

THIRD QUARTER

UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2020



20
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» SELECTED GROUP KEY FIGURES

	Q3 2020	Q3 2019	Change	Q1-Q3 2020	Q1-Q3 2019	Change
	kEUR	kEUR	in percent	kEUR	kEUR	in percent
Gross sales	23,152	18,834	22.9	68,159	59,658	14.3
Revenue	6,011	5,031	19.5	17,968	15,821	13.6
Gross profit	5,795	4,808	20.5	17,364	15,241	13.9
EBIT	1,247	315	>100.0	3,506	1,423	>100.0
EBITDA	1,509	565	>100.0	4,313	2,157	100.0
Net income/(loss) for period	1,075	146	>100.0	3,105	984	>100.0
Earnings per share in EUR (basic)	0.04	0.00	>100.0	0.13	0.03	>100.0

	30/09/2020	30/09/2019	Change
	kEUR	kEUR	in percent
Liquid funds*	24,300	21,619	12.4
Equity	20,588	17,282	19.1
Total assets	41,887	38,011	10.2
No. of employees	230	219	5.0

*including listed debt securities

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» KEY FIGURES AT A GLANCE

Key data about the ad pepper 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	9 October 2000
Designated Sponsor	Pareto Securities
Capital stock (EUR)	1,075,000
No. of shares	21,500,000
Sector	Advertising

Key share figures	Q1-Q3	Q1-Q3
	2020	2019
XETRA closing price at end of period (EUR)	3.54	2.56
Highest price (EUR)	3.72	2.87
Lowest price (EUR)	2.30	2.10
Market capitalisation at end of period (EUR)	76.1 m	55.0 m
Average no. of shares traded (XETRA) per day	8,300	5,865
Earnings per share (basic) at end of period (EUR)	0.13	0.03
Net cash per share* (EUR)	1.10	1.03

* (liquid funds – total non-current liabilities) / number of shares outstanding

Share price performance over the past twelve months (Xetra)



Shareholder structure as at 30/09/2020	Number of shares	Shareholding
		in percent
EMA B.V	9,486,402	44.12
Treasury stock	499,292	2.32
Dieter Koppitz	823,197	3.83
Euro Serve Media GmbH	556,163	2.59
Subtotal	11,365,054	52.86
Free float	10,134,946	47.14
Total	21,500,000	100.00

» THE STRUCTURE OF THE AD PEPPER GROUP

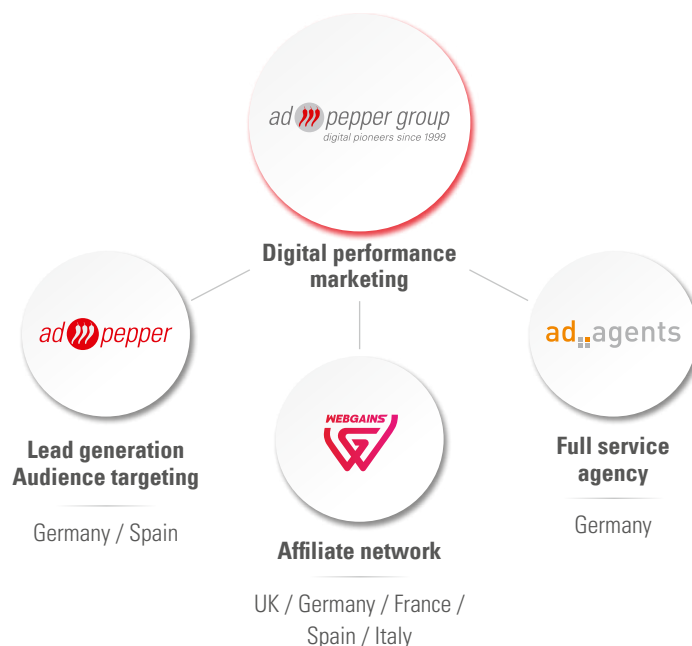
ad pepper media International N.V. is the holding company of one of the leading international performance marketing groups. It was founded in 1999 and is thus one of the pioneers in the online marketing business. With nine offices in Germany, France, Italy, Spain and United Kingdom the ad pepper Group 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. These dynamics drive our business and open up a range of new opportunities for our clients and us.

The ad pepper Group 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. The ad pepper Group aims for long-term client relationships: some of its clients have worked with the Company for more than ten years.

As part of our long-term value creation strategy, we are focusing on organic growth in the existing business segments, while evaluating opportunities for inorganic growth through value-accretive acquisitions. Today, the Group divides its business into three reporting segments that work in close cooperation with the holding company and operate independently on the market: **ad pepper** (lead generation and audience targeting), **ad agents** (full-service agency), and **Webgains** (affiliate network). Within the framework of the overall governance of the Group, the holding company (admin) takes responsibility for 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. The common umbrella across the three business segments is that we offer our clients performance-based solutions. This means that the advertiser only pays if there are measurable results (completion of specific actions). The most common models in performance-based marketing are: CPM (cost-per-mile), CPC (cost-per-click), CPL (cost-per-lead), CPA (cost-per-acquisition).

ad pepper also offers a broad range of services such as consulting and the development of strategies for the use of digital technology, the conception, implementation and execution of digital marketing and communication measures as well as consulting on digital media strategies and digital media technologies and tools. It can therefore not be ignored that due to the growing importance of digital processes for the companies, the sheer volume of budgets allocated to these, the rising amount of data and the ever-growing importance of analysing it (preferably in real time), a successful company in the field of digital marketing has to develop competencies that go beyond the effective allocation of digital media spend across multiple channels and managing the respective campaigns. It is therefore not surprising that – in some areas of our business – ad pepper is competing more and more with well-known strategy and IT consultancies.



The segments of the ad pepper Group

ad pepper

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

ad pepper also applies the latest technologies to each project. Whether at local, national or international level, ad pepper helps its customers meet their goals by developing the most efficient online marketing strategies for their budget. Taking local conditions into account enables ad pepper to optimise campaigns for the target markets. Whether the company works with an agency or a direct customer, their objective is always the same: to deliver the best possible results for the customer.

What makes ad pepper different from its competitors? Many years of experience – and iLead. This unique platform enables ad pepper to generate customised campaigns that are adapted to their customers' markets in next to no time. And ad pepper has designed this platform 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 connections. Thanks to Webgains' partnerships with over 250,000 publishers, their customers have access to one of the world's leading performance affiliate marketing networks – offering the largest possible reach. What is more, Webgains' experienced acquisitions team is constantly working to sign up new high-quality publishers.

Webgains joined the ad pepper Group in 2006. Today, over 1,800 customers worldwide – from start-ups to global brands – rely on the services of Webgains registered and approved affiliate publishers to deliver sales in over 170 global markets. 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 service-oriented and performance-differentiated concept, supported by an optimal mix of human and artificial intelligence and accelerated by 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 / Milan /
Bristol / London / Paris**

ad agents

ad agents joined the ad pepper 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 consulting and support services, which are always optimised to suit the situation and the specific requirements of ad agents' customers. ad agents maintains an overview of the entire digital advertising market and adapts 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, Microsoft Advertising Elite Agency as well as a Facebook Marketing 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 Group" or the "Group" in this management report relate to the ad pepper 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 materialise, 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 2019.

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 that had not existed before the publication of this report.

Internal control system

Revenue and profits (EBIT, EBITDA, gross profit) are some of the parameters that the ad pepper Group analyses 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 Group. External indicators are also regularly analysed for company management purposes. In addition, weekly four fixes as well as regular meetings are held with the individual subsidiaries.

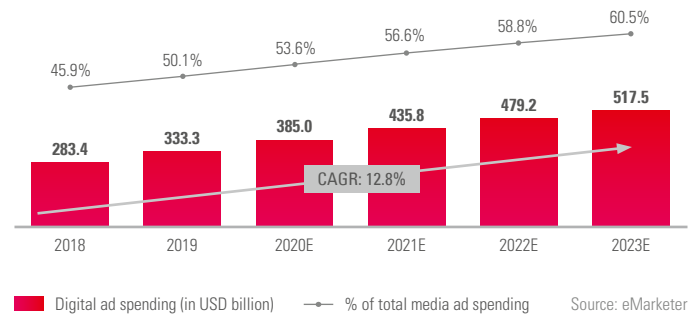
» MACROECONOMIC FRAMEWORK

The International Monetary Fund (IMF) slashed its economic forecasts once again on 24 June 2020 and warned that public finances will deteriorate significantly as governments attempt to combat the fallout from the coronavirus crisis. The IMF now estimates a contraction of 4.9 percent in global gross domestic product in 2020, lower than the 3 percent fall it predicted in April. The fund also downgraded its GDP forecast for 2021. It now expects a growth rate of 5.4 percent from the 5.8 percent forecast made in April. Looking at country forecasts, the United States is expected to contract by 8 percent this year. The IMF had estimated a contraction of 5.9 percent in April. Similarly, the fund also downgraded its forecasts for the euro zone, with the economy now seen shrinking by 10.2 percent in 2020, before expanding 6 percent in 2021, the fund said. The UK economy was on course to shrink by 10.2 percent in 2020, according to the fund. In April, using data collected before the severity of Britain's lockdown was known, the IMF had thought the UK would contract by 6.5 percent this year.

Online advertising market

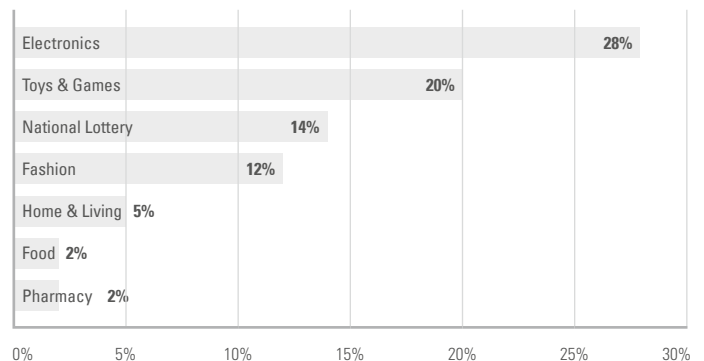
In addition to Dentsu Aegis, the market research company eMarketer also forecasts a significant increase in global spending on digital advertising (CAGR 18-23e: 12.8 percent). Another noteworthy factor in this context is the increasing share of digital ad spending in total advertising expenditure, which is expected to rise significantly from 45.9 percent in 2018 to 60.5 percent in 2023.

Digital ad spending worldwide | 2018 - 2023



This shift of advertising budgets towards online marketing progresses at a steady pace, not least driven by the shift from physical retail to online. In some product areas, such as electronics, books, or fashion, the share of e-commerce has already risen massively in recent years, and as a result the competitive landscape has also changed significantly. Other segments, such as food, furniture or pharmaceuticals, still show significantly lower online penetration rates. However, a structural change with a steady shift towards online sales is also expected here. Covid-19 serves as a catalyst for digital transformation across the industry.

Online penetration of selected consumer goods industries in Europe



Source: Company, Montega

» EARNINGS, FINANCIAL AND NET ASSET POSITION

Earnings position

ad pepper Group achieved highly profitable growth again in the third quarter. The affiliate marketing network Webgains continued to be the main growth driver with an increase in revenue of approx. 32 percent to EUR 3,056k (Q3 2019: EUR 2,312k). Revenue of the ad agents segment increased by approx. 9 percent to EUR 1,707k (Q3 2019: EUR 1,573k), while the ad pepper segment increased by approx. 9 percent to EUR 1,248k (Q3 2019: EUR 1,146k). Group revenue thus amounted to EUR 6,011k in the third quarter, with an increase of approx. 20 percent year-on-year (Q3 2019: EUR 5,031k). Gross sales (i.e. amounts invoiced to customers) amounted to EUR 23,152k (Q3 2019: EUR 18,834k).

Operating expenses remained largely at the prior-year level, and as a result Group EBITDA of EUR 1,509k (Q3 2019: EUR 565k) almost tripled compared to the third quarter of the previous year. At segment level, Webgains generated EBITDA of EUR 894k (Q3 2019: EUR 200k), ad agents EUR 446k (Q3 2019: EUR 262k) and ad pepper EUR 497k (Q3 2019: EUR 384k).

Over the entire nine-month period, gross sales amounted to EUR 68,159k (Q1-Q3 2019: EUR 59,658k), while Group revenue came out to EUR 17,968k (Q1-Q3 2019: EUR 15,821k) with 14 percent growth. 9M EBITDA reached EUR 4,313k, which represents an increase compared to the prior-year period of 100 percent (Q1-Q3 2019: EUR 2,157k). This makes the ad pepper Group industry leader in terms of both growth and profitability.

The Group's operating expenses amounted to EUR 13,858k in the first nine months 2020 (Q1-Q3 2019: EUR 13,819k). The ad pepper Group had a total of 230 employees (Q1-Q3 2019: 219).

Financial position

The gross cash flow amounted to EUR 3,124k (Q1-Q3 2019: EUR 1,461k), while a figure of EUR 883k was reported for the cash flow from operating activities, as against EUR 2,238k for the first nine months of 2019. The key factor driving the cash outflow from operating activities was the reduction of trade payables. Cash outflow for investing activities amounted to EUR -1,653k (Q1-Q3 2019: EUR 1,946k), which is largely due to the purchase of listed debt securities. Cash flow from financing activities amounted to EUR -1,005k in the first nine months of 2020 (Q1-Q3 2019: EUR -834k) and shows cash paid to non-controlling interests and leasing payments made in conjunction with capitalised right-of-use assets.

Net asset position

Total assets decreased by EUR 2,165k to EUR 41,887k compared with 31 December 2019. The decrease was mainly due to a lower cash position, which fell by EUR 1,941k to EUR 23,288k at the end of the third quarter 2020 and corresponding reductions in trade receivables of EUR 1,315k and reductions in trade payables of EUR 2,790k. On the other hand, listed debt securities were purchased in the amount of EUR 1,012k as at 30 September 2020, resulting in liquid funds (including listed debt securities) of EUR 24,300k (31 December 2019: EUR 25,229k). Right-of-use assets for capitalised leasing contracts for offices and vehicles amount to EUR 1,726k (31 December 2019: EUR 2,129k).

Current liabilities decreased from EUR 24,299k as at 31 December 2019 to EUR 20,060k, which is particularly due to affiliate and website payments made amounting to EUR 2,170k and changes in received prepayments of EUR 888k. EUR 762k (31 December 2019: EUR 799k) relate to current lease liabilities for capitalised right of use assets.

Total non-current liabilities amount to EUR 1,239k (31 December 2019: EUR 1,713k). Of these, EUR 1,055k (31 December 2019: EUR 1,447k) relate to lease liabilities for capitalised right of use assets.

Liabilities for the cash settled stock option plan amount to EUR 172k (31 December 2019: EUR 209k). Total liabilities amount to EUR 21,299k (31 December 2019: EUR 26,012k). The Group still does not have any liabilities to banks.

Total equity stands at EUR 20,588k (31 December 2019: EUR 18,040k). The equity ratio increased to 49 percent (31 December 2019: 41 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 at 30 September 2020, the ad pepper Group had 230 employees, as against a total of 219 employees at the end of the equivalent period in the previous year. The workforce of the ad pepper Group is assigned to the following segments:

	30/09/2020	30/09/2019
	Number	Number
ad pepper	31	27
Webgains	102	93
ad agents	80	84
Administration	17	15

» 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 at 31 December 2019. Reference is therefore made to the information presented in the management report for the 2019 financial year.

» OUTLOOK

As announced on 16 October 2020, the Company expects a continued positive performance in the rest of the year, as the substantial increase in e-commerce activities since the beginning of the year will meet with the final quarter, which is traditionally the strongest of the year in terms of revenue. Moreover, this trend benefits from economies of scale, which already had a positive effect in previous quarters. The management has therefore raised its EBITDA forecast for the full year to at least EUR 5.5 million (previous forecast: EUR 4.5 million).

Nuremberg, 3 November 2020
ad pepper media International N.V.



Dr Jens Körner, CEO

» CONSOLIDATED INCOME STATEMENT

	Q3 2020	Q3 2019	01/01 - 30/09/2020	01/01 - 30/09/2019
	kEUR	kEUR	kEUR	kEUR
Gross sales ¹	23,152	18,834	68,159	59,658
Media cost ²	-17,141	-13,803	-50,191	-43,837
Revenue³	6,011	5,031	17,968	15,821
Cost of sales	-216	-223	-604	-580
Gross profit	5,795	4,808	17,364	15,241
Selling and marketing expenses	-3,349	-3,046	-9,674	-9,003
General and administrative expenses	-1,412	-1,557	-5,257	-5,261
Other operating income	182	178	1,277	684
Other operating expenses ⁴	31	-67	-204	-239
Operating profit	1,247	315	3,506	1,423
Financial income	1	6	5	20
Financial expenses	-29	-11	-93	-201
Income before taxes	1,219	310	3,418	1,242
Income taxes	-144	-164	-313	-258
Net income	1,075	146	3,105	984
Attributable to shareholders of the parent company	896	-16	2,747	583
Attributable to non-controlling interests	179	161	358	400
Basic earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.04	0.00	0.13	0.03
Diluted earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.04	0.00	0.13	0.03
	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)	21,209,513	21,196,236	21,189,956	21,165,651

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 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 Revenue is defined pursuant to IFRS 15.

4 Q3 2020 includes EUR 56k releases of current year accruals.

» CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q3 2020	Q3 2019	01/01 - 30/09/2020	01/01 - 30/09/2019
	KEUR	KEUR	KEUR	KEUR
Net income	1,075	146	3,105	984
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	-36	-5	-166	36
Revaluation of listed debt securities	6	0	18	0
Other comprehensive income	-30	-5	-148	36
Total comprehensive income	1,045	141	2,957	1,019
Attributable to non-controlling interests	179	161	358	400
Attributable to shareholders of the parent company	866	-20	2,599	619

» CONSOLIDATED STATEMENT OF
FINANCIAL POSITION – ASSETS

	30/09/2020	31/12/2019
	kEUR	kEUR
Non-current assets		
Intangible assets	752	359
Property, plant and equipment	424	391
Right-of-use assets	1,726	2,129
Listed debt securities	1,012	0
Other financial assets	408	442
Deferred tax assets	5	0
Total non-current assets	4,327	3,321
Current assets		
Trade receivables	13,582	14,897
Other receivables	291	340
Income tax receivables	372	218
Other financial assets	27	47
Cash and cash equivalents	23,288	25,229
Total current assets	37,560	40,731
Total assets	41,887	44,052

» CONSOLIDATED STATEMENT OF
FINANCIAL POSITION – EQUITY AND LIABILITIES

	30/09/2020	31/12/2019
	kEUR	kEUR
Equity attributable to shareholders of the parent company		
Issued capital*	1,075	1,075
Share premium	63,782	63,782
Reserves	-45,107	-47,752
Total	19,750	17,105
Non-controlling interests	838	935
Total equity	20,588	18,040
Non-current liabilities		
Deferred tax liabilities	0	41
Other liabilities	1,239	1,672
Total non-current liabilities	1,239	1,713
Current liabilities		
Trade payables	15,803	18,593
Contract liabilities	182	146
Other liabilities	1,579	2,982
Other financial liabilities	1,981	2,075
Income tax liabilities	515	503
Total current liabilities	20,060	24,299
Total liabilities	21,299	26,012
Total equity and liabilities	41,887	44,052

*The authorised share capital amounts to EUR 4,000,000 divided into 80,000,000 shares with a par value of EUR 0.05 each, of which 21,500,000 are issued and 21,000,708 shares were floating at 30 September 2020 (31 December 2019: 21,000,708).

» CONSOLIDATED STATEMENT OF CASH FLOWS – 1 / 2

	01/01 - 30/09/2020	01/01 - 30/09/2019
	KEUR	KEUR
Net income	3,105	983
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets	807	734
Gain/loss on sale of fixed assets	-3	-8
Share-based compensation	19	38
Gain/loss on sale of fixed assets (after bank charges)	2	122
Other financial income and financial expenses	86	59
Income taxes	313	258
Income from the release of accrued liabilities	-489	-679
Other non-cash income and expenses	-716	-46
Gross cash flow	3,124	1,461
Change in trade receivables	1,187	4,750
Change in other assets	102	11
Change in trade payables	-2,170	-3,881
Change in other liabilities	-772	188
Income tax received	30	0
Income tax paid	-530	-275
Interest received	5	12
Interest paid	-93	-28
Net cash flow from/used in operating activities	883	2,238
Purchase of intangible assets and property, plant and equipment	-662	-213
Proceeds from sale of intangible assets and property, plant and equipment	3	8
Proceeds from sale/maturity of securities	0	2,151
Purchase of securities	-994	0
Net cash flow from/used in investing activities	-1,653	1,946

» CONSOLIDATED STATEMENT OF CASH FLOWS – 2/2

	01/01 - 30/09/2020	01/01 - 30/09/2019
	kEUR	kEUR
Payment of lease liabilities	-577	-548
Issuance of own shares	27	0
Dividends to non-controlling interests	-455	-286
Net cash flow from/used in financing activities	-1,005	-834
Net increase/decrease in cash and cash equivalents	-1,775	-3,351
Cash and cash equivalents at beginning of period	25,229	18,233
Effect of exchange rates on cash and cash equivalents	-166	35
Cash and cash equivalents at end of period	23,288	21,619

» CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2020

	Balance at 01/01/2020	Total comprehensive income	Share-based payment	Issuance of shares	Dividends	Cancellation of treasury shares	Balance at 30/09/2020
Issued capital (kEUR)	1,075					0	1,075
Share premium (kEUR)	63,782						63,782
Reserves							
Treasury reserve (kEUR)	-1,438			27		0	-1,411
For employee stock option plans (kEUR)	2,558		19				2,577
Accumulated deficit (kEUR)	-47,715	2,747					-44,968
Currency translation differences (kEUR)	-1,157	-166					-1,323
Revaluation of listed debt securities (kEUR)	0	18					18
Subtotal reserves (kEUR)	-47,752	2,599	19	27	0	0	-45,107
Equity attributable to shareholders of ad pepper media International N.V. (kEUR)	17,105	2,599	19	27	0	0	19,750
Non-controlling interests (kEUR)	935	358			-455		838
Total equity (kEUR)	18,040	2,957	19	27	-455	0	20,588

» CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2019

	Balance at 01/01/2019	Total comprehensive income	Share-based payment	Issuance of shares	Dividends	Cancellation of treasury shares	Balance at 30/09/2019
Issued capital (kEUR)	1,150					-75	1,075
Share premium (kEUR)	63,782						63,782
Reserves							
Treasury reserve (kEUR)	-5,299					75	-5,224
For employee stock option plans (kEUR)	2,515		38				2,553
Accumulated deficit (kEUR)	-45,281	583					-44,698
Currency translation differences (kEUR)	-1,208	36					-1,172
Subtotal reserves (kEUR)	-49,273	619	38	0	0	0	-48,541
Equity attributable to shareholders of ad pepper media International N.V. (kEUR)	15,659	619	38	0	0	0	16,316
Non-controlling interests (kEUR)	853	400			-286		967
Total equity (kEUR)	16,512	1,019	38	0	-286	0	17,281

» SELECTED EXPLANATORY NOTES

Consolidated segment information (IFRS)

Q1 - Q3 2020	ad pepper	Webgains	ad agents	admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Gross sales	8,037	45,097	15,025	0	0	68,159
Revenue	4,138	8,981	4,861	322	-334	17,968
Thereof external	4,129	8,981	4,858	0	0	17,968
Thereof intersegment	9	0	3	322	-334	0
Gross profit	3,708	8,678	4,668	322	-12	17,364
Expenses (including cost of sales) and other income	-2,556	-6,263	-4,275	-1,690	322	-14,462
Thereof depreciation and amortisation	-130	-344	-173	-160	0	-807
Thereof other non-cash expenses	0	-124	-54	0	0	-178
Thereof other non-cash income	98	1,256	8	22	0	1,384
EBITDA	1,712	3,062	759	-1,208	-12	4,313
Operating profit	1,582	2,718	586	-1,368	-12	3,506
Financial income	0	4	0	1	0	5
Financial expenses	-10	-17	-14	-52	0	-93
Income taxes						-313
Net income for the period						3,105

Consolidated segment information (IFRS)

Q1 - Q3 2019	ad pepper	Webgains	ad agents	admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Gross sales	8,499	36,773	14,386	0	0	59,658
Revenue	4,164	7,401	4,271	341	-356	15,821
Thereof external	4,149	7,401	4,271	0	0	15,821
Thereof intersegment	15	0	0	341	-356	0
Gross profit	3,654	7,259	4,002	341	-15	15,241
Expenses (including cost of sales) and other income	-2,410	-6,821	-3,915	-1,594	341	-14,398
Thereof depreciation and amortisation	-34	-424	-138	-138	0	-735
Thereof other non-cash expenses	-12	-146	-8	-61	0	-227
Thereof other non-cash income	17	657	2	2	0	677
EBITDA	1,788	1,005	494	-1,115	-15	2,157
Operating profit	1,753	580	356	-1,253	-15	1,423
Financial income	0	6	0	14	0	20
Financial expenses	-5	-27	-14	-156	0	-201
Income taxes						-258
Net income for the period						984

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 interim 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 31 December 2019.

The consolidated interim financial statements as at 30 September 2020 were authorised for publication by the Board of Directors on 3 November 2020.

2. Accounting principles

The accounting policies adopted when preparing 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 31 December 2019 except for the adoption of new standards effective as at 1 January 2020. The Group has not prematurely adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New standards, interpretations and amendments:

The following amendments to standards apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

Amendments to IFRS 7, IFRS 9 and IAS 39:

Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

3. Consolidated Group

The entities included in consolidation are as follows:

Entity	30/09/2020	30/09/2019
	in percent	in percent
ad pepper media GmbH, Nuremberg, Germany	100.0	100.0
ad pepper media France SARL, Paris, France ²	100.0	100.0
ad pepper media Spain S.A., Madrid, Spain	65.0	65.0
ad pepper media USA LLC, New York, USA	100.0	100.0
Webgains Ltd, London, United Kingdom	100.0	100.0
ad agents GmbH, Herrenberg, Germany	60.0	60.0
Webgains GmbH, Nuremberg, Germany	100.0	0.0
Webgains Italy S.r.l., Italy, Milan ¹	100.0	0.0

¹ Webgains Italy S.r.l. was founded and registered in the commercial register in June 2020.

² ad pepper media France SARL rebranded in Webgains France SARL in Q4 2020.

4. Notes to the Interim Financial Statements

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 30 September 2020				
Segments	ad pepper	Webgains	ad agents	Total
	KEUR	KEUR	KEUR	KEUR
Geographical markets				
Germany	2,852	1,668	4,858	9,378
United Kingdom	0	6,105	0	6,105
Spain	1,277	766	0	2,043
USA	0	268	0	268
Other	0	174	0	174
Total revenue	4,129	8,981	4,858	17,968

For the nine months ended 30 September 2019				
Segments	ad pepper	Webgains	ad agents	Total
	KEUR	KEUR	KEUR	KEUR
Geographical markets				
Germany	2,399	1,469	4,271	8,138
United Kingdom	0	4,612	0	4,612
Spain	1,750	564	0	2,314
USA	0	611	0	611
Other	0	146	0	146
Total revenue	4,149	7,401	4,271	15,821

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 590k (Q1-Q3 2019: EUR 529k) from reversals of non-disbursed affiliate credits in the Webgains segment as well as expired prepayments of EUR 626k that are classified by the ad pepper Group as not being likely to be paid out.

Write down of receivables included in other operating expenses increased in the nine months of 2020 to EUR 164k (Q1-Q3 2019: EUR 38k).

Net foreign exchange losses amount to EUR 20k, while a net foreign exchange loss of EUR 149k was posted in the equivalent prior year's period.

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" (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 31 December 2019.

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 (including other).

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	
	30/09/2020	30/09/2019
	kEUR	kEUR
Germany	1,765	1,442
United Kingdom	919	987
Spain	196	71
USA and other	22	73
Total	2,902	2,573

In the reporting period there is no single client which revenue exceeds more than 10 percent of total Group revenue (Q1-Q3 2019: EUR 0).

6. Treasury stock

Acquisition of treasury stock

By a shareholders' resolution dated 19 May 2020, the Board of Directors was authorised to repurchase treasury stock of up to 50 percent of the issued capital within the following 18 months.

As at 30 September 2020, ad pepper media International N.V. held 499,292 treasury stocks (30 September 2019: 499,292) at a nominal value of EUR 0.05 each, corresponding to 2.32 percent (30 September 2019: 2.32 percent) of the share capital. According to a shareholders' resolution, these shares can be used for stock option plans or cancellations.

Sale of treasury stock

No treasury shares were sold during the first nine months of 2020 (Q1-Q3 2019: 0). 20,000 shares were sold under the employee stock option plans and no cash settlements for fully vested equity stock options occurred (Q1-Q3 2019: no shares sold under employee stock option plans).

Number of shares outstanding

The number of shares issued and outstanding as at 30 September 2020 totals 21,000,708 (30 September 2019: 21,000,708). Each share has a nominal value of EUR 0.05.

7. Seasonal influences on business operations

The ad pepper 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 therefore operating profit are usually higher in the second half of the year. However, reference is made to the "Outlook" chapter on page 19.

8. Stock options and shareholdings

As at 30 September 2020, a total of 95,000 stock options exist for current members of the Board of Directors and the Supervisory Board. The exchange ratio for each of the stock options is one share per option. The exercise price for these options is EUR 1.9751.

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

	Shares as at 30/09/2020	Options as at 30/09/2020
Board of Directors		
Dr Jens Körner		75,000
Supervisory Board		
Thomas Bauer		10,000
Dr Stephan Roppel		10,000
Associated companies		
EMA B.V.	9,486,402	
Euro Serve Media GmbH	556,163	
Total	10,042,565	95,000

9. Report on major transactions with related companies and persons

There have been no material changes in transactions with related parties compared with the 2019 financial year.

10. Events after the balance sheet date

In October, several European countries have imposed new restrictions and curfews to attempt to slow a second surge of Covid-19, among them United Kingdom, Germany, France, Spain and Italy. While it is too early to quantify the long-term economic impact of these measures, we expect the current “stay-at-home tailwinds” to persist also in the final quarter of 2020.

On 19 October 2020, the management of ad pepper resolved to partially make use of the share-buy-back authorisation granted by the last General Meeting. A maximum of 500,000 shares can be repurchased under this programme.

Nuremberg, 3 November 2020
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 / 2020	25 March 2021
General Meeting / 2021	18 May 2021

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