

SECOND QUARTER

UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2019

20
» 19

» SELECTED GROUP KEY FIGURES

	H1 2019	H1 2018	Change	Q2 2019	Q2 2018	Change
	kEUR	kEUR	Percent	kEUR	kEUR	Percent
Gross sales	40,823	37,717	8.2	20,169	18,715	
Revenue	10,790	9,769	10.5	5,743	4,904	17.1
Gross profit	10,433	9,401	11.0	5,515	4,681	17.8
EBIT	1,108	439	>100.0	635	208	>100.0
EBITDA	1,592	602	>100.0	883	290	>100.0
Net income for period	838	308	>100.0	456	18	>100.0
Earnings per share in EUR (basic)	0.03	0.01	>100.0	0.01	0.00	-

	6/30/2019	6/30/2018	Change
	kEUR	kEUR	Percent
Liquid funds*	20,386	20,759	-0.6
Equity	17,132	16,666	3.8
Total assets	38,407	34,355	3.0
No. of employees	209	215	2.8

*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	H1	H1
	2019	2018
XETRA closing price at end of period (EUR)	2.72	3.65
Highest price (EUR)	2.72	4.41
Lowest price (EUR)	2.10	3.30
Market capitalization at end of period (EUR)	62.6m	84.0m
Average no. of shares traded (XETRA) per day	6,532	14,436
Earnings per share (basic) (EUR)	0.03	0.01
Net cash per share* (EUR)	0.97	0.99

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

Share price performance over the past twelve months (Xetra)



Shareholder structure as of 6/30/2019

	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
Subtotal	13,804,696	60.02
Free float	9,195,304	39.98
Total	23,000,000	100.00

» THE STRUCTURE OF THE AD PEPPER MEDIA GROUP

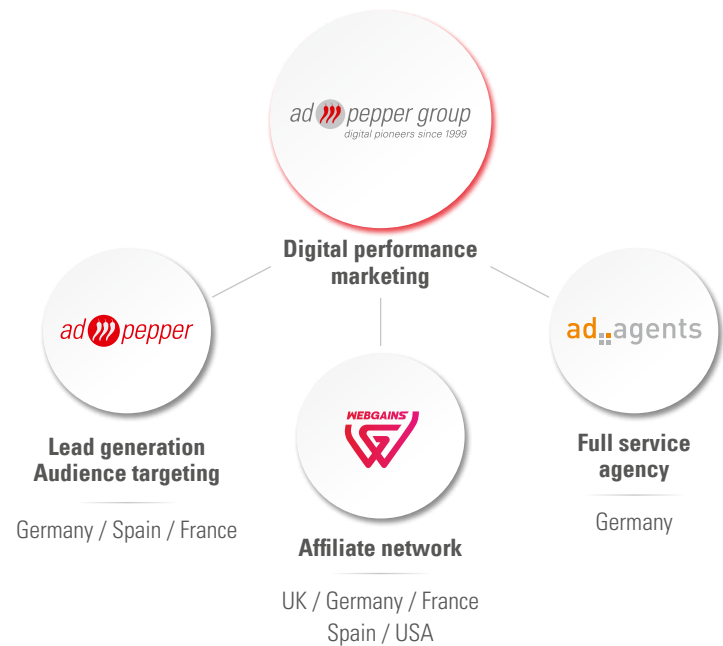
ad pepper media International N.V. is the holding company of one of the leading international performance marketing groups. It was founded in 1999 and is thus one of the pioneers in the business of online marketing. With seven offices in four European countries and the U.S., the ad pepper media Group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

The company operates within the dynamic environment of digital commerce, which is characterized 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 focusing 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), and 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, and 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, not to mention the ever greater volumes of data and the need to analyze this (preferably 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 increasingly competing with well-known strategy and IT consultancies.



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 specializes 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 customized 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 is 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 benefits not only from its strong publisher network, but also from 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 and performance differential, aided by using the perfect mix of human and 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 maximize 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 personalized advice and support services. They are always optimized 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 optimization: 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 publication of this report.

Internal control system

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

ad pepper media's core markets: Euro area, UK, and USA

According to the European Commission's (EC) Economic Outlook published on July 10 2019, the euro area economy is set to continue expanding this year and next, with annual growth forecast to slow from 1.9 percent in 2018 to 1.2 percent in 2019 before firming up at 1.4 percent in 2020. According to the EC, however, while the annual GDP growth forecast for this year remains unchanged, the lower growth projected in the second half of the year could undermine the continued resilience of the services sector and the expectation of robust domestic demand as the key growth driver of the euro area economy.

The euro area growth outlook is thus subject to risks that are skewed to the downside and appear even more interconnected than before at this fragile juncture in the global economy. According to the EC, any further escalation of trade tensions and increase in policy uncertainty could prolong the current downturn in global trade and manufacturing and trigger a sharp shift in global risk sentiment and rapid tightening of global financial conditions. This adds to concerns about the medium-term outlook in China and the recent intensification of geopolitical tensions in the Middle East. On the domestic front, given the purely technical assumption of status quo in terms of trading relations between the EU27 and the UK, a "no deal" Brexit remains a major source of risk, according to the EC.

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 the negative development 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

Gross sales at the Group rose by 7.8 percent to EUR 20,169k (Q2 2018: EUR 18,715k). Group revenue amounted to EUR 5,743k in the second quarter, equivalent to growth of 17.1 percent (Q2 2018: EUR 4,904k). Second-quarter EBITDA came to EUR 883k and more than trebled compared with the previous year's period (Q2 2018: EUR 290k). The Group's three operating segments, all of which specialize in performance marketing, benefited from the ongoing trend towards digitalization and reported disproportionate growth with advisory-related projects in particular. As a result, the segment EBITDA figures are consistently positive: ad pepper generated EUR 859k (Q2 2018: EUR 528k), Webgains EUR 388k (Q2 2018: EUR 118k), and ad agents EUR 158k (Q2 2018: EUR -3k).

For the half-year period as a whole, ad pepper media can report gross sales of EUR 40,823k (H1 2018: EUR 37,717k), corresponding to year-on-year growth of 8.2 percent and revenue of EUR 10,790k, equivalent to growth of 10.5 percent (H1 2018: EUR 9,769k). At EUR 1,592k, first-half EBITDA was significantly ahead of the previous year (H1 2018: EUR 602k). Due in particular to higher employment costs, the Group's operating expenses rose to EUR 9,326k (H1 2018: EUR 8,962k). The ad pepper media group had a total of 209 employees.

Financial position

The gross cash flow H1 2019 amounted to EUR 1,136k (H1 2018: EUR 483k), while a figure of EUR 763k was reported for the cash flow from operating activities, as against EUR -1,744k for the first six months of 2018. The key factor driving the cash flow from operating activities was the significant increase in the Group's operating profits and the significant encashment of trade receivables, which covered the outflow for trade payables and incentive payments made. Cash inflow from investing activities amounted to EUR 1,278k (H1 2018: EUR 26k), which is particularly due to the partly sale of the listed debt securities held. Cash flow from financing activities amounted to EUR -652k in the first six months of 2019 (H1 2018: EUR -214k) and shows cash paid to non-controlling interests and leasing payments made in conjunction with capitalized right-of-use assets.

Net asset position

Total assets reduced by EUR 1,204k to EUR 38,407k compared with December 31, 2018. The decrease was due to lower trade receivables, which fell by EUR 3,298k to EUR 14,331k at the end of the second quarter 2019, and corresponding reductions in trade payables by EUR 4,067k. Right-of-use assets for capitalized leasing contracts for offices and vehicles amount to EUR 2,151k. Listed debt securities have been partly sold and amount as of June 30, 2019 to EUR 723k, resulting in liquid funds (including securities) of EUR 20,386 (December 31, 2018: EUR 20,507k). Long-term liabilities amount to EUR 2,529k (December 31, 2018: EUR 538k). Of these, EUR 2,278k relate to the lease liability for capitalized right-of-use assets. Liability for cash settled stock option plan amounts to EUR 164k. Deferred rent benefits amounting to EUR 127k as of December 31, 2018 for the offices in London and Bristol have been offset with the respective capitalized right-of-use assets as of January 1, 2019.

Total liabilities amount to EUR 21,275k (December 31, 2018: EUR 23,098k). The Group still does not have any liabilities to banks. Total equity stands at EUR 17,132k (December 31, 2018: EUR 16,513k). The equity ratio increased to 44.6 percent (December 31, 2018: 41.7 percent).

» RESEARCH AND DEVELOPMENT ACTIVITIES

Research and development largely comprises 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 June 30, 2019, the ad pepper media group had 209 employees, as against a total of 215 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:

	6/30/2019	6/30/2018
	Number	Number
ad pepper media	26	21
Webgains	91	106
ad agents	78	76
Administration	14	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 July 18, 2019, given the strong operating business performance and despite the traditionally weaker summer quarter now ahead, the Board of Directors of ad pepper media International N.V. has raised the EBITDA forecast for the 2019 financial year to EUR 2,500k (previous guidance: EUR 2,000k).

» RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles, the Interim Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, while the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Nuremberg, August 6, 2019
ad pepper media International N.V.



Dr. Jens Körner, CEO

» CONSOLIDATED INCOME STATEMENT (IFRS)

	Q2 2019	Q2 2018	H1 2019	H1 2018
	KEUR	KEUR	KEUR	KEUR
Gross sales ¹	20,169	18,715	40,823	37,711
Media cost ²	14,426	13,812	30,033	27,948
Revenue³	5,743	4,904	10,790	9,769
Cost of sales	-228	-223	-357	-368
Gross profit	5,515	4,681	10,433	9,401
Selling and marketing expenses	-3,105	-3,092	-5,956	-6,006
General and administrative expenses	-2,119	-1,433	-3,704	-2,994
Other operating income	422	112	506	258
Other operating expenses	-79	-59	-172	-220
Operating profit	635	208	1,108	439
Financial income	2	78	14	86
Financial expenses	-39	-206	-191	-71
Income before taxes	598	81	932	454
Income taxes	-142	-63	-93	-147
Net income	456	18	838	308
Attributable to shareholders of the parent company	314	-45	599	162
Attributable to non-controlling interests	142	63	239	146
Basic earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.01	0.00	0.03	0.01
Diluted earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.01	0.00	0.03	0.01
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of shares outstanding (basic)	21,000,708	21,000,708	21,000,708	21,000,708
Weighted average number of shares outstanding (diluted)	21,156,226	21,350,775	21,156,667	21,353,211

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 costs relate to payments made to suppliers of ad inventory (commonly referred to as mediabuy 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 Revenue is defined pursuant to IFRS 15.

» **CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (IFRS)**

	Q2 2019	Q2 2018	H1 2019	H1 2018
	KEUR	KEUR	KEUR	KEUR
Net income	456	18	838	308
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	-27	-13	40	10
Other comprehensive income	-27	-13	40	10
Total comprehensive income	429	5	878	318
Attributable to non-controlling interests	142	63	239	146
Attributable to shareholders of the parent company	287	-58	639	172

» CONSOLIDATED BALANCE SHEET (IFRS) – ASSETS

	6/30/2019	12/31/2018
	kEUR	kEUR
Non-current assets		
Intangible assets	224	218
Property, plant and equipment	304	330
Right-of-use assets	2,151	0
Listed debt securities	723	2,274
Other financial assets	445	442
Total non-current assets	3,847	3,264
Current assets		
Trade receivables	14,331	17,629
Other receivables	490	422
Income tax receivables	61	7
Other financial assets	15	56
Cash and cash equivalents	19,663	18,233
Total current assets	34,560	36,346
Total assets	38,407	39,611

» **CONSOLIDATED BALANCE SHEET (IFRS) –
EQUITY AND LIABILITIES**

	6/30/2019	12/31/2018
	kEUR	kEUR
Equity attributable to shareholders of the parent company		
Issued capital*	1,150	1,150
Reserves	61,026	60,999
Accumulated deficit	-44,682	-45,281
Other reserves	-1,168	-1,208
Total	16,326	15,660
Non-controlling interests	806	853
Total equity	17,132	16,513
Non-current liabilities		
Deferred tax liabilities	69	210
Other liabilities	2,460	328
Total non-current liabilities	2,529	538
Current liabilities		
Trade payables	14,900	18,967
Other liabilities	2,235	2,499
Other financial liabilities	1,226	912
Income tax liabilities	386	182
Total current liabilities	18,746	22,560
Total liabilities	21,275	23,098
Total equity and liabilities	38,407	39,611

*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 are issued and 20,920,708 shares were floating at June 30, 2019 (December 31, 2018: 20,920,708).

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

	1/1-6/30/2019	1/1-6/30/2018
	KEUR	KEUR
Net income	838	308
Adjustments for:		
Depreciation and amortization	485	163
Gain/loss on sale of fixed assets	-8	0
Share-based compensation	28	46
Gain/loss on sale of fixed assets (after bank charges)	67	-49
Other financial income and financial expenses	109	-6
Income taxes	93	107
Other non-cash income and expenses and income	-475	-86
Gross cash flow	1,136	483
Change in trade receivables	3,273	2,374
Change in other assets	-53	-116
Change in trade payables	-3,600	-3,296
Change in other liabilities	71	-1,074
Income tax received	0	74
Income tax paid	-81	-195
Interest received	28	45
Interest paid	-11	-39
Net cash flow from/used in operating activities	763	-1,744
Purchase of intangible assets and property, plant and equipment	-137	-38
Proceeds from sale of intangible assets and property, plant and equipment	8	0
Proceeds from sale/maturity of securities	1,407	2,480
Purchase of securities/investment in fixed-term deposits	0	-2,416
Net cash flow from/used in investing activities	1,278	26

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

	1/1-6/30/2019	1/1-6/30/2018
	kEUR	kEUR
Payment of lease liabilities	-366	0
Dividends to non-controlling interests	-286	-214
Net cash flow from/used in financing activities	-652	-214
Net increase/decrease in cash and cash equivalents	1,390	-1,932
Cash and cash equivalents at beginning of period	18,233	20,127
Effect of exchange rates on cash and cash equivalents	40	10
Cash and cash equivalents at end of period	19,663	18,205

» CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Balance at 1/1/2019	Total compre- hensive income	Share-based payment	Dividends	Balance at 6/30/2019
Issued capital					
Issued capital (kEUR)	1,150				1,150
Share premium					
From contributions of shareholders of the parent company (kEUR)	63,782				63,782
Treasury shares					
Treasury shares at cost (kEUR)	-5,299				-5,299
Accumulated deficit (kEUR)	-45,281	599			-44,682
Other reserves					
For employee stock option plans (kEUR)	2,515		28		2,543
Currency translation differences (kEUR)	-1,208	40			-1,168
Equity attributable to shareholders of ad pepper media International N.V. (kEUR)	15,659	639	28	0	16,326
Non-controlling interests (kEUR)	853	239	0	-286	806
Total equity (kEUR)	16,512	879	28	-286	17,132

» CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Balance at 1/1/2018	Total compre- hensive income	Share-based payment	Dividends	Balance at 6/30/2018
Issued capital					
Issued capital (kEUR)	1,150				1,150
Share premium					0
From contributions of shareholders of the parent company (kEUR)	63,782				63,782
Treasury shares					0
Treasury shares at cost (kEUR)	-5,217				-5,217
Accumulated deficit (kEUR)	-45,528	162			-45,366
Other reserves					
For employee stock option plans (kEUR)	2,746		47		2,793
Currency translation differences (kEUR)	-1,196	10			-1,186
Equity attributable to shareholders of ad pepper media International N.V. (kEUR)	15,738	172	47	0	15,956
Non-controlling interests (kEUR)	779	146	0	-214	711
Total equity (kEUR)	16,517	318	47	-214	16,666

» SELECTED EXPLANATORY NOTES

Consolidated segment information (IFRS)

H1 2019	ad pepper media	Webgains	ad agents	admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Gross sales	5,848	25,585	9,390	-	-	40,823
Revenue	3,008	5,090	2,698	234	-239	10,790
Thereof external	3,003	5,090	2,698	-	-	10,790
Thereof intersegment	5	-	-	234	-239	-
Gross profit	2,679	4,991	2,534	234	-5	10,433
Expenses (including cost of sales) and other income	-1,637	-4,571	-2,554	-1,155	234	-9,683
Thereof depreciation and amortization	-23	-286	-88	-87	-	-485
Thereof other non-cash expenses	-2	-138	-8	-52	-	-200
Thereof other non-cash income	17	496	2	2	-	517
EBITDA	1,394	805	232	-834	-5	1,593
Operating profit	1,371	519	144	-921	-5	1,108
Financial income	-	4	-	10	-	14
Financial expenses	-3	-19	-9	-160	-	-190
Income taxes						-93
Net income for the period						838

Consolidated segment information (IFRS)

H1 2018	ad pepper media	Webgains	ad agents	admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Gross sales	5,011	24,194	8,512	-	-	37,717
Revenue	2,556	4,573	2,642	201	-203	9,769
Thereof external	2,554	4,572	2,642	-	-	9,769
Thereof intersegment	2	-	-	201	-203	-
Gross profit	2,192	4,472	2,539	201	-3	9,401
Expenses (including cost of sales) and other income	-1,584	-4,420	-2,400	-959	-	-8,962
Thereof depreciation and amortization	-5	-117	-16	-26	-	-163
Thereof other non-cash expenses	-1	-203	-	-46	-	250
Thereof other non-cash income	6	191	-	-7	-	290
EBITDA	1,013	170	155	-733	-3	602
Operating profit	1,008	53	139	-758	-3	439
Financial income	-	1	-	85	-	86
Financial expenses	-1	-2	1	-67	-	-71
Income taxes						-147
Net income for the period						308

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 half year 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 June 30, 2019 were authorized for publication by the Board of Directors on August 6, 2019.

2. Accounting principles

The accounting policies adopted when preparing 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 has adopted IFRS 16 Leases for the first time. 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 (recognizing 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
Assets	
Right-of-use assets	2,399
Liabilities	
Lease liabilities	2,521
Deferred rental benefits	(122)
Total adjustment on equity	0

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 capitalized and the lease payments were recognized 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 recognized 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 recognized based on the amount equal to the lease liabilities, net of rent benefits previously accrued. Lease liabilities were recognized 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 at 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 recognizes 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 recognized, 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 capitalized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes 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 recognized 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 recognized as expense on a straight-line basis over the lease term.

Amounts recognized 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			
	kEUR	kEUR	kEUR	kEUR
	Office space	Cars	Total	Lease liabilities
As at January 1, 2019	2,327	60	2,387	2,522
Additions	-	91	91	91
Depreciation expense	-298	-21	-319	-
Payments	-	-	-	-366
Interest expense	-	-	-	31
As at June 30, 2019	2,022	128	2,150	2,278

The Group recognized rent expense from short-term leases of EUR 20k and leases of low low-value assets of EUR 3k for the three months ended 30 June 2019.

3. Consolidated Group

The entities included in consolidation are as follows:

Entity	6/30/2019	6/30/2018
	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 six months ended June 30, 2019				
	KEUR	KEUR	KEUR	KEUR
Segments	ad pepper media	Webgains	ad agents	Total
Geographical markets				
Germany	1,825	1,075	2,698	5,598
United Kingdom	-	3,105	-	3,105
Spain	1,178	324	-	1,502
USA	-	477	-	477
Other	-	109	-	109
Total revenue	3,003	5,090	2,698	10,790

For the six months ended June 30, 2018				
	KEUR	KEUR	KEUR	KEUR
Segments	ad pepper media	Webgains	ad agents	Total
Geographical markets				
Germany	1,705	1,080	2,642	5,427
United Kingdom	-	2,558	-	2,558
Spain	849	273	-	1,122
USA	-	518	-	518
Other	-	143	-	143
Total revenue	2,554	4,572	2,642	9,769

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:

Selling and marketing expenses remained stable in the first half of 2019 compared to the equivalent prior year's period. Higher employment costs resulted in an increase in general and administration costs of EUR 710k to EUR 3,704k compared to the equivalent prior year's period.

Other operating income mainly includes income of EUR 382k (H1 2018: EUR 186k) 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.

Writedowns of receivables included in other operating expenses decreased significantly in the first half of 2019 and amount to EUR 25k (H1 2018: EUR 181k). Net foreign exchange losses amount to EUR 128k, while a net foreign exchange loss of EUR 34k was posted in the equivalent prior year's period.

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

The increase in other financial liabilities by EUR 314k to EUR 1,226k was due in particular to the increase in accrued employment costs, which amount to EUR 583k as of June 30, 2019 (December 31, 2019: EUR 277k).

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 generation, audience targeting), “Webgains” (affiliate network), “ad agents” (full service agency), 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 its 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 US.

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	
	6/30/19	6/30/18
	kEUR	kEUR
Germany	1,389	187
United Kingdom	1,126	472
Spain	78	13
USA	2	3
Other	84	3
Total	2,679	678

Revenue of EUR 1,100k (H1 2018: EUR 377k) is derived from one single external customer, which is the only client whose transactions represent more than 10 per cent of Group revenue. This revenue is attributable to the ad pepper segment.

6. Treasury stock

Acquisition of treasury stock

By a shareholders' resolution dated May 21, 2019, 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 June 30, 2019, ad pepper media International N.V. held 1,999,292 treasury stocks (June 30, 2018: 1,999,292) at a nominal value of EUR 0.05 each, corresponding to 8.7 percent (June 30, 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 six months of 2019 (H1 2018: 0). No shares were sold under the employee stock option plans and no cash settlements for fully vested equity stock options occurred (H1 2018: no shares sold under employee stock option plans).

Number of shares outstanding

The number of shares issued and outstanding as of June 30, 2019 totals 21,000,708 (June 30, 2018: 21,000,708). Each share has a nominal value of EUR 0.05.

7. Seasonal influences on business operations

Our business is affected by seasonality, which historically resulted in higher revenue during our fourth quarter, which ends at December 31. For instance, we recognized 27 percent of our annual revenue during the fourth quarter of 2018 (Q4 2017: 29 percent).

8. Stock options and shareholdings

As of June 30, 2019, a total of 489,400 stock options exist under stock option plans. The exchange ratio for each of the stock options is one share per option. The exercise prices range from 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 6/30/2019	Options as at 6/30/2019
Board of Directors		
Dr. Jens Körner		150,000
Former Board Directors		172,000
Supervisory Board		
Michael Oschmann		
Thomas Bauer		10,000
Eun-Kyung Park		10,000
Dr. Stephan Roppel		10,000
Employees		137,400
Associated companies		
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

As of July 25, 2019, the share capital was decreased by canceling 1,500,000 treasury stocks acquired by the company in previous years on the basis of various buyback authorizations. After the share capital decrease, the current share capital of ad pepper media International N.V. of EUR 1,150,000 amounts to EUR 1,075,000 and is divided into 21,500,000 shares with a proportional share in the share capital amounting to EUR 0.05 per share. After the cancellation, ad pepper media still holds 499,292 treasury shares, corresponding to 2.3 percent of the lower share capital.

Nuremberg, August 6, 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:

Quarterly Report III / 2019

November 19, 2019

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Our 2018 Annual Report and the Interim Financial Reports for 2019 are available in English at www.adpeppergroup.com at:

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