



**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

AS OF MARCH 31, 2017

SELECTED GROUP KEY FIGURES

	Q1 2017	Q1 2016	Change
	kEUR	kEUR	Percent
Consolidated sales	16,367	14,418	13.5
Gross profit	4,116	3,793	8.5
EBIT	-350	561	<-100.0
Net income/(loss) for period	-508	544	<-100.0
Earnings per share in EUR (basic)	-0.03	0.02	<-100.0

	3/31/2017	3/31/2016	Change
	kEUR	kEUR	Percent
Liquid funds*	18,443	19,638	-6.1
Equity	14,928	16,061	-7.1
Total assets	28,721	29,113	-1.3
No. of employees	185	166	11.4

*including securities measured at fair value and fixed-term deposits

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THE AD PEPPER MEDIA SHARE

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 2017	Q1 2016
XETRA closing price at end of period (EUR)	2.05	1.90
Highest price (EUR)	2.61	1.90
Lowest price (EUR)	1.93	1.20
Market capitalization at end of period (EUR)	47.2m	43.7m
Average no. of shares traded (XETRA) per day	17,080	25,916
Earnings per share (basic) (EUR)	-0.03	0.02
Net cash per share* (EUR)	0.80	0.85

Share price performance over the past twelve months (Xetra)



Shareholder structure as of 3/31/2017

	shares	shareholding
	Numbers	Percent
EMA B.V.	9,486,402	41.25
Treasury stock	2,099,292	9.13
Axxion S.A.	1,163,501	5.06
Dieter Koppitz	699,338	3.04
Euro Serve Media GmbH	436,963	1.90
Subtotal	13,885,496	60.37
Free float	9,114,504	39.63
Total	23,000,000	100.00

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

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. Its stock market launch followed in the year 2000 in the Prime Standard segment of the Frankfurt Stock Exchange (WKN: 940883). With seven offices in four European countries and the U.S., the ad pepper media group globally develops performance marketing solutions for customers such as Samsung, Nike, ERGO (Direkt), or Opel.

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 semantic targeting), **ad agents** (performance marketing), and **Webgains** (affiliate marketing). 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 185 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 ad pepper media segment was founded in 1999 and, thus, constitutes the beginning of the Company's success story. Today, the business unit is active in two European core markets: Germany and Spain. As a leading performance marketing agency, it specializes in lead generation, in other words: the acquisition of customers that already have shown interest in a product or service. Using our proprietary technology platform iLead, the business unit realizes customized campaigns in a minimum of time in order to acquire subscribers through test runs, trade samples, catalogue orders, user registrations, or competitions.

Webgains

Webgains belongs to the Group since 2006. As one of the leading international affiliate networks, it offers efficient solutions covering all areas of affiliate management. The network uses state-of-the-art technology and offers first-class support for merchants and affiliates. Webgains operates offices in Great Britain, Germany, France, Spain as well as the U.S. and is also present in Ireland, Italy, the Netherlands, Sweden, Denmark, Australia and Poland. Webgains successfully implements international and regional online campaigns for a large number of its customers. Thanks to its long-standing expertise in global affiliate marketing, Webgains makes it possible for customers to expand on a world-wide scale – both with regard to the supervision of specific programs as well as the number of provided languages, currencies, and payment methods.

Webgains has more than 250,000 publishers in its portfolio who work together with more than 1,800 customers – from global fashion brands to medium-sized commercial enterprises. What makes affiliate marketing so attractive for advertisers as well as websites is, on the one hand, the opportunity to reach a massive audience via a wide variety of websites, on the other hand, the performance-based payment. Affiliate marketing is a commission-based advertising model in which website operators (publishers, affiliates) direct Internet traffic to the sites of advertisers (retailers, merchants) and receive in return a percentage of the sales turnover generated there.

ad agents

ad agents was founded 2006 and belongs to the ad pepper media group for 10 years. Today, it is one of the most successful performance agencies in Germany. ad agents designs, controls, and optimizes results-oriented marketing and sales solutions in all digital channels on all screens and devices. The agency specializes in search engine marketing, search engine optimization, affiliate management, social media advertising, performance display, and product data management. The business unit also advises wellknown German and international companies operating in all industries

(for example: finance, trade, fashion, pharmaceuticals, and technology). The customers are renowned corporations such as CHRIST, ERGO (Direkt), Saturn and Thalia. At the location Herrenberg (in the region of Stuttgart), more than 70 international online experts deliver quality, transparency, and excellent results to fill long-time customers with enthusiasm. Recently, ad agents was awarded the Quality Certificate SEA 2017 by the Federal Association for Digital Economy (Bundesverband Digitale Wirtschaft, BVDW) and is, of course, also certified Google partner.

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 2016.

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

According to a survey published by CESifo, Munich, the German economy is already in the fifth year of a moderate upturn. Capacity utilization is gradually increasing, and aggregate production capacities are now likely to have slightly exceeded their normal utilization levels. However, cyclical dynamics remain low compared to earlier periods of recoveries, while consumption expenditures, which do not exhibit strong fluctuations, have been the main

driving force so far. In addition, net migration increases potential output, counteracting a stronger capacity tightening. According to this report, gross domestic product (GDP) is expected to expand by 1.5 percent this year (1.8 percent adjusted for calendar effects) and 1.8 percent in the next year.

According to CESifo, business indicators of the euro area have been positively oriented in the last months, too, suggesting a continuation of the recovery process. In Q1 2017, the Eurozone economy is expected to grow at a similar pace as registered at the end of 2016 (+0.4 percent), then slightly faster in Q2 (+0.5 percent) before returning to +0.4 percent in Q3 2017. Also here, the main force behind the expansion in aggregate activity should, according to CESifo, be private consumption, which benefits from the increase in disposable income and favourable labour market conditions – despite the upturn in inflation, which is eroding household purchasing power. Moreover, investment is forecast to strengthen, driven by improved expectations about near-term outlook. Finally, the positive international environment will likely reinforce external demand, growth, and exports.

Global economic activity is expected to expand rapidly during spring 2017, according to CESifo. The US economy gained momentum since the previous summer, and both the Eurozone and Japan have been on a moderate upturn for some time. In China, economic momentum also began to pick up since spring 2016, not least as a result of governmental stimulus measures.

Advertising market

Online advertising market

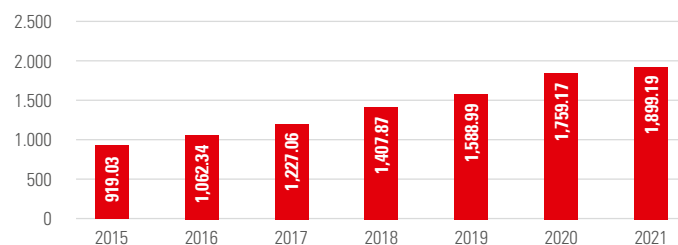
By 2018, online advertising will account for 38.4 percent of global advertising spending. That is the finding of a current forecast issued by ZenithOptimedia. Mobile advertising is set to overtake desktop appliance advertising in 2017 already. In two years' time, television will only be in second place with a 33.6 percent share of advertising budgets. At more than USD 200 billion, the US will remain the largest advertising market in 2018 as well. The investment volume for Germany in 2018 is estimated at around USD 23 billion.

Forecast global e-commerce revenues from 2015 to 2021

E-commerce had around 1.47 billion users worldwide in 2015. According to PricewaterhouseCoopers' Digital Market Outlook, the number of online consumers will rise to 2.34 billion by 2021. A forecast compiled by Statista shows that global e-commerce revenues should amount to EUR 1,899.19 billion in 2021 (see chart). According to this forecast, the "Fashion" segment will account for the largest share, with revenues of EUR 579.75 billion.

Forecast global e-commerce revenues in billion EUR

© statista



EARNINGS, FINANCIAL AND NET ASSET POSITION

Earnings position

ad pepper media International N.V. concluded the first three months of the financial year with new record sales of EUR 16,367k, corresponding to growth of 13.5 percent (Q1 2016: EUR 14,418k). With sales growth of EUR 347k, or around 31.5 percent, the ad pepper media segment posted an especially dynamic performance (Q1 2016: EUR 1,104k). The ad agents segment also reported strong growth of EUR 786k, or 29.6 percent (Q1 2016: EUR 2,657k). The Webgains segment grew by 7.7 percent to EUR 11,475k (Q1 2016: EUR 10,657k). Adjusted for currency items, sales growth in this segment came to around 16.5 percent.

The Group's gross profit rose by around 8.5 percent in the first quarter of 2017. While the ad pepper media and ad agents segments reported strong gross profit growth of 72.4 percent and 22.7 percent respectively, gross profit at the Webgains segment decreased by 6.9 percent. On a currency-adjusted basis, this reduction came to 0.3 percent.

Operating expenses on Group level rose by EUR 1,233k, or 38.1 percent, in the first three months (Q1 2016: EUR 3,233k). Alongside positive one-off items in the equivalent period in the previous year, severance payments and investments in the Webgains segment (especially in connection with the IBM Watson project) led to higher expenses in the period under report.

Accordingly, and as expected, the Group's key profitability figures for the first quarter are slightly negative. Group EBITDA came to EUR -246k (Q1 2016: EUR 519k). The ad pepper media segment more than doubled its EBITDA to EUR 222k (Q1 2016: EUR 94k). While EBITDA of the ad agents segment amounted to EUR 239k and remained almost stable at prior year's level (Q1 2016: EUR 246k), the Webgains segment generated EBITDA of EUR -72k (Q1 2016: EUR 531k).

Financial position

The gross cash flow amounted to EUR -220k (Q1 2016: EUR 358k), while a figure of EUR -1,551k was reported for the cash flow from operations, as against EUR -1,903k for the first three months of 2016. 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. Outgoing bonus payments and sales tax payments in the first quarter 2017 led to further cash outflows and significant lower liabilities. Cash outflow for investing activities amounted to EUR 55k (Q1 2015: EUR 3,903k). Cash flow from financing activities amounted to EUR 16k in the first three months of 2017 (Q1 2015: EUR -479k) and included incoming cash in conjunction with exercised share options.

Net asset position

Total assets reduced by EUR 2,657k to EUR 28,721k compared with December 31, 2016. The decrease was mainly due to lower trade receivables, which fell by EUR 2,258k to EUR 7,859k at the end of the first quarter 2017. Liquid funds (including securities measured at fair value) reduced to EUR 18,443k, down by EUR 1,149k compared with December 31, 2016 (EUR 19,592k). The higher outflow of funds was largely due to a date-related reduction in trade payables by EUR 1,492k to EUR 10,864k (December 31, 2016: EUR 12,357k). Other payables reduced from EUR 1,470 as of December 31, 2016 to EUR 758k, which is particularly due to lower sales tax liabilities. Other financial liabilities decreased from EUR 1,807k as of December 31, 2016 to EUR 1,173k, which was mainly driven by bonus payments in the first quarter. Other long-term liabilities amount to EUR 201k (December 31, 2016: EUR 0k) and relate mainly to accrued rental benefits. Total liabilities amount to EUR 13,793k (December 31, 2016: EUR 16,398k). The Group still does not have any liabilities to banks. Total equity remained at EUR 14,928k (December 31, 2016: EUR 14,979k). The equity ratio increased to 52.0 percent (December 31, 2016: 47.7 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, 2017, the ad pepper media group had 185 employees, as against a total of 166 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:

	3/31/2017	3/31/2016
	Number	Number
ad pepper media	19	19
Webgains	95	87
ad agents	56	45
Administration	15	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, 2016. Reference is therefore made to the information presented in the management report for the 2016 financial year.

OUTLOOK

Results for the first quarter came in slightly better than anticipated. However, and as announced on March 20, 2017, we maintain our outlook to achieve sales of at least EUR 65.0m and EBITDA between EUR 1.0m and EUR 1.5m for the Group.

Amsterdam/Nuremberg, May 2, 2017
ad pepper media International N.V.



Dr. Jens Körner

CONSOLIDATED INCOME STATEMENT (IFRS)

	Q1 2017	Q1 2016
	kEUR	kEUR
Revenue	16,367	14,418
Cost of sales	-12,251	-10,624
Gross profit	4,116	3,793
Selling and marketing expenses	-2,434	-2,145
General and administrative expenses	-1,958	-1,472
Other operating income	77	420
Other operating expenses	-150	-37
Operating profit	-350	561
Financial income	6	129
Financial expenses	-4	-64
Income/loss before taxes	-347	626
Income taxes	-161	-81
Net income/loss	-508	544
Attributable to shareholders of the parent company	-596	468
Attributable to non-controlling interests	88	76
Basic earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	-0.03	0.02
Diluted earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	-0.03	0.02
	No. of shares	No. of shares
Weighted average number of shares outstanding (basic)	20,889,023	21,376,815
Weighted average number of shares outstanding (diluted)	21,064,540	21,815,183

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

	Q1 2017	Q1 2016
	kEUR	kEUR
Net income/loss	-508	544
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	-17	-168
Revaluation of available-for-sale securities	458	-344
Realized gains/losses from available-for-sale-securities	0	-10
Other comprehensive income, net of tax	441	-521
Total comprehensive income	-68	23
Attributable to non-controlling interests	88	76
Attributable to shareholders of the parent company	-155	-53

Disclosures on other comprehensive income

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

	Q1 2017			Q1 2016		
	kEUR			kEUR		
	before income taxes	income taxes	after income taxes	before income taxes	income taxes	after income taxes
Currency translation differences	-17	0	-17	-168	0	-168
Revaluation of available-for-sale securities	458	0	458	-344	0	-344
Realized gains/losses from available-for-sale securities	0	0	0	-10	0	-10
Total other comprehensive income	441	0	441	-521	0	-521

CONSOLIDATED BALANCE SHEET (IFRS)

ASSETS	3/31/2017	12/31/2016
	KEUR	KEUR
Non-current assets		
Intangible assets	503	572
Property, plant, and equipment	229	212
Securities available-for-sale	2,191	1,734
Other financial assets	184	189
Total non-current assets	3,107	2,706
Current assets		
Trade receivables	7,859	10,116
Other receivables	938	408
Income tax receivables	502	151
Other financial assets	63	138
Cash and cash equivalents	16,252	17,859
Total current assets	25,614	28,672
Total assets	28,721	31,378

CONSOLIDATED BALANCE SHEET (IFRS)
EQUITY AND LIABILITIES

	3/31/2017	12/31/2016
	KEUR	KEUR
Equity attributable to shareholders of the parent company		
Issued capital*	1,150	1,150
Reserves	61,133	61,116
Accumulated deficit	-46,217	-45,621
Other reserves	-1,916	-2,356
Total	14,150	14,289
Non-controlling interests	778	690
Total equity	14,928	14,979
Non-current liabilities		
Deferred tax liabilities	117	117
Other long-term liabilities	201	0
Total non-current liabilities	318	117
Current liabilities		
Trade payables	10,864	12,357
Other liabilities	758	1,470
Other financial liabilities	1,173	1,807
Income tax liabilities	681	648
Total current liabilities	13,476	16,282
Total liabilities	13,793	16,399
Total equity and liabilities	28,721	31,378

* 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, 2016: 23,000,000) are issued and 20,900,708 shares were floating at March 31, 2017 (December 31, 2016: 20,880,708).

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

1/2

	1/1- 3/31/2017	1/1-3/31/2016
	KEUR	KEUR
Net income/loss	-508	544
Adjustments for:		
Depreciation and amortization	104	-42
Gain/loss on sale of fixed assets	-2	-1
Share-based compensation	0	8
Gain/loss on sale of securities (after bank charges)	0	-13
Other financial income and financial expenses	-2	-52
Income taxes	161	81
Other non-cash expenses and income	27	-167
Gross cash flow	-220	358
Change in trade receivables	2,166	2,576
Change in other assets	-507	-692
Change in trade payables	-1,424	-2,835
Change in other liabilities	-1,215	-1,405
Income tax received	0	97
Income tax paid	-351	-52
Interest received	0	70
Interest paid	0	-20
Net cash flow from/used in operating activities	-1,551	-1,903
Purchase of intangible assets and property, plant, and equipment	-57	-12
Proceeds from sale of intangible assets and property, plant, and equipment	2	1
Loans granted	0	0
Loan repayments received	0	3
Proceeds from sale/maturity of securities	0	5,323
Purchase of securities/investment in fixed-term deposits	0	-1,412
Net cash flow from/used in investing activities	-55	3,903

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

2/2

	1/1-3/31/2017	1/1-3/31/2016
	kEUR	kEUR
Purchase of treasury shares	0	-439
Issuance of own shares	16	0
Dividends to non-controlling interests	0	-40
Net cash flow from/used in financing activities	16	-479
Net decrease/increase in cash and cash equivalents	-1,590	1,521
Cash and cash equivalents at beginning of period	17,859	16,932
Effect of exchange rates on cash and cash equivalents	-17	-68
Cash and cash equivalents at end of period	16,252	18,385

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(IFRS)**

	Balance at 1/1/2017	Total compre- hensive income	Share-based payment	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	0	16	14,150
Non-controlling interests (kEUR)	690	88	0	0	0	778
Total equity (kEUR)	14,979	-68	0	0	16	14,928

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(IFRS)**

	Balance at 1/1/2016	Total compre- hensive income	Share-based payment	Dividends	Purchase of treasury shares	Balance at 3/31/2016
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)	2,571		8			2,579
From contributions of shareholders of the parent company (kEUR)	63,782					63,782
Treasury shares						
Number of shares	1,539,292				277,203	1,816,495
Treasury shares at cost (kEUR)	-3,105				-438	-3,543
Accumulated deficit (kEUR)	-46,251	469				-45,782
Other reserves						
Currency translation differences (kEUR)	-880	-168				-1,048
Unrealized gains/(losses) from available-for-sale securities (kEUR)	-1,319	-354				-1,673
Equity attributable to shareholders of ad pepper media International N.V. (kEUR)	16,005	-53	8	0	-438	15,522
Non-controlling interests (kEUR)	503	76	0	-40	0	539
Total equity (kEUR)	16,508	23	8	-40	-438	16,061

SELECTED EXPLANATORY NOTES

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
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

Consolidated segment information (IFRS)

Q1 2016	ad pepper media	Webgains	ad agents	admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	1,104	10,659	2,657	75	-77	14,418
Thereof external	1,104	10,657	2,657	9	0	14,418
Thereof intersegment	0	2	0	75	-77	0
Expenses and other income	-1,013	-10,046	-2,420	-454	75	-13,857
Thereof depreciation and amortization	-3	81	-8	-28	0	42
Thereof other non-cash income	42	240	8	12	0	302
Thereof other non-cash expenses	-4	-117	0	-45	0	-161
EBITDA	94	533	246	-351	-2	519
EBIT	91	613	238	-379	-2	561
Financial income	0	1	0	128	0	129
Financial expenses	0	0	0	-64	0	-64
Income taxes						-81
Net income for the period						544

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, 2016.

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

2. Accounting principles

The accounting principles applied to these quarter-end financial statements do not differ from the principles as applied to the Annual Report as per December 31, 2016. Since then, no new standards or interpretations have been adopted.

3. Consolidated Group

The entities included in consolidation are as follows:

Entity	3/31/2017	3/31/2016
	Percent	Percent
ad pepper media GmbH, Nuremberg, Germany	100	100
ad pepper media Denmark A/S, Copenhagen, Denmark	100	100
ad pepper media UK Ltd, London, United Kingdom	0	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
Globase International ApS, Copenhagen, Denmark	100	100
ad agents GmbH, Herrenberg, Germany	60	60

On November 30, 2016, ad pepper media UK Ltd was merged with Webgains Ltd with effect of November 30, 2016.

4. Notes to the Interim Financial Statements

Reference is basically made to the comments on the results of operations, financial position and net assets 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 64k (Q1 2016: EUR 73k) 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 2017 chiefly comprise write-downs of receivables of EUR 87k (Q1 2016: EUR 120k).

Net foreign exchange losses amount to EUR 32k, while a net foreign exchange gain of EUR 60k 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 liabilities reduced by EUR 712k compared with December 31, 2016. This was chiefly due to lower sales tax liabilities. The reduction in other financial liabilities by EUR 634k to EUR 1,173k in the first quarter of 2017 was due in particular to the payment of variable compensation components and decreased accrued liabilities for outstanding invoices.

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, 2016.

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.

The Group's revenue from the continued operations of the Group from business with external customers, and information about the segments' assets are detailed below according to geographical location. Long-term assets do not include financial instruments or deferred tax assets:

	Revenue from external customers		Non-current assets	
	Q1 2017	Q1 2016	3/31/17	3/31/16
	kEUR	kEUR	kEUR	kEUR
Germany	5,476	4,244	227	223
United Kingdom	8,384	7,593	477	209
Spain	1,111	913	18	16
USA	1,140	1,358	6	3
Other	256	309	4	4
Total	16,367	14,418	732	455

Revenues of EUR 2,077k (Q1 2016: EUR 1,601k) are derived from a single external customer. These revenues are attributable to the Webgains segment.

6. Treasury stock

Acquisition of treasury stock

By a shareholders' resolution dated May 10, 2016, 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, 2017, ad pepper media International N.V. held 2,099,292 treasury stocks (March 31, 2016: 1,816,495) at a nominal value of EUR 0.05 each, corresponding to 9.13 percent (March 31, 2016: 7.9 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 2017 (Q1 2016: 0). 20,000 shares were sold under the employee stock option plans and no cash settlements amounting for fully vested stock options occurred (Q1 2016: 0).

Number of shares outstanding

The number of shares issued and outstanding as of March 31, 2017 totals 20,900,708 (March 31, 2016: 21,183,505). 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, 2017, a total of 321,900 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 3/31/2017	Options as of 3/31/2017
Board of Directors		
Dr. Jens Körner	0	0
Former Board of Directors		309,500
Supervisory Board		
Michael Oschmann	0	0
Thomas Bauer	0	0
Eun-Kyung Park	0	0
Dr. Stephan Roppel	0	0
Employees		12,400
Associated companies		
EMA B.V.	9,486,402	0
Euro Serve Media GmbH	436,963	0

9. Report on major transactions with related companies and persons

There have been no material changes in transactions with related parties compared with the 2016 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, 2017.

Amsterdam/Nuremberg, May 2, 2017
ad pepper media International N.V.



Dr. Jens Körner

FINANCIAL CALENDAR

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

Annual General Meeting (Amsterdam, The Netherlands)	May 16, 2017
Quarterly Report II / 2017	August 16, 2017
Quarterly Report III / 2017	November 15, 2017

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Board of Directors:

Dr. Jens Körner, CEO

We will gladly send you our **2016 Annual Report** as well as
the **Interim Financial Report for 2017** in English.

These reports are also published as PDF files at

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