

CLIQ



D I G I T A L



Half-year report

2017

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Management explanation

1. General

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. CLIQ Digital group employs more than 100 people (30 June 2017). CLIQ Digital AG, the parent company of the group, has its legal seat in Düsseldorf and is listed on the Scale Market segment of 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 currently tests are done with online 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.

On the 22nd of July 2017, CLIQ Digital AG finalized the acquisition of 100% of the shares of Universal Mobile Enterprises Ltd. and Moonlight Mobile Ltd. (hereinafter named "UME") . With economic effect as per June 1, 2017, the business of UME will be run by a newly established entity (Red27Mobile Ltd) in which CLIQ Digital AG has 51% interest. The remaining 49% of the shares in Red27Mobile Ltd will be held by the founders of UME, who will continue to manage the operative business.

The balance sheet and results as of the 1st of June 2017 are taken into account within the consolidated figures of CLIQ Digital AG. The liabilities relating to the acquisition (current and non-current) are fully included on the balance sheet as per the end of June 2017.

Due to characteristics relating to size, CLIQ Digital AG overall is not statutorily obligated to prepare consolidated financial statements, whether it be on the basis of German accounting standards, or IFRS. The consolidated Half Year Report is prepared voluntarily, to provide investors with additional financial information in line with capital markets expectations and to fulfill disclosure obligations to Deutsche Börse AG under the General Terms and Conditions of Deutsche Börse AG for the Scale Market segment of the Frankfurt Stock Exchange.

The consolidated Half Year Report is prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Commission. In preparing the consolidated Half Year Report the same IFRS principles for inclusion and valuation have been applied as for the consolidated annual financial statements at 31 December 2016.

For a detailed description of the general accounting and measurement principles reference is made to "general Information" in the notes of this consolidated Half Year Report.

Since the company has no audit obligation for interim financial statements, the consolidated Half Year Report is unaudited.

2. Income Statement

The development of the results in H1/2017 compared to H1/2016 can be summarized as follows:

EUR million		HY1/2017	HY1/2016	Δ%
Gross revenue		34.9	31.2	12%
Cost of Sales		-15.7	-13.4	
Gross Margin		19.2	17.8	8%
<i>% of Revenue</i>		<i>55%</i>	<i>57%</i>	
Personnel expenses		-4.5	-3.4	
Other non-operating expenses		-1.9	-1.6	
Total OPEX		-6.4	-5.0	
EBITDA		12.8	12.8	
Amortization and impairment charges applied to Customer acquisition costs	(1)	-10.2	-10.4	
Adjusted EBITDA		2.6	2.4	8%
Amortization and impairment charges applied to other intangible and tangible fixed assets	(1)	-0.2	-0.2	
EBIT		2.4	2.2	11%
Net financial result		-0.4	-0.5	
Profit/loss before taxes		2.0	1.7	
Taxes on income		-0.5	-0.5	
Consolidated net profit/loss for the period		1.5	1.2	
Profit/loss attributable to minority interest		-	-	
Profit/loss attributable to CLIQ Digital AG shareholders		1.5	1.2	24%

(1) Total of 'Amortization and impairment charges applied to Customer acquisition costs' and 'Amortization and impairment charges applied to other intangible and tangible fixed assets' are presented in the consolidated statement of comprehensive income as included in the HY Financial reporting as total 'Depreciation, amortization and impairment charges'

The CLIQ Digital Group generated revenue of EUR 34.9 million in H1/2017, compared to EUR 31.2 million in H1/2016. The increase in revenues of 12% is mainly caused by higher profitability of subscribers as a result of additional focus on high margin countries.

Cost of Sales amounted to EUR 15.7 million in H1/2017, compared to EUR 13.4 million in H1/2016. The Cost of Sales, mainly expenses for network operators and gateways that provide the technical connections with the network operators, 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 European markets to more than 70% in countries outside the EU.

As a result of the above, gross margin increased from EUR 17.8 million in H1/2016 to EUR 19.2 million in H1/2017.

Total OPEX amounted to EUR 6.4 million in H1/2017 compared to H1/2016 EUR 5.0 million. The increase has been caused by already more FTE's hired during H2/2016 whereby the effect on the personnel expenses for H1/2016 was limited due to this late hiring. Now having the personnel on board since the beginning of the year 2017 you see the financial implication in full. Additionally the costs relating to the share option plan (due to the rise of the stock price) has been the other reason of the increase in personnel expenses. Next to this, the OPEX includes incidental costs relating to the acquisition of UME.

Adjusted EBITDA (EBITDA -/- Amortization and Impairment of Capitalized Customer Acquisition Costs) is a measure for CLIQ Digital's performance. The adjusted EBITDA increased from EUR 2.4 million in H1/2016 to EUR 2.6 million in H1/2017. Note that Adjusted EBITDA is not a measure of financial performance under IFRS and therefore should not be considered a substitute for operating income.

EBIT H1/2017 (earnings before interests and taxes) increased compared to H1/2016 from EUR 2.2 million to EUR 2.4 million.

The effective tax-rate in H1/2017 was 25%, compared to 30% in H1/2016 as a result of tax rate of the different countries in the CLIQ Digital Group.

As a result of the above, net earnings amounted to EUR 1.5 million in H1/2017 (H1/2016: EUR 1.2 million).

3. Balance sheet

(Reference is made to the consolidated balance sheet on page 6)

3.1 Non-current assets

The CLIQ Digital Group reported EUR 54.6 million of intangible assets (31.12.2016 EUR 49.5 million), EUR 0.4 million of tangible assets (31.12.2016 EUR 0.4 million) and EUR 1.7 million of deferred tax assets (31.12.2016 EUR 1.8 million).

3.1.1 Intangible fixed assets

The most important components of intangible assets are goodwill of EUR 47.6 million (31.12.2016 EUR 43.2 million) and customer acquisition costs of EUR 6.7 million (31.12.2016 EUR 5.9 million).

Goodwill

Goodwill arising on acquisitions exists as a result of the merger with CLIQ B.V. and the recent acquisition of UME. The retention of the value of this goodwill of CLIQ B.V. was confirmed through an impairment test conducted on December 31, 2016. The goodwill for UME has been calculated as per the end of June. Since there were no triggering events noted as on June 30, 2017, no (new) impairment test has been conducted.

3.1.2 Deferred tax asset

The valuation of deferred tax asset of EUR 1.7 million (31.12.2016: EUR 1.8 million) was subjected to detailed analysis. The analysis clarified the fact that the capitalized deferred tax can be utilized in the future. No deferred tax assets were formed for the tax losses of which carry forwards are uncertain.

3.2 Current assets

The CLIQ Digital Group reported EUR 6.9 million of trade receivables (31.12.2016 EUR 5.2 million), EUR 6.5 million of miscellaneous receivables and other assets (which include amongst others income not yet invoiced) (31.12.2016 EUR 5.7 million) and EUR 4.3 million of cash and cash equivalents (31.12.2016 EUR 49 thousand). Cash and cash equivalents increased as a result of the consolidation of UME. Excluding the acquisition of UME, the cash and cash equivalents amount to EUR 46 thousand.

The increase of the total current assets is fully attributable to the consolidation of UME.

3.3 Equity

The CLIQ Digital Group reported EUR 44.9 million of equity as of June 30, 2017 (31.12.2016 EUR 43.4 million). The Company's share capital amounts to EUR 6,188,714.00, which consists of 6,188,714 listed shares.

The company held 4,000 treasury shares as of June 30, 2017 (31.12.2016 4,000 shares). The negative retained earnings of EUR 9.3 million as of December 31, 2016, decreased to EUR 7.9 million as a result of the consolidated net profit of EUR 1.5 million generated in H1/2017. We also refer to the consolidated statement of comprehensive income on page number 8.

3.4 Liabilities

3.4.1 Bank borrowings

The CLIQ Digital Group reported bank borrowings of EUR 8.4 million (31.12.2016 EUR 10.6 million) which corresponds fully to the overdraft facility of the Commerzbank AG. The bank borrowings are reported as current liabilities as per June 30, 2017.

3.4.2 Other liabilities (non-current)

The CLIQ Digital Group reported EUR 2.6 million of non-current other liabilities. The liabilities relate to the acquisition of UME, where an amount of EUR 2.6 million has been deferred and will be paid after 12 months.

3.4.3 Other provisions

The CLIQ Digital Group reported EUR 2.3 million of provisions (31.12.2016: EUR 0.7 million). The increase of the provisions relate to the corporate income tax payable of UME

3.4.4 Other Liabilities (current)

The Other Liabilities amount to EUR 12.9 million (31.12.2016: EUR 4.2 million) and relate mainly to the liability relating to the acquisition of UME.

4. Cash flow

(Reference is made to the cash flow statement on page 9)

The cash flow from its operating business increased in H1/2017 from EUR 11.7 million in H1/2016 to EUR 12.0 million in H1/2017. Cash flow from investing activities in H1/2017 amounted to EUR -9.4 million (EUR -10.2 million in H1/2016). This is primarily attributable to the investments in customer acquisition costs amounting to EUR 9.3 million (EUR 10.2 million in H1/2016). The cash flow from financing activities in H1/2017 amounted to EUR 0.1 million (EUR -2.1 million in H1/2016).

The net cash flow for H1/2017 amounted to EUR 2.4 million (EUR -0.5 million in H1/2016). In the same period the utilized overdraft facility decreased by EUR 3.4 million.

Cash and cash equivalents as of June 30, 2017 totaling EUR 4.3 million (31.12.2016 EUR 49.4 thousand). The increase relates to the inclusion of the cash from UME.

As of June 30, 2016 EUR 8.4 million of a credit line is in use, in addition CLIQ Digital has, dependent on certain covenants, access to an additional credit line of EUR 4.6 million.

The acquired cash from UME for an amount of EUR 4.1 million has been included in the Cash Flow Statement separately. The Cash out relating to the acquisition has not been included in the Cash Flow Statement as the finalization of the acquisition has been closed on the 22nd of July 2017

5. Key Performance Indicators (KPIs)

The financial 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.

Developments in the performance indicators:

	FY 2016	H1/ 2017
Number of Sales	2,599,389	1,331,705
ARPU (net-revenue per user for the first 6 months) in EUR	11.73	10.85
CPA (Cost per Acquisition) in EUR	8.32	7.33
ARPU to CPA (ARPU/CPA)	1.41	1.48
Marketing spend in EUR million	21.6	9.6
Customer value base in EUR million	20.9	27.0
Revenue in EUR million	65.3	34.9

The indicator of Customer Profitability, the ratio of ARPU to CPA, improved from 1.41 in FY2016 to 1.48 during H1/2017. Average CPA dropped from EUR 8.32 in FY 2016 to EUR 7.33 in H1/2017 as a result of the country mix. We have more subscribers to our services in countries with a relative lower CPA. Average ARPU in those countries is lower as well, but overall the profitability increased. The customer base value increased in H1/2017 from EUR 20.9 million as of 31 December 2016 to EUR 27.0 million as of 30 June 2017.

consolidated balance sheet

according to IFRS as of June 30, 2017 (unaudited)

ASSETS in EUR thousand	Note	30/6/2017	31/12/2016
Non-current assets			
Intangible assets	1	54,571.9	49,498.8
Internally generated intangible assets		313.4	357.3
Customer Acquisition Costs		6,677.5	5,924.9
Goodwill		47,581.0	43,216.6
Tangible assets		367.7	379.4
Plant, operating and office equipment		367.7	379.4
Deferred tax assets	2	1,717.2	1,795.9
Total non-current assets		56,656.8	51,674.1
Current assets			
Receivables		6,864.1	5,152.0
Trade receivables		6,864.1	5,152.0
Miscellaneous receivables and other assets		6,516.4	5,730.4
Other assets (if residual term < 1 year)		6,516.4	5,730.4
Cash and cash equivalents	3	4,338.6	49.4
Total current assets		17,719.1	10,931.8
Total assets		74,375.9	62,605.9

consolidated balance sheet

according to IFRS as of June 30, 2017 (unaudited)

EQUITY AND LIABILITIES in EUR thousand	Note	30/6/2017	31/12/2016
Equity			
Subscribed capital		6,188.7	6,188.7
Less: treasury shares		-4.0	-4.0
Total subscribed capital		6,184.7	6,184.7
Capital reserve		46,512.7	46,556.4
Retained earnings		-7,893.1	-9,320.9
Minority interest		59.3	6.4
Total equity	4/5	44,863.6	43,426.6
Liabilities			
Non-current liabilities			
Deferred tax liabilities	2	583.3	459.0
Bank borrowings (if residual term > 1 year)	7	-	5,000.0
Provisions		427.7	315.8
Other liabilities (if residual term > 1 year)		2,618.0	9.3
Total non-current liabilities		3,629.0	5,784.1
Current liabilities			
Other provisions	6	2,292.7	724.0
Bank borrowings (if residual term < 1 year)	7	8,425.9	5,638.0
Trade payables		2,276.1	2,851.5
Other liabilities		12,888.6	4,181.7
Total current liabilities		25,883.3	13,395.2
Total liabilities		29,512.3	19,179.3
Total equity and liabilities		74,375.9	62,605.9

consolidated statement of comprehensive income

according to IFRS for the period from January 1 to June 30, 2017 (unaudited)

in EUR thousand	Note	HY 1 2017	HY 1 2016
Revenue		34,919.4	31,206.0
Cost of Sales	8	-15,737.2	-13,413.1
Gross Margin		19,182.2	17,792.9
Personnel expenses		-4,477.0	-3,438.0
Other operating expenses		-1,960.3	-1,550.2
Total operating expenses		-6,437.3	-4,988.2
EBITDA		12,744.9	12,804.7
Depreciation, amortization and impairment charges		-10,355.1	-10,644.1
Amortization and impairment charges applied to intangible assets		-10,293.1	-10,548.0
Depreciation and impairment charges applied to tangible assets		-99.4	-96.1
Depreciation, amortization and impairment charges applied to current assets		37.4	-
EBIT		2,389.8	2,160.6
Net financial result	9	-349.5	-463.4
Other interest and similar income		0.6	-
Interest payments and similar expenses		-350.1	-463.4
Profit/loss on ordinary business activities		2,040.3	1,697.2
Taxes on income	2	-618.3	171.7
Deferred taxes	2	102.8	-680.9
Consolidated net profit/loss for the period		1,524.8	1,188.0
Profit/loss attributable to minority interest		52.9	-
Profit/loss attributable to CLIQ Digital AG shareholders		1,471.9	1,188.0

cash flow statement

according to IFRS for the period from January 1 to June 30, 2017 (unaudited)

in EUR thousand	HY 1 2017	HY 1 2016
1. Net profit/loss for the period	1,471.9	1,188.0
2. + Depreciation and amortization	10,392.5	10,644.1
3. + Increase in provisions	1,680.6	-213.1
- Other non-cash income	-162.8	-
4. +/- Decrease/increase in trade receivables and other assets not attributable to investment or financing activities	-24.4	266.8
5. -/+ Decrease/increase in trade payables and other liabilities not attributable to investing or financing activities	-1,475.0	-335.7
6. +/- Interest expense / Interest income	117.5	198.2
7. = Cash flow from operating activities	12,000.3	11,748.3
8. - Payments for investments tangible assets	-78.5	-40.7
9. + Payments received from disposals of intangible assets	0.9	-1.5
10. - Payments for investments in intangible assets	-9,349.5	-10,139.9
11. = Cash flow from investing activities	-9,427.1	-10,182.1
12. + Proceeds from additions to equity	8.8	20.6
13. - Payments for the repayment of financial loans	-19.5	-1,938.4
14. - Interest paid	-117.5	-198.2
15. = Cash flow from financing activities	128.2	-2,116.0
16. Net change in cash and cash equivalents	2,445.0	-549.8
17. + Cash and cash equivalents at the start of the period	-10,588.6	-11,136.1
18. + Cash and cash equivalents acquired through acquisition	4,056.3	-
19. = Cash and cash equivalents at the end of the period *	-4,087.3	-11,685.9

*Cash and cash equivalents include the overdraft facility for an amount of EUR 8,425.9 thousand (30.6.2016: EUR 11,791.5 thousand)

consolidated statement of changes in equity

according to IFRS as of June 30, 2017 (unaudited)

in EUR thousand	Subscribed capital ordinary shares	Capital Reserve	Consolidated retained earnings	Treasury shares not designated for withdrawal	Equity as per consolidated balance sheet	Minority interests	Consolidated Equity
Balance as of December 31, 2016	6,188.7	46,556.4	-9,320.9	-4.0	43,420.2	6.4	43,426.6
Net profit/loss for the period	-	-	1,471.9	-	1,471.9	52.9	1,524.8
Miscellaneous changes	-	-43.7	-44.1	-	-87.8	-	-87.8
Balance as of June 30, 2017	6,188.7	46,512.7	-7,893.1	-4.0	44,804.3	59.3	44,863.6

Notes to the Half Year Report

GENERAL INFORMATION

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). Due to characteristics relating to size, CLIQ Digital AG overall is not statutorily obligated to prepare consolidated financial statements, whether it be on the basis of German accounting standards, or IFRS. These consolidated IFRS financial statements are prepared voluntarily, to provide investors with additional financial information in line with capital markets expectations and to fulfill disclosure obligations to Deutsche Börse AG under the General Terms and Conditions of Deutsche Börse AG for the Open Market of the Frankfurt Stock Exchange.

The Group's financial half year starts on January 1 and ends on June 30 of each calendar year.

CLIQ Digital's functional currency and reporting currency is the Euro. This consolidated Half Year Report is prepared in Euros since this is the currency in which most of the Group's transactions are realized. Reporting is in thousands of Euros (EUR thousand), unless stated otherwise.

In order to improve the clarity of presentation, various items in the consolidated balance sheet and consolidated statement of comprehensive income are reported on a summarized basis. These items are presented and explained separately in the notes to the consolidated Half Year Report. The statement of comprehensive income is presented according to the nature of expense method.

APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND DECLARATION OF CONFORMITY.

The consolidated Half Year Report has been prepared in accordance with the International Financial Accounting Standards (IFRS), as approved by the European Commission. In preparing the consolidated Half Year Report the same IFRS principles for inclusion and valuation have been applied as for the consolidated annual financial statements at December 31, 2016.

CONSOLIDATION METHODS

Consolidation principles

The consolidated Half Year Report is based on uniform Group regulations as of June 30, 2017, and the annual financial statements of the companies included in the Group for the comparable period as of December 31, 2016 for the balance sheet and the interim financial reports for the comparable period as of June 30, 2016 for the profit and loss and cash flow statement. Business Combinations are applied in accordance with IFRS 3. According to IFRS 3, business combinations are to be accounted for using the purchase method, whereby the acquired assets, liabilities and contingent liabilities are recognized at fair value. The positive difference between the purchase costs of the corporate merger and the interest in the fair value of the recognized assets, liabilities and contingent liabilities is reported as goodwill.

In the case of mergers arising from January 1, 2010 onwards (transition date IFRS), minority interests are also calculated as the fair values of the assets, liabilities and contingent liabilities (full goodwill method).

Mutual receivables and liabilities between the companies included in the financial statements, intragroup income and expenses, and intragroup profits and losses arising from intragroup deliveries, are eliminated. Deferred taxes were recognized for earnings-effective consolidation transactions where required.

Consolidation scope

The consolidated Half Year Report as of June, 30 2017 includes subsidiaries. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

CLIQ Digital AG has, as reported on July 22, 2017, acquired a majority participation in the business operations of the UK based companies Universal Mobile Enterprises Ltd. and Moonlight Mobile Ltd (together "UME"). With economic effect as per June 1, 2017, the business of UME will be fully consolidated taking into account the minority interest in Red27Mobile Ltd. (49% will be held by former shareholders of UME).

Consolidation scope as of June 30, 2017:

	Equity interest in %
CLIQ Digital AG, Dusseldorf, Germany	
C Formats GmbH (former Bob Mobile Deutschland GmbH), Dusseldorf, Germany	100.00
Bob Mobile Hellas S.A., Attiki, Greece	100.00
Cructiq AG, Baar, Switzerland	100.00
Rheinkraft Production GmbH, Dusseldorf, Germany	100.00
Bluetiq GmbH (vormals Just A Game GmbH), Dusseldorf, Germany	100.00
Guerilla Mobile Asia Pacific Pte. Ltd, Singapore	100.00
CLIQ B.V., Amsterdam, The Netherlands	100.00
Artiq Mobile B.V., Amsterdam, The Netherlands	100.00
TMG Singapore PTE Ltd., Singapore	100.00
The Mobile Generation Americas Inc., Toronto, Ontario, Canada	100.00
GIM Global Investments Munich GmbH, Munich, Germany	100.00
iDNA B.V., Amsterdam, The Netherlands	100.00
Grumbl Media B.V., Amsterdam, The Netherlands	100.00
CMind B.V., Amsterdam, The Netherlands	66.67
CPay B.V., Amsterdam, The Netherlands	100.00
Claus Mobi GmbH, Dusseldorf, Germany	100.00
VIPMOB B.V., Amsterdam, The Netherlands	80.00
Universal Mobile Enterprises Limited, London, United Kingdom	100.00
Moonlight Mobile Limited, London, United Kingdom	100.00
Red27Mobile Limited, London, United Kingdom	51.00

CURRENCY TRANSLATION

In the separate financial statements of consolidated companies prepared in local currency, foreign-currency transactions are reported with the cash rates prevailing on the transaction date. Monetary items denominated in foreign currencies (cash and cash equivalents, receivables and liabilities) are measured at the cash mid-rate prevailing on the balance sheet date. Exchange-rate gains and losses arising from the measurement or unwinding of the monetary items are reported in the statement of comprehensive income. Non-monetary items are recognized at historic rates.

Pursuant to IAS 21, financial statements prepared in foreign currencies are translated into Euros according to the functional currency concept. The functional currency is the currency in which a foreign company predominantly generates its cash inflows, and makes payments. Since the Group companies operate their businesses independently from a financial, economic and organizational perspective, the functional currencies are generally identical with the respective national currencies. The respective national currency of the subsidiaries included in the consolidated Half Year Report of CLIQ Digital is the Euro. As a consequence, the Euro is utilized as the functional currency for CLIQ Digital and the subsidiaries included in the consolidated Half Year Report.

GENERAL ACCOUNTING AND MEASUREMENT PRINCIPLES

The consolidated Half Year Report is prepared on the basis of standard Group accounting and measurement methods. The accounting and valuation principles have been retained unchanged compared to the consolidated annual financial statements of the previous full calendar year.

Assets and liabilities have been valued at historical acquisition/production cost, with the exception as far as relevant of financial instruments classified as "financial asset or financial liabilities at fair value through profit or loss" and derivatives, which have been included at their fair value.

Assumptions and estimates

When preparing the consolidated Half Year Report, assumptions and estimates are made that affect the level and recognition of the recognized assets and liabilities, income and expenses, and contingent liabilities.

These assumptions mainly relate to the standard Group determination of the economic useful lives of intangible assets, and of property, plant and equipment.

The estimates which are applied significantly affect the calculation of discounted cash flows as part of impairment tests, other provisions, and the extent to which future tax reliefs can be realized.

Estimates are based on empirical values and assumptions which are valid as of the balance sheet date, and which are regarded as appropriate under the given circumstances. They are based on the future business trend that is deemed to be the most likely. Developments among banks and providers of similar services, as well as the corporate environment, are also taken into account. The estimates and the underlying assumptions are reviewed continuously. Nevertheless, the actual values can diverge from the assumptions and estimates in individual cases if the aforementioned general circumstances differ on the balance sheet date compared to how they were expected to develop. Changes are carried through profit and loss on the date when better information is gained, and the assumptions are adjusted accordingly.

Revenue

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.

If the transfer of utilization rights comprises a determinable partial amount for several or consecutive payments (multi-component agreements), the assignable revenue is deferred, and released through profit and loss over the duration of the utilization right. Such releases are generally performed in line with the rendering of services.

Revenues are generally reported at the fair value of the consideration received, or to be received, after deducting VAT and other taxes, as well as after deducting sales reductions such as bonuses or rebates.

Research and development costs

Pursuant to IAS 38, research costs cannot be capitalized. Development costs must be capitalized if certain and precisely designated preconditions exist. Accordingly, capitalization is always required if the development work is sufficiently likely to result in a future inflow of financial resources which also cover the corresponding development costs above and beyond normal costs. Various criteria set out in IAS 38.57 must be cumulatively satisfied with regard to the development project, the application to be developed, and platform components to be developed.

Development costs for applications or platform components are recognized at cost if the assignable expenditures can be measured reliably, and both technical feasibility and successful marketing are ensured. It must also be sufficiently likely that the development work will generate future economic benefit. Capitalized development costs include all costs directly attributable to the development process including development-related overhead costs. 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 comprise further developments and improvements of already existing applications and platform components, which fail to satisfy the criteria for separate capitalization as development costs pursuant to 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.

Borrowing costs

Borrowing costs are expensed on the date when they are incurred. The direct allocation of borrowing costs to the purchase or manufacturing of a qualified intangible asset, which could accordingly generate purchase or manufacturing costs, is not performed.

Taxes

Taxes on income comprise both current and deferred taxes. Such taxes are reported in the statement of comprehensive income, unless they relate to items that are reported directly in equity. In such instances, the corresponding taxes are carried directly to equity.

Current taxes on income comprise the taxes expected to be paid for the year based on the tax rates prevailing in the respective year, as well as any corrections to prior years' taxes.

Deferred tax is recognized for temporary differences between the tax values of assets and liabilities, and their amounts as recognized in the consolidated financial statements. Deferred tax assets are also recognized for the future utilization of tax loss carryforwards. Deferred tax assets on temporary differences and loss carryforwards are recognized at the level at which it is likely that sufficient taxable income will be available in future in order to utilize them. Deferred taxes are recognized at the tax rates which are currently valid for the period or applicable in the future in the individual countries as of the balance sheet date, and on which the temporary differences will prospectively be reversed, or on which the loss carryforwards will prospectively be utilized.

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.

Intangible assets

Intangible assets are recognized at cost and, since the useful lives can be categorized as limited (except goodwill); they are amortized straight-line over their respective useful lives. This does not apply to the customer base and customer acquisition costs for subscriptions; these are amortized based on the customer's revenue life-cycle, which means that the amortization is proportional to the expected realization of the average customer's revenue per comparable customer group over the life time of the customer (on average 18 months). Where indications exist that intangible assets are impaired, and an impairment test is subsequently performed, an impairment loss is reported if required. If the reasons for the impairments no longer apply, corresponding reversals of impairment losses are carried through profit and loss up to a maximum of the amortized cost.

The maximum duration of amortization for industrial property rights and licenses is five years.

Amortization and impairment losses applied to intangible assets are reported in the consolidated statement of comprehensive income under the "Amortization and impairment charges applied to intangible assets" item.

As in the previous period, no reversals were made to impairment losses applied to intangible assets. No borrowing costs were capitalized for intangible assets in the financial period elapsed.

In accordance with IFRS 3, amortization is not applied to goodwill to be recognized in the case of this and future corporate mergers. Instead, only impairment losses are applied if determined. It should be noted already that any impairment losses incurred on goodwill cannot be reversed in subsequent reporting periods.

Tangible assets

Tangible assets are recognized at cost less depreciation and impairment losses. Tangible assets were not re-measured in line with the IAS 16 option.

Where indications exist that tangible assets are impaired, and an impairment test is subsequently performed, an impairment loss is reported if required. If the reasons for the impairments no longer apply, corresponding reversals of impairment losses are carried through profit and loss up to a maximum of the amortized cost.

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.

Current year depreciation and impairment losses are reported in the "Depreciation and impairment charges applied to tangible assets" item in the statement of comprehensive income.

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

As in the previous period, no reversals of impairment losses applied to tangible assets were performed in the period under review. No borrowing costs were capitalized for tangible assets in the financial period elapsed.

Impairment

With the exception of deferred tax assets (see taxes), and financial assets (see financial instruments), 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.

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 was confirmed through an impairment test conducted as of December 31, 2016. The impairment test is based on determining the Recoverable Amounts of cash-generating units ('CGU') in comparison of their Carrying Amounts as part of the annual impairment test. 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.

Since there were no triggering events noted as on June 30, 2017, no new impairment test has been conducted in relation to the goodwill.

Fair value measurement

In accordance with IFRS 13 Fair Value Measurement, for financial instruments which are measured at fair value, the valuation method should be disclosed. The different levels within IFRS 13 have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Finance Director is responsible for the valuations of the concerning assets and liabilities required for financial reporting purposes. The Finance Director reports directly to the Management Board. Discussions of valuation processes and results are held between the Finance Director and the Management Board at least once every quarter, in line with the group's quarterly reporting dates.

Leasing

According to IAS 17, a lease is an agreement where the lessor transfers to the lessee the right to utilize an asset for an agreed period in return for payment, or a series of payments. A differentiation is made between finance leases and operating leases. Finance leases comprise leases where the lessee essentially bears all risks and opportunities connected with the ownership of the asset. All other leases are designated as operating leases.

In the case of an operating lease, CLIQ Digital expenses the lease installment to be paid as lessee.

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 of 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.

All leases are classified as operating leases at the time of the transition to IFRS and subsequently.

Other receivables and liabilities

Non-financial assets and liabilities, as well as deferred and accrued items, and prepayments, are recognized at amortized cost.

Financial instruments

Basic principles

Financial assets are reported if CLIQ Digital is entitled to a contractual right to receive cash, cash equivalents, or other financial assets from another party. Financial liabilities are reported as soon as CLIQ Digital is obligated to transfer to a third party cash, cash equivalents, or other financial assets. Normal market purchases and sales of financial assets are generally recognized on the settlement date. By contrast, purchases and sales of securities are recognized with the bank's invoicing price on the trade date, and derivative transactions at cost on the trade date.

Financial assets and liabilities are initially measured at fair value. The carrying amount of financial instruments that are not subsequently measured at fair value through profit and loss also includes directly attributable transaction costs.

Financial assets

The regulations of IAS 39 divide financial instruments into "financial assets measured at fair value through profit and loss", "financial investments held to maturity", "financial assets available for sale" or "loans and receivables". Equity participating interests whose fair value can be reliably determined are classified as "financial assets measured at fair value through profit and loss". If fair value cannot be determined reliably, equity participating interests are classified as "financial assets available for sale", and are measured at cost.

Receivables and other assets

Receivables and other assets are divided into "trade receivables", "receivables from companies in which the company has a participating interest" and "miscellaneous receivables and other assets".

On initial recognition, "trade receivables" are recognized at fair value while taking into account directly attributable transaction costs. They are measured at amortized cost in subsequent periods due to their classification as "loans and receivables".

Both non-financial assets and financial assets are reported under the item "miscellaneous receivables and other assets". With the exception of derivative financial instruments, financial assets are allocated to the "loans and receivables" IAS 39 measurement category, are recognized on the first recognition date at fair value while taking into account directly attributable transaction costs, and are measured in subsequent periods at amortized cost while applying the effective interest method. Non-financial assets are measured according to the respectively applicable standards.

Cash and cash equivalents

Cash in hand and cash at banks is reported under this item. Cash in hand and cash at banks is allocated to the IAS 39 “loans and receivables” measurement category, is recognized on the first recognition date at fair value while taking into account directly attributable transaction costs, and is measured in subsequent periods at amortized cost while applying the effective interest method. Foreign currency positions are measured at the mid-rate prevailing on the balance sheet date. Cash at banks carries a residual term of up to three months on acquisition.

Financial liabilities

Primary financial instruments comprise bank borrowings, trade payables, and other non-derivative financial liabilities. Trade payables and other non-derivative financial liabilities include liabilities existing as of the balance sheet date for invoices that have not yet been settled, loan obligations, liabilities to employees, and related obligations. Pursuant to IAS 39, primary financial liabilities are initially recognized at fair value. In this context directly assignable transaction costs are taken into account. They are measured at amortized cost in subsequent periods.

Provisions for employee benefits

The Group has no pension plan for the German entities, only one plan with a Dutch entity for employees working in The Netherlands. The Dutch plan is financed through contributions to pension providers such as insurance companies. The pension obligations 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.

Other provisions

Other provisions are recognized for legal or notional obligations to third parties arising from past events, as well as for agreements containing charges if the outflow of funds to settle the obligations is likely and can be reliably estimated.

Other provisions are measured according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Provisions are measured based on best possible estimates in this context. No interest is applied due to the short-term nature of these provisions. Compensation claims against third parties are capitalized separately from provisions if their realization is almost certain.

Share-based compensation transactions

Stock options, in other words, share-based compensation transactions that are settled with equity instruments, are measured at fair value on the vesting date. The fair value of the obligation is reported as personnel expenditure within equity over the entitlement period. The stock options’ fair value is calculated using the internationally recognized Black-Scholes-Merton formula.

The share-based program for Management Board and employee compensation includes an option for CLIQ Digital AG to settle the options in either cash or CLIQ Digital AG ordinary shares. As of the balance sheet date, the company does not intend to settle share-based compensation in cash.

SUPPLEMENTARY INFORMATION ABOUT ITEMS IN THE BALANCE SHEET AND THE STATEMENT OF COMPREHENSIVE INCOME

(1) Intangible assets

Intangible assets reported the following changes:

In EUR thousand	Internally generated intangible assets	Customer acquisition costs	Goodwill	Total
Cost				
December 31, 2016	5,607.7	29,340.3	43,322.2	78,270.2
Additions	3.4	9,346.1	-	9,349.5
Disposals	-	-10,555.7	-	-10,555.7
Additions: first-time consolidation	43.0	1,610.2	4,364.4	6,017.6
June 30, 2017	5,654.1	29,740.9	47,686.6	83,081.6
Amortization and impairment losses				
December 31, 2016	5,250.4	23,415.4	105.6	28,771.4
Amortization	90.2	10,202.9	-	10,293.1
Disposals	0.1	-10,554.9	-	-10,554.8
June 30, 2017	5,340.7	23,063.4	105.6	28,509.7
Carrying amount December 31, 2016	357.3	5,924.9	43,216.6	49,498.8
Carrying amount June 30, 2017	313.4	6,677.5	47,581.0	54,571.9

(2) Taxes

Corporation taxes on income can be specified as follows:

in EUR thousand	HY 1 2017	HY 1 2016
Current taxes on income – Germany	47.3	1.5
Current taxes on income – The Netherlands	538.5	-221.2
Current taxes on income – Abroad	32.5	48.0
Subtotal Current taxes	618.3	-171.7
Deferred taxes on income	-102.8	680.9
Actual tax expense (+)/income (-)	515.5	509.2

The tax deferrals are allocated to the following balance sheet items:

in EUR thousand	30/6/2017		31/12/2016	
	Deferred tax asset	Deferred tax liabilities	Deferred tax asset	Deferred tax liabilities
Intangible assets	340.6	1,789.0	384.4	1,674.8
Tax loss carry forwards	2,582.3	-	2,627.3	-
Netting of deferred tax assets and liabilities	1,717.2	583.3	1,795.9	459.0

(3) Cash and cash equivalents

Cash and cash equivalents as of June 30, 2017 totaling EUR 4.3 million (31.12.2016 EUR 49.4 thousand). As of June 30, 2017 EUR 8.4 million of a credit line is in use, in addition CLIQ Digital has, dependent on certain covenants, access to an additional credit line of EUR 4.6 million.

(4) Equity

The consolidated equity in his individual components are reported separately in the "Statement of changes in equity".

(5) 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 all shares that can potentially be issued due to the stock option program.

	HY 1 2017	HY 1 2016
Profit/Loss attributable to CLIQ Digital shareholders (in EUR thousand)	1,471.9	1,188.0
Number of shares in circulation as of January 1	6,188,714	6,188,714
Number of shares in circulation as of June 30	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)	0.24	0.19
Number of potentially dilutive ordinary shares (in number of shares)	121,500	175,050
Weighted average number of shares for the calculation of diluted earnings per share	6,310,214	6,363,764
Diluted earnings per share (in EUR)	0.23	0.19

(6) Other provisions

in EUR thousand	30/6/2017	31/12/2016
Taxes on income	2,072.1	502.4
Costs for financial statements and auditing	120.5	121.6
Miscellaneous provisions	527.8	415.8
Total other current provisions	2,720.4	1,039.8

(7) Bank borrowings

The CLIQ Digital Group reported bank borrowings of EUR 8.4 million (31.12.2016 EUR 10.6 million) which corresponds fully to the overdraft facility of the Commerzbank AG.

The overdraft facility provided by Commerzbank AG of 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 6.0 million with a possibility to increase to EUR 8.0 million starting in January 2017 and (2) a maximum fixed amount of EUR 7.0 million with an interest rate of 3M-Euribor plus 3.3%. The fixed amount of EUR 7.0 million has been lowered in the first 6 months with EUR 1.0 million and will continue to be lowered in the second half of 2017 with EUR 167 thousand per month resulting in a fixed amount of EUR 5.0 million per 31 December 2017. The total overdraft facility of Commerzbank AG will remain at EUR 13.0 million.

The Commerzbank financing agreements contain financial covenants of a minimum equity ratio, an interest cover ratio and a net debt ratio. For HY1/2017 all covenants are met.

The total amount of the outstanding loans and the overdraft facility in use as per June 30, 2017 (EUR 8.4 million) are disclosed as follows in the Half Year Report 2017:

Bank borrowings (in EUR thousand)	< 1 year	> 1 year	Total
Credit facility	8,425.9	-	8,425.9
Total	8,425.9	-	8,425.9

(8) Cost of Sales

Other operating expenses include the following expenses:

in EUR thousand	HY 1 2017	HY 1 2016
Marketing spend	9,617.6	10,236.9
Capitalized Marketing spend	-9,346.1	-10,116.0
Share third parties	13,566.9	11,454.8
Other COS	1,898.8	1,837.4
Total	15,737.2	13,413.1

(9) Financial income and financial expenses

in EUR thousand	HY 1 2017	HY 1 2016
Financial income		
Interest income	0.6	-
Other financial income	-	-
	0.6	-
Financial expenses		
Interest expenses	-118.1	-198.2
Other financial expenses	-232.0	-265.2
	-350.1	-463.4
Total	-349.5	-463.4

(10) Number of employees

The average number of employees during the period was as follows:

	HY 1 2017	HY 1 2016
Germany	5	5
The Netherlands	103	89
Abroad	1	-
Total (fulltime and part-time)	109	94

Düsseldorf, 17 August 2017

CLIQ Digital AG

Luc Voncken and Ben Bos

(Vorstand)