

FIRST QUARTER

UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS
AS OF MARCH 31, 2018

20
» 18

» SELECTED GROUP KEY FIGURES

	Q1 2018	Q1 2017	Change
	kEUR	kEUR	Percent
Consolidated sales	8,996	16,367*	-45.0*
Gross profit	4,720	4,116	14.7
EBIT	231	-350	<-100.0
EBITDA	312	-246	<-100.0
Net income/(loss) for period	148	-508	<-100.0
Earnings per share in EUR (basic)	0.00	-0.03	<-100.0

	3/31/2018	3/31/2017	Change
	kEUR	kEUR	Percent
Liquid funds**	19,455	18,443	5.5
Equity	16,858	14,928	12.9
Total assets	33,164	28,721	15.5
No. of employees	197	185	6.5

*On a like-for-like basis, i.e. applying IFRS 15 to the equivalent period in the previous year, the Group's Q1 2017 sales amount to EUR 7,134k and grew by 26.1 percent.

**including securities

» CONTENTS

The ad pepper media Share	6
Interim Management Report	8
The Structure of the ad pepper media group	8
General Information about this Management Report	12
Macroeconomic Framework	13
Earnings, Financial and Net Asset Position	16
Research and Development Activities	18
Employees	18
Risk and Opportunity Report	19
Outlook	19
Interim Consolidated Financial Statements	20
Consolidated Income Statement (IFRS)	20
Consolidated Statement of Comprehensive Income (IFRS)	22
Consolidated Balance Sheet (IFRS) – Assets	26
Consolidated Statement of Cash Flows (IFRS)	30
Consolidated Statement of Changes in Equity (IFRS)	34
Selected Explanatory Notes	38
Additional Information	54
Financial Calendar	54
Investor Contact	54
Imprint	55

» KEY FIGURES AT A GLANCE

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

Key share figures	Q1	Q1
	2018	2017
XETRA closing price at end of period (EUR)	3.47	2.05
Highest price (EUR)	4.41	2.61
Lowest price (EUR)	3.30	1.93
Market capitalization at end of period (EUR)	79.8m	47.2m
Average no. of shares traded (XETRA) per day	22,970	17,080
Earnings per share (basic) (EUR)	0.00	-0.03
Net cash per share* (EUR)	0.93	0.88

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

Share price performance over the past twelve months (Xetra)



Shareholder structure as of 3/31/2018

	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, thus, is one of the pioneers in the business of online marketing. With nine 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 197 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 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 they are working with an agency or a direct customer, their aim is always the same: to deliver the best possible results for its customers.

What makes ad pepper media different from its competitors? Many years of experience – and iLead. This unique platform enables them to generate customised 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's more, Webgains' experienced acquisitions team works to sign up new high-quality publishers on an ongoing basis. Webgains joined the ad pepper media group in 2006. Today, over 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 maximise their sales. In short, their teams always give their all.

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

ad agents

ad agents joined the ad pepper media group in 2007. Today it is one of Germany's most successful performance marketing agencies – and for a good reason. Their strategies are as unique as their personalised advice and support services. They are always optimised to suit the situation and specific requirements of ad agents' customers. They maintain an overview of the entire digital advertising market and adapt their comprehensive service portfolio accordingly.

Concept, management and optimisation: these factors are crucial for delivering an efficient marketing and sales solution. ad agents performance marketing experts always find the perfect strategy for increasing 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 is 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 margin) 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: Eurozone, UK and USA

According to a forecast published in November 2017 by the Organisation for Economic Cooperation and Development (OECD), Germany is forecast to grow by 2.3 percent in 2018, and 1.9 percent in 2019. France is projected to grow by 1.8 percent over the 2017-18 period and 1.7 percent in 2019, while Italy will see a 1.5 percent rate in 2018 and a 1.3 percent rate in 2019. The revised projections reflect stronger-than-expected performance in the first half of 2017, in the context of rising employment, accommodative monetary policy and stronger consumption growth and investment.

The Eurozone as a whole is projected to grow at a 2.2 percent pace in 2018 – upward revisions from previous projections driven by stronger growth in key European countries – before slowing to a 1.9 percent pace in 2019, according to OECD.

In the United Kingdom, according to the same study performed by OECD, the growth slowdown is expected to continue through 2018, due to continuing

uncertainty over the outcome of negotiations around the decision to leave the European Union and the impact of higher inflation on household purchasing power. In this context, the UK is projected to grow by 1.2 percent in 2018 and 1.1 percent in 2019. In the United States, growth is estimated to rise to 2.5 percent in 2018, then dropping back to 2.1 percent in 2019.

Source: <http://www.oecd.org/economy/oecd-sees-global-economy-strengthening-but-says-further-policy-action-needed-to-catalyse-the-private-sector-for-stronger-and-more-inclusive-growth.htm>

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. One-off events like the Winter Olympics in South Korea, the football World Cup in Russia, or the mid-term elections in the USA are expected to positively influence these developments.

Source: MAGNA (part of the IPG Mediabrands Network)

Worldwide growth

Based on relevant forecasts, advertisers worldwide are set to spend 40.2 percent of their budgets on online advertising this year, up from 37.6 percent in 2017. By 2020, advertisers are forecast to invest an average of 44.6 percent of their budgets in digital advertising. This trend is clearly due to the digital transformation process – advertisers are investing in technology, data, and innovations to enhance their relationships to consumers. China, Sweden, and the UK are setting the pace, with more than 55 percent of last year's spending in these markets already channeled into digital advertising.

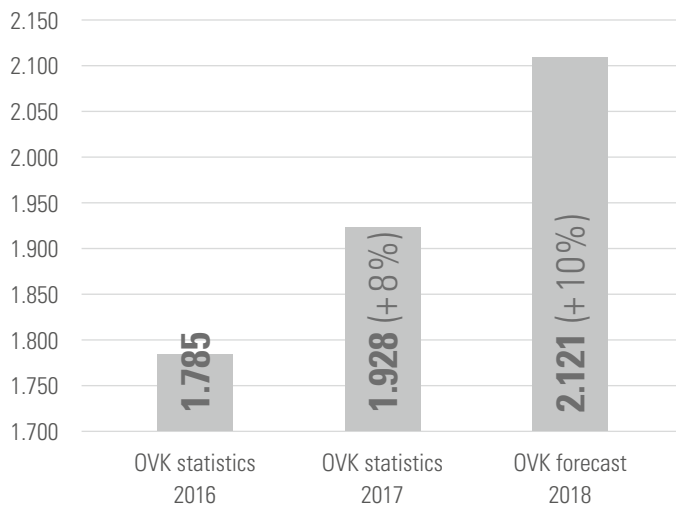
Source: Zenith

Growth in the German market

For the current year, the Circle of Online Marketers (OVK) at the German Association for the Digital Economy (BVDW) has initially forecast 10 percent growth in (net) revenues to EUR 2.121 billion. Neither the new data protection laws nor the increasing use of ad blockers would appear to be having any adverse effect on the digital advertising market.

This forecast is based on market figures published by the OVK for 2017. Spending on digital advertising grew 8 percent in the past year, while revenues in the digital advertising market came to EUR 1.928 billion in 2017 (2016: EUR 1.785 billion).

OVK digital advertising statistics (online and mobile) 2016 and 2017 with forecast for 2018 (in million euro)



Source: <https://www.adzine.de/2018/02/vermarkter-prognostizieren-fuer-2018-rekordwachstum/>
https://www.wuv.de/marketing/trotz_aller_skandale_digitale_werbung_waechst_weiter

» EARNINGS, FINANCIAL AND NET ASSET POSITION

Earnings position

ad pepper media International N.V. generated sales of EUR 8,996k in the first quarter 2018. The sales figure reported results from the first-time application of IFRS 15, which was announced by the company on March 27. On a like-for-like basis, i.e. applying the new standard to the equivalent period of the previous year, the Group's sales grew by 26.1 percent (Q1 2017: EUR 7,134k). The Webgains segment increased its (like-for-like) sales by EUR 90k or 4.0 percent (currency-adjusted: 8.3 percent). The ad agents and ad pepper media segments upheld their strong growth course and benefited in particular from new product developments. ad agents reported first-quarter sales growth of EUR 930k or 27.0 percent, while ad pepper media increased its sales over the same period by EUR 842k or 58.0 percent. The Group's gross profit rose by EUR 604k to EUR 4,720k or 14.7 percent in the first quarter of 2018 and developed positively in all three operating segments (Q1 2017: EUR 4,116k). The ad pepper media and ad agents segments posted dynamic gross profit growth of EUR 328k (+48.3 percent) and EUR 152k (+12.9 percent) respectively, while the gross profit in the Webgains segment rose by EUR 90k or 4.1 percent (currency-adjusted: 8.1 percent).

The Group's operating expenses of EUR 4,489k remained stable compared with the previous year's period (Q1 2017: EUR 4,465k). As a result, the consolidated EBITDA of EUR 312k not only represents a substantial year-on-year improvement (Q1 2017: EUR -246k) but is also one of the best first-quarter operating earnings figures in the Company's history. Individual segment EBITDAs came to EUR 483k for ad pepper media (Q1 2017: EUR 189k), EUR 158k for ad agents (Q1 2017: EUR 239k), and EUR 51k for Webgains (Q1 2017: EUR -72k).

Financial position

The gross cash flow amounted to EUR 349k (Q1 2017: EUR -220k), while a figure of EUR -3,325k was reported for the cash flow from operations, as against EUR -1,551k for the first three months of 2017. The key factor driving the outflow of cash for operating activities were the reductions in accrued liabilities for affiliate credits not yet disbursed in the Webgains segment. Cash

outflow for investing activities amounted to EUR -2,443k (Q1 2017: EUR -55k) and is due to cash investments made in debt securities amounting to USD 3,000k. Cash flow from financing activities amounted to EUR 0k in the first three months of 2018 (Q1 2017: EUR 16k).

Net asset position

Total assets reduced by EUR 5,451k to EUR 33,164k compared with December 31, 2017. The decrease was due to lower trade receivables, which fell by EUR 2,720k to EUR 11,409k at the end of the first quarter 2018. Liquid funds (including securities) reduced to EUR 19,455k, down by EUR 3,187k compared with December 31, 2017 (EUR 22,642k). The higher outflow of funds was largely due to a date-related reduction in trade payables by EUR 4,441k to EUR 13,397k (December 31, 2017: EUR 17,838k).

Other payables reduced from EUR 2,529 as of December 31, 2017 to EUR 1,282k, which is particularly due to lower sales tax liabilities. Other financial liabilities decreased from EUR 1,150k as of December 31, 2017 to EUR 903k, which was mainly driven by performance-linked payments in the first quarter. Other long-term liabilities amount to EUR 207k (December 31, 2017: EUR 217k) and relate mainly to accrued rental benefits. Total liabilities amount to EUR 16,306k (December 31, 2017: EUR 22,098k). The Group still does not have any liabilities to banks. Total equity remained at EUR 16,858k (December 31, 2017: EUR 16,517k). The equity ratio increased to 50.8 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 March 31, 2018, the ad pepper media group had 197 employees, as against a total of 185 employees at the end of the equivalent period in the previous year. The workforce of the ad pepper media group is assigned to the following segments:

	3/31/2018	3/31/2017
	Number	Number
ad pepper media	20	19
Webgains	95	95
ad agents	70	56
Administration	12	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 of December 31, 2017. Reference is therefore made to the information presented in the management report for the 2017 financial year.

» OUTLOOK

As announced on March 29, 2018, we expect to achieve an EBITDA higher than in the previous business year. While we experienced a very solid first quarter, we intend to provide a more detailed guidance after assessing our second quarter performance.

Nuremberg, May 2, 2018
ad pepper media International N.V.



Dr. Jens Körner, CEO

» CONSOLIDATED INCOME STATEMENT (IFRS)

	Q1 2018	Q1 2017
	kEUR	kEUR
Revenue	8,996	16,367
Cost of sales	-4,276	-12,251
Gross profit	4,720	4,116
Selling and marketing expenses	-2,914	-2,434
General and administrative expenses	-1,561	-1,958
Other operating income	146	77
Other operating expenses	-161	-150
Operating profit	231	-350
Financial income	8	6
Financial expenses	-7	-4
Income/loss before taxes	232	-347
Income taxes	-84	-161
Net income/loss	148	-508
Attributable to shareholders of the parent company	65	-596
Attributable to non-controlling interests	83	88
Basic earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.00	-0.03
Diluted earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.00	-0.03
	No. of shares	No. of shares
Weighted average number of shares outstanding (basic)	21,000,708	20,889,023
Weighted average number of shares outstanding (diluted)	21,388,966	21,064,540

» CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (IFRS)

	Q1 2018	Q1 2017
	kEUR	kEUR
Net income/loss	148	-508
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	23	-17
Revaluation of available-for-sale securities	142	458
Other comprehensive income, net of tax	165	441
Total comprehensive income	313	-68
Attributable to non-controlling interests	83	88
Attributable to shareholders of the parent company	230	-155

Disclosures on other comprehensive income

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

	Q1 2018			Q1 2017		
	kEUR			kEUR		
	before income taxes	income taxes	after income taxes	before income taxes	income taxes	after income taxes
Currency translation differences	23	0	23	-17	0	-17
Revaluation of available-for-sale securities	142	0	142	458	0	458
Total other comprehensive income	165	0	165	441	0	441

» CONSOLIDATED BALANCE SHEET (IFRS) – ASSETS

	3/31/2018	12/31/2017
	kEUR	kEUR
Non-current assets		
Intangible assets	320	362
Property, plant and equipment	415	424
Securities "fair value through other comprehensive income"	2,657	2,515
Securities "held at cost"	2,416	0
Other financial assets	419	418
Total non-current assets	6,228	3,719
Current assets		
Trade receivables	11,409	14,129
Other receivables	802	410
Income tax receivables	281	203
Other financial assets	63	27
Cash and cash equivalents	14,381	20,127
Total current assets	26,936	34,896
Total assets	33,164	38,615

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

	3/31/2018	12/31/2017
	kEUR	kEUR
Equity attributable to shareholders of the parent company		
Issued capital*	1,150	1,150
Reserves	61,341	61,312
Accumulated deficit	-44,976	-45,041
Other reserves	-1,518	-1,683
Total	15,996	15,738
Non-controlling interests	862	779
Total equity	16,858	16,517
Non-current liabilities		
Deferred tax liabilities	185	185
Other long-term liabilities	207	217
Total non-current liabilities	392	402
Current liabilities		
Trade payables	13,397	17,838
Other liabilities	1,282	2,529
Other financial liabilities	903	1,150
Income tax liabilities	332	179
Total current liabilities	15,914	21,696
Total liabilities	16,306	22,098
Total equity and liabilities	33,164	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 (December 31, 2017: 23,000,000) are issued and 21,000,708 shares were floating at March 31, 2018 (December 31, 2017: 21,000,708).

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

	1/1- 3/31/2018	1/1-3/31/2017
	KEUR	KEUR
Net income/loss	148	-508
Adjustments for:		
Depreciation and amortization	81	104
Gain/loss on sale of fixed assets	0	-2
Share-based compensation	29	0
Gain/loss on sale of securities (after bank charges)	0	0
Other financial income and financial expenses	-1	-2
Income taxes	84	161
Other non-cash expenses and income	8	27
Gross cash flow	349	-220
Change in trade receivables	2,607	2,166
Change in other assets	-398	-507
Change in trade payables	-4,342	-1,424
Change in other liabilities	-1,502	-1,215
Income tax received	74	0
Income tax paid	-82	-351
Interest paid	-31	0
Net cash flow from/used in operating activities	-3,325	-1,551
Purchase of intangible assets and property, plant, and equipment	-27	-57
Proceeds from sale of intangible assets and property, plant, and equipment	0	2
Purchase of securities/investment in fixed-term deposits	-2,416	0
Net cash flow from/used in investing activities	-2,443	-55

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

	1/1-3/31/2018	1/1-3/31/2017
	kEUR	kEUR
Issuance of own shares	0	16
Net cash flow from/used in financing activities	0	16
Net decrease/increase in cash and cash equivalents	-5,768	-1,590
Cash and cash equivalents at beginning of period	20,127	17,859
Effect of exchange rates on cash and cash equivalents	23	-17
Cash and cash equivalents at end of period	14,382	16,252

» CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Balance at 1/1/2018	Total compre- hensive income	Share-based payment	Issuance of shares	Dividends	Purchase of treasury shares	Balance at 3/31/2018
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		29				2,775
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	65					-44,976
Other reserves							
Currency translation differences (kEUR)	-1,196	23					-1,173
Unrealized gains/(losses) from available-for-sale securities (kEUR)	-487	142					-345
Equity attributable to shareholders of ad pepper media International N.V. (kEUR)	15,738	230	29	0	0	0	15,996
Non-controlling interests (kEUR)	779	83	0	0	0	0	862
Total equity (kEUR)	16,517	313	29	0	0	0	16,858

» CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Balance at 1/1/2017	Total compre- hensive income	Share-based payment	Issuance of shares	Dividends	Purchase of treasury shares	Balance at 3/31/2017
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						2,656
From contributions of shareholders of the parent company (kEUR)	63,782						63,782
Treasury shares							
Number of shares	2,119,292			-20,000			2,099,292
Treasury shares at cost (kEUR)	-5,322			16			-5,306
Accumulated deficit (kEUR)	-45,621	-596					-46,217
Other reserves							
Currency translation differences (kEUR)	-1,157	-17					-1,174
Unrealized gains/(losses) from available-for-sale securities (kEUR)	-1,200	458					-742
Equity attributable to shareholders of ad pepper media International N.V. (kEUR)	14,289	-155	0	16	0	0	14,150
Non-controlling interests (kEUR)	690	88	0	0	0	0	778
Total equity (kEUR)	14,979	-68	0	16	0	0	14,928

» SELECTED EXPLANATORY NOTES

Consolidated segment information (IFRS)

Q1 2018	ad pepper media	Webgains	ad agents	admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	2,293	2,331	4,373	92	-93	8,996
Thereof external	2,292	2,331	4,373	0	0	8,996
Thereof intersegment	1	0	0	92	-93	0
Gross profit	1,009	2,286	1,335	92	-1	4,720
Expenses and other income	-1,811	-2,338	-4,222	-485	92	-8,765
Thereof depreciation and amortization	-2	-58	-8	-13	0	-81
Thereof other non-cash income	0	111	0	0	0	111
Thereof other non-cash expenses	0	-150	0	-29	0	-179
EBITDA	484	52	158	-381	-1	312
EBIT	481	-7	150	-393	-1	231
Financial income	0	0	0	8	0	8
Financial expenses	-1	-1	0	-5	0	-7
Income taxes						-84
Net income for the period						148

Consolidated segment information (IFRS)

Q1 2017	ad pepper media	Webgains	ad agents	admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	1,484	11,475*	3,442	58	-92	16,367**
Thereof external	1,450	11,475	3,442	0	0	16,367
Thereof intersegment	34	0	0	58	-92	0
Gross profit	713	2,196	1,182	58	-34	4,116
Expenses and other income	1,267	-11,598	-3,212	-699	58	-16,717
Thereof depreciation and amortization	-6	-51	-9	-39	0	-104
Thereof other non-cash income	0	65	1	0	0	66
Thereof other non-cash expenses	-56	-39	0	-7	0	-104
EBITDA	222	-72	239	-602	-34	-246
EBIT	217	-122	231	-641	-34	-350
Financial income	2	0	0	4	0	6
Financial expenses	-1	0	0	-3	0	-4
Income taxes						-161
Net income for the period						-508

*On a like-for-like basis, i.e. applying IFRS 15 to the equivalent period in the previous year, Webgains' Q1 2017 sales amounts to EUR 2,242k

**On a like-for-like basis, i.e. applying IFRS 15 to the equivalent period in the previous year, the Group's Q1 2017 sales amounts to EUR 7,134k

1. Basis for the preparation of the Interim Financial Statements

The current Condensed Interim Consolidated Financial Statements of ad pepper media International N.V. were prepared according to the provisions of the International Financial Reporting Standards (IFRS) as applicable on the closing date, and are presented in euros (EUR). The comparative figures from the previous year were determined according to the same principles and adjusted where necessary. The quarter-end financial statements meet the requirements of IAS 34. The condensed consolidated interim financial statements do not include all of the information required for the full annual financial statements and should therefore be read in conjunction with the consolidated Annual Report for the year ended December 31, 2017.

The consolidated interim financial statements as of March 31, 2018 were authorised for issue by the Board of Directors on May 2, 2017.

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 early adopted 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, 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 in the revenues and the material expenses of EUR 9m. 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 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 amortised 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, and long-term securities held within this business model.
- 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	3/31/2018	3/31/2017
	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 three months ended March 31, 2018				
Segments	ad pepper media	Webgains	ad agents	Total
Geographical markets				
Germany	1,281	529	4,373	6,182
United Kingdom	-	1,295	-	1,295
Spain	1,011	127	-	1,138
USA	-	308	-	308
Other	-	72	-	72
Total revenue	2,292	2,331	4,373	8,996

For the three months ended March 31, 2017				
Segments	ad pepper media	Webgains	ad agents	Total
Geographical markets				
Germany	735	357	3,442	4,534
United Kingdom	-	1,437	-	1,437
Spain	715	112	-	827
USA	-	270	-	270
Other	-	65	-	65
Total revenue	1,450	2,242	3,442	7,134

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 first quarter 2018 by EUR 480k resp. 20 percent compared to the equivalent prior year's quarter. This is particularly due to investments done in the segments Webgains and ad agents and correspondingly higher employment costs in both segments. Other operating income mainly includes income of EUR 104k (Q1 2017: EUR 64k) from reversals of non-disbursed affiliate credits in the Webgains segment that are classified by ad pepper media group as not being likely to be paid out.

Other operating expenses for the first quarter of 2018 chiefly comprise write-downs of receivables of EUR 80k (Q1 2017: EUR 87k). Net foreign exchange losses amount to EUR 32k, while a net foreign exchange loss of EUR 32k was posted in the equivalent prior year's quarter.

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

Other payables reduced by EUR 1,247k compared with December 31, 2017. This was chiefly due to lower sales tax liabilities. The reduction in other financial liabilities by EUR 247k to EUR 903k in the first quarter of 2018 was due in particular to the payment of variable compensation.

5. Segment reporting according to IFRS 8

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

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

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	
	3/31/18	3/31/17
	kEUR	kEUR
Germany	180	227
United Kingdom	533	477
Spain	15	18
USA	3	6
Other	3	4
Total	735	732

Revenues of EUR 963k (Q1 2017: EUR 1,056k) are derived from a single external customer. 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 March 31, 2018, ad pepper media International N.V. held 1,999,292 treasury stocks (March 31, 2017: 2,099,292) at a nominal value of EUR 0.05 each, corresponding to 8.7 percent (March 31, 2017: 9.13 percent) of the share capital. According to a shareholders' resolution, these shares can be used for stock option plans or acquisitions.

Sale of treasury stock

No treasury shares were sold during the first three months of 2018 (Q1 2017: 0). 20,000 shares were sold under the employee stock option plans and no cash settlements amounting for fully vested stock options occurred (Q1 2017: 0).

Number of shares outstanding

The number of shares issued and outstanding as of March 31, 2018 totals 21,000,708 (March 31, 2017: 20,900,708). Each share has a nominal value of EUR 0.05.

7. Seasonal influences on business operations

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

8. Stock options and shareholdings

As of March 31, 2018, a total of 676,900 stock options existed under stock option plans. The exchange ratio for each of the stock options is one share per option. The exercise prices are in the range of EUR 0.665 to EUR 3.795.

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

	Shares as of 3/31/2018	Options as of 3/31/2018
Board of Directors		
Dr. Jens Körner		300,000
Former Board of Directors		209,500
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 March 31, 2018.

Nuremberg, May 2, 2018

ad pepper media International N.V.

A handwritten signature in black ink, appearing to be 'JK' or similar initials, written in a cursive style.

Dr. Jens Körner, CEO

» FINANCIAL CALENDAR

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

Annual General Meeting (Amsterdam, The Netherlands)	May 15, 2018
Quarterly Report II / 2018	August 21, 2018
Quarterly Report III / 2018	November 15, 2018

» 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

» IMPRINT

Published by

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

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

ad pepper media International N.V.

Frankenstraße 150 C
D-90461 Nuremberg

www.adpeppergroup.com