



**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

AS OF SEPTEMBER 30, 2016

SELECTED GROUP KEY FIGURES

	Q3 2016	Q3 2015	Change	1/1-9/30/ 2016	1/1-9/30/ 2015	Change
	kEUR	kEUR	Percent	kEUR	kEUR	Percent
Consolidated sales	13,530	12,769	6.0	41,830	37,149	12.6
Gross profit	3,711	3,783	-1.9	11,460	11,403	0.5
EBIT	170	-68	<-100.0	1,184	-417	<-100.0
Net income/(loss) for period	40	30	33.3	1,262	-306	<-100.0
Earnings per share in EUR (basic)	0.00	0.00	0.0	0.03	-0.02	<-100.0

	9/30/2016	9/30/2015	Change
	kEUR	kEUR	Percent
Liquid funds*	18,280	18,602	-1.7
Equity	15,271	16,139	-5.4
Total assets	26,258	28,003	-6.2
No. of employees	172	185	-7.0

* including securities measured at fair value

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THE AD PEPPER MEDIA SHARE

Key data about the ad pepper media share

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

Key share figures

	1/1-9/30/ 2016	1/1-9/30/ 2015
XETRA closing price at end of period (EUR)	2.40	1.15
Highest price (EUR)	2.79	1.21
Lowest price (EUR)	1.20	0.73
Market capitalization at end of period (EUR)	55.2 m	26.5 m
Average no. of shares traded (XETRA) per day	30,602	17,374
Earnings per share (basic) (EUR)	0.03	-0.02
Net cash per share* (EUR)	0.88	0.81

Share price performance over the past twelve months (Xetra)



Shareholder structure as of 9/30/2016

	shares	shareholding
	Numbers	Percent
EMA B.V.	9,486,402	41.25
Treasury stock	2,189,292	9.52
Axxion S.A.	1,163,501	5.06
Dieter Koppitz	699,338	3.04
Euro Serve Media GmbH	436,963	1.90
Subtotal	13,975,496	60.76
Free float	9,024,504	39.24
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 online marketing. Its stock market launch followed in the year 2000 in the Prime Standard segment of the Frankfurt Stock Exchange (WKN: 940883). With six 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, Nestlé, 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** (search engine 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 172 employees work in the three business units and the group's holding company.

The segments of the ad pepper media group

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, and Denmark. Webgains successfully implements international and regional online campaigns for a large number of its customers. Thanks to their 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. Since its recent expansion into Australia and Poland, Webgains is now operating in more than twelve countries and promotes the sales of customers all over the

world. Webgains has more than 180,000 publishers in its portfolio who work together with more than 2,000 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 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.

ad agents

The ad agents agency was founded ten years ago and belongs to the ad pepper media group since 2007. Today, it is one of the most successful performance agencies in Germany. It designs, controls, and optimizes results-oriented marketing and sales solutions in all digital channels on all screens and devices. ad agents specializes in search engine marketing, search engine optimization, affiliate management, social media advertising, performance display, and product data management. The business unit also advises well-known German and international companies operating in all industries (for example, finance, trade, fashion, pharmaceuticals, and technology). Among its customers are renowned corporations such as CHRIST, the ERGO group

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 2016 by the Federal Association for Digital Economy (Bundesverband Digitale Wirtschaft, BVDW) and the agency is, of course, also a certified Google partner.

GENERAL INFORMATION ABOUT THIS MANAGEMENT REPORT

Definitions

All mentions of “ad pepper media International N.V.”, “ad pepper media”, “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 materialize, 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 2015.

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 ad pepper media 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 the “World Economic Outlook” published by the International Monetary Fund (IMF) on October 4, 2016, the outlook for the global economy has once again deteriorated slightly. The estimates foresee global economic output growth of just 3.1 percent this year (previously: 3.2 percent) and only 3.4 percent next year (previously: 3.5 percent). In 2015, global growth had still amounted to 3.2 percent.

As regards the US in particular, the IMF was more skeptical than back in July. The 2016 growth forecast for the world’s largest economy has been significantly cut to 1.6 percent, down from 2.2 percent previously, while the forecast for 2017 has been reduced from 2.5 percent to 2.2 percent. US growth is thus

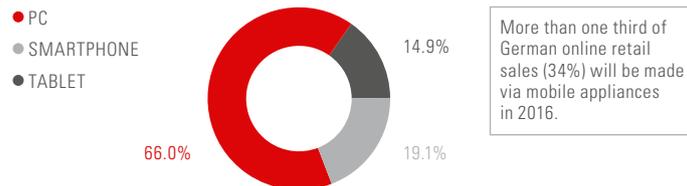
also set to fall short of the euro area, where growth should reach 1.7 percent this year and 1.5 percent in 2017. With regard to the German economy, however, the IMF experts are more optimistic and have raised their growth forecast for 2016 from 1.6 percent to 1.7 percent, and for next year from 1.2 percent to 1.4 percent. Within the euro area, higher growth has also been predicted for Spain, while France and Italy are expected to see a further deterioration in their economic performance.

In the economic outlook just published, the IMF views the Brexit decision taken in June as part of a global trend towards economic isolation. Despite the underlying uncertainty associated with the UK's exit from the EU, the IMF has raised the short-term economic outlook from 1.7 percent to 1.8 percent. The UK would then be the fastest-growing economy in the G7 in 2016. Unlike in its recent forecasts, the IMF now expects the British economy to witness a soft landing. Consistent with this, the growth forecast for the year ahead has been reduced from 1.3 percent to 1.1 percent.

E-commerce growth market

According to the 2016 International E-Commerce Study compiled by RetailMeNot, German online shops will turn over EUR 62.5 billion this year, equivalent to year-on-year growth of around 18 percent. This year as well, the most important growth driver will be purchases made via mobile appliances. More than one third of e-commerce sales in Germany this year will be attributable to purchase made using smartphones and tablets.

Sales distribution in German e-commerce 2016 in %



Sales growth by channel in 2016 (compared with 2015) in %



Source: RetailMeNot for Centre for Retail Research 2016

EARNINGS, FINANCIAL AND NET ASSET POSITION

Earnings position

ad pepper media International N.V. concluded the first nine months of the financial year with record sales of EUR 41,830k (Q1-Q3 2015: EUR 37,149k). On a like-for-like basis, i.e. accounting for discontinued activities, the group's sales growth came to around 17.4 percent. With sales of EUR 8,092k and growth of around 36.4 percent, the ad agents segment posted the most dynamic growth within the group (Q1-Q3 2015: EUR 5,932k). Sales in the ad pepper media segment totaled EUR 3,865k in the first nine months of 2016 and, on a like-for-like basis, also showed double-digit growth of 14.4 percent (Q1-Q3 2015: EUR 3,379k). Sales in the Webgains segment rose by around 13.5 percent to a new record level of EUR 29,866k (Q1-Q3 2015: EUR 26,317k). Due in particular to the weakness of the British pound against the euro, how-

ever, the rate of growth slowed in the past quarter. On a currency-adjusted basis, this segment's sales growth over the nine-month period came to around 20.0 percent.

The group's like-for-like gross profit rose by around 15.2 percent in the first nine months of 2016, with all three operating segments posting in some cases substantial positive growth. The increase in the gross profit at ad agents came to around 16.9 percent, while ad pepper media reported growth of around 17.0 percent and the Webgains segment boosted its gross profit by around 8.4 percent. Excluding currency items, the gross profit at the Webgains segment rose by 13.7 percent.

Assisted by the weakness in the British pound, the group's operating costs fell significantly by EUR 1,544k, or 13.1 percent, to EUR 10,276k in the first three quarters of the financial year (Q1-Q3 2015: EUR 11,820k). Thanks to improved cost structures in conjunction with higher gross margins, the group therefore upheld the positive performance already seen in the first half year. Group EBITDA for the first nine months of the current financial year came to EUR 1,255k (Q1-Q3 2015: EUR -205k), with the Webgains segment alone raising its EBITDA by EUR 624k to EUR 1,035k (Q1-Q3 2015: EUR 411k). The ad agents segment generated EBITDA of EUR 694k in the first nine months of 2016 (Q1-Q3 2015: EUR -14k), while the ad pepper media segment improved its EBITDA to EUR 655k (Q1-Q3 2015: EUR 320k).

Financial position

The gross cash flow amounted to EUR 899k (Q1-Q3 2015: EUR -1,336k) while a figure of EUR -1,931k was reported for cash flow from operations for the first nine months of 2016 (Q1-Q3 2015: EUR -1,060k). The significantly higher gross inflow of funds, mainly resulting from the increase in net income for the period, was more than offset by the higher net outflow of funds for operating activities. Key factors driving the higher outflow of cash for operating activities were the reductions in accrued liabilities for affiliate credits not yet disbursed in the Webgains segment, as well as in other trade payables.

The positive cash flow from investing activities amounting to EUR 3,791k (Q1-Q3 2015: EUR 1,968k) results mainly from the disposal of non-current securities. Cash flow from financing activities amounted to EUR -1,958k in the first nine months of 2016 (Q1-Q3 2015: EUR 160k) and mainly included outgoing cash of EUR 1,437k (Q1-Q3 2015: EUR 0k) in conjunction with the share repurchase program, and of EUR 346k (Q1-Q3 2015: EUR 0k) for cash settlements for fully vested stock options. Further cash outflow of EUR 222k (Q1-Q3 2015: EUR 0k) occurred for dividends paid to non-controlling parties.

Net asset position

Total assets reduced by EUR 7,782k to EUR 26,258k compared with December 31, 2015. The decrease was mainly due to lower trade receivables, which fell by EUR 3,388k to EUR 6,596k at the end of September 30, 2016. Liquid funds (including securities measured at fair value) reduced to EUR 18,280k, down by EUR 4,157k compared with December 31, 2015 (EUR 22,437k). The reduction in liquid funds was chiefly due to the share buyback program recently underway, in which an amount of EUR 1,437k was expended to buy back a total of 690,000 shares. The share buyback program was concluded on July 15, 2016. Current liabilities reduced from EUR 17,436 as of December 31, 2015 to EUR 10,876k as of September 30, 2016, which is particularly due to lower trade payables. The group still does not have any non-current liabilities to banks. Total liabilities amount to EUR 10,987k (December 31, 2015: EUR 17,532k). Total equity decreased by EUR 1,237k to EUR 15,271k (December 31, 2015: EUR 16,508k), which is mainly due to the current share repurchase program. The equity ratio increased to 58.2 percent (December 31, 2015: 48.5 percent).

RESEARCH AND DEVELOPMENT ACTIVITIES

The group's research and development activities are mainly located at ad pepper media International N.V. itself. Here, a major share of the developments for the administration and ad pepper media segments are

either produced internally or commissioned externally and accompanied as appropriate. In the Webgains segment, research and development activities are performed on a decentralized basis within Webgains Ltd.

EMPLOYEES

As of September 30, 2016, the ad pepper media group had 172 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:

	9/30/2016	9/30/2015
	Number	Number
ad pepper media	19	37
Webgains	88	81
ad agents	51	54
Administration	14	13

RISK AND OPPORTUNITY REPORT

There have been no material changes in the opportunity and risk situation of ad pepper media International N.V. compared with the information provided in the Annual Report as of December 31, 2015. Reference is therefore made to the information presented in the management report for the 2015 financial year.

OUTLOOK

Traditionally one of the weaker quarters, the three-month period under report was very pleasing from the perspective of the Board of Directors. Over the nine-month period as a whole, the trend already seen has continued without interruption – in terms of its revenue growth and key profitability figures, ad pepper media has managed to exceed the previous year's figures, in some cases substantially so. The fourth quarter now ahead is traditionally one of the highest revenue periods in our industry, and we expect that this will be the case once again in the current financial year. Given the downward trend recently seen in the value of the British pound to the euro, revenue estimates in the reporting currency are naturally subject to forecasting uncertainties, and that to a greater extent than in previous quarters. Irrespective of this factor, we expect the group to generate solid (like-for-like) revenue growth of around 10 percent for the financial year 2016 compared with the previous year. We are therefore basically upholding the growth forecast formulated at the beginning of the year. On the other side of the equation, we expect the ongoing depreciation in the pound to have a clearly positive impact on the development in our operating expenses. As a result, we expect our profitability to show further pleasing developments in the final quarter ahead.

Amsterdam/Nuremberg, October 28, 2016

ad pepper media International N.V.



Dr. Ulrike Handel



Dr. Jens Körner

CONSOLIDATED INCOME STATEMENT (IFRS)

	Q3 2016	Q3 2015	1/1-9/30/2016	1/1-9/30/2015
	KEUR	KEUR	KEUR	KEUR
Revenue	13,530	12,769	41,830	37,149
Cost of sales	-9,819	-8,986	-30,370	-25,746
Gross profit	3,711	3,783	11,460	11,403
Selling and marketing expenses	-2,245	-2,519	-6,680	-8,182
General and administrative expenses	-1,342	-1,668	-4,323	-4,546
Other operating income	612	837	3,222	2,244
Other operating expenses	-566	-501	-2,495	-1,336
Operating profit	170	-68	1,184	-417
Financial income	6	95	142	207
Financial expenses	0	-6	-64	-73
Income/loss before taxes	176	21	1,262	-283
Income taxes	-136	9	-293	-23
Net income/loss	40	30	969	-306
Attributable to shareholders of the parent company	-85	-3	675	-356
Attributable to non-controlling interests	125	33	294	50
Basic earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.00	0.00	0.03	-0.02
Diluted earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.00	0.00	0.00	-0.02
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of shares outstanding (basic)	20,803,660	21,329,838	21,072,184	21,270,745
Weighted average number of shares outstanding (diluted)	21,254,238	21,456,662	21,487,409	21,368,791

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

	Q3 2016	Q3 2015	1/1-9/30/2016	1/1-9/30/2015
	KEUR	KEUR	KEUR	KEUR
Net income/loss	40	30	969	-306
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	-56	-18	-270	20
Revaluation of available-for-sale securities	441	36	9	-80
Realized gains/losses from available-for-sale securities	0	0	-10	0
Income tax recognized on other comprehensive income	0	0	0	0
Other comprehensive income, net of tax	385	18	-271	-60
Total comprehensive income	425	48	698	-366
Attributable to non-controlling interests	125	33	294	50
Attributable to shareholders of the parent company	300	15	404	-416

Disclosures on total income and expense recognized directly in equity

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

	Q3 2016			Q3 2015			1/1-9/30/2016			1/1-9/30/2015		
	kEUR			kEUR			kEUR			kEUR		
	before income taxes	income taxes	after income taxes									
Currency translation differences	-56	0	-56	-18	0	-18	-270	0	-270	20	0	20
Revaluation of available-for-sale securities	441	0	441	36	0	36	9	0	9	-80	0	-80
Realized gains/losses from available-for-sale-securities	0	0	0	0	0	0	-10	0	-10	0	0	0
Total other comprehensive income	385	0	385	18	0	18	-271	0	-271	-60	0	-60

CONSOLIDATED BALANCE SHEET (IFRS)

ASSETS	9/30/2016	12/31/2015
	KEUR	KEUR
Non-current assets		
Intangible assets	503	349
Property, plant, and equipment	134	150
Securities at fair value through profit and loss	0	3,295
Securities available-for-sale	1,606	2,210
Other financial assets	272	310
Total non-current assets	2,514	6,314
Current assets		
Trade receivables	6,596	9,983
Other receivables	334	292
Income tax receivables	84	222
Other financial assets	56	297
Cash and cash equivalents	16,674	16,932
Total current assets	23,743	27,726
Total assets	26,258	34,040

CONSOLIDATED BALANCE SHEET (IFRS)
EQUITY AND LIABILITIES

	9/30/2016	12/31/2015
	kEUR	kEUR
Equity attributable to shareholders of the parent company		
Issued capital*	1,150	1,150
Reserves	66,432	66,410
Treasury shares	-4,841	-3,105
Accumulated deficit	-45,575	-46,250
Other reserves	-2,470	-2,199
Total	14,696	16,005
Non-controlling interests	575	503
Total equity	15,271	16,508
Non-current liabilities		
Deferred tax liabilities	111	96
Total non-current liabilities	111	96
Current liabilities		
Trade payables	8,490	13,618
Other payables	721	1,254
Other financial liabilities	1,301	2,300
Income tax liabilities	364	265
Total current liabilities	10,876	17,436
Total liabilities	10,987	17,532
Total equity and liabilities	26,258	34,040

* The issued capital consists of shares with a nominal value of EUR 0.05 each. The authorized capital amounts to 23,429,708 shares, of which 23,000,000 are issued and 20,810,708 shares were floating on September 30, 2016 (December 31, 2015: 21,460,708).

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

1/2

	1/1-9/30/2016	1/1-9/30/2015
	KEUR	KEUR
Net income/loss	969	-306
Adjustments for:		
Depreciation and amortization	70	212
Gain/loss on sale of fixed assets	-8	-26
Share-based compensation	22	48
Gain/loss on sale of securities (after bank charges)	-13	-33
Other financial income and financial expenses	-65	-101
Income taxes	293	24
Other non-cash expenses and income	-369	-1,154
Gross cash flow	899	-1,336
Change in trade receivables	3,162	767
Change in other assets	47	220
Change in trade payables	-4,651	-174
Change in other liabilities	-1,390	-736
Income tax received	150	225
Income tax paid	-212	-41
Interest received	84	33
Interest paid	-20	-18
Net cash flow from/used in operating activities	-1,931	-1,060
Purchase of intangible assets and property, plant, and equipment	-336	-127
Proceeds from sale of intangible assets and property, plant, and equipment	3	59
Loans payback	213	0
Proceeds from sale/maturity of securities	5,323	2,036
Purchase of securities/investment in fixed-term deposits	-1,412	0
Net cash flow from/used in investing activities	3,791	1,968

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

2/2

	1/1-9/30/2016	1/1-9/30/2015
	kEUR	kEUR
Issuance of own shares	47	160
Repurchase of own shares	-1,783	0
Proceeds from transactions with non-controlling interests	-222	0
Net cash flow from/used in financing activities	-1,958	160
Net decrease/increase in cash and cash equivalents	-98	1,068
Cash and cash equivalents at beginning of period	16,932	11,926
Effect of exchange rates on cash and cash equivalents	-160	20
Cash and cash equivalents at end of period	16,674	13,014

CONSOLIDATED CHANGES IN EQUITY (IFRS)

	Balance on 1/1/2016	Total compre- hensive income	Share- based payment	Issuance of Shares	Dividends	Purchase of treasury shares	Cash settlement of SOP's	Balan- ce on 9/30/2016
Issued capital								
Number of shares	23,000,000							23,000,000
Issued capital (EUR 000s)	1,150							1,150
Reserves								
For employee stock option plans (EUR 000s)	2,628		22					2,650
From contributions of shareholders of the parent company (EUR 000s)	63,782							63,782
Treasury shares								
Number of shares	1,539,292			-40,000		690,000		2,189,292
Treasury shares at cost (EUR 000s)	-3,105			47		-1,437	-346	-4,841
Accumulated deficit (EUR 000s)	-46,251	675						-45,575
Other reserves								
Currency translation differences (EUR 000s)	-880	-270						-1,150
Unrealized gains/(losses) from available-for-sale securities (EUR 000s)	-1,319	-1						-1,320
Equity attributable to shareholders of ad pepper media International N.V. (EUR 000s)								
Non-controlling interests (EUR 000s)	503	294			-222			575
Total equity (EUR 000s)	16,508	698	22	47	-222	-1,437	-346	15,271

CONSOLIDATED CHANGES IN EQUITY (IFRS)

	Balance on 1/1/2015	Total compre- hensive income	Share-based payment	Issuance of Shares	Dividends	Purchase of treasury shares	Cash settlement of SOP's	Balance on 9/30/2015
Issued capital								
Number of shares	23,000,000							23,000,000
Issued capital (EUR 000s)	1,150							1,150
Reserves								
For employee stock option plans (EUR 000s)	2,571		48					2,619
From contributions of shareholders of the parent company (EUR 000s)	63,782							63,782
Treasury shares								
Number of shares	1,759,292			-200,000				1,559,292
Treasury shares at cost (EUR 000s)	-3,281			160				-3,121
Accumulated deficit (EUR 000s)	-46,218	-356						-46,574
Other reserves								
Currency translation differences (EUR 000s)	-888	20						-868
Unrealized gains/(losses) from available-for- sale securities (EUR 000s)	-1,155	-80						-1,235
Equity attributable to shareholders of ad pepper media International N.V. (EUR 000s)	15,961	-416	48	160	0	0	0	15,754
Non-controlling interests (EUR 000s)	335	50						385
Total equity (EUR 000s)	16,296	-366	48	160	0	0	0	16,139

SELECTED EXPLANATORY NOTES

Consolidated segment information (IFRS)

Q1-Q3 2016	ad pepper media	Webgains	ad agents	Admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	3,876	29,873	8,092	214	-225	41,830
Thereof external	3,872	29,866	8,092	0	0	41,830
Thereof intersegment	4	7	0	214	-225	0
Expenses and other income	-3,218	-28,785	-7,420	-1,437	214	-40,646
Thereof depreciation and amortization	-7	46	-23	-86	0	-70
Thereof other non-cash income	142	588	18	44	0	792
Thereof other non-cash expenses	-19	-250	0	-85	0	-354
EBITDA	666	1,042	694	-1,137	-10	1,255
EBIT	658	1,088	671	-1,223	-10	1,184
Financial income	0	3	0	142	-2	142
Financial expenses	0	-2	0	-64	2	-64
Income taxes						-293
Net income for the period						969

Consolidated segment information (IFRS)

Q1-Q3 2015	ad pepper media	Webgains	ad agents	Admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	4,903	26,319	5,932	168	-173	37,149
Thereof external	4,900	26,317	5,932	0	0	37,149
Thereof intersegment	3	2	0	168	-173	0
Expenses and other income	-4,591	-25,966	-6,002	-1,175	168	-37,556
Thereof depreciation and amortization	-8	-57	-58	-89	0	-212
Thereof other non-cash income	290	344	33	685	0	1,352
Thereof other non-cash expenses	0	-430	-1	-29	0	-460
EBITDA	320	411	-14	-918	-4	-205
EBIT	312	353	-71	-1,007	-4	-417
Financial income	1	1	0	214	-9	207
Financial expenses	-10	-7	-1	-64	9	-73
Income taxes						-23
Net income/loss for the period						-306

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 December 31, 2015.

The consolidated interim financial statements as of September 30, 2016 were authorized for issue by the Board of Directors on October 28, 2016.

2. Accounting principles

The accounting principles applied to these half year financial statements do not materially differ from the principles as applied to the Annual Report as per December 31, 2015.

Since then, the following amendments have been adopted:

- **Amendments to IFRS 10, IFRS 12 and IAS 28 in respect to Investment Entities**

These amendments are not expected to have any implications for the consolidated financial statements.

3. Consolidated group

The entities included in consolidation are as follows:

Entity	9/30/2016	12/31/2015
	Percent	Percent
ad pepper media GmbH, Nuremberg, Germany	100	100
ad pepper media UK Ltd, London, United Kingdom	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

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:

Selling and marketing expenses in the first nine months of 2016 include costs for research and development amounting to EUR 153k (Q1-Q3 2015: EUR 0), which could not be capitalized. Other operating income mainly includes the second variable purchase price component of EUR 135k for the sales house business (mediasquares) sold in 2014. Further other operating income mainly includes income of EUR 322k (Q1-Q3 2015: EUR 254k) from reversals of non-disbursed affiliate credits in the Webgains segment that are classified by ad pepper media as not being likely to be paid out, and reversals of EUR 233k in connection with time-barred claims (Q1-Q3 2015: EUR 542k). Foreign exchange gains in the first nine months of 2016 amount to

EUR 2,407k (Q1-Q3 2015: EUR 971k). Other operating expenses for the first nine months of 2016 chiefly comprise foreign exchange losses of EUR 2,280k (Q1-Q3 2015: EUR 998k) and write-downs of receivables amounting to EUR 226k (Q1-Q3 2015: EUR 150k). The net financial income of EUR 78k for the first nine months of 2016 consists of interest income on non-current securities of EUR 65k (Q1-Q3 2015: EUR 158k) and gains on sale of non-current securities of EUR 13k (Q1-Q3 2015: EUR 3k).

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

Other liabilities reduced by EUR 533k compared with December 31, 2015. This was chiefly due to lower sales tax liabilities. The reduction in other financial liabilities by EUR 999k to EUR 1,301k in the first nine months of 2016 was due in particular to the payment of settlements and variable compensation components.

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, CRM technology), “Webgains” (affiliate marketing), and “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, 2015.

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-Q3 2016	Q1-Q3 2015	9/30/2016	9/30/2015
	kEUR	kEUR	kEUR	kEUR
Germany	13,238	10,450	173	319
United Kingdom	21,488	19,992	443	181
Spain	3,193	2,530	17	18
USA	3,087	2,080	2	1
Scandinavia	0	1,199	0	1
Other	824	898	2	7
Total	41,830	37,149	637	528

Revenues of approximately EUR 4,743k (Q1-Q3 2015: EUR 3,608k) 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 21, 2015, the Board of Directors was authorized to repurchase treasury stock of up to 50 percent of the issued capital within the following 18 months. The Board of Directors acted on this authorization on February 1, 2016 and decided to buy back up to 690,000 shares.

As of September 30, 2016, ad pepper media International N.V. held 2,189,292 treasury stocks (September 30, 2015: 1,559,292) at a nominal value of EUR 0.05 each corresponding to 9.52 percent (September 30, 2015: 6.78 percent) of the share capital.

According to a shareholders' resolution, these shares can be redeemed, used for stock option plans or acquisitions.

Sale of treasury stock

No treasury shares were sold during the first nine months of 2016 (Q1-Q3 2015: 0). Under the employee stock option plans 10,000 shares (Q1-Q3 2015: 0) were sold at an exercise price of EUR 0.80, 20,000 shares (Q1-Q3 2015: 0) were sold at an exercise price of EUR 1.50, and 10,000 shares (Q1-Q3 2015: 0) at an exercise price of EUR 0.89. Furthermore, cash settlements amounting to EUR 346k (Q1-Q3 2015: EUR 0) for fully vested stock options occurred. This amount was posted as a deduction from equity within the item "own shares".

Number of shares outstanding

The number of shares issued and outstanding as of September 30, 2016 totals 20,810,708 (September 30, 2015: 21,440,708). Each share has a nominal value of EUR 0.05.

7. Seasonal influences on business operations

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

8. Stock options and shareholdings

As of September 30, 2016, a total of 723,900 stock options exists under stock option plans. The exchange ratio for each of the stock options is one share per option. The exercise prices are in the range of EUR 0.665 to EUR 3.795. The following table lists the individual holdings and option rights of the Supervisory and Board of Directors (directly and indirectly) as well as employees.

	Shares as of 9/30/2016	Options as of 9/30/2016
Board of Directors		
Dr. Ulrike Handel	200,000	100,000
Dr. Jens Körner	0	70,000
Former Board of Directors		379,500
Supervisory Board		
Michael Oschmann	0	0
Thomas Bauer	0	0
Eun-Kyung Park	0	0
Dr. Stephan Roppel	0	0
Employees		174,400
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 2015 financial year.

10. Events after the balance sheet date

Up until the day of authorization for issuance, no events took place which would have exerted substantial influence on the net assets, financial position, or result of operations as per September 30, 2016.

Amsterdam/Nuremberg, October 28, 2016
ad pepper media International N.V.



Dr. Ulrike Handel

Dr. Jens Körner

FINANCIAL CALENDAR

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

Annual Report 2016	March 28, 2017
General Meeting 2017 Amsterdam, The Netherlands	May 16, 2017

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Dr. Ulrike Handel, CEO

Dr. Jens Körner, CFO

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the **Interim Financial Report for 2016** in German or English.

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