



# FIRST QUARTER

UNAUDITED CONDENSED  
INTERIM FINANCIAL STATEMENTS  
AS OF MARCH 31, 2019

20  
» 19

## » SELECTED GROUP KEY FIGURES

	Q1 2019	Q1 2018	Change
	kEUR	kEUR	Percent
Gross sales	20,654	19,002	8.7
Revenue	5,048	4,865	3.8
Gross profit	4,918	4,720	4.2
EBIT	473	231	>100.0
EBITDA	709	312	>100.0
Net income/(loss) for period	382	290	31.7
Earnings per share in EUR (basic)	0.01	0.01	-

	3/31/2019	3/31/2018	Change
	kEUR	kEUR	Percent
Liquid funds*	23,208	19,455	19.3
Equity	16,979	16,858	0.7
Total assets	40,441	33,164	21.9
No. of employees	200	197	1.5

\*including securities

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## » KEY FIGURES AT A GLANCE

Key data about ad pepper media share	
Security Identification Number (WKN)	940883
ISIN	NL0000238145
Type of share	Ordinary bearer shares
Stock market segment (Frankfurt Stock Exchange)	Prime Standard
Initial public offering	October 9, 2000
Designated Sponsor	Equinet
Capital stock (EUR)	1,150,000
No. of shares	23,000,000
Sector	Advertising

Key share figures	Q1	Q1
	2019	2018
XETRA closing price at end of period (EUR)	2.26	3.47
Highest price (EUR)	2.64	4.41
Lowest price (EUR)	2.10	3.30
Market capitalization at end of period (EUR)	51.9m	79.8m
Average no. of shares traded (XETRA) per day	5,283	22,970
Earnings per share (basic) (EUR)	0.01	0.01
Net cash per share* (EUR)	0.98	0.93

\*(liquid funds – long-term debt) / number of shares outstanding

## Share price performance over the past twelve months (Xetra)



## Shareholder structure as of 3/31/2019

	shares	shareholding
	Numbers	Percent
EMA B.V.	9,486,402	41.25
Treasury stock	1,999,292	8.69
Axxion S.A.	1,163,501	5.06
Dieter Koppitz	699,338	3.04
Euro Serve Media GmbH	456,163	1.98
<b>Subtotal</b>	<b>13,804,696</b>	<b>60.02</b>
Free float	9,195,304	39.98
<b>Total</b>	<b>23,000,000</b>	<b>100.00</b>

## » THE STRUCTURE OF THE AD PEPPER MEDIA GROUP

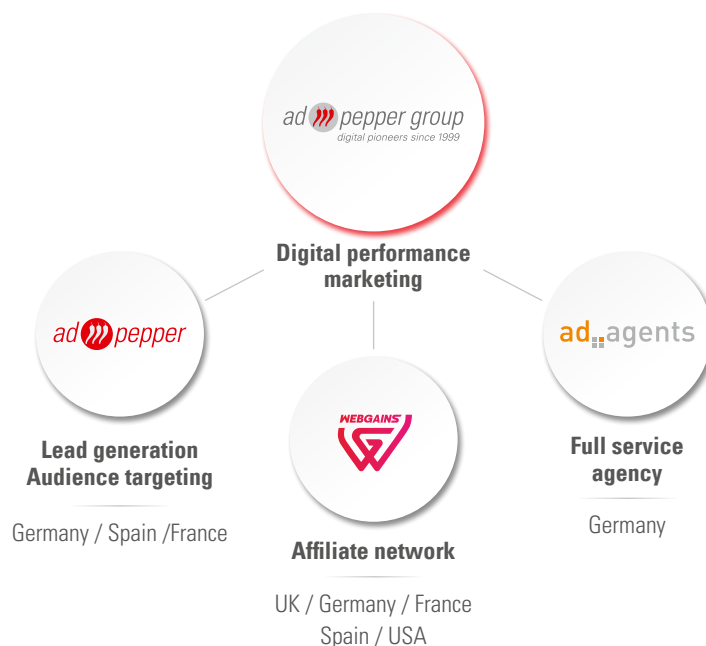
ad pepper media International N.V. is the holding company of one of the leading international performance marketing groups. It was founded in 1999 and is thus one of the pioneers in the business of online marketing. With seven offices in four European countries and the U.S., the ad pepper media Group globally develops performance marketing solutions for our customers.

The company operates within the dynamic environment of digital commerce, which is characterised by dynamic growth in both consumer and advertising expenditure. Channels such as social media, search, video and mobile – to name just a few – continue to expand their market share. This dynamic is influencing our business and opens up a range of new opportunities for our clients and us.

ad pepper media works for large firms and major SMEs based in Europe and abroad. Our clients operate primarily in the “Trade & Consumer Goods”, “Financial Services”, “Telecommunication & Technology” and “Transport and Tourism” sectors. ad pepper media aims for long-term client relationships: The company has been working for some of its clients for more than ten years.

As part of our long-term value creation strategy, we are focussing on organically growing the existing business segments, while evaluating opportunities for inorganic growth through value-accretive acquisitions. Today, the Group structures its business in three reporting segments that work in close cooperation with the holding company and operate independently on the market: **ad pepper media** (lead generation and audience targeting), **ad agents** (full service agency), and **Webgains** (affiliate network). Within central Group management, the holding company (admin) is responsible for the know-how transfer between the segments, the strategic focus, as well as financing and liquidity. Part of our overall strategy is to support and strengthen each segment individually as each business has its own distinctive culture, clients, product range and regional focus. What all three business segments have in common is that they deliver performance-based solutions for our clients. That is, the advertiser only pays when there are measurable results (when some specific actions are done). The most common pricing models in performance-based marketing are: CPM (cost-per-mile), CPC (cost-per-click), CPL (cost-per-lead), CPA (cost-per-acquisition).

What is more, ad pepper media also offers a broad range of services such as advising on and developing strategies for using digital technology, the conception, implementation and execution of digital marketing and communication measures as well as advice on digital media strategies and digital media technologies and tools. Given the growing importance of digital issues at companies and the scale of the budgets assigned to these issues, not to mention the ever greater volumes of data and the need to analyze this (preferable in real time), any successful digital marketing company has to offer competencies that include, but also go beyond the effective allocation of digital media spend across multiple channels and campaign management. It is therefore not surprising that – in some areas of our business – ad pepper media is competing more and more with well-known strategy and IT consultancies. The acquisition of the German company SinnerSchradler by Accenture in 2017 underlines the change in the competitive environment. A key piece of our Group strategy therefore is to strengthen our expertise and knowledge in this area.



## The segments of the ad pepper media Group

### ***ad pepper media***

The Group's success story began with ad pepper media in 1999. As a leading performance marketing company, it specialises in lead generation and targeting specific audiences. ad pepper media works together with its customers to develop online marketing strategies in over 50 countries worldwide.

ad pepper media also applies the latest technologies to each project. Whether at local, national or international level, ad pepper media helps its customers meet their goals by developing the most efficient online marketing strategies for their budget. By taking local conditions into consideration, ad pepper media is able to optimise campaigns for the target markets. Whether it is working with an agency or a direct customer, it always has the same aim: to deliver the best results.

What makes ad pepper media different from its competitors? Many years of experience – and iLead. This unique platform enables it to generate customised campaigns that are adapted to its customers' markets in next to no time. And ad pepper media designed the platform itself. So far, it has used iLead to successfully launch and manage over 30,000 campaigns worldwide and generate millions of qualified leads.

**Offices: Nuremberg / Madrid / Paris**

### ***Webgains***

A network is only as strong as its members. Thanks to Webgains' partnerships with over 250,000 publishers, their customers have access to one of the world's leading high-performance affiliate marketing networks – offering the largest possible reach. What's more, Webgains' experienced acquisitions team works to sign up new high-quality publishers on an ongoing basis. Webgains joined the ad pepper media Group in 2006. Today, over 1,750 customers in 14 countries – from startups to global players – rely on Webgains' services. When it comes to designing local and international campaigns, Webgains not only benefits from its strong publisher network but also the extensive experience of over 100 highly motivated experts with excellent knowledge of global markets – not to mention the most innovative tools.

Their current business development strategy focuses on a high-service & performance differential, aided by using the perfect mix of human & artificial intelligence and accelerated with machine learning. High-tech advances make it easy to quickly roll out scalable international campaigns. Meanwhile, customers can count on outstanding data security at all times and benefit from near real-time performance reporting. As well as being committed to the ongoing development of its tools, Webgains supports its employees' professional development at the company's integrated Webgains Academy. Everything they do is designed to turn Webgains' customers into market leaders and maximise their sales. In short, their teams always give their all.

**Offices: Nuremberg / Munich / Madrid / Bristol /  
London / New York / Paris**

## **ad agents**

ad agents joined the ad pepper media Group in 2007. Today it is one of Germany's most successful performance marketing agencies – and for a good reason. Their strategies are as unique as their personalised advice and support services. They are always optimised to suit the situation and specific requirements of ad agents customers. They maintain an overview of the entire digital advertising market and adapt their comprehensive service portfolio accordingly. Concept, management and optimisation: these factors are crucial for delivering an efficient marketing and sales solution. ad agents' performance marketing experts always find the perfect strategy for increasing our customers' profiles and turnover – across all digital channels and on all devices.

Customers benefit from ad agents' sixth sense for trends, their extensive experience and transparent reporting. For years, national and international companies from virtually every industry have relied on ad agents for their digital marketing activities. Why? Because their campaigns deliver outstanding results.

Exceptional quality always pays off: *ad agents is a certified Google Premier Partner as well as a "Bing Elite Partner" and maintains strong partnerships with leading-edge technology providers.*

## **Office: Herrenberg**

## » GENERAL INFORMATION ABOUT THIS MANAGEMENT REPORT

### **Definitions**

All mentions of "ad pepper media International N.V.", "ad pepper media Group" or the "Group" in this management report relate to the ad pepper media Group.

### **Forward-looking statements**

This management report contains forward-looking statements and information based on the beliefs of and assumptions made by our management using information currently available to them. We have based these forward-looking statements on our current expectations, assumptions, and projections about future conditions and events. As a result, our forward-looking statements and information are subject to uncertainties and risks, many of which are beyond our control. If one or more of these uncertainties or risks materializes, or if the management's underlying assumptions prove incorrect, our actual results could differ materially from those described in or inferred from our forward-looking statements and information. We describe these risks and uncertainties in the risk report of our Annual Report 2018.

The words "aim", "anticipate", "assume", "believe", "continue", "could", "counting on", "is confident", "estimate", "expect", "forecast", "guidance", "intend", "may", "might", "outlook", "plan", "project", "predict", "seek", "should", "strategy", "want", "will", "would", and similar expressions as they relate to us are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date specified or the date of this report. Unless we are required to do so by law, we accept no obligation to publicly update or revise any forward-looking statements due to new information, changed conditions, or any other future events which had not existed before the issuance of this report.

## Internal control system

Gross sales, revenue and profits (EBIT, EBITDA, gross profit) are some of the parameters which the ad pepper media Group analyzes monthly and compares with the original business plan to control and monitor the development of individual subsidiaries. In addition, further key performance indicators are calculated each month for control purposes and are used within all the operating companies of the ad pepper media Group. External indicators are also regularly analyzed for company management purposes. In addition, there are weekly scheduled *jour fixes* as well as regular shareholder meetings with the individual subsidiaries.

## » MACROECONOMIC FRAMEWORK

The ad pepper media Group's core markets: eurozone, UK and USA

In January 2019, the International Monetary Fund (IMF) cut its world economic growth forecasts for 2019 and 2020, due to weakness in Europe and some emerging markets, and said failure to resolve trade tensions could further destabilise a slowing global economy. In its second downgrade in three months, the IMF also cited a bigger-than-expected slowdown in China's economy and a possible "No Deal" Brexit as risks to its outlook, saying these could worsen market turbulence in financial markets.

The IMF predicted the global economy would grow at a rate of 3.5 percent in 2019 and 3.6 percent in 2020, down 0.2 and 0.1 percentage points respectively from last October's forecasts. The downgrades, according to the IMF, reflected signs of weakness in Europe, with its export powerhouse Germany hurt by new fuel emission standards for cars and with Italy under market pressure due to Rome's recent budget standoff with the European Union. Growth in the eurozone as a whole is set to moderate from 1.8 percent in 2018 to 1.6 percent in 2019, 0.3 percentage points lower than projected three months ago, according to the IMF.

Britain is expected to achieve 1.5 percent growth this year though there is uncertainty over the projection, which the IMF says is based on the assumption of an orderly exit from the EU.

The IMF maintained its US growth projections of 2.5 percent this year and 1.8 percent in 2020, pointing to continued strength in domestic demand. It also kept its China growth forecast at 6.2 percent in both 2019 and 2020, but said economic activity could fall short of expectations if trade tensions persist, even with state efforts to spur growth by boosting fiscal spending and bank lending.

## Online advertising market

Global advertising spending is set to rise by 3.8 percent overall in 2019, with this growth being driven by the Asia-Pacific and North America regions in particular. Digital media will remain at the forefront of these developments and is set to account for 41 percent of total advertising spending worldwide, equivalent to USD 254 billion. This makes it the segment with the highest investment volume. Digital media will reinforce its position as the leading advertising channel in Germany as well, and is expected to account for around 39 percent of the country's total advertising spending. This corresponds to expected growth of 6.5 percent in 2019. Particularly strong growth is forecast for the mobile segment, which is expected to account for 19.2 percent of spending. The flip side of this rapid growth is negative development which is expected to hit linear media such as TV and print products. Traditional print media in particular is expected to receive an increasingly low share of total media spending, with worldwide advertising spending on magazines and newspapers forecast to decrease by 7 percent and 7.2 percent respectively.

Source: Ad Spend Forecast, Dentsu Aegis Network



## » EARNINGS, FINANCIAL AND NET ASSET POSITION

### Earnings position

ad pepper media International N.V. generated gross sales (i.e. amounts invoiced to our customers) of EUR 20,654k in the first quarter of 2019, corresponding to year-on-year growth of 8.7 percent (Q1 2018: EUR 19,002k). The Webgains segment posted double-digit growth of 11.8 percent to EUR 13,788k (Q1 2018: EUR 12,337k). The ad pepper media segment increased its gross sales by 4.0 percent to EUR 2,383k (Q1 2018: EUR 2,292k). Driven by new business, the ad agents segment returned to growth and increased its gross sales over the same period by 2.6 percent to EUR 4,484k (Q1 2018: EUR 4,373k).

Revenue for the Group amounted to EUR 5,048k in the first quarter, equivalent to growth of 3.8 percent (Q1 2018: EUR 4,865k). Gross profit amounted to EUR 4,918k (Q1 2018: EUR 4,720k). Despite higher revenues, the Group's operating expenses of EUR 4,444k decreased by 1.0 percent compared with the previous year's period (Q1 2018: EUR 4,489k). This significantly improved the Group's profitability: Consolidated EBIT for the first three months of the year amounted to EUR 473k (Q1 2018: EUR 231k). Likewise, at EUR 709k, consolidated EBITDA more than doubled compared with the previous year's figure (Q1 2018: EUR 312k) and also represents the best first-quarter operating earnings figure in the company's history. Individual segment EBITDAs were all positive: ad pepper media posted EUR 530k (Q1 2018: EUR 483k), Webgains reported EUR 416k (Q1 2018: EUR 51k), and ad agents generated EUR 74k (Q1 2018: EUR 158k).

### Financial position

The gross cash flow amounted to EUR 566k (Q1 2018: EUR 349k), while a figure of EUR 2,965k was reported for the cash flow from operations, as against EUR -3,325k for the first three months of 2018. The key factor driving the cash inflow from operating activities was the significant encashment of trade receivables, which was only partly reduced by cash outflow for trade payables and bonus payments made. Cash outflow for investing activities amounted to EUR -25k (Q1 2018: EUR -2,443k) and is due to new software additions. Cash flow from financing activities amounted to EUR 177k in the first three months of 2019 (Q1 2018: EUR 0k) and includes cash outflow for leasing payments made in conjunction with capitalized right-of-use assets.

### Net asset position

At EUR 40,441k, total assets remain almost unchanged compared with December 31, 2018 (EUR 39,611k). The decrease in trade receivables of EUR 4,206k, was compensated by right-of-use assets amounting to EUR 2,238k and the increase in liquid funds (including securities) by EUR 2,701k to EUR 23,208k. The higher inflow of funds was largely due to encashment of outstanding trade receivables with major clients. Current liabilities reduced from EUR 22,560k as of December 31, 2018 to EUR 20,822k, which is particularly due to affiliate and website payments made amounting to EUR 842k and VAT payments of EUR 667k. Further significant reductions in liabilities are due to performance-linked payments in the first quarter amounting to EUR 103k. Long-term liabilities amount to EUR 2,640k (December 31, 2018: EUR 329k) and relate with EUR 2,370k mainly to the lease liability for capitalized right-of-use assets. The liabilities cash settled stock option plan remained at EUR 173k unchanged compared to December 31, 2018 while the deferred rent benefit for the offices in London and Bristol has been offset with the respective capitalized right-of-use asset as of January 1, 2019. Total liabilities amount to EUR 23,462k (December 31, 2018: EUR 23,098k). The Group still does not have any liabilities to banks. Total equity increased slightly to EUR 16,979k (December 31, 2018: EUR 16,513k).

## » RESEARCH AND DEVELOPMENT ACTIVITIES

Research and development largely comprises of activities in the Webgains segment. However, no investment in research and development was made in the period covered by this report, i.e. research costs are expensed as incurred.

## » EMPLOYEES

As of March 31, 2019, the ad pepper media Group had 200 employees, as against a total of 197 employees at the end of the equivalent period in the previous year. The workforce of the ad pepper media Group is assigned to the following segments:

	3/31/2019	3/31/2018
	Number	Number
ad pepper media	21	20
Webgains	92	95
ad agents	74	70
Administration	13	12

## » RISK AND OPPORTUNITY REPORT

There have been no material changes in the opportunity and risk situation of ad pepper media International N.V. compared with the information provided in the Annual Report as of December 31, 2018. Reference is therefore made to the information presented in the management report for the 2018 financial year.

## » OUTLOOK

As announced on April 23, 2019, we expect to achieve an EBITDA amounting to around EUR 2,000k.

Nuremberg, May 10, 2019  
ad pepper media International N.V.



Dr. Jens Körner, CEO

## » CONSOLIDATED INCOME STATEMENT (IFRS)

	Q1 2019	Q1 2018
	kEUR	kEUR
Gross sales <sup>1</sup>	20,654	19,002
Media cost <sup>2</sup>	-15,607	-14,137
<b>Revenue<sup>3</sup></b>	<b>5,048</b>	<b>4,865</b>
Cost of sales	-130	-145
<b>Gross profit</b>	<b>4,918</b>	<b>4,720</b>
Selling and marketing expenses	-2,852	-2,914
General and administrative expenses	-1,586	-1,561
Other operating income	85	146
Other operating expenses	-93	-161
<b>Operating profit</b>	<b>473</b>	<b>231</b>
Financial income	12	150
Financial expenses	-151	-7
<b>Income/loss before taxes</b>	<b>334</b>	<b>374</b>
Income taxes	48	-84
<b>Net income</b>	<b>382</b>	<b>290</b>
attributable to shareholders of the parent company	285	207
attributable to non-controlling interests	97	83
Basic earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.01	0.01
Diluted earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.01	0.01
	No. of shares	No. of shares
Weighted average number of shares outstanding (basic)	21,000,708	20,889,023
Weighted average number of shares outstanding (diluted)	21,158,232	21,064,540

1 Gross sales represents the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of gross revenue information is not required under IFRS; however, it is voluntarily disclosed in the Consolidated Income Statement since management has concluded that the information is useful for users of the financial statements.

2 Media cost relate to payments made to suppliers of ad inventory (commonly referred to as media buys and publishers). Disclosure of media cost information is not required under IFRS; however, it is voluntarily disclosed in the Consolidated Income Statement since management has concluded that the information is useful for users of the financial statements.

3 Net revenue is defined pursuant to IFRS 15.

» CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME (IFRS)

	Q1 2019	Q1 2018
	kEUR	kEUR
<b>Net income</b>	<b>382</b>	<b>290</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Currency translation differences	68	23
<b>Other comprehensive income</b>	<b>68</b>	<b>23</b>
<b>Total comprehensive income</b>	<b>450</b>	<b>313</b>
Attributable to non-controlling interests	97	83
Attributable to shareholders of the parent company	353	230

## » CONSOLIDATED BALANCE SHEET (IFRS) – ASSETS

	3/31/2019	12/31/2018
	kEUR	kEUR
<b>Non-current assets</b>		
Intangible assets	213	218
Property, plant and equipment	313	330
Right-of-use assets	2,238	0
Listed debt securities	2,145	2,274
Other financial assets	463	442
<b>Total non-current assets</b>	<b>5,372</b>	<b>3,264</b>
<b>Current assets</b>		
Trade receivables	13,423	17,629
Other receivables	490	422
Income tax receivables	15	7
Other financial assets	78	55
Cash and cash equivalents	21,064	18,233
<b>Total current assets</b>	<b>35,069</b>	<b>36,346</b>
<b>Total assets</b>	<b>40,441</b>	<b>39,610</b>

» CONSOLIDATED BALANCE SHEET (IFRS) –  
EQUITY AND LIABILITIES

	3/31/2019	12/31/2018
	kEUR	kEUR
<b>Equity attributable to shareholders of the parent company</b>		
Issued capital*	1,150	1,150
Reserves	61,016	60,999
Accumulated deficit	-44,997	-45,281
Other reserves	-1,140	-1,208
<b>Total</b>	<b>16,029</b>	<b>15,660</b>
Non-controlling interests	950	853
<b>Total equity</b>	<b>16,979</b>	<b>16,513</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	71	210
Other liabilities	2,569	328
<b>Total non-current liabilities</b>	<b>2,640</b>	<b>538</b>
<b>Current liabilities</b>		
Trade payables	18,076	18,967
Other liabilities	1,812	2,499
Other financial liabilities	681	912
Income tax liabilities	252	182
<b>Total current liabilities</b>	<b>20,822</b>	<b>22,560</b>
<b>Total liabilities</b>	<b>23,462</b>	<b>23,098</b>
<b>Total equity and liabilities</b>	<b>40,441</b>	<b>39,611</b>

\*The issued capital consists of shares with a nominal value of EUR 0.05 each. The authorized capital amounts to 23,429,708 shares, of which 23,000,000 (December 31, 2018: 23,000,000) are issued and 21,000,708 shares were floating at March 31, 2019 (December 31, 2018: 21,000,708).

## » CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS) – 1/2

	1/1-3/31/2019	1/1-3/31/2018
	KEUR	KEUR
<b>Net income</b>	<b>382</b>	<b>290</b>
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment and right-of-use assets, and amortization of intangible assets	236	81
Gain/loss on sale of fixed assets	-3	0
Share-based compensation	17	29
Other financial income and financial expenses	139	-143
Income taxes	-48	84
Other non-cash income and expenses	-157	8
<b>Gross cash flow</b>	<b>566</b>	<b>349</b>
Change in trade receivables	4,266	2,607
Change in other assets	-99	-398
Change in trade payables	-821	-4,342
Change in other liabilities	-910	-1,502
Income tax received	0	74
Income tax paid	-31	-82
Interest paid	-6	-31
<b>Cash flow from operating activities</b>	<b>2,965</b>	<b>-3,325</b>
Purchase of intangible assets and property, plant and equipment	-28	-27
Proceeds from sale of intangible assets and property, plant and equipment	3	0
Purchase of securities/investment in fixed-term deposits	0	-2,416
<b>Cash flow from investing activities</b>	<b>-25</b>	<b>-2,443</b>

## » CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS) – 2/2

	1/1-3/31/2019	1/1-3/31/2018
	kEUR	kEUR
Payment of lease liabilities	-177	0
<b>Cash flow from financing activities</b>	<b>-177</b>	<b>0</b>
Net increase/decrease in cash and cash equivalents	2,763	-5,768
<b>Cash and cash equivalents at beginning of period</b>	<b>18,233</b>	<b>20,127</b>
Effect of exchange rates on cash and cash equivalents	68	23
<b>Cash and cash equivalents at end of period</b>	<b>21,064</b>	<b>14,382</b>



## » CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Balance at 1/1/2019	Total compre- hensive income	Share- based payment	Issuance of shares	Dividends	Reclassifi- cations of SOPs	Cash settlement of SOPs	Balance at 3/31/2019
<b>Issued capital</b>								
Issued capital (kEUR)	1.150							1.150
<b>Share premium</b>								
From contributions of shareholders of the parent company (kEUR)	63.782							63.782
<b>Treasury shares</b>								
Treasury shares at cost (kEUR)	-5.299							-5.299
<b>Accumulated deficit (kEUR)</b>	<b>-45.281</b>	<b>285</b>						<b>-44.997</b>
<b>Other reserves</b>								
For employee stock option plans (kEUR)	2.515		17					2.532
Currency translation differences (kEUR)	-1.208	68						-1.140
<b>Equity attributable to shareholders of ad pepper media International N.V. (kEUR)</b>	<b>15.659</b>	<b>353</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16.029</b>
Non-controlling interests (kEUR)	853	97						950
<b>Total equity (kEUR)</b>	<b>16.512</b>	<b>450</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16.979</b>

## » CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Balance at 1/1/2018	Total compre- hensive income	Share- based payment	Issuance of shares	Dividends	Reclassifi- cations of SOPs	Cash settlement of SOPs	Balance at 3/31/2018
<b>Issued capital</b>								
Issued capital (kEUR)	1.150							1.150
<b>Share premium</b>								<b>0</b>
From contributions of shareholders of the parent company (kEUR)	63.782							63.782
<b>Treasury shares</b>								<b>0</b>
Treasury shares at cost (kEUR)	-5.217							-5.217
<b>Accumulated deficit (kEUR)</b>	<b>-45.528</b>	<b>207</b>						<b>-45.321</b>
<b>Other reserves</b>								<b>0</b>
For employee stock option plans (kEUR)	2.746		29					2.775
Currency translation differences (kEUR)	-1.196	23						-1.173
<b>Equity attributable to shareholders of ad pepper media International N.V. (kEUR)</b>	<b>15.738</b>	<b>230</b>	<b>29</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15.996</b>
Non-controlling interests (kEUR)	779	83	0	0	0	0	0	862
<b>Total equity (kEUR)</b>	<b>16.517</b>	<b>313</b>	<b>29</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16.858</b>

## » SELECTED EXPLANATORY NOTES

## Consolidated segment information (IFRS)

Q1 2019	ad pepper media	Webgains	ad agents	admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
<b>Gross sales</b>	<b>2,383</b>	<b>13,787</b>	<b>4,484</b>	-	-	<b>20,654</b>
<b>Revenue</b>	<b>1,182</b>	<b>2,599</b>	<b>1,271</b>	<b>95</b>	<b>-100</b>	<b>5,048</b>
Thereof external	1,178	2,599	1,271	-	-	5,048
Thereof intersegment	5	-	-	95	-100	-
<b>Gross profit</b>	<b>1,067</b>	<b>2,566</b>	<b>1,194</b>	<b>95</b>	<b>-5</b>	<b>4,918</b>
<b>Expenses (including cost of sales) and other income</b>	<b>-660</b>	<b>-2,323</b>	<b>-1,238</b>	<b>-450</b>	<b>95</b>	<b>-4,575</b>
Thereof depreciation and amortization	-13	-141	-41	-41	-	-236
Thereof other non-cash expenses	-2	-150	-1	-18	0	-170
Thereof other non-cash income	15	85	-	-	-	100
<b>EBITDA</b>	<b>535</b>	<b>417</b>	<b>74</b>	<b>-312</b>	<b>-5</b>	<b>709</b>
<b>Operating profit</b>	<b>523</b>	<b>276</b>	<b>33</b>	<b>-355</b>	<b>-5</b>	<b>473</b>
Financial income	0	2	0	10	0	12
Financial expenses	-1	-9	-4	-137	-	-151
Income taxes						48
<b>Net income for the period</b>						<b>382</b>

## Consolidated segment information (IFRS)

Q1 2018	ad pepper media	Webgains	ad agents	admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
<b>Gross sales</b>	<b>2,292</b>	<b>12,337</b>	<b>4,373</b>	-	-	<b>19,002</b>
<b>Revenue</b>	<b>1,153</b>	<b>2,331</b>	<b>1,382</b>	<b>92</b>	<b>-93</b>	<b>4,865</b>
Thereof external	1,152	2,331	1,382	-	-	4,865
Thereof intersegment	1	0	0	92	-93	0
<b>Gross profit</b>	<b>1,009</b>	<b>2,286</b>	<b>1,335</b>	<b>92</b>	<b>-1</b>	<b>4,720</b>
<b>Expenses (including cost of sales) and other income</b>	<b>-671</b>	<b>-2,338</b>	<b>-1,232</b>	<b>-485</b>	<b>92</b>	<b>-4,634</b>
Thereof depreciation and amortization	-2	-58	-8	-13	0	-81
Thereof other non-cash expenses	-	-150	-	-29	-	-179
Thereof other non-cash income	-	146	-	-	-	146
<b>EBITDA</b>	<b>484</b>	<b>52</b>	<b>158</b>	<b>-381</b>	<b>-1</b>	<b>312</b>
<b>Operating profit</b>	<b>481</b>	<b>-7</b>	<b>150</b>	<b>-393</b>	<b>-1</b>	<b>231</b>
Financial income	-	-	-	150	-	150
Financial expenses	-1	-1	-	-5	-	-7
Income taxes						-84
<b>Net income for the period</b>						<b>290</b>

## 1. Basis for the preparation of the Interim Financial Statements

The current condensed interim consolidated financial statements of ad pepper media International N.V. were prepared according to the provisions of the International Financial Reporting Standards (IFRS) as applicable on the closing date, and are presented in euros (EUR). The comparative figures from the previous year were determined according to the same principles and adjusted where necessary. The quarter-end financial statements meet the requirements of IAS 34. The condensed consolidated interim financial statements do not include all of the information required for the full annual financial statements and should therefore be read in conjunction with the consolidated Annual Report for the year ended December 31, 2018.

The consolidated interim financial statements as of March 31, 2019 were authorised for issue by the Board of Directors on May 10, 2019.

## 2. Accounting principles

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018 except for the adoption of new standards effective as of January 1, 2019. The Group has not prematurely adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

In January 2016, the IASB issued IFRS 16, which is to replace the previously applicable standard IAS 17, as well as three lease-related interpretations. The ad pepper media Group adopted the new standard for the financial year beginning January 1, 2019, using the modified retrospective approach, i.e.

comparative figures for the preceding year are not adjusted. In comparison to the previous standard, IFRS 16 alters the treatment of all rental and leasing contracts entered into. The relief provision given in IFRS 16 (recognising short-term contracts or leases with a contract value below EUR 5,000) does not provide substantial relief. The Group also utilizes the exemptions governing short-term leases and does not recognize such leases in its statement of financial position.

The effect of adopting IFRS 16 as at January 1, 2019 (increase/(decrease)) is as follows:

### The effect of adopting IFRS 16 as at January 1, 2019

	KEUR
<b>Assets</b>	
Right-of-use assets	2,399
<b>Liabilities</b>	
Lease liabilities	2,521
Deferred rental benefits	(122)
<b>Total adjustment on equity</b>	<b>0</b>

The Group has lease contracts for office space and cars. Before the adoption of IFRS 16, the Group classified each of its leases as operating leases, where the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based

on the amount equal to the lease liabilities, net of rent benefits previously accrued. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	kEUR
Operating lease commitments as at December 31, 2018	2,765
Less:	
Commitments relating to short term leases	96
Commitments relating to leases of low-value assets	17
Interest calculated with incremental borrowing rate as at January 1, 2019	131
Lease liabilities as at January 1, 2019	2,521

### **Summary of new accounting policies**

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

#### **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of office space and cars (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below EUR 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### Amounts recognised in the statement of financial position and profit or loss

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use-assets			
	Office space	Cars	Total	Lease liabilities
As at January 1, 2019	2,327	60	2,387	2,522
Additions	-	12	12	12
Depreciation expense	-153	-8	-161	-
Payments	-	-	-	-177
Interest expense	-	-	-	12
As at March 31, 2019	2,174	64	2,238	2,370

The Group recognised rent expense from short-term leases of EUR 14k and leases of low low-value assets of EUR 1k for the three months ended 31 March 2019.

### 3. Consolidated Group

The entities included in consolidation are as follows:

Entity	3/31/2019	3/31/2018
	Percent	Percent
ad pepper media GmbH, Nuremberg, Germany	100	100
ad pepper media France S.A.R.L., Paris, France	100	100
ad pepper media Spain S.A., Madrid, Spain	65	65
ad pepper media USA LLC, New York, USA	100	100
Webgains Ltd, London, United Kingdom	100	100
ad agents GmbH, Herrenberg, Germany	60	60

## 4. Notes to the Interim Financial Statements

### 4.1. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from the contracts with customers:

For the three months ended March 31, 2019				
Segments	ad pepper media	Webgains	ad agents	Total
Geographical markets				
Germany	644	626	1,271	2,540
United Kingdom	-	1,500	-	1,500
Spain	534	133	-	668
USA	-	280	-	280
Other	-	60	-	60
<b>Total revenue</b>	<b>1,178</b>	<b>2,599</b>	<b>1,271</b>	<b>5,048</b>

For the three months ended March 31, 2018				
Segments	ad pepper media	Webgains	ad agents	Total
Geographical markets				
Germany	781	529	1,382	2,692
United Kingdom	-	1,295	-	1,295
Spain	371	127	-	498
USA	-	308	-	308
Other	-	72	-	72
<b>Total revenue</b>	<b>1,152</b>	<b>2,331</b>	<b>1,382</b>	<b>4,865</b>

Regarding results of operations, financial position and net assets, reference is made to the comments in the Interim Management Report.

#### The following one-off items affecting the income statement occurred in the period under review:

Other operating income mainly includes income of EUR 61k (Q1 2018: EUR 104k) from reversals of non-disbursed affiliate credits in the Webgains segment that are classified by ad pepper media Group as not being likely to be paid out.

Other operating expenses for the first quarter of 2019 chiefly comprise write downs of receivables of EUR 60k (Q1 2018: EUR 80k). Net foreign exchange losses amount to EUR 133k, while a net foreign exchange loss of EUR 32k was posted in the equivalent prior year's quarter.

#### The following one-off items affecting the balance sheet occurred in the period under review:

Other non-current liabilities increased by EUR 2,241k due to the recognition of the lease liability for right-of-use assets.

Other liabilities reduced by EUR 687k compared with December 31, 2018. This was chiefly due to lower sales tax liabilities. The reduction in other financial liabilities by EUR 231k to EUR 681k in the first quarter of 2019 was due in particular to the payment of variable compensation and a reduction of accrued services not billed.



## 5. Segment reporting according to IFRS 8

IFRS 8 requires an entity to report financial and descriptive information about its so-called “reportable segments”. Reportable segments are either operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker for the purpose of resource allocation and assessing performance.

Generally, financial information is required to be reported on the same basis as used internally to evaluate the operating segments (management approach). The information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on the category of services delivered. For this reason, the Group reports segment information for the operating segments of “ad pepper media” (lead, mail, banner), “Webgains” (affiliate marketing), “ad agents” (SEM / SEO), and for the non-operating “admin” (administration) segment. The accounting policies of the reportable segments correspond to the Group’s accounting policies described in note [2] of the consolidated Annual Report for the year ended December 31, 2018.

The segment result is measured by EBIT and EBITDA for each segment without differences to IFRS. The segment result thus calculated is reported to the chief operating decision maker for the purpose of resource allocation and assessing segment performance.

The “dealing at arm’s length” principle forms the basis of accounting for intersegment transaction.

## Geographical information

The Group operates in four principal geographical areas – Germany, Spain, United Kingdom, and the USA.

Information about the segments’ assets are detailed below according to geographical location. Non-current assets do not include financial instruments or deferred tax assets:

	Non-current assets	
	3/31/19	3/31/18
	kEUR	kEUR
Germany	1,385	180
United Kingdom	1,231	533
Spain	50	15
USA	3	3
Other	96	3
Total	2,765	735

In Q1 2019 there is no single client which revenue exceeds more than 10 % of total Group revenue (Q1 2018: EUR 963k; ad agents segment).

## 6. Treasury stock

### Acquisition of treasury stock

By a shareholders' resolution dated May 15, 2018, the Board of Directors was authorized to repurchase treasury stock of up to 50 percent of the issued capital within the following 18 months.

As of March 31, 2019, ad pepper media International N.V. held 1,999,292 treasury stocks (March 31, 2018: 1,999,292) at a nominal value of EUR 0.05 each, corresponding to 8.7 percent (March 31, 2018: 8.7 percent) of the share capital. According to a shareholders' resolution, these shares can be used for stock option plans or acquisitions.

### Sale of treasury stock

No treasury shares were sold during the first three months of 2019 (Q1 2018: 0). 20,000 shares were sold under the employee stock option plans (Q1 2018: 20,000).

### Number of shares outstanding

The number of shares issued and outstanding as of March 31, 2019 totals 21,000,708 (March 31, 2017: 21,000,708). Each share has a nominal value of EUR 0.05.

## 7. Seasonal influences on business operations

The ad pepper media Group is engaged in the field of online advertising in the broadest sense. Due to the seasonal character of the advertising industry, with its traditional focus on expenditure in the fourth quarter, revenue and, thus, operating profit are generally higher in the second half of the year.

## 8. Stock options and shareholdings

As of March 31, 2019, a total of 676,900 stock options existed under stock option plans. The exchange ratio for each of the stock options is one share per option. The exercise prices are in the range of EUR 0.665 to EUR 3.795.

The following table lists the individual holdings and option rights of the Supervisory and Board of Directors (directly and indirectly) as well as employees.

	Shares as at 3/31/2019	Options as at 3/31/2019
<b>Board of Directors</b>		
Dr. Jens Körner		225,000
<b>Former Board Directors</b>		<b>172,000</b>
<b>Supervisory Board</b>		
Michael Oschmann		-
Thomas Bauer		10,000
Eun-Kyung Park		10,000
Dr. Stephan Roppel		10,000
<b>Employees</b>		<b>137,400</b>
<b>Associated companies</b>		
EMA B.V.	9,486,402	-
Euro Serve Media GmbH	456,163	-

## **9. Report on major transactions with related companies and persons**

There have been no material changes in transactions with related parties compared with the 2018 financial year.

## **10. Events after the balance sheet date**

Up until the day of authorization for issuance, no events took place which would have exerted substantial influence on the net assets, financial position, or result of operations as per March 31, 2019.

Nuremberg, May 10, 2019  
ad pepper media International N.V.



Dr. Jens Körner, CEO

## » FINANCIAL CALENDAR

All financial and press dates relevant for the capital market at a glance:

Annual General Meeting (Amsterdam, The Netherlands)	May 21, 2019
Quarterly Report II / 2019	August 22, 2019
Quarterly Report III / 2019	November 19, 2019

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## » IMPRINT

Published by

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Our 2018 Annual Report as well as the Interim Financial Reports for 2019 are available in English at [www.adpeppergroup.com](http://www.adpeppergroup.com) under:

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