THIRD QUARTER

UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2018

ad pepper group
digital pioneers since 1999

» 2018

» SELECTED GROUP KEY FIGURES

	Q1-Q3 2018	Q1-Q3 2017	Change	Q3 2018	Q3 2017	Change
	kEUR	kEUR	Percent	kEUR	kEUR	Percent
Consolidated sales	27,642	*52,037	-46.88	9,547	**18,242	-47.67
Gross profit	14,285	13,066	9.33	4,884	4,403	10.93
EBIT	682	651	4.70	243	350	-30.69
EBITDA	925	955	-3.14	324	455	-28.79
Net income for period	517	196	>100.0	169	178	-5.22
Earnings per share in EUR (basic)	0.01	-0.01	>100.0	0.00	0.00	-

	9/30/2018	9/30/2017	Change
	kEUR	kEUR	Percent
Liquid funds***	18,835	21,605	-12.82
Equity	16,815	15,792	6.48
Total assets	34,716	34,324	1.14
No. of employees****	215	190	13.16

*On a like-for-like basis, i.e. applying IFRS 15 to the equivalent period in the previous year, the Group's Q1-Q3 2017 sales amount to EUR 23,314k and grew by 18.6 percent.

**On a like-for-like basis, i.e. applying IFRS 15 to the equivalent period in the previous year, the Group's Q3 2017 sales amount to EUR 8,496k and grew by 12.4 percent.

***including securities

**** Calculated on a full-time/actual working unit basis.

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» KEY FIGURES AT A GLANCE

Key data about the 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-Q3 2018	Q1-Q3 2017
XETRA closing price at end of period (EUR)	3.11	2.93
Highest price (EUR)	4.41	2.93
Lowest price (EUR)	3.11	1.91
Market capitalization at end of period (EUR)	71.5 m	67.4 m
Average no. of shares traded (XETRA) per day	11,790	12,875
Earnings per share (basic) (EUR)	0.00	-0.01
Net cash per share* (EUR)	0.90	1.03

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

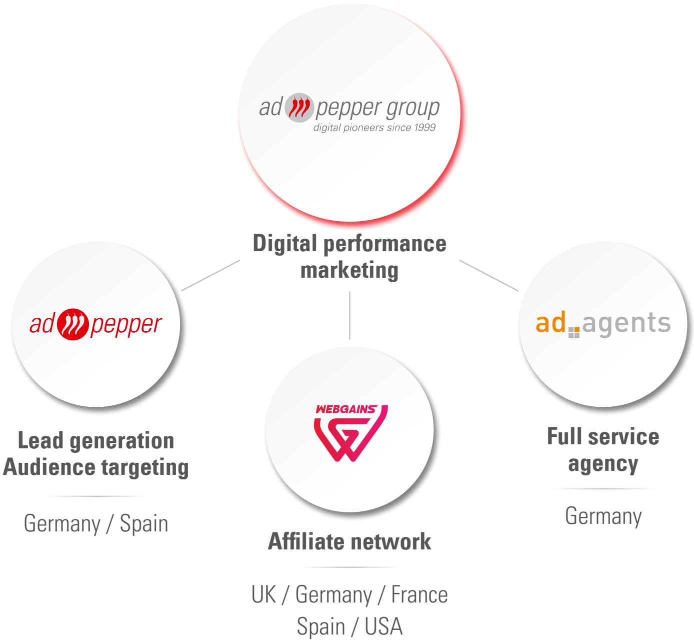
Share price performance over the past twelve months (Xetra)

Shareholder structure as of 9/30/2018	shares Numbers	shareholding 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, thus, is one of the pioneers in the business of online marketing. With eight offices in four European countries and the U.S., the ad pepper media group globally develops performance marketing solutions for customers.

The Group combines its business into 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). In the course of the central overall governance of the Group, the Holding (admin) takes responsibility for the know-how transfer between the segments, the strategic focus, as well as financing and liquidity. A total of 215 employees work in the three business units and the Group's Holding Company.



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 for 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 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 optimize campaigns for the target markets. Whether they are working with an agency or a direct customer, their aim is always the same: to deliver the best possible results for customers.

What makes ad pepper media different from competitors? Many years of experience – and iLead. This unique platform enables them to generate customized campaigns that are adapted to their customers markets in next to no time. And ad pepper media designed the platform by themselves. So far, they have used iLead to successfully launch and manage over 30,000 campaigns worldwide and generate millions of qualified leads.

Offices: Nuremberg / Madrid

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 – for the largest reach possible. 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 2,000 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 artificial intelligence and 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 they are 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 their 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 are a certified Google Premier Partner, and in 2017 they once again received numerous forms of quality certification from the German Digital Industry Association (BVDW).

Offices: 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 2017.

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

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

Germany/Europe/World

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

According to the International Monetary Fund's (IMF) latest economic outlook published in October 2018, growth is projected to remain strong in the euro area, but has been revised down by 0.4 percentage point to 2.0 percent for 2018, reflecting weaker than expected performance in the first half of the year. Growth is forecast to gradually slow further to 1.9 percent in 2019, 0.1 percentage points lower than in IMF's April forecast. Healthy consumer spending and job creation amid supportive monetary policy are expected to continue to provide strong aggregate demand, though at a moderating pace, according to IMF. In Germany, the biggest economy within the euro area, growth was revised down to 1.9 percent in 2018 and 2019 (by 0.6 percentage points and 0.1 percentage points, respectively) because of a slowdown in exports and industrial production.

In the United Kingdom, growth is projected to slow to 1.4 percent in 2018 and 1.5 percent in 2019 (from 1.7 percent in 2017). This forecast represents a downward revision of 0.2 percentage points for 2018 relative to the April 2018 WEO, driven by weak growth in the first quarter of the year, partly due to weather-related factors, according to IMF. The medium-term growth forecast remains at 1.6 percent, weighed down by the anticipated higher barriers to trade following Brexit (IMF's assumptions regarding the Brexit outcome remain broadly unchanged relative to the April 2018 and October 2017 WEOs. Tariffs on trade with the European Union are expected to remain at zero, and non-tariff costs will likely increase moderately.)

According to the IMF, growth in the United States is expected to peak at 2.9 percent in 2018, supported by the pro-cyclical fiscal stimulus after eight consecutive years of expansion and still-loose financial conditions (despite expected monetary tightening). Growth is expected to soften to 2.5 percent in 2019 (a downward revision of 0.2 percentage points relative to the April 2018 World Economic Outlook (WEO) due to the recently introduced trade measures) and to drop to 1.8 percent in 2020 as the fiscal stimulus begins to unwind. Strong domestic demand is projected to push the economy above full employment and increase imports and the current account deficit. Medium-term growth is forecast to temporarily decline below potential at 1.4 percent as the positive output gap is gradually closed.

Source: http://www.oecd.org/eco/outlook/economic-outlook/

Advertising market

Online advertising market

In 2017, for the first time global spending on digital advertising exceeded spending on TV advertising. In terms of numbers: Digital ad spending reached USD 209 billion, which corresponds to 41 percent of the worldwide market, while spending for TV accumulated to USD 178 billion, equaling 35 percent of the global market. However, traditional TV ad spending was still slowly growing in 2017. For 2018, MAGNA predicts that digital ad spending will keep growing strongly by 13 percent to USD 237 billion while TV ads are forecasted to further grow moderately by 2.5 percent to USD 183 billion.

Source: MAGNA (part of the IPG Mediabrands Network)

» EARNINGS, FINANCIAL AND NET ASSET POSITION

Earnings position

ad pepper media International N.V. generated sales of EUR 27,642k in the first nine months of 2018 (Q1-Q3 2017: EUR 23,314k). On a like-for-like basis, the Group's sales growth thus amounted to 18.6 percent. ad pepper media, the performance agency specializing in lead generation and audience targeting, continued to post the most dynamic business performance. Nine-month sales here grew by 66.4 percent to EUR 8,050k (Q1-Q3 2017: EUR 4,837k). In the past third quarter, sales growth at ad pepper media even rose to 86.7 percent. The Webgains affiliate network reported (like-for-like) growth of EUR 88k, or 1.3 percent, resulting in revenues of EUR 7,057k in the first nine months of the financial year (Q1-Q3 2017: EUR 6,970k). Sales growth in this segment accelerated in the past third quarter, rising to 6.2 percent. Nine-month sales growth at the performance marketing agency ad agents decreased to 8.9 percent with revenues of EUR 12,535k (Q1-Q3 2017: EUR 11,507k), a development due to an 11.2 percent reduction in third-quarter sales.

The Group's gross margin rose by EUR 1,219k, or 9.3 percent, to EUR 14,285k in the first nine months (Q1-Q3 2017: EUR 13,066k). Operating expenses at the Group for the same period increased to EUR 13,604k (Q1-Q3 2017: EUR 12,415k). With EBIT of EUR 682k (Q1-Q3 2017: EUR 651k) and EBT of EUR 732k (Q1-Q3 2017: EUR 641k), the Group exceeded the respective previous year's figures. At EUR 926k, the Group's EBITDA roughly matched the previous year's figure (Q1-Q3 2017: EUR 955k). Segment EBITDA at ad pepper media rose sharply to EUR 1,633k (Q1-Q3 2017: EUR 965k). Due to higher personnel and marketing expenses, segment EBITDAs at Webgains and ad agents decreased to EUR 226k (Q1-Q3 2017: EUR 552k) and EUR 78k (Q1-Q3 2017: EUR 754k) respectively.

Financial position

The gross cash flow amounted to EUR 856k (Q1-Q3 2017: EUR 615k), while a figure of EUR -3,546k was reported for the cash flow from operations, as against EUR 1,742k for the nine months of 2017. The key factor driving the outflow of cash for operating activities is the reduction in accrued liabilities for affiliate credits not yet disbursed in the Webgains segment and VAT payments in the first quarter of the year, which were driven by higher VAT liabilities in conjunction with the strong Q4 2017. In the third quarter 2018, the Group reported an operating cash outflow of EUR -1,883k, which is mainly driven by the increase of trade accounts receivables in the third quarter of 2018. Cash inflow for investing activities amounted to EUR 26k (Q1-Q3 2017: EUR -285k) and consists of net cash inflow of EUR 64k resulting from an investment made in the first half year 2018, partly compensated by investments made in fixed assets (EUR 42k).

Cash flow from financing activities amounted to EUR -214k in nine months of 2018 (Q1-Q3 2017: EUR 247k) and shows cash paid to non-controlling interests.

Net asset position

Total assets reduced by EUR 3,899k to EUR 34,716k compared with December 31, 2017. The decrease was due to lower trade payables, which fell by EUR 3,022k to EUR 14,816k at the end of the third quarter 2018, and corresponding reductions in cash and cash equivalents by EUR 3,736k to EUR 16,391k. Other payables reduced from EUR 2,529 as of December 31, 2017 to EUR 1,563k, which is particularly due to lower sales tax liabilities.

Other financial liabilities decreased from EUR 1,150k as of December 31, 2017 to EUR 850k. This is mainly due to performance-linked payments made in the first quarter 2018. The impact, however, was partly compensated by increasing accrued liabilities for outstanding invoices. Other long-term liabilities amount to EUR 177k (December 31, 2017: EUR 217k) and relate mainly to accrued rental benefits. Total liabilities amount to EUR 17,901k (December 31, 2017: EUR 22,098k). The Group still does not have any liabilities to banks. Total equity remained at EUR 16,815k (December 31, 2017: EUR 16,517k). The equity ratio increased to 48.4 percent (December 31, 2017: 42.8 percent).

» RESEARCH AND DEVELOPMENT ACTIVITIES

Research and development activities in the Webgains segment are performed on a decentralized basis at Webgains Ltd. Development work for administration departments and the ad pepper media segment is directly managed by ad pepper media International N.V. Across all segments, the companies work either with in-house development resources or obtain additional support by commissioning external service providers.

» EMPLOYEES

As of September 30, 2018, the ad pepper media group had 215 employees, as against a total of 192 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:

	9/30/2018	9/30/2017
	Number	Number
ad pepper media	21	20
Webgains	104	97
ad agents	77	60
Administration	13	13

» 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, 2017. Reference is therefore made to the information presented in the management report for the 2017 financial year.

» OUTLOOK

For the final quarter now ahead, we expect to see a continuation of the overall positive trend, albeit with lower profitability compared with the previous year's period. This is mainly due to a weaker than expected business from new clients at the ad agents segment. Hence, given the results for the third quarter of 2018 and in view of our estimates for the fourth quarter, the Management Board now views achievement of the target of generating full-year Group EBITDA at least at the previous year's level (2017: EUR 2,209k) as no longer likely.

Nuremberg, November 6, 2018
ad pepper media International N.V.

Dr. Jens Körner, CEO

» CONSOLIDATED INCOME STATEMENT (IFRS)

	Q3 2018	Q3 2017	1/1/-9/30/2018	1/1/-9/30/2017
	kEUR	kEUR	kEUR	kEUR
Revenue	**9,547**	**18,242**	**27,642**	**52,037**
Cost of sales	-4,662	-13,839	-13,357	-38,971
Gross profit	**4,884**	**4,403**	**14,285**	**13,066**
Selling and marketing expenses	-3,251	-2,725	-9,257	-7,763
General and administrative expenses	-1,400	-1,364	-4,394	-4,856
Other operating income	77	167	334	533
Other operating expenses	-68	-131	-287	-329
Operating profit	**243**	**350**	**682**	**651**
Financial income	10	7	96	19
Financial expenses	-16	-10	-46	-30
Income/loss before taxes	**237**	**347**	**732**	**640**
Income taxes	-69	-169	-215	-444
Net income/loss	**169**	**178**	**517**	**196**
Attributable to shareholders of the parent company	95	20	297	-162
Attributable to non-controlling interests	74	158	220	358
Basic earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.00	0.00	0.01	-0.01
Diluted earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.00	0.00	0.01	-0.01
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of shares outstanding (basic)	21,000,708	20,953,235	21,000,708	20,913,390
Weighted average number of shares outstanding (diluted)	21,350,222	21,176,109	21,336,798	21,102,701

» CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017
	kEUR	kEUR	kEUR	kEUR
Net income/loss	**169**	**178**	**517**	**196**
Other comprehensive income **Items that may be reclassified subsequently to profit or loss:**				
Currency translation differences	-6	7	4	-24
Revaluation of securities “fair value through other comprehensive income”	-31	131	-71	827
Other comprehensive income, net of tax	**-37**	**138**	**-67**	**803**
Total comprehensive income	**131**	**316**	**449**	**999**
Attributable to non-controlling interests	74	158	297	-162
Attributable to shareholders of the parent company	58	158	152	1,161

Disclosures on other comprehensive income

The total other comprehensive income recognized directly in equity and the corresponding income taxes are as follows:

	Q3 2018			Q3 2017			Q1-Q3 2018			Q1-Q3 2017		
	kEUR			kEUR			kEUR			kEUR		
	before income taxes	income taxes	after income taxes	before income taxes	income taxes	after income taxes	before income taxes	income taxes	after income taxes	before income taxes	income taxes	after income taxes
Currency translation differences	-6	0	-6	7	0	7	4	0	4	-24	0	-24
Revaluation of securities “fair value through other comprehensive income”	-31	0	-31	131	0	131	-71	0	-71	827	0	827
Total other comprehensive income	**-37**	**0**	**-37**	**138**	**0**	**138**	**-67**	**0**	**-67**	**803**	**0**	**803**

» CONSOLIDATED BALANCE SHEET (IFRS) – ASSETS

	9/30/2018	12/31/2017
	kEUR	kEUR
Non-current assets		
Intangible assets	241	362
Property, plant, and equipment	363	424
Securities "fair value through other comprehensive income"	2,444	2,515
Other financial assets	444	418
Total non-current assets	**3,492**	**3,719**
Current assets		
Trade receivables	13,783	14,129
Other receivables	510	410
Income tax receivables	475	203
Other financial assets	66	27
Cash and cash equivalents	16,391	20,127
Total current assets	**31,224**	**34,896**
Total assets	**34,716**	**38,615**

» CONSOLIDATED BALANCE SHEET (IFRS) – EQUITY AND LIABILITIES

	9/30/2018	12/31/2017
	kEUR	kEUR
Equity attributable to shareholders of the parent company		
Issued capital*	1,150	1,150
Reserves	61,375	61,312
Accumulated deficit	-44,744	-45,041
Other reserves	-1,751	-1,683
Total	**16,030**	**15,738**
Non-controlling interests	785	779
Total equity	**16,815**	**16,517**
Non-current liabilities		
Deferred tax liabilities	185	185
Other long-term liabilities	177	217
Total non-current liabilities	**362**	**402**
Current liabilities		
Trade payables	14,816	17,838
Other payables	1,563	2,529
Other financial liabilities	850	1,150
Income tax liabilities	310	179
Total current liabilities	**17,539**	**21,696**
Total liabilities	**17,901**	**22,098**
Total equity and liabilities	**34,716**	**38,615**

* 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 21,000,708 shares were floating at September 30, 2018 (December 31, 2017: 21,000,708).

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

	1/1/2018-9/30/2018	1/1/2017-9/30/2017
	kEUR	kEUR
Net income/loss	**517**	**196**
Adjustments for:		
Depreciation and amortization	244	303
Gain/loss on sale of fixed assets	0	-2
Share-based compensation	63	60
Gain/loss on sale of securities (after bank charges)	-49	0
Other financial income and financial expenses	-1	11
Income taxes	215	444
Other non-cash expenses and income	-133	-397
Gross cash flow	**856**	**615**
Change in trade receivables	114	-749
Change in other assets	-173	-42
Change in trade payables	-2,775	2,550
Change in other liabilities	-1,206	166
Income tax received	74	193
Income tax paid	-426	-998
Interest received	45	7
Interest paid	-55	0
Net cash flow from/used in operating activities	**-3,546**	**1,742**
Purchase of intangible assets and property, plant, and equipment	-42	-287
Proceeds from sale of intangible assets and property, plant, and equipment	0	2
Proceeds from sale of securities	2,480	0
Purchase of securities	-2,416	0
Net cash flow from/used in investing activities	**22**	**-285**

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

	1/1/2018-9/30/2018	1/1/2017-9/30/2017
	kEUR	kEUR
Issuance of own shares	0	105
Dividends to non-controlling interests	-214	-352
Net cash flow from/used in financing activities	**-214**	**-247**
Net decrease/increase in cash and cash equivalents	-3,738	1,210
Cash and cash equivalents at beginning of period	**20,127**	**17,859**
Effect of exchange rates on cash and cash equivalents	4	-24
Cash and cash equivalents at end of period	**16,393**	**19,045**

» CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Balance at 1/1/2018	Total comprehensive income	Share-based payment	Issuance of shares	Dividends	Balance at 9/30/2018
Issued capital						
Number of shares	23,000,000					23,000,000
Issued capital (kEUR)	1,150					1,150
Reserves						
For employee stock option plans (kEUR)	2,746		65			2,811
From contributions of shareholders of the parent company (kEUR)	63,782					63,782
Treasury shares						
Number of shares	1,999,292					1,999,292
Treasury shares at cost (kEUR)	-5,217					-5,217
Accumulated deficit (kEUR)	**-45,041**	**297**				**-44,744**
Other reserves						
Currency translation differences (kEUR)	-1,196	4				-1,192
Unrealized gains/(losses) from securities “fair value through other comprehensive income” (kEUR)	-487	-71				-559
Equity attributable to shareholders of ad pepper media International N.V. (kEUR)	**15,738**	**229**	**65**	**0**	**0**	**16,030**
Non-controlling interests (kEUR)	779	220	0	0	-214	785
Total equity (kEUR)	**16,517**	**449**	**65**	**0**	**-214**	**16,815**

» CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Balance at 1/1/2017	Total comprehensive income	Share-based payment	Issuance of shares	Dividends	Balance at 9/30/2017
Issued capital						
Number of shares	23,000,000					23,000,000
Issued capital (kEUR)	1,150					1,150
Reserves						
For employee stock option plans (kEUR)	2,656		60			2,716
From contributions of shareholders of the parent company (kEUR)	63,782					63,782
Treasury shares						
Number of shares	2,119,292			-120,000		1,999,292
Treasury shares at cost (kEUR)	-5,322			105		-5,217
Accumulated deficit (kEUR)	**-45,621**	**-162**				**-45,783**
Other reserves						
Currency translation differences (kEUR)	-1,157	-24				-1,181
Unrealized gains/(losses) from securities "fair value through other comprehensive income" (kEUR)	-1,200	827				-373
Equity attributable to shareholders of ad pepper media International N.V. (kEUR)	**14,289**	**641**	**60**	**105**	**0**	**15,095**
Non-controlling interests (kEUR)	690	358	0	0	-352	696
Total equity (kEUR)	**14,979**	**999**	**60**	**105**	**-352**	**15,792**

» SELECTED EXPLANATORY NOTES

Consolidated segment information (IFRS)

Q1-Q3 2018	ad pepper media	Webgains	ad agents	Admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	**8,052**	**7,058**	**12,535**	**322**	**-324**	**27,642**
Thereof external	8,050	7,057	12,535	-	-	27,642
Thereof intersegment	2	-	-	322	-324	-
Gross profit	3,438	6,913	3,615	322	-2	14,285
Expenses and other income	**-6,424**	**-7,007**	**-12,480**	**-1,372**	**322**	**-26,961**
Thereof depreciation and amortization	-7	-175	-24	-38	-	-244
Thereof other non-cash income	9	328	-	26	-	363
Thereof other non-cash expenses	-2	-261	-	-64	-	-328
EBITDA	**1,635**	**226**	**78**	**-1,011**	**-2**	**925**
EBIT	**1,629**	**51**	**54**	**-1,050**	**-2**	**682**
Financial income	**1**	**2**	**-**	**93**	**-**	**96**
Financial expenses	**-2**	**-6**	**-**	**-38**	**-**	**-46**
Income taxes						**-215**
Net income for the period						**517**

Consolidated segment information (IFRS)

Q1-Q3 2017	ad pepper media	Webgains	ad agents	Admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	**4,927**	***35,694**	**11,507**	**194**	**-285**	****52,037**
Thereof external	4,837	35,693	11,507	-	-	52,037
Thereof intersegment	90	1	-	194	-285	-
Gross profit	2,429	6,890	3,646	194	-92	13,066
Expenses and other income	**-3,882**	**-35,293**	**-10,787**	**-1,617**	**194**	**-51,385**
Thereof depreciation and amortization	-10	-152	-34	-108	-	-303
Thereof other non-cash income	70	498	2	17	-	588
Thereof other non-cash expenses	-59	-161	-	-51	-	-282
EBITDA	**1,055**	**553**	**754**	**-1,316**	**-92**	**955**
EBIT	**1,045**	**401**	**720**	**-1,423**	**-92**	**651**
Financial income	**2**	**1**	**-**	**16**	**-**	**19**
Financial expenses	**-3**	**-1**	**-2**	**-24**	**-**	**-30**
Income taxes						**-444**
Net income for the period						**196**

*On a like-for-like basis, i.e. applying IFRS 15 to the equivalent period in the previous year, Webgains' Q1-Q3 2017 sales amount to EUR 6,970k.

** On a like-for-like basis, i.e. applying IFRS 15 to the equivalent period in the previous year, the Group's Q1-Q3 2017 sales amount to EUR 23,314k.

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, 2017.

The consolidated interim financial statements as of September 30, 2018 were authorized for issue by the Board of Directors on November 6, 2018.

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, 2017 except for the adoption of new standards effective as of January 1, 2018. The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers, and IFRS 9 Financial Instruments. 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 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

In May 2014, the IASB issued IFRS 15. The new standard describes when and in which amount revenues require recognition, and also lays down the necessary disclosure notes. Revenues are calculated on the basis of a five-stage model applicable to all contracts with customers. The Company adopted IFRS 15 for the financial year beginning as of January 1, 2018, which had an impact in particular on contracts that can give rise to a new classification, whether a principal or agent activity exists. Thus, for each separate performance obligation it was examined whether these are controlled prior to transfer to the customer. As supportive indicators, only the primary responsibility for provision of the service, the inventory risk as well as the pricing competency is to be taken into account in the assessment. Any potentially existing default risk should be disregarded. Taking into account the newly introduced control principle as well as the modified indicators, the contractual relationships of our Webgains business model are accounted for as agent relationships from 2018 onwards. As a result of this change, revenues and cost of sales of the Webgains segment decrease.

With respect to the comparative period 2017, application of the new regulations would result in a reduction of revenues and material expenses of EUR 19m. This would correspond to a decline in sales in the Webgains segment of around 80 percent. Our Group performance figures, adjusted EBITDA and adjusted EBIT, as well as the balance sheet disclosure are not affected.

As required for the condensed interim financial statements, the Group disaggregated revenue recognized from contracts with customers into categories. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 4 for the disclosure on disaggregated revenue.

In July 2014, the IASB issued IFRS 9. The new standard introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses (ECL method).

The Company adopted IFRS 9 for the fiscal year beginning as of January 1, 2018. The new classification and measurement of the Group's financial assets are as follows:

- Debt instruments at amortized cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows. This category includes the Group's Trade and other receivables.

- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that are held within a business model both to collect cash flows and to sell. Under IAS 39, the Group's quoted debt instruments were classified as available-for-sale (AFS) financial assets.

For trade account receivables, the Company will make application of the simplified approach set out in the ECL model. Based on its current assessment, the Company does not have to increase its credit provisioning.

3. Consolidated Group

The entities included in consolidation are as follows:

Entity	9/30/2018	9/30/2017
	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 nine months ended September 30, 2018				
Segments	ad pepper media	Webgains	ad agents	Total
Geographical markets				
Germany	4,387	1,711	12,535	18,633
United Kingdom	-	3,945	-	3,945
Spain	3,663	447	-	4,110
USA	-	743	-	743
Other	-	211	-	211
Total	**8,050**	**7,058**	**12,535**	**27,642**

For the nine months ended September 30, 2017				
Segments	ad pepper media	Webgains	ad agents	Total
Geographical markets				
Germany	2,459	1,338	11,507	15,303
United Kingdom	-	4,188	-	4,188
Spain	2,379	467	-	2,845
USA	-	794	-	794
Other	-	184	-	184
Total	**4,837**	**6,970**	**11,507**	**23,314**

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 increased in the nine-month period 2018 by EUR 1,494k respectively 19.2 percent compared to the equivalent prior year's period. This is particularly due to investments done in the segments ad agents and Webgains, and correspondingly higher employment costs in both segments. Stronger marketing and sales activities within the segments ad pepper media and Webgains also contributed to the increase in costs.

Other operating income mainly includes income of EUR 238k (Q1-Q3 2017: EUR 305k) 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 nine months of 2018 largely comprise write-downs of receivables of EUR 233k (Q1-Q3 2017: EUR 197k). Net foreign exchange losses amount to EUR 48k, while EUR 99k was posted as foreign exchange loss in the equivalent prior year's period.

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

Other payables reduced by EUR 966k compared with December 31, 2017. This was mainly due to lower sales tax liabilities. The reduction in other financial liabilities by EUR 300k to EUR 850k was due in particular to the payment of variable compensation in the first quarter 2018.

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 the consolidated Annual Report for the year ended December 31, 2017.

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. Long-term assets do not include financial instruments or deferred tax assets:

	Non-current assets	
	9/30/18	9/30/17
	kEUR	kEUR
Germany	167	177
United Kingdom	416	556
Spain	13	17
USA	3	4
Other	4	4
Total	603	757

Revenues of EUR 3,430k (Q1-Q3 2017: EUR 3,551k) are derived from one single external customer who is the only client whose transactions represent more than 10 percent of the Group revenues. These revenues are attributable to the ad agents segment.

6. Treasury stock

Acquisition of treasury stock

By a shareholders' resolution dated May 16, 2017, 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 September 30, 2018, ad pepper media International N.V. held 1,999,292 treasury stocks (September 30, 2017: 1,999,292) at a nominal value of EUR 0.05 each, corresponding to 8.7 percent (September 30, 2017: 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 nine months of 2018 (Q1-Q3 2017: 0). No shares were sold under the employee stock option plans and no cash settlements amounting for fully vested stock options occurred (Q1-Q3 2017: 120,000 shares sold under employee stock option plans).

Number of shares outstanding

The number of shares issued and outstanding as of September 30, 2018 totals 21,000,708 (September 30, 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 September 30, 2018, a total of 639,400 stock options exist under stock option plans. The exchange ratio for each of the stock options is one share per option. The exercise prices 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 of 9/30/2018	Options as of 9/30/2018
Board of Directors		
Dr. Jens Körner		300,000
Former Board of 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 2017 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 September 30, 2018.

Nuremberg, November 6, 2018
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 Report / 2018	March 28, 2019
General Meeting / 2019	May 21, 2019

» INVESTOR CONTACT

Dr. Jens Körner (CEO)
ad pepper media International N.V.
Frankenstraße 150 C
D-90461 Nuremberg

Phone: +49 (0) 911 929057-0
Fax: +49 (0) 911 929057-157
E-mail: ir@adpepper.com

www.adpeppergroup.com

Our 2017 Annual Report as well as the Interim Financial Reports for 2018 are available in English at **www.adpeppergroup.com** under:
Investor relations / Statutory publications / Financial reports

» IMPRINT

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ad pepper media International N.V.
Frankenstraße 150 C
D-90461 Nuremberg

Phone: +49 (0) 911 929057-0
Fax: +49 (0) 911 929057-157
E-mail: info@adpepper.com
www.adpeppergroup.com

Joint stock company (N.V.)
Headquarters Amsterdam, The Netherlands
Nuremberg office

Prime Standard, Frankfurt Stock Exchange
ISIN: NL0000238145
HRB Nuremberg 17591
VAT-ID-No.: DE 210757424

Board of Directors:
Dr. Jens Körner, CEO

ad pepper media International N.V.
Frankenstraße 150 C
D-90461 Nuremberg

www.adpeppergroup.com