



ADVERTISING AND USER EXPERIENCE

2019 INTERIM FINANCIAL REPORT

A corporation with a capital of 5 517 805,50 euros
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Management report

PRESENTATION OF EARNINGS FOR THE FIRST HALF OF 2019

I. Comments concerning the consolidated income statement

Revenues reached € 11,9 million (-13%) in which the activities of Native Advertising (Quantum) experienced a strong growth, while the historical activities of drive to store (Admoove) contracted. This decrease of the Admoove's revenue is explained by the drop of activity in Sweden as anticipated. It results from the loss of its main contract during summer 2018 and led to a full depreciation of the goodwill in the 2018 financial statements.

Margin rate comes to 47% (52% on the 2018 first semester). This decrease is mainly explained by the loss of the main contract on Sweden activity where margin was mostly recorded at 100% due to international accounting standards. The gross margin amounts to €5,5 million.

Purchases reached €2.4 million, decreasing compared to the 2018 first semester (2.6 million euros).

Depreciation and amortization, for €0,8 million, are mainly due to investments resulting from the continued development on technology platforms.

Current operating profit before stock based compensation and free bonus shares and without including other non-current products and costs amounts to -€1.7 million.

Net income of the consolidated companies amounts to -€2 million (versus -€11.3 million for the 2018 first semester).

This net result can be detailed as follow:

- EBITDA of €0.9 million (vs. €0.5 million for the 2018 first semester)
- The current operating profit of -€1.7 million (vs. -€1.5 million for the 2018 first semester)
- Stock based compensation and free bonus share of -€0.01 million (vs. €0.3 million for the 2018 first semester)
- A non-operating income of -€0.1 million (against -€ 9.3 million in the first half of 2018)
- And a tax expense of -€0.1 million (against -€0.2 million in the first half of 2018).

II. Internal developments and innovations

Capitalized development costs during the period mainly correspond to:

- The continuation of developments for the lunch of the Quantum platform,
- The continuation of developments for Admoove platform,

III. Significant events of the period

Enforceable conditions of the agreement between AdUX and Azerion regarding the disposal of activities in Portugal have been removed in 2019.

In early April 2019, AdUX purchased 100% of the shares of the spanish Native Advertising company named L'AGORA Premium Audience Network for a price of €0.2 million paid in cash, with a supplement based on the EBITDA achieved in 2019 and limited to €0.4 million.

Others events

On March 11th, 2019, the Paris Commercial court ordered the Quantum company, of which AdUX is the 100% shareholder, to pay €1.07 million as the result of a commercial dispute.

Quantum SAS appealed this decision on March 14th, 2019.

The Paris Commercial court initiated a safeguard procedure in favour of Quantum SAS on 1 April 2019 with an observation period of 6 months, at the end of which a safeguard plan will be presented to the Commercial Court for approval.

As the dispute traces back to previous financial years, a provision for this entire amount was recognized in the consolidated financial statements on 31 December 2018.

Azerion, that holds approximately 26% of the capital and 24% of the voting rights, is now represented on the AdUX board of directors since April 3rd, 2019 with 3 co-opted members whose appointment was ratified by the General Assembly of June 19th, 2019 (providing it with a majority representation within the AdUX board of directors).

IV. Event posterior of the closing

- By an act date from June 21st, 2016, AdUX had assigned a publisher with whom it had a management agreement, as well as competing agencies that took over the marketing of advertising space of this publisher because of:
 - the improper termination of the management and partnership agreement with the publisher; and
 - the transfer of the effects of this contract to other advertising agencies.

Consequently, AdUX claims in particular to these different companies the sum of €2.4 million.

The Management decided as a matter of prudence, to book the amount € 770k with regards to an advance granted and remaining due by this publisher in the accounts as of December 31, 2018.

By act of July 1st, 2019, the court ruling by contradictory judgment of first instance sentenced the company assigned to reimburse to the company AdUX an amount of one million euros. Given the contractual nature of the claims and their seniority, the court ordered the provisional execution notwithstanding appeal and without guarantee. AdUX served the judgment on the convicted company and attempted to execute it by bailiff, but the seizures made are not yet material.

- On June 22th 2019, Azerion granted AdUX €180.000 loan repayable on June 30th, 2021 (EURIBOR fixed rate 3 month +1,5% per year).

MAIN RISKS AND UNCERTAINTIES CHARACTERISING THE SECOND HALF OF 2019

The main risks to which the Group is exposed are detailed in the Board of Directors' Management Report (Section V - Risk Management) presented in the 2018 annual report. The Company is not aware of other risks and uncertainties affecting the Group.

As disclosed in section A.RISQUES SUR LA CONTINUITE D'EXPLOITATION in the Management Report of the AdUX Board, there is currently no way to definitively assess the outcome of the Quantum safeguard procedure. As a result of this situation, significant uncertainty is weighing on the continuity of operations of Quantum SAS and in fine AdUX SA. The situation did not evolve as of 30 of June 2019.

PROSPECTS

The AdUX Group is now refocused mainly around the activities of Native advertising (Quantum) and Drive to Store (Admoove). It is on these two pillars that the Group expects to grow in France and internationally. Since the social marketing activity (Adpulse) is less technological and has fewer potential economies of scale, it should not follow the same development trend as the Native advertising and the Drive to Store in the medium term.

Since the end of 2017, Drive to Store (Admoove) campaign sales in France and Belgium have been affected by the progressive implementation of the GDPR (General Data Protection Regulation) as well as the change of targeting technology operated on this occasion. The pedagogy and recapture of customers should still take some time but the Group continues to believe in the potential development of Admoove.

The Drive to Store entity in Sweden suffered a contract termination at the end of August 2018, which represented more than 75% of its turnover in 2017. The Swedish entity has since signed new partnerships and reduced its costs to rebuild part of its business and try to find the way to profitability, but its situation remains fragile.

Quantum's activity in the second quarter of 2019 was penalized by its conviction on March 1, 2019 in the context of a dispute with a competitor, which led to the safeguarding of this subsidiary of the Group. The activity seems to be picking up a positive

momentum at the end of the semester, but the negative reputational effect of the conviction and the safeguarding could continue to produce negative effects and therefore constitute a significant operational risk.

TRANSACTIONS BETWEEN AFFILIATED PARTIES

The affiliated parties of AdUX Group correspond to the executive officers, board of directors and administrators of the group, as well as the companies in which they exercise control, notable influence, or hold a significant voting right.

I. Transaction between affiliated parties

Executive officers

<i>in thousands of Euros</i>	30 June 2019	30 June 2018
Short term employee benefit (including benefits) paid for the current period	120	116
Short term employee benefit (including benefits) paid for the precedent period	-	50
Non current benefit	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Providing termination benefits	-	-
Sharebased payment	-	-
Total	120	166

Non executive officers

Non executive officers' compensation is only composed of attendance fees for 21.666 €.

II. Transactions with the subsidiaries

AdUX SA invoices its subsidiaries for ad-serving fees, management fees as well as brand fees, eliminated in the consolidated financial statements.

III. Other affiliated parties

During the first half of 2019, no significant operation other than described above, in the section "Significant events of the period" and in the section "Loans and financial liabilities" occurred with:

- shareholders holding a significant voting right in the AdUX S.A. capital,
- members of the managing boards, including the administrators,
- entities over which one of the main directors or shareholders exercise control, or notable influence, or hold a significant voting right.

Group's summary consolidated financial statements

Consolidated income statements for the half-years ending on 30 June 2019 and 30 June 2018

<i>In thousands of euro</i>	Notes	30 June 2019	30 June 2018 (restated) ⁽²⁾	30 June 2018 (published)
Sales		11 854	13 679	16 042
Charges invoiced by the media		-6 307	-6 543	-7 577
Gross profit		5 547	7 136	8 465
Purchases		-2 373	-2 556	-2 851
Payroll charges	3	-4 074	-5 098	-5 549
EBITDA ⁽¹⁾		-900	-518	66
Depreciation and amortization		-768	-998	-1 010
Current operating profit		-1 667	-1 517	-944
Stock based compensation		-12	-340	-340
Other non-current income and charges	4	-126	-9 286	-9 296
Operating profit		-1 805	-11 143	-10 581
Cost of indebtedness		-32	-26	-26
Other financial income and charges		43	37	52
Earning of the consolidated companies		-1 794	-11 132	-10 555
Share in the earnings of the companies treated on an equity basis		-20	-	-
Earnings before tax of the consolidated companies		-1 814	-11 132	-10 555
Income Tax	5	-139	-161	-231
Net income of the consolidated companies		-1 952	-11 292	-10 786
Net income from discontinued operations		-	763	257
Net income		-1 952	-10 529	-10 529
Minority interests from continuing operations		-90	179	179
Minority interests from discontinued operations		-	-	-
Including Group Share		-2 042	-10 351	-10 351

	30 June 2019	30 June 2018 (restated) (2)	30 June 2018 (published)
Weighted average number of ordinary shares	3 678 537	2 886 088	2 886 088
Earnings per share, Group share (in euro)	- 0,56	- 3,59	- 3,59
Weighted average number of ordinary shares (diluted)	3 678 537	2 886 088	2 886 088
Diluted earnings per share, Group share (in euro)	- 0,56	- 3,59	- 3,59
Weighted average number of ordinary shares	3 678 537	2 886 088	2 886 088
Earnings per share from continuing and discontinued operations (in euro)	- 0,56	- 3,91	- 3,74
Weighted average number of ordinary shares (diluted)	3 678 537	2 886 088	2 886 088
Diluted earnings per share of continuing activities (in euro)	- 0,56	- 3,91	- 3,74

⁽¹⁾ Current operating income before allocations and reversals of depreciation, amortisation and provisions.

⁽²⁾ The financial statements as of June 30, 2018 have been prepared on the basis of the historical financial statements of the AdUX group less discontinued operations and assets held for sale (Belgium, Italy, Portugal) according to IFRS 5 presented in Note 6 of the annual financial statements 2018.

Statement of comprehensive income for the half years ending on 30 June 2019 and 30 June 2018

<i>in thousands of euro</i>	30 June 2019	30 June 2018
Net result	- 2 042	- 10 351
Other element of the global result	-	-
- Hedge accounting on financial instruments	-	-
- Hedge accounting on financial instruments	-	-
- Exchange differences	11	- 65
- Other	142	-
- Taxes on other elements of the global result	-	-
- Actuarial gain and losses related to post-employment benefits	-	-
Other elements of the global result, net of tax	153	- 65
Group share	153	- 65
Minority interests	-	- 0
Global result	- 1 889	- 10 416

Consolidated balance sheets as of 30 June 2019 and 31 December 2018

		30 June 2019	31 Dec 2018
ASSETS - In thousands of euro	Notes		
Net Goodwill	6	2 468	1 975
Net intangible fixed assets	7	1 691	1 786
Net tangible fixed assets		258	282
Right of use assets related to leases	8	1 328	-
Deferred tax credits	9	-	-
Other financial assets		202	637
Assets held for sale		-	474
Non-current assets		5 947	5 153
Customers and other debtors	10	14 337	15 278
Other current assets	11	12 610	13 152
Cash and cash equivalents		1 163	1 966
Current assets		28 110	30 397
TOTAL ASSETS		34 057	35 550

		30 June 2019	31 Dec 2018
LIABILITIES - In thousands of euro	Notes		
Share capital		5 518	5 433
Premiums on issue and reserves		-13 140	8 627
Treasury shares		-125	-190
Consolidated net income (Group share)		-2 042	-21 420
Shareholders' equity (Group share)		-9 789	-7 550
Minority interests		6	148
Shareholders' equity		-9 783	-7 402
Long-term borrowings and financial liabilities	12	1 491	960
Long-term lease liabilities	8	1 068	-
Non-current Provisions		459	430
Deferred tax liabilities	9	-	-
Liabilities held for sale		-	335
Non-current liabilities		3 018	1 725
Short-term financial liabilities and bank overdrafts	12	3 780	6 003
Short-term lease liabilities	8	292	-
Current provisions		2 552	2 052
Suppliers and other creditors		22 586	22 279
Other current debts and liabilities	13	11 612	10 893
Current liabilities		40 822	41 227
TOTAL LIABILITIES		34 057	35 550

Consolidated statement of cash flows for the half-years ending on 30 June 2019 and on 31 December 2018 and on 30 June 2018

In thousands of euro	Notes	30 June 2019	31 Dec 2018	30 June 2018 (restated) ⁽²⁾
Net income		-1 952	-21 391	-10 529
Depreciation of the fixed assets		771	2 477	908
Value losses		-	8 483	8 483
Other non-current without impact on the cash		77	2 852	673
Cost of net financial indebtedness		32	46	26
Share in associated companies		20	-	-
Net income on disposals of fixed assets		-174	-276	93
Cash flow from discontinued operations		-	1 769	-1 694
Costs of payments based on shares		12	515	340
Tax charge or proceeds	5	139	61	161
Operating profit before variation of the operating capital need		-1 076	-5 464	-671
Variation of the operating capital need		-737	3 741	759
Cash flow coming from operating activities		-1 813	-1 723	-551
Interest paid		-32	-46	-26
Tax on earnings paid		-12	-218	-120
NET CASH FLOW RESULTING FROM OPERATING ACTIVITIES		-1 857	-1 987	-911
Income from disposals of fixed assets		-	-	-
Valuation at fair value of the cash equivalents		-	-	-
Proceeds from disposals of financial assets		-	-	-
Disposal of subsidiary, after deduction of cash transferred		1 184	919	583
Acquisition of a subsidiary		132	-50	-12
Acquisition of fixed assets		-442	-1 275	-515
Variation of financial assets		-	-122	54
Variation of suppliers of fixed assets		-84	246	-6
Effect of the perimeter variations		-35	-30	-
NET CASH FLOW COMING FROM INVESTMENT ACTIVITIES		754	-312	88
Proceeds from share issues		-	1 372	-0
Redemption of own shares		65	-12	-38
New borrowings		585	-	-
Repayments of borrowings		-382	-1 642	-240
Other financial liabilities variation		-	-	-172
Dividends paid to minority interests		-	-	-
NET CASH FLOW COMING FROM FINANCING ACTIVITIES		268	-283	-450
Effect of exchange rate variations		-4	-3	0
NET VARIATION OF CASH AND OF CASH EQUIVALENTS		-838	-2 585	-1 273
Cash and cash equivalents on January 1 st		2 001	4 551	4 551
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1 163	1 966	3 278

⁽¹⁾ The financial statements as of June 30, 2018 have been prepared on the basis of the historical financial statements of the AdUX group less discontinued operations and assets held for sale (Belgium, Italy, Portugal) according to IFRS 5 presented in Note 6 of the annual financial statements 2018.

Consolidation statement of changes in equity for the half years ending on 30 June 2019 and on 30 June 2018

<i>In thousands of euro</i>	Number of shares	Share capital	Premiums	Treasury shares	Reserve for options and free shares	Income and expenses on equity	Reserves and consolidated earnings	Shareholders' equity (Group share)	Shareholders' equity Minority interests	Shareholders' equity
January 1, 2018	2 886 088	4 329	127 881	-694	1 111	-51 769	-68 334	12 525	-383	12 142
Dividends paid by subsidiaries to the minorities	-	-	-	-	-	-	-	-	-	-
Call exercise	-	-	-	-	-	-	-	-	-	-
Shares redemptions (1)	-	-	-	-38	-	-	-	-38	-	-38
Stock options and free shares impact(2)	-	-	-	-	340	-	-	340	-	340
Perimeter variation	-	-	-	-	-	-27	-	-27	6	-21
Income and charges directly posted in shareholders' equity	-	-	-	-	-	-65	-	-65	0	-65
Net income of the period	-	-	-	-	-	-	-10 351	-10 351	-179	0
Total global income	-	-	-	-	-	-65	-10 351	-10 416	-179	-10 594
June 30, 2018	2 886 088	4 329	127 881	-732	1 452	-51 861	-78 685	2 385	-555	1 829
Dividends paid by subsidiaries to the minorities	-	-	-	-	-	-	-	-	0	0
Call exercise	735 949	1 104	1 368	-	-	-	-	2 472	-	2 472
Shares redemptions (1)	-	-	-	542	-	-	-516	26	-	26
Capital reduction by cancelling shares	-	-	-	-	-	-	-	-	-	-
Stock options and free shares impact(2)	-	-	-	-	174	-	-	174	-	174
Perimeter variation	-	-	-	-	-	-	-1 686	-1 686	495	-1 190
Others	-	-	-	-	-	27	-90	-63	0	-63
Income and charges directly posted in shareholders' equity	-	-	-	-	-	211	-	211	0	211
Net income of the period	-	-	-	-	-	-	-11 070	-11 070	208	-10 861
Total global income	-	-	-	-	-	211	-11 070	-10 858	208	-10 650
December 31, 2018	3 622 037	5 433	129 249	-190	1 626	-51 622	-92 046	-7 550	149	-7 402
Dividends paid by subsidiaries to the minorities	-	-	-	-	-	-	-	-	-	-
Call exercise	56 500	85	0	-	-	-	-85	0	-	0
Call exercise	-	-	-	-	-	-	-	-	-	-
Shares redemptions (1)	-	-	-	65	-	-	-	65	-	65
Stock options and free shares impact(2)	-	-	-	-	12	-	-	12	-	12
Perimeter variation	-	-	-	-	-	0	-	0	-323	-323
Others	-	-	-	-	-	-285	-	-285	91	-194
Income and charges directly posted in shareholders' equity	-	-	-	-	-	11	-	11	0	11
Net income of the period	-	-	-	-	-	-	-2 042	-2 042	90	-
Total global income	-	-	-	-	-	11	-2 042	-2 031	90	-1 941
June 30, 2019	3 678 537	5 518	129 249	-125	1 638	-51 897	-94 173	-9 789	6	-9 783

(1) As of June 30th, 2019, AdUX S.A. holds 7,708 treasury shares. Moreover within the framework of the liquidity contract, AdUX holds 22,876 of its own shares as of June 30th, 2018.

(2) See Note 15 in connection with the share subscription option plans and the allocations of free shares.

Notes concerning the Group's summary consolidated interim financial statements

Note 1. Accounting principles and methods

i. Preparation bases for the summary financial statements

The interim financial statements for the 1st half of 2019 are to be read as a complement to the audited consolidated financial statements for the financial year ending on December 31, 2018 as published in the annual report on April 24th, 2019.

The interim consolidated financial statements as of June 30th, 2019 are established in accordance with the accounting and valuation principles of the IFRS international accounting standards adopted by the European Union. Those international accounting standards consist of the IFRS (International Financial Reporting Standards), of the IAS (International Accounting Standards), as well as of their interpretations adopted by the European Union on June 30th, 2019 (publication in the Official Journal of the European Union).

The interim consolidated financial statements for the half-year ending on June 30th, 2019 have been prepared in accordance with the provisions of standard IAS 34 concerning "Interim financial information".

The financial statements as of June 30, 2018 have been prepared on the basis of the historical financial statements of the AdUX group less discontinued operations and assets held for sale (Italy, Belgium and Portugal) presented in Note 6 of the annual financial statements 2018.

AdUX Group's consolidated financial statements include the financial statements of AdUX S.A. and of its subsidiaries (the whole being designated as "the Group"), as well as the Group's holdings in its affiliated companies or companies under joint control. They are presented in thousands of euro.

The interim consolidated financial statements dated June 30th, 2019 as well as the notes relating thereto have been established on the responsibility of the Board of Directors, and were closed out at its meeting held on July 22th, 2019.

ii. Accounting principles and valuation methods

AdUX Group has applied the same accounting methods as in its consolidated financial statements for the financial year ending on December 31st, 2018, except for standards, amendments and interpretations applicable for the first time as from January 1st, 2019.

Application of new standards and interpretations

- The Group's application of the IFRS 16 standard and interpretation, adopted by the European Union and mandatory in financial years beginning on or after January 1st, 2019, has an impact on the Group's financial statements.
 - o This standard deals with all leases under a single model consisting in recording as a liability the rental obligation (sum of discounted future payments), and on the asset side, a right of use. The right of use is depreciated over the term of the lease agreements (Note 8)

iii. Use of estimates and judgments

Preparation of the financial statements in accordance with the IFRS standards requires Management to take account of estimates and of assumptions for determination of the amounts to be posted with regard to certain assets, liabilities, income and charges, as well as of certain information provided in notes attached to the assets and liabilities, in particular :

- The goodwill and the related depreciation tests,
- The share of profit associated,
- The intangible assets acquired,
- The deferred tax credits,
- The depreciation of receivables,

- The provisions for risk,
- The charge for stock options and free shares.
- The financial instruments.

The estimates and underlying assumptions are developed on the basis of past experience and other factors, such as events to come, considered reasonable in light of the circumstances. They are also used as the basis for exercise of the judgment necessary for determination of the book values of assets and liabilities, which cannot be obtained directly from other sources. In view of the inherently uncertain nature of these valuation procedures, the definitive amounts may prove to be different from the ones initially estimated.

The estimates and the underlying assumptions are continuously reconsidered. The impact of the changes in accounting estimates is directly entered in the accounting during the period of the change if it affects only said period, or during the period of change and in subsequent periods if they are also affected by the change.

iv. Continuity of operations

As disclosed in section « 3.4. Continuity of operations» of the 2018 consolidated financial statements, there is currently no way to definitively assess the outcome of the Quantum safeguard procedure. As a result of this situation, significant uncertainty is weighing on the continuity of operations of Quantum SAS and in fine AdUX SA. The situation did not evolve as of 30 of June 2019.

Note 2. Consolidation scope

Corporate name	Country	% held directly and indirectly on 30/06/2019	% control on 30/06/2019	Consolidation method	Date of creation or of acquisition	Date of financial year closeout
Adysseum SARL	France	100%	100%	FC	13.05.02	31.12
Adexpert SPRL	Belgium	100%	100%	FC	06.06.14	31.12
Allopass Scandinavia AB	Sweden	100%	100%	FC	30.09.09	31.12
Fotolog SAS	France	49%	49%	EM	15.05.14	31.12
AdPulse SAS	France	100%	100%	FC	02.12.14	31.12
AdUX Regions SAS	France	49%	49%	EM	06.12.12	31.12
Premium Audience Network S.L.	Spain	100%	100%	FC	28.02.19	31.12
Hi-Media LLC	USA	100%	100%	FC	30.04.15	31.12
Admoove SAS	France	100%	100%	FC	02.12.11	31.12
Local Media SARL	Tunisia	100%	100%	FC	23.09.11	31.12
Quantum Belgium SPRL	Belgium	100%	100%	FC	27.12.17	31.12
Quantum Advertising Germany GmbH	Germany	100%	100%	FC	13.04.18	31.12
Quantum Advertising España SL	Spain	100%	100%	FC	14.07.16	31.12
Quantum Native Solutions Italia SRL	Italy	100%	100%	FC	22.12.15	31.12
Quantum Advertising Nederland BV	Netherlands	51%	51%	FC	04.10.18	31.12
Quantum SAS	France	100%	100%	FC	23.04.14	31.12
Quantum Advertising LTD	UK	100%	100%	FC	09.03.18	31.12
Groupe Hi-media USA Inc	USA	100%	100%	FC	27.11.07	31.12
Hi-media Deutschland AG	Germany	45%	45%	EM	30.04.01	31.12
Hi-media Italia SRL	Italy	100%	100%	FC	31.08.09	31.12
Hi-media Nederland BV	Netherlands	100%	100%	FC	31.08.09	31.12
AdMoove Sweden AB	Sweden	100%	100%	FC	04.09.06	31.12
AdUX Benelux SPRL	Belgium	100%	100%	FC	14.03.08	31.12

FC: Full Consolidation

EM: Equity Method

Note 3. Personnel costs

The breakdown of the personnel costs between salaries, social security charges and provision for pensions indemnities are as follows:

	30 June 2019	30 June 2018 (restated)	30 June 2018 (published)
<i>In thousands of euro</i>			
Salaries	2 896	3 639	3 985
Social security charges	1 149	1 450	1 554
Provision for end-of-career indemnities	29	9	9
Payroll charges	4 074	5 098	5 549

The Group average headcount change as follows:

	H1 2019	H1 2018 (restated)	H1 2018 (published)
Average headcount	136	160	179

Note 4. Other non-current income and expenses

The other non-current income and expenses (-€0.1 million) mainly result from :

- The restructuring costs for -€0.4 million
- The gain on disposal of different shares for +€0.3 million

Note 5. Income taxes

The income taxes are as follows:

	30 June 2019	30 June 2018 (restated)	30 June 2018 (published)
<i>In thousands of euro</i>			
Current taxes	-139	-156	-227
Deferred taxes	0	-5	-4
Tax (charge)/Proceeds	-139	-161	-231
<i>Effective tax rate (%)</i>	<i>-8%</i>	<i>-1%</i>	<i>-2%</i>

The difference between the effective tax rate and the theoretical tax rate needs to be analyzed as follows:

<i>In thousands of euro</i>	30 June 2019	30 June 2018
Tax rate in France	33,33%	33,33%
Theoretical tax (charge)/proceeds	605	3 550
<i>Elements concerning the comparison with the effective rate:</i>		
Effect of change in rates	0	1
Earnings charged to losses subject to carryover not previously recorded	8	49
Recognition of deferred tax credits on losses carried over	0	0
Difference of tax rate between the countries	-18	13
Effect of non-asset deficit transfers from the fiscal year	-849	-673
Permanent differences and other elements	151	-3 134
Taxes without basis	-35	-37
Real tax (charge)/proceeds	-139	-231
Effective tax rate	-8%	-2%

AdUX S.A., Adpulse SAS, Admoove SAS and Adysseum SARL are consolidated for tax purposes.

Note 6. Goodwill

<i>In thousands of euro</i>	31 Dec 2018	Forex	Ch. In scope	Transfert	Increases	Decreases	30 June 2019
Goodwill	84 750	-	493	-	-	-	85 243
Impairments	-82 776	-	-	-	-	-	-82 776
Net goodwill	1 975	0	493	0	0	0	2 468

An impairment test is implemented when a loss value exists at the time of the half-year closing period, in accordance with the procedures defined in Note 10 of the appendix to the consolidated financial statements dated on December 31st, 2018.

Economic environment in the first semester 2019 did not differ significantly from the one anticipated in the value tests performed at the end of 2018 and the company did not identify any indication of impairment

Note 7. Intangible assets

<i>In thousands of euro</i>	30 June 2019	31 Dec 2018
Software and licences	1 178	1 332
Trademarks	74	74
Customer relations	137	137
Fixed assets in progress	301	242
Other	1	1
Total	1 691	1 786

Note 8. IFRS 16 - impacts of first application on financial statements 2019

The Group decided to adopt IFRS 16 "Lease Contracts" with simplified retrospective methodology from January 1st, 2019. This accounting standard considers all lease contracts under a single model by which a lease contract is accounted for as a liability (discounted future payments), and a right of use is accounting for as an asset. The right of use will be amortized over the period of the lease contract (taking into account option periods during which the exercise is reasonably certain). Contracts committed by AdUX for which this accounting standard applies, are:

- Mainly, real-estate leases: AdUX is a tenant of the offices in most cities where the Group operates,
- And to a lesser extent, vehicles and IT hardware leases.

AdUX has retained the "simplified method" allowed by the accounting standard by which the remaining lease costs due on 1 January 2019 are recognized and the net value of the lease contracts is calculated using the weighted average marginal borrowing rate (and not the discount rate implicit in the lease contract).

On January 1st, 2019, the Group recorded a right of use relating to contracts and associated debts with a value identical to this one.

The discount rates applied at the transition date are based on the Group's estimated marginal borrowing rate per currency based on market data available at that date. The weighted average marginal borrowing rate as of January 1, 2019 for all rental debts amounts to 8%.

The Group has also chosen to use the two capitalization exemptions proposed by the standard on contracts with a maturity up to twelve months and / or leases of assets with an individual value of less than US \$ 5,000.

P&L including IFRS 16 impact

<i>In thousands of euro</i>	30 June 2019	01 jan. 2019
Depreciation and amortization	-174	-
Finance costs	-67	-

Simplified balance sheet including IFRS 16 impact

<i>In thousands of euro</i>	30 June 2019	01 jan. 2019
Property, plant and equipments	1 328	1 502
Non-current assets	1 328	1 502
Long-term lease liabilities	1 068	1 210
Short-term lease liabilities	292	293
Other liabilities	1 360	1 502

Note 9. Deferred taxes

On June 30th, 2019, the unrecognized deferred tax assets consisted mainly of the undefined losses carried over 20 years through HiMedia Group USA for €19.3m, as well as undefined losses carried of AdUX France S.A. for €54 million, which can be undefined carried forward.

Note 10. Trade and other receivables

<i>In thousands of euro</i>	30 June 2019	31 Dec 2018
Customers	16 820	17 867
Depreciation	-2 483	-2 588
Customers and other debtors	14 337	15 278

The carrying value indicated above represents the maximum exposure to the credit risk for this heading.

Receivables sold to third parties (factoring agreement) are retained in the Group's assets as the risks and benefits associated are not transferred to these third parties. In particular, the factoring company does not bear the credit risk

Credit risk is the risk of non-recovery of the receivable. In the context of contracts signed with Group entities, credit risk is managed by these entities, which means that the Group is exposed to the risk of recovering the invoice.

Note 11. Other current assets

All of the other current assets are aged below one year.

The prepaid charges correspond mainly to overheads invoiced for the first half of 2019 but relating to the period after June 30th, 2019.

<i>In thousands of euro</i>	30 June 2019	31 Dec 2018
Financial and corporate assets	9 319	9 378
Receivables of related parties	863	656
Prepaid charges	126	250
Factor guarantee fund	-	-
Others	2 302	2 868
Other current assets	12 610	13 152

Financial and corporate assets are mainly composed of VAT receivables and CIR, CICE and CII receivables.

Note 12. Loans and financial liabilities

<i>In thousands of euro</i>	Balance sheet balance on 30 June 2019		<i>Issue currency</i>	<i>Expiration</i>
	Non-current	Current		
Zero-interest financing for innovation	1 191	0	EUR	2022
CIR / CICE financing	-	298	EUR	2019
Loan	300	285	EUR	-
Factoring	-	3 196	EUR	2019
Total	1 491	3 780		

- AdUX obtained a new payment schedule for its zero-interest financing for innovation, with an expiration date of September 30th, 2022.

- The short-term loan of €285,000 correspond to an early payment of the earn-out related to the acquisition made by Azerion of AdUX former subsidiaries, AdUX Belgium and AdUX Portugal.
- On June 7th, 2019, Azerion granted AdUX €300.000 loan repayable on December 31st, 2020 (EURIBOR fixed rate 3 month +1,5% per year).

Note 13. Other current debts and liabilities

All other debts and liabilities due date are below one year.

<i>In thousands of euro</i>	30 June 2019	31 Dec 2018
Taxation and social liabilities	9 251	9 044
Debts on fixed assets	213	313
Prepaid income	544	567
Other liabilities	1 604	969
Other current liabilities	11 612	10 894

Note 14. Operational sectors

<i>In thousands of euro</i>	Quantum		Admoove		Adpulse Social		Autres activités		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Sales	6 494	5 261	3 425	5 329	917	1 792	1 019	1 296	11 854	13 679
Gross profit									5 547	7 136
EBITDA	(516)	(839)	(30)	903	(454)	(258)	101	(324)	(900)	(518)

Note 15. Stock option plan and allocations of free shares

a. Stock options

	Plan n°11	Plan n°12	Total
Meeting date	03 May 11	03 May 11	
Date of Board of Directors meeting	31 jan. 12	27 Aug. 2012	
Total number of shares allocated (before distribution of the HiPay and consolidation shares)	385 000	105 000	490 000
Total number of shares available for subscription	159 620	64 600	224 220
Including number of shares that could be acquired by executive officers	0	49 600	49 600
Including number of shares that could be acquired by the ten leading employee	159 620	0	159 620
Beginning of exercise of the options	31 jan. 14	27 Aug. 2014	
Date of expiration	31 jan. 22	27 Aug. 2022	
Subscription price (in euros) ⁽¹⁾	2,13	1,93	
Number of options subscribed to on June 30th, 2019	-	-	-

Data after share consolidation and after adjustment resulting from the distribution of HiPay securities : ⁽²⁾	Plan n°11	Plan n°12	Total
Options cancelled during the period	0	0	0
Total number of shares available for subscription after the closing	25 092	10 155	35 247
Including number of shares that could be acquired by executive officers	0	7 797	7 797
Including number of shares that could be acquired by the ten leading employee	25 092	0	25 092
Subscription price (in euros)	13,55	12,28	

⁽¹⁾ Subscription price of the calculated options on the day of allocation of the options and corresponding to the weighted average of the market prices for the last twenty trading sessions (for certain plans, a 5% reduction has been applied).

⁽²⁾ As part of the distribution of 80% of HiPay Group's shares in June 2015, the company adjusted the subscription price of the options to take into account the effect of this distribution on the share price Hi-Media.
The company also adjusted the number of allocated options to preserve the rights of allottees.
Finally, the number of options takes into account the grouping of shares made in July, 2015 with a parity of 1 new action for 15 old actions.

The number of options and the weighted average of the exercise prices are as follows:

After share consolidation information	2019		2018	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Options in circulation at the opening	35 247	13,18	35 247	13,18
Options allocated during the period	-	-	-	-
Options exercised during the period	-	-	-	-
Options cancelled during the period	-	-	-	-
Options in circulation at the close	35 247	13,18	35 247	13,18
Options that could be exercise at the close	35 247	13,18	35 247	13,18

b. Allocation of free shares

According to IFRS 2, the plans for allocation of free shares are valued on the basis of the AdUX share price on the day of the meeting of the Board of Directors deciding on allocation of the said free shares.

	Plan n°28	Plan n°29a	Plan n°29b	Plan n°30	Total
Meeting date	06 May 14	04 May 17	04 May 17	04 May 17	
Date of the Board of Directors' meeting	07 Sep. 2015	04 May 17	04 May 17	12 Dec 17	
Total number of shares allocated	66 000	29 300	17 500	39 000	151 800
Including the number of shares that can be subscribed to by the executive officers	-	-	-	-	-
Including the number of shares that can be subscribed to by the leading ten employee allocated	38 800	29 300	17 500	39 000	124 600
Number of cancelled shares	26 400	-	-	-	26 400
Number of shares definitively allocated as at Jun. 30, 2016	39 600	29 300	17 500	39 000	125 400
Number of shares that can be definitively allocated	-	-	-	-	-
End of acquisition period	07 Sep. 2018	04 May 18	04 Feb 19	12 Dec 18	
End of retention period	07 Sep. 2019	04 May 19	04 May 19	12 Dec 19	
Share price on the date of the executive board meeting	7,65	9,77	9,77	4,53	
Non-transferability discount	yes	yes	yes	yes	
Fair value of the free share	6,51	9,02	8,49	4,18	

Note 16. Transactions between affiliated parties

The affiliated parties of AdUX Group correspond to the executive officers, board of directors and administrators of the group, as well as the companies in which they exercise control, notable influence, or hold a significant voting right.

I. Transaction between affiliated parties

Executive officers

<i>in thousands of Euros</i>	30 June 2019	30 June 2018
Short term employee benefit (including benefits) paid for the current period	120	116
Short term employee benefit (including benefits) paid for the precedent period	-	50
Non current benefit	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Providing termination benefits	-	-
Sharebased payment	-	-
Total	120	166

Non executive officers

Non executive officers' compensation is only composed of attendance fees for 21.666€.

II. Transactions with the subsidiaries

AdUX SA invoices its subsidiaries for adverting fees, management fees as well as brand fees, eliminated in the consolidated financial statements.

III. Other affiliated parties

During the first half of 2019, no significant operation other than described above, in the section "Significant events of the period" and in the section "Loans and financial liabilities", these two notes especially include the following elements:

- The short-term loan of €285,000 correspond to an early payment of the earn-out related to the acquisition made by Azerion of AdUX former subsidiaries, AdUX Belgium and AdUX Portugal.
- On June 7th, 2019, Azerion granted AdUX €300.000 loan repayable on December 31st, 2020 (EURIBOR fixed rate 3 month +1,5% per year).
- On July 22th, 2019, Azerion granted AdUX €180.000 loan repayable on June 30th, 2021 (EURIBOR fixed rate 3 month +1,5% per year).

has not been realized with :

- shareholders holding a significant voting right in the AdUX S.A. capital,
- members of the managing boards, including the administrators,
- entities over which one of the main directors or shareholders exercise control, or notable influence, or hold a significant voting right.

Note 17. Significant events of the period

Enforceable conditions of the agreement between AdUX and Azerion regarding the disposal of activities in Portugal have been removed in 2019.

In early April 2019, AdUX purchased 100% of the shares of the spanish Native Advertising company named L'AGORA Premium Audience Network for a price of €0.2 million paid in cash, with a supplement based on the EBITDA achieved in 2019 and limited to €0.4 million.

Note 18. Events following closing period

- By an act date from June 21st, 2016, AdUX had assigned a publisher with whom it had a management agreement, as well as competing agencies that took over the marketing of advertising space of this publisher because of:
 - the improper termination of the management and partnership agreement with the publisher; and
 - the transfer of the effects of this contract to other advertising agencies.

Consequently, AdUX claims in particular to these different companies the sum of €2.4 million.

The Management decided as a matter of prudence, to book the amount € 770k with regards to an advance granted and remaining due by this publisher in the accounts as of December 31st, 2018.

By act of July 1st, 2019, the court ruling by contradictory judgment of first instance sentenced the company assigned to reimburse to the company AdUX an amount of one million euros. Given the contractual nature of the claims and their seniority, the court ordered the provisional execution notwithstanding appeal and without guarantee. AdUX served the judgment on the convicted company and attempted to execute it by bailiff, but the seizures made are not yet material.

- On July 22th, 2019, Azerion granted AdUX €180.000 loan repayable on June 30th, 2021 (EURIBOR fixed rate 3 month +1,5% per year).

Statement by the person responsible for the interim financial report

I hereby attest that to my best knowledge, the summary financial statements presented in the 2019 semiannual financial report are established in accordance with the applicable accounting standards and give a fair representation of the property, financial situation and earnings of the company and of the set of companies included in the consolidation, and that the semiannual financial report offers a fair representation of the important events occurring during the first six months of the financial year and of their effect on the semiannual financial statements, of the main risks and uncertainties for the remaining six months of the financial year, and of the main transactions between affiliated parties.

Cyril Zimmermann

Chairman of the Board of Directors and Managing Director of AdUX SA

Statutory auditors' review report on the 2019 half-year financial information

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by the Shareholders Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of AdUX SA, for the six months ended June 30, 2019;
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the material uncertainty relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern described in Note 1.iv "Accounting principles and methods - iv. Continuity of operations" to the condensed half-year consolidated financial statements.

Without qualifying our conclusion, we draw your attention to Note 1.ii "Accounting principles and methods - Application of new standards and interpretations" to the condensed half-year consolidated financial statements, which describes the application as of January 1, 2019 of IFRS 16 "Leases".

Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

The Statutory Auditors

French original signed by

Neuilly-sur-Seine, July 26, 2019

Boulogne Billancourt, July 26, 2019

PricewaterhouseCoopers Audit

Fiderec Audit

Bertrand Baloché
Partner

Adrien Lechevalier
Chairman