	-	-	-	-4,174.3
-7,072.7	-	-	-	-7,072.7
9,013.5	-	-	-	9,013.5
-	-	-	-	-
-	-	-	-	-
-12,747.0	-	-	-	-12,747.0

26.4 Carrying amounts, valuations and fair values by measurement categories as of December 31, 2016

in EUR thousand	IAS 39 measurement category	Carrying amount in balance sheet	Of which outside IFRS 7
Assets			
Cash and cash equivalents	LaR	49.4	-
Trade receivables	LaR	5,152.0	-
Receivables from companies in which the Company has a participating interest	LaR	-	-
Other assets	LaR	5,730.4	-
Financial assets	LaR	-	-
Liabilities			
Trade payables	FLAC	-2,851.5	-
Liabilities due to companies where an interest is held	FLAC	-	-
Bank borrowings	FLAC	-10,638.0	-
Financial liabilities	FVO	-37.2	-
Other liabilities	FLAC	-5,130.8	-
Aggregated according to IAS 39 measurement categories:			
Loans and receivables	LaR	8,080.3	-
Assets and liabilities measured at fair value through profit and loss (fair value option)	FVO	-	-
Financial assets measured at fair value through profit and loss (held for trading)	HfT	-	-
Financial liabilities measured at amortized cost	FLAC	-15,768.8	-

Due to the short maturities of cash and cash equivalents, trade receivables and payables, as well as of other current receivables and liabilities, it is assumed that the respective fair value corresponds to the carrying amount. 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. The cash and cash equivalents, receivables from companies in which the Company has a participating interest, and other assets and financial assets were neither overdue nor impaired as of the balance sheet date.

Amortized cost	Of which balance sheet valuation as per IAS 39: Fair value carried directly to equity	Fair value through profit and loss	Of which valuation as per IAS 17	Fair value of financial instruments within IFRS 7
49.4	-	-	-	49.4
5,152.0	-	-	-	5,152.0
-	-	-	-	-
5,730.4	-	-	-	5,730.4
-	-	-	-	-
-2,851.5	-	-	-	-2,851.5
-	-	-	-	-
-10,638.0	-	-	-	-10,638.0
-37.2	-	-	-	-37.2
-5,130.8	-	-	-	-5,130.8
8,080.3	-	-	-	8,080.3
-	-	-	-	-
-	-	-	-	-
-15,768.8	-	-	-	-15,768.8

The net profit/losses on the financial instruments were as follows by IAS 39 measurement categories:

In EUR thousand	2017	2016
Fair value movements on financial liabilities designated as FVTPL	43.4	-
Financial liabilities at amortized cost (FLAC)	-684.5	-880.8
Total	**-641.1**	**-880.8**

The net profit/loss in the "financial liabilities at amortized cost" category is primarily composed of interest expenses for financial liabilities. Further details of the financial income and expenses are disclosed in note 11.

26.5 Risk arising from financial instruments

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.

26.5.1 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.

26.5.2 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 168.5 thousand (2016: EUR 49.4 thousand) are available to cover liquidity requirements. In addition, CLIQ Digital has, dependent on compliance with certain covenants („borrowing base"), access to total credit lines of EUR 674.3 thousand (2016: EUR 2,362.0 thousand), which have not yet been utilized. Overall, liquidity risk is categorized as low as a consequence.

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

in EUR thousand	Gross value December 31, 2017	Payments 2018	Payments 2019 to 2022	Payments from 2023
Trade payables	2,124.9	2,101.0	20.5	3.4
Bank borrowings[1)]	5,674.3	5,674.3	-	-
Other liabilities	3,887.6	3,367.9	519.7	-
Total	**11,686.8**	**11,143.2**	**540.2**	**3.4**

[1)] compare Note 25 Bank borrowings

in EUR thousand	Gross value December 31, 2016	Payments 2017	Payments 2018 to 2021	Payments from 2022
Trade payables	2,851.5	2,851.5	-	-
Bank borrowings[1)]	10,638.0	5,638.0	5,000.0	-
Other liabilities	4,581.9	4,266.1	315.8	-
Total	**18,071.4**	**12,755.6**	**5,315.8**	**-**

[1)] compare Note 25 Bank borrowings

26.5.3 Market risks

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

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

26.5.4 Foreign currency risks

The currency risk of (trade) receivables of significant revenues denominated in other foreign currencies than US dollar 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 US dollars are generally not hedged since (future) income as well as expenses (primarily marketing expenses) are incurred in US dollars.

26.5.5 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 5,674.3 thousand, which created an inherent interest rate risk which can negatively impact financial results in the future. At year-end, outstanding debt consist of total long-term debt of EUR 0 (2016: EUR 5,000.0) thousand and total short-term debt of EUR 5,674.3 (2016: EUR 5,638.0) thousand.

27 Business combinations

27.1 Subsidiaries acquired

The following entities have been acquired as part of the acquisition of the “UK operations”:

in EUR thousand	Principal activity	Date of acquisition	Proportion of voting equity interests acquired
Universal Mobile Enterprises Limited, Witney, United Kingdom	Sales and marketing of digital products	01.06.17	100%
Moonlight Mobile Limited, Witney, United Kingdom	Sales and marketing of digital products	01.06.17	100%
Red27 Mobile Limited, Witney, United Kingdom	Sales and marketing of digital products	01.06.17	51%

The UK operations were acquired to continue the expansion of the Group’s activities and expected operational synergies and cross-selling effects in marketing and sales which will improve the profitability of the Group.

27.2 Considerations transferred

In EUR thousand	UK operations
Cash	5,710.7
Contingent consideration arrangement	4,294.7
Consideration transferred	**10,005.4**

The contingent consideration arrangements consist of an earn-out amount payable to the vendors which is based on a percentage of the cash received from the revenue in base originating before acquisition date. A second earn-out ranging between GBP 1.0 million and GBP 1.8 million is payable when certain targets are realized.

27.3 Net assets acquired

In EUR thousand	UK operations
Current assets	
Cash and cash equivalents	3,389.5
Trade receivables	1,254.9
Other receivables	1,282.9
Non-current assets	
Intangible assets	1,653.3
Tangible assets	9.2
Financial assets	666.8
Current liabilities	
Trade payables	-501.6
Other payables	-1,626.4
Contingent liabilities	-
Non-current liabilities	
Deferred tax liabilities	-322.2
	5,806.4

The receivables acquired (which principally comprised trade receivables and accrued revenues) with a fair value of EUR 2.5 million and a gross contractual amounts of EUR 2.5 million respectively. The best estimate at acquisition date of the contractual cash flows not expected to be collected are nil.

27.4 Non-controlling interests

The non-controlling interest (49% ownership interest in Red27 Mobile Limited) recognized at acquisition date was measured by reference to the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets proportionate and amounted to nil.

27.5 Goodwill arising on acquisition

In EUR thousand	UK operations
Consideration transferred	10,005.4
Plus: non-controlling interests (49% in Red27 Mobile Limited)	-
less: fair value of identifiable net assets acquired	-5,806.4
Goodwill arising on acquisition	**4,199.0**

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

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

27.6 Net cash outflow on acquisition of subsidiaries

In EUR thousand	UK operations
Paid amounts (in cash)	-5,796.9
Obtained cash	
Fixed assets (investment fund)	666.8
Cash and cash equivalents	3,389.5
Net cash (outflow)/inflow on acquisition of subsidiaries	**-1,740.6**

27.7 Impact of acquisition on the result of the group

Included in the profit for the year is EUR 1.0 million attributable to the additional business generated by the UK operations. Revenue for the year includes EUR 7.5 million in respect the UK operations.

Had these business combinations been effected at 1 January 2017, the revenue of the Group would have been EUR 75.0 million, and the profit for the year would have been EUR 3.7 million. The Board considers these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

28. Share-based payments

For the financial years 2017 and 2016 the stock option plan 2008 and 2012 were active.

28.1 Stock option plan 2008

The Company‘s Ordinary Shareholders‘ General Meeting passed a resolution on July 8, 2008 to authorize the Management Board, with Supervisory Board assent, to grant within five years after the entry of Conditional Capital II in the commercial register, once or on several occasions, subscription rights to a total of up to 133,633 ordinary bearer shares each with a notional interest in the share capital of EUR 1.00 per ordinary share of the company according to the following significant terms presented below (“Stock Option Plan 2008”):

The issuing of stock options to subscribe for the company shares and the issuing of the shares is performed in order to create an employee stock option model.

As part of the Stock Option Plan 2008, subscription rights were issued to members of the Management Board and employees of CLIQ Digital AG, as well as to members of the management and employees of companies associated, or associated in the future, with the company in the meaning of Sections 15 et seq. of the German Stock Corporation Act (AktG).

CLIQ Digital AG has set up stock option programs (2009-2017) for managers since the 2009 financial year: in 2009, in January 2012, and in December 2012. Only for the option program of December 2012 there were still options outstanding as per 31 December 2016 which were to expire in December 2017. During 2017 the company decided to settle all of the remaining outstanding option contracts which were in the money and paid in cash. The total amount paid was EUR 93.7 thousand and equaled the market value of the option contracts at settlement date.

A new option program was approved by the supervisory board as of March 2017. The following terms are valid for this program:

The holding period of the options amounts to three years for one third (1/3) and four years for two thirds (2/3) of the pledged options. Each stock option entitles the holder to subscribe for one of the company's shares at the exercise price. In each case, the exercise price corresponds to 100% of the market value of the shares on the date of the resolution concerning the allocation of options on July 8, 2013 (EUR 4.27); distributions, especially dividend payments and any subscription rights or other special rights, are to be taken into consideration during the duration of the respective stock options in this context. The precondition for the binding purchase and exercise of the stock options is that the market value of the share of CLIQ Digital AG exceeds the basis price by at least 20% on the date when the subscription rights are exercised. To date, the performance targets have not been retrospectively reduced during the duration of the programs. Stock options for which the waiting period has been fulfilled, and which have not been exercised despite the attainment of the performance targets within an exercise window, can be exercised within a later exercise window. 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 exercise terms also include the provision that the exercise of the stock options is permissible only in the following annual periods ("exercise periods"), which last for six weeks in each case: They start in each case on the third banking day after the publication of preliminary quarterly reports. The company can only redeem the options by allocating shares or through cash settlement. The duration of the stock option program amounts to five years, commencing from the pledging date. If the individuals entitled to the subscription rights to not exercise the stock options within the duration, the stock options expire worthless.

28.2 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 one stock option program so far in January 2015. The following terms are valid for this program:

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.

28.3 Assumptions underlying the stock option plans

The assumptions underlying the stock option plans 2008 and 2012 are as follows:

	Stock option plan 2012	Stock option plan 2008
	2015 program	2017 program
Number of options issued	121,000	33,335
Fair value of the option on the issue date	EUR 1.05	EUR 2.33
Exercise price of the option on the issue date	EUR 1.92	EUR 4.27
Expected volatility	60%	60%
Duration of the option	7 yrs	5 yrs
Expected dividends	5.00%	5.00%
Risk-free interest rate	0.00%	0.00%
Turnover rate / Barrier	0.00%	0.00%

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

The stock options performed as follows:

	2017		2016	
	Average exercise price		Average exercise price	
	Number	EUR	Number	EUR
January 1	163,550	2.72	175,050	5.11
Pledged	80,000	4.59	-	1.92
Stock options exercised	-79,215	4.59	-	-
Stock options expired	-10,000	5.11	-11,500	1.92
December 31	154,335	2.44	163,550	2.72
Exercisable on December 31	33,335	-	42,550	-

Per 31 December the fair value of the options is disclosed as follows in the financial statements:

In EUR thousand	Disclosed in Other reserves	Disclosed in Other liabilities	Total fair value 2017
Stock option plan 2015	-	519.7	519.7
Stock option plan 2012	-	-	-
Total	**-**	**519.7**	**519.7**

In EUR thousand	Disclosed in Other reserves	Disclosed in Other liabilities	Total fair value 2016
Stock option plan 2015	-	315.8	315.8
Stock option plan 2012	45.1	-	45.1
Total	**45.1**	**315.8**	**360.9**

29. Related parties

The associated companies of CLIQ Digital AG are presented in the consolidation scope (note 16). 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 2017, 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

29.1 Remuneration for members of the management board

Management Board compensation is composed as follows:

in EUR thousand	2017	2016
Payments due in the short term (excluding share-based compensation)	800.0	800.0
Share- based compensation	165.0	165.0
Total compensation	**965.0**	**965.0**

As of 31 December 2017, the Management Board held a total of 133,335 stock options. (2016: 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.

29.2 Remuneration for members of the supervisory board

Surname	Name	Profession	City	Function
Schlichting Dr.	Mathias	Lawyer	Hamburg	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 52.0 thousand to reimburse their expenses in the 2017 financial year (2016: EUR 52.0 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 December 31, 2017 (2016: nil).

30. Contingent liabilities and contingent assets

As of the balance sheet date, the Group was not exposed to contingencies (2016: EUR nil), except for those disclosed in note 27 related to the acquisition of the UK companies.

31. Operational lease agreements

The leases for buildings and other leases correspond to the minimum lease payments arising from operating leases pursuant to IAS 17. These agreements relate to the leasing of buildings, and of vehicles and IT hardware. Lease expenses for the financial year amounted to EUR 320.0 thousand (2016: EUR 256.6 thousand). The operational lease obligations can be specified as follows:

			Residual term		
in EUR thousand		Total	Up to 1 year	1 to 5 years	> 5 years
Future payment obligations arising from					
Leases for buildings	2017	1,819.0	399.6	1,419.4	-
	2016	1,636.1	247.9	1,169.0	219.2
Other leases	2017	9.3	9.3	-	-
	2016	46.5	37.2	9.3	-
Other non-financial liabilities	**2017**	**1,828.3**	**408.9**	**1,419.4**	**-**
	2016	**1,682.6**	**285.1**	**1,178.3**	**219.2**

All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Group does not have an option to purchase the leased items at the expiry of the lease periods.

32. Commitment for expenditure

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

33. Events after the balance sheet date

On 14 February 2018, CLIQ Digital completed the acquisition of AffiMobiz (Tornika SAS) a media buying company by acquiring a share of 80% in the company. As part of the acquisition, CLIQ Digital increased its share in the subsidiary CMind B.V. from 67% to 80% and sold 20% of its shares in Grumbl Media B.V. Total considerations transferred by CLIQ Digital for this transaction amounted to EUR 500 thousand. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations had not been finalized.

Although the acquisition date is prior to the approval of these consolidated financial statements, but the first-time accounting of the business combination was not complete at the time of the approval, CLIQ Digital takes advantage of the exemption regulation of IFRS 3. In particular, in view of the absence of data material at the time of acquisition, it is not possible to provide the information with regard to acquired receivables, amounts recognized at the time of acquisition for every group of acquired assets and acquired liabilities, with regard to contingent liabilities, with regard to the total amount of goodwill and also with regard to transactions which had to be disclosed separately from the acquisition and the transfer of liabilities.

No other events have occurred after the balance sheet date, 31 December 2017, which are of essential importance to the CLIQ Digital Group and could lead to a reassessment of the Company.

CLIQ Digital AG

Luc Voncken
Ben Bos

independent auditor‘s report

We have audited the consolidated financial statements prepared by Cliq Digital AG, Dusseldorf – comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the notes to the consolidated financial statements, the statement of changes in equity and the statement of cash flows – together with the group management report for the business year from 1 January 2017 to 31 December 2017. The preparation of consolidated financial statements and the group management report in accordance with the IFRS as adopted by the EU and the application of the regulations in accordance with § 315e sec. 1 HGB [Handelsgesetzbuch – German Commercial Code] are the responsibility of the company‘s management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable accounting standards and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accountingrelated internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e sec. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group. The group management report is consistent with the consolidated financial statements, is in accordance with the legal provisions, as a whole provides a suitable view of the group‘s position and suitably presents the opportunities and risks of its future development.

Berlin, 5 April 2018

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Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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