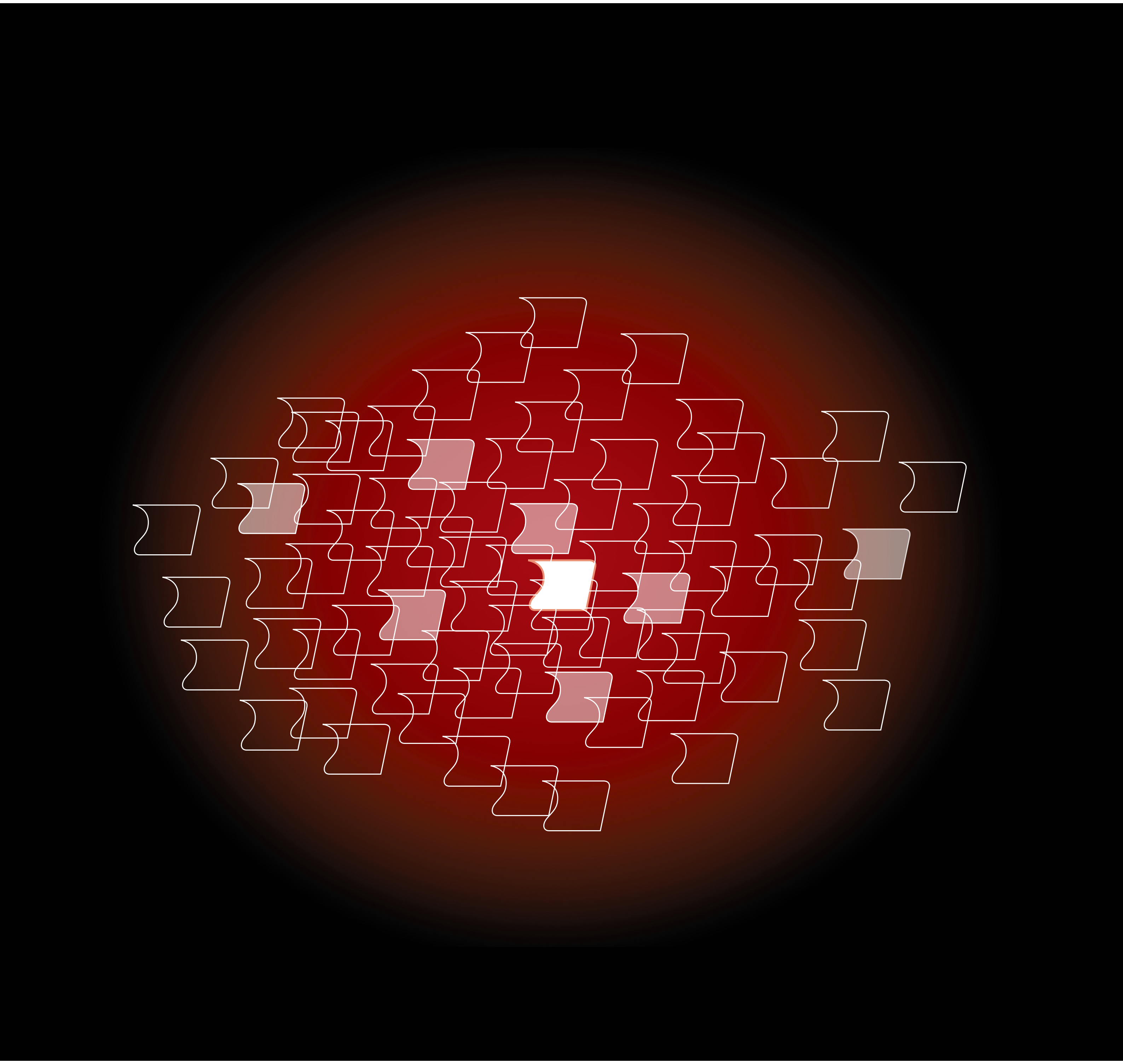
ad pepper
the e-advertising network



Annual report 2008

CONSOLIDATED COMPANY FIGURES

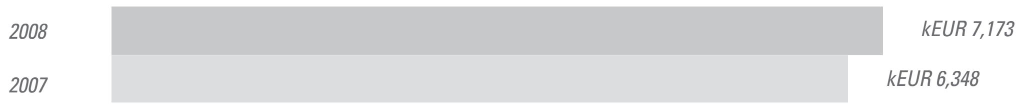
Overview of the main key figures

	2008	2007
Net sales, in EUR million	52.6	50.6
Gross margin, in EUR million	22.5	24.2
Gross margin, in percent	42.8	47.7
EBITDA (earnings before taxes, interest, depreciation and amortization), in EUR million	7.2	6.3
EBIT (earnings before interest and taxes), in EUR million	2.5	3.8
EBT (earnings before taxes), in EUR million	3.7	4.4
Net income, in EUR million	2.6	2.6
Earnings per share, in EUR (basic)	0.24	0.23
Balance sheet total, in EUR million	67.1	68.9
Equity, in EUR million	55.7	56.5
Equity ratio, in percent	83.0	82.0
Liquid funds*, in EUR million	23.0	17.6
Employees (as per 31 December)	236	241

* including securities at fair value and deposits with maturity over three months

Net sales

EBITDA



Liquid funds*

AGENDA

Jens Körner (CFO), Michael A. Carton (Director of the Board), Ulrich Schmidt (CEO)

Dear shareholders, dear friends and partners of our company,

Last year we saw a market environment that was challenging in many different ways to companies from almost all industries. Back in summer 2007, the headlines were full of the so-called credit crisis in the US which progressed further, and by the fourth quarter of last year, had also led to a finance and liquidity crisis in Europe.
The considerable slowdown of overall economic performance and the prospect of a deep recession on both sides of the Atlantic have resulted in at times huge intervention by central banks and national governments in an effort to soften the impact of the crisis.

Against this background, we managed to bring last year to a successful close. Group sales rose by 4 percent to kEUR 52,638. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 13.0 percent to kEUR 7,173. Profit before taxes reached kEUR 3,727 and was hence satisfactory. At the same time, cash and cash equivalents rose by 31 percent to kEUR 23,047 which combined with the lack of long-term liabilities, not only means that we do not have to rely on bank financing, it also offers us the leeway which is needed in order to be able to easily survive a recession year in 2009.

Despite generally gloomy economic prospects, the development expected for the online market for the year to come gives us cause to look to the future with optimism. Even though more cautious consumption will have to be expected in 2009 on the part of private households and hence advertisers too, the fundamental growth trends in the online marketing industry remain unbroken: Internet penetration continues to increase world-wide, i.e. ever wider groups of the population are gaining access to the World Wide Web. In addition to this, Internet advertising is becoming more important when compared to classical forms of advertising, such as print, radio or TV. We expect that the pending economic downturn will accelerate this trend even more. Finally, the greater part of advertising formats shown on the Internet today is already only billed when successful, i.e. advertisers only pay when Internet users respond to their adverts. This can be a simple click on a banner, the submission of contact data, or ultimately the purchase of products for which ad pepper media advertised on the Internet on behalf of the advertising customer.

Today, ad pepper media's product portfolio already largely comprises web formats that are billed on a success basis. This is due to the fact that we were quick to recognize these so-called performance-based forms of advertising. Our affiliate platform Webgains, which we acquired in 2006, for instance, was one of last year's key growth drivers. Business for ad agents, which we acquired the year before last, was also very successful. ad agents specializes in search-engine marketing and optimization.
The year 2008 marked a breakthrough for iSense, our technology for semantic targeting. In the UK, iSense received two prestigious awards for innovative solutions in online advertising and was able to make an important contribution to sales for the first time there. We will also use this momentum in 2009 and are hence planning to market iSense in four more European markets and in the US.

In light of this, we have decided to change, as of the 2008 financial year, our segment reporting in such a manner that we no longer distinguish according to regions (as was the case up to now) but according to products and product groups. In future, we will distinguish between ad pepper media (core business), Webgains, ad agents and other, thus acknowledging the growing importance of the two latter product areas und the fact that greater demands for transparency are being placed on our business model both internally and externally.

We would like to thank all our staff, customers and business partners for their support over the past financial year. We turn to the future with confidence and we look forward to the tasks that await us there. We hope that you will continue to place your trust in us in 2009.

Management Board
ad pepper media International N.V.

Ulrich Schmidt Jens Körner Michael A. Carton

Dear shareholders,

In the 2008 financial year, the Supervisory Board performed the tasks required of it under law and the company's articles of association. The Supervisory Board regularly advised the Board of Directors, supervised the activities of the Board of Directors and was involved in decisions of basic importance to the company and the Group.

Comprehensive information

In 2008, the Supervisory Board met in seven ordinary meetings. In addition to the scheduled meetings, the Chairman and other members of the Supervisory Board had regular contact with the Chairman and other members of the Board of Directors. None of the Supervisory Board members was absent for more than one meeting or conference call.

The Board of Directors kept the Supervisory Board closely informed about the execution of the strategy for 2008 and beyond. The Supervisory Board also approved the financial budget 2008 and discussed (potential) acquisitions and divestments with the Board of Directors. In line with the Supervisory Board By-Laws, the Supervisory Board approved the investment in Brand Affinity Technology (B.A.T.). Other subjects discussed were the annual and interim financial results, the discharge of Mr Niels Nuessler, technology developments, the organization of sales and marketing, investor relations, remuneration and human resources.
The Supervisory Board was informed about the general and financial risks of the business and about the results of an assessment of internal risk management and control systems.

In accordance with the Dutch Corporate Governance Code, the functioning of the Supervisory Board and the Board of Directors and the performance of the individual members of both Boards were discussed without the members of the Board of Directors being present.

Under the currently applicable Articles of Association of ad pepper media the policy relating to remuneration of the Board of Directors is determined by the General Meeting of Shareholders in response to a proposal by the Supervisory Board. Compensation of the Board of Directors consists of a fixed salary and a variable component. Variable compensation includes annual payments linked to business performance (cash bonus), as well as long-term incentives such as stock options. The total annual gross fixed salary is determined each year in January and takes effect as from 1 January each year. In general, increases of the fixed salary are being made in line with inflation rate, if any.

The variable part is linked to previously-determined, measurable and influenceable targets. Those targets are oriented on the budgeted consolidated result of the following business year. There is no minimum bonus guaranteed for members of the Board of Directors. During the last five years variable cash bonuses ranged between 0 percent and 163 percent of base salaries. Variable cash bonuses are usually paid in the first quarter in which the annual results of the Company are published.
Starting in 2000, the Company has operated a long-term incentive for (some) Group employees and members of the Board of Directors through its Stock Option Plan. Stock options become exercisable if the market price of the a pepper share exceeds certain predetermined strike prices, but no sooner than one year after the option has been granted. Series of options for shares of the Company were granted to members of the Board of Directors in 2000, 2001, 2002, 2003 and 2008. ad pepper media has no pension liabilities to members of the Board of Directors.

The amount and structure of the remuneration which our Board of Directors receive for their work is such that qualified and expert managers can be recruited and retained. The remuneration structure, pension costs and other commitments is such that it promotes the interests of the Company in the medium- and long-term, does not encourage a Board of Director member to act in his own interests with disregard to the Companies interests and does not „reward" failure of Board of Director members upon termination of employment or service. It is expected that the remuneration policy for the Board of Directors will remain unchanged during 2009.

Membership of the Supervisory Board

Michael Oschmann (Chairman)

Michael Oschmann (1969; German national; male)
- Chairman of the Supervisory Board for the whole year ended 31 December 2008
- Businessman, Managing Director of Telefonbuchverlag Hans Müller GmbH & Co., Nuremberg
- Member of the Supervisory Board since 10 January 2000, current term ending in 2009

Merrill Dean (1941; US national; male)
- Member of the Supervisory Board for the whole year ended 31 December 2008
- Management Consultant, CEO Director Interfilm Ltd.
- Member of the Supervisory Board since 10 January 2000, current term ending in 2011

Dr. Frank Schlaberg (1965; German national; male)
- Managing Director UniCredit Markets & Investment Banking
- Member of the Supervisory Board since 27. May 2008, current term ending in 2012

Jan Andersen (1967; Danish national; male)
- Member of the Supervisory Board for the whole year ended 31 December 2008
- Businessman, Managing Director of Grabacap ApS
- Member of the Supervisory Board since 31 December 1999, current term ending in 2010

Remuneration of the Supervisory Board	2008 EUR	2007 EUR
Michael Oschmann	0	0
Merrill Dean	0	0
Jan Andersen	0	0
Dr. Günther Niethammer*	1,250	5,000
Dr. Frank Schlaberg**	0	0

* Dr. Niethammer decided not to stand for re-election for another term as Supervisory Board member in 2008
** Dr. Schlaberg replaced Dr. Niethammer following our 2008 General Meeting of Shareholders

Further detailed information on the independence of the members of the Supervisory Board as well as other information can be found in the Corporate Governance Report which is integral part of this Annual Report.

Unqualified auditors opinion for the Group Accounts

Auditors Ernst & Young audited the Consolidated Annual Accounts of ad pepper media International N.V., including the Management Report for the 2008 Financial Year and issued its unqualified auditors opinion.
The Supervisory Board examined the Consolidated Annual Accounts and the Management Report as well as the auditor's report. These were discussed with the auditor who reported on the main results of his audit and answered the questions asked. The Supervisory Board approved the result of the audit.
On 26 March 2009, the Supervisory Board approved the 2008 Annual Accounts prepared by the Board of Directors. The Annual Accounts for the 2008 financial year are thereby approved.

Corporate Governance

ad pepper media International N.V. is a company under Dutch law with subsidiaries in both the Netherlands and abroad. All of the company's activities are carried out in compliance with Dutch company law and German capital market legislation, in particular, the Securities Trading Law (WpHG). Ordinary shares are accepted on the Frankfurt Stock Exchange for trading in the Prime Standard. In the interest of all shareholders, the Supervisory Board is committed to increasing shareholder value and has always attached enormous importance to the principles of corporate governance. Although the company on the basis of its own rules adheres to the requirements described in the Dutch Corporate Governance Code, deviations can arise from the legal provisions applicable to ad pepper media. In the section on „Corporate Governance" of this Annual Report, ad pepper reports in detail on adherence to the Dutch Corporate Governance Code.
Thanks to the enormous and committed effort by the Board of Directors and all the staff of ad pepper media International N.V. and the companies in the individual European countries and the US, ad pepper media was able to master the challenges of the past financial year and is now in a very good position to tackle the new financial year. All the members of the Supervisory Board would like to express their very special thanks and recognition for the excellent work performed and the staff's extraordinary team spirit.

Nuremberg, 26 March 2009
On behalf of the Supervisory Board
Michael Oschmann, Chairman

Corporate Governance

Corporate Governance: „Comply or Explain"

Introduction

In 2005 ad pepper media International N.V. took measures for the application of the Dutch Corporate Governance Code (the "Code"), which became effective on 1 January 2004.
In the context thereof ad pepper media adopted in 2005:

- regulations for the Board of Directors;
- regulations for the Supervisory Board;
- a profile for the Supervisory Board;
- regulations concerning ownership of and transactions in securities by the Board of Directors;
- an internal risk management and control system.

Copies of these documents will be available upon request. In deviation of the Code ad pepper media is of the opinion that its website is not suitable for posting these documents since the website is purely used for commercial and marketing purposes.

At the 2005 annual general meeting of shareholders, the corporate governance policy was discussed and the general meeting was requested to further improve the corporate governance structure and to vote for an amendment to the Company's articles of association, to further reflect the Company's compliance with the Code.
Each substantial change in the corporate governance structure of the Company and in the compliance of the Company with the Code was submitted to the general meeting of shareholders for discussion.
This chapter gives an outline of ad pepper media's corporate governance structure. Deviations from the Code are specifically discussed and explained herein.

Board of Directors

ad pepper media is managed by a Board of Directors which is responsible for the Company's aims, strategy and policy, and results (which is required to be initiated by the chief executive officer (the "CEO"). The Board of Directors is in charge of managing the day-to-day business and of the operational, tactical and strategic decisions of the Company. The responsibility for the management of the Company is vested in the Board of Directors as a whole. ad pepper media's Board of Directors consists of one director A (the CEO) and two directors B.
The Board of Directors is responsible for complying with relevant legislation and regulations, for managing the risks associated with ad pepper media's activities and for it's financing.
The Board of Directors is required to report related developments to, and discuss the internal risk management and control system with the Company's Supervisory Board.
The Board of Directors performs its activities under the supervision of the Supervisory Board. In performing it's duties, the Board of Directors acts in accordance with the interests of the Company and the business connected with it and, to that end, is required to consider all appropriate interests associated with the Company. The Board of Directors shall provide the Supervisory Board in good time with all information necessary for the exercise of the duties of the Supervisory Board. The Board of Directors laid down regulations for the Board of Directors about the division of duties within the Board and the procedure of the Board.
Members of the Board of Directors shall be appointed by the general meeting of shareholders from a binding nomination prepared by the Supervisory Board. Under the present articles of association of the Company the general meeting of shareholders may resolve that the list of candidates shall not be binding upon a resolution passed with an absolute majority of the votes cast representing more than one third of the issued capital. ad pepper media thus complies with provision IV.1.1 of the Code.

Under the present articles of association of the Company, members of the Board of Directors are appointed for an indefinite period of time. As of 1 January 2008, new members of the Board of Directors shall enter, if possible, into a five-year employment contract. This is not completely in line with provision II.1.1 of the Code. Partly this can be explained by historical factors. The first members of the Board of Directors have been involved as founders of the Company and have a strong long lasting relationship with the Company. On the other hand it requires a lot of effort to attract qualified new members of the board of management that wish to operate in the dynamic environment of the new economy with a high risk profile.

Depending on the market circumstances the Company may agree on the appointment of new members of the Board of Directors for a term of five years.
The Company's remuneration policy was adopted by the 2005 annual general meeting of shareholders. Due to the business environment in which ad pepper media is operating it is hard to have the variable part of the remuneration of the Board of Directors be linked to previously-determined, measurable long-term targets that can also be influenced. Therefore the variable part of the remuneration of the Board of Directors is mostly linked to short-term targets and principle II.2 of the Code can not be applied in its entirety.
In deviation of principle II.2. of the Code the maximum remuneration in the event of dismissal of present and future members of the Board of Directors may not be limited to a one year's salary. For future contracts it may hinder the recruitment of highly qualified people in the Company's branch of business.

Existing contracts continue unaltered. Most of them contain a change of control provision.
ad pepper media has no outstanding loans to any member of the Board of Directors other than to Mr Michael A. Carton for which loan agreements are at arm's length. ad pepper media has not provided any guarantees for the benefit of any member of the Board of Directors.

In the year 2003 the general meeting of shareholders adopted the Executive Stock Option Program which was meant to be kept in place for a long term. In 2005 the Board of Directors submitted to the annual general meeting of shareholders a proposal to slightly amend this program. The proposal was adopted by the annual general meeting. Although it is not in all respects in line with provisions II.2.1 through II.2.5 of the Code, there is no intention to further change this program since the Company wishes to continue with the long-term policy introduced upon its adoption.
The Supervisory Board shall determine the remuneration of the individual members of the Board of Directors within the scope of the remuneration policy adopted by the general meeting of shareholders. The Supervisory Board shall report on the remuneration of the Board of Directors which shall include the principal points of the remuneration report of the Supervisory Board concerning the remuneration policy of the Company. This remuneration report shall contain an account of the manner in which the remuneration policy has been implemented in the past financial year, as well as an overview of the remuneration policy planned by the Supervisory Board for the next financial year. Such overview will not comply to the fullest extent with provision II.2.10 of the Code. It is for instance difficult to determine the peer group. If there is a peer group these would be United States companies which have a remuneration system that is not comparable to the Central European system.

The Supervisory Board has drawn up regulations concerning ownership of and transactions in securities by the Board of Directors, other than securities issued by ad pepper media.
These regulations allow members of the Board of Directors to invest in any listed company. Investments in non-listed competitive companies are not allowed without approval of the Supervisory Board. The present agreements with the members of the Board of Directors contain regulations as described above. The Company does not comply with provision II.2.6 of the Code which requires members of the Board of Directors to give periodic notice of any changes in their holding of securities in Dutch listed companies to the chairman of the Supervisory Board for the reason that this is not in line with German privacy legislation. The shares held by the members of the Board of Directors in the Company are long-term investments.

A member of the Board of Directors is required to report immediately and to provide all relevant information to the chairman of the Supervisory Board and to the other members of the Board of Directors about any conflict of interest or a potential conflict of interest that may be of material significance to the Company and/or to him. Due to German privacy legislation this requirement is, in deviation of provision II.3.2. of the Code, restricted to members of the Board of Directors and does not see to information on any conflicts of interests concerning the spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree of the members of the Board of Directors. Decisions to enter into transactions under which a member of the Board of Directors would have any conflict of interest that are of material significance to the Company and/or the relevant member of the Board of Directors require the approval of the Supervisory Board.

A member of the Board of Directors shall not take part in any discussion or decision - making that involves a subject or transaction in relation to which he has a conflict of interest with the Company. All transactions in which there are conflicts of interest with a member of the Board of Directors shall be agreed on terms that are customary in the sector concerned.

Transactions during the financial year with a possible conflict of interest between the Company and a member of the Board of Directors are described in the annual report of the Company.
Mr Ulrich Schmidt holds a minority interest in Brand Affinity Technologies of around 1.8 percent of the companies share capital. The Supervisory Board of ad pepper media International N.V. approved the transaction. The Director of the Boards hereby declares that ad pepper media International N.V. complied with best practice provisions II.3.2. On 30 November 2008 Mr N.E. Nüssler and ad pepper media International N.V. entered into an agreement to terminate the employment contract between Mr Nüssler and ad pepper media International N.V. The Supervisory Board of ad pepper media International N.V. approved the transaction.
The Director of the Boards hereby declares that ad pepper media International N.V. complied with best practice provisions II.3.2 up to and including II.3.4 of the Dutch corporate governance code.

The representation authority of the Company, including with respect to the signing of documents, is vested in at least two directors B or a director B acting jointly with a director A. The CEO (who is a director A) has discretion to exercise representation authority and sign documents in his individual capacity.

Supervisory Board

The Supervisory Board is charged with supervising the policies of the Board of Directors and the general course of affairs of the company and the business connected with it, as well as assisting the Board of Directors by providing advice. The Supervisory Board evaluates the main organizational structure and the control mechanisms established under the management of the Board of Directors. It is involved in the discussions about the operational and financial objectives of the company, the strategy designed to achieve the objectives and the parameters to be applied in relation to the strategy. The responsibility for proper performance of duties is vested in the Supervisory Board as a whole. The Supervisory Board members may adopt an independent stance vis-à-vis the Board of Directors.
In performing its duties the Supervisory Board acts in accordance with the interests of the company and the business connected with it and, to that end, considers all appropriate interests associated with the company. The Supervisory Board members perform their duties without mandate and independent of any interest in the business of the company.
Under the criteria of the Dutch Corporate Governance Code, three of four ad pepper media's Supervisory Board members qualify as independent. Mr Michael Oschmann, who is ad pepper media's Chairman of the Supervisory Board, is not independent as he is director of E.M.A. B.V., which is holding more than 10 percent of the Company's share capital. However, the company wishes to keep open the possibility to offer a position at the Supervisory Board to persons who do not qualify as independent under the Code. This has to do with the present size of the company. Therefore the company may not at all times comply with provisions III.2.1 and III.2.2 of the Code.

The Supervisory Board is responsible for the quality of its own performance. In the course of 2005 the Supervisory Board has laid down the division of duties within the Supervisory Board and the procedure of the Supervisory Board in a set of regulations. Members of the Supervisory Board are appointed by the general meeting of shareholders. The Supervisory Board shall consist of not less than three persons, such number to be determined by the general meeting of shareholders.
At present, ad pepper media's Supervisory Board has four members. The current articles of association of the company restrict the maximum period for appointment of four years and provide that a supervisory director can be immediately reappointed.
In deviation of provision III.3.5 of the Code it will not be proposed to adopt the maximum of three four-year terms. The company wishes to keep open the possibility that a Supervisory Board member continues his position due to his great knowledge of the business and high level of involvement.
In 2005 the Supervisory Board prepared and adopted a profile of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the Supervisory Board members. The Supervisory Board will evaluate the profile annually. At least one member of the Supervisory Board shall be a financial expert. New Supervisory Board members shall follow an induction program.
The Supervisory Board shall conduct an annual review to identify any aspects with regard to which the Supervisory Board members require further training or education during their period of appointment.

In accordance with the Code it is the intention of the Supervisory Board that its members will not hold more than five memberships in Supervisory Boards of Dutch listed companies, including ad pepper media. In this connection a chairmanship counts twice. At present no Supervisory Board member holds more than five such board memberships.

Since 2005 the Company's articles of association provide that the Supervisory Board is to draw up a retirement schedule in order to avoid, as far as possible, a situation in which many Supervisory Board members retire at the same time. The chairman of the Supervisory Board determines the agenda, chairs the Supervisory Board meetings, monitors the proper functioning of the Supervisory Board, arranges for the adequate provision of information to the members, ensures that there is sufficient time for making decisions, arranges for the induction and training program for the members, acts on behalf of the Supervisory Board as the main contact for the Board of Directors, initiates the evaluation of the functioning of the Supervisory Board and the Board of Directors and evaluates whether or not the Supervisory Board should install committees. In 2008 ad pepper media did not have committees as set out in III.5 of the Code and thus did not fully comply with this provision.

The chairman of the Supervisory Board does not chair the general meeting of shareholders for the reason that the Supervisory Board is of the opinion that it is more appropriate to have the CEO to chair the general meeting of shareholders.
Due to the size of the company the chairman of the Supervisory Board is not assisted in his role by a company secretary. Therefore, the company does not comply with provision III.4.3 of the Code.
Since 2005 the Company's articles of association contain a provision pursuant to which the Supervisory Board may, if it deems it necessary, establish one or more committees, in which case it has to draw up a set of regulations for each committee.

The remuneration of the Supervisory Board members, if any, is not dependent on the company's results. A Supervisory Board member may be granted shares and/or rights to shares by way of remuneration. The shares held by Supervisory Board members in the company are long-term investments.
Any conflict of interest or apparent conflict of interest between the company and Supervisory Board members shall be avoided. Transactions with a possible conflict of interest between ad pepper media and a member of the Supervisory Board are described in the annual report of the company. Transactions under which Supervisory Board members would have conflicts of interest that are of material significance to the company and/or to the relevant Supervisory Board are entered into at arm's length. The Supervisory Board is responsible for deciding on how to resolve conflicts of interest between the Board of Directors members, Supervisory Board members, major shareholders and the external auditor on the one hand and the company on the other.
The Board of Management deems that the company has complied with Best Practice Provisions III.6.1 to III.6.3 inclusive. No transactions have taken place in the financial year in which (potentially) conflicting interests of material substance related to Supervisory Board members have played a part. No transactions in the context of Best Practice Provision III.6.4 have taken place

Auditor

The external auditor is appointed by the general meeting of shareholders. The Supervisory Board can nominate a candidate for this appointment for which purpose the Board of Directors advises the Supervisory Board. The remuneration of the external auditor, and instructions to the external auditor, to provide non-audit services, shall be approved by the Supervisory Board, after consultation with the Board of Directors.
At least once every four years, the Supervisory Board shall conduct a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The main conclusions of this assessment shall be communicated to the general meeting of shareholders.
The company does not have separate officers with the function of internal auditor, due to its size. The corporate controlling department covers also the function of internal audit issues. Controllers of the company are required to operate under the responsibility of the company's Board of Directors.
The external auditor is required to attend the meetings of the Supervisory Board at which the report of the auditor with respect to the audit of the annual accounts is discussed and at which the annual accounts are approved.

Internal risk management and control system

Based on our evaluation of the operation of our internal risk management and internal control systems, the Board of Directors is of the opinion that the internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies.

Also, the Board of Directors is of the opinion that there are no indications that the internal risk management and internal control systems have not operated properly in the year under review or will not operate properly in the current year. This evaluation and the current status have been discussed with the external auditor and the plenary Supervisory Board. As regards risks other than financial reporting risks, including operational/strategic and legislative/regulatory risks, reference is made to the most importantrisk factors inherent in our businesses and our objectives as listed in the "Risk Factors" section.
In view of the above the Management Board is of the opinion that it is in compliance with the requirements of provision II.1.4 of the Dutch Corporate Governance Code.

Whistleblower policy and code of conduct

The company will not establish any whistle blower guidelines. This is in deviation of provision II.1.6. of the Code. Due to the small size of the company there are short lines of communication, the Board of Directors is highly involved in the day-to-day business and employees already have the possibility of reporting alleged irregularities of a general, operational and financial nature in the company without jeopardizing their legal position. Furthermore, in 2007 a Code of Conduct, including business principles for our employees and rules of conduct, was adopted.

Article 10 Takeover Directive Decree (Besluit artikel 10 overnamerichtlijn)

Introduction

In accordance with article 10 of the Takeover Directive (Dertiende Richtlijn), companies with securities that are admitted to trading on a regulated market are obligated to disclose certain information in their annual report. This obligation has been implemented in Dutch law through Article 10 Takeover Directive Decree. ad pepper media must disclose certain information that might be relevant for companies considering making a public offer with respect to ad pepper media. Please find below the information which ad pepper media is required to disclose including a corresponding explanatory report.

Capital structure

On 31 December 2008, the total number of ad pepper media shares carrying voting rights was 11,394,854 ordinary shares (including 382,513 shares held by the company that may not be voted on at general meetings of shareholders). The ordinary shares represent 100.0 percent of the total share capital i.e. no preferred shares have been issued.

Obligation of Shareholders to disclose holdings

Pursuant to the Financial Markets Supervision Act (Wet op het financieel toezicht) and the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen), the Financial Markets Authority has been notified about the following substantial shareholdings regarding ad pepper media International N.V.
Notifications in the financial year 2008 and 2009 (until 26 March 2008):

- Amiral Gestion S.A. voting rights amount to 15.41 percent (this corresponds to 1,756,008 voting rights).

Appointment and suspension of members of the Board of Directors

The managing directors shall be appointed from a binding nomination made by the Supervisory Board. In case no binding nomination has been made the general meeting shall be free in its choice. The general meeting may, at all times, resolve that the list of candidates shall not be binding upon a resolution passed with an absolute majority of the votes cast representing more than one third of the issued capital. If at least an absolute majority of the valid votes cast supports the resolution to render the nomination non-binding, but the required quorum of one-third of the issued capital is not being represented, this resolution could however be taken in a second meeting to be convened in which the resolution can be taken with at least an absolute majority of the valid votes cast, without any quorum requirement. A member may be re-appointed for a term of not more than five years at a time.
The Supervisory Board appoints one of the members of the Board of Directors as Chairman of the Board of Directors.
The general meeting may at any time suspend or dismiss any member of the Board of Directors. The Supervisory Board shall have power to suspend each Member of the Board of Directors. It shall immediately notify the member of the Board of Directors concerned of his suspension by means of a written statement giving the reason for the suspension and it shall have the obligation to call a General Meeting, which shall either cancel the suspension or resolve upon dismissal of the suspended director.

Shareholders agreement on limitation of the exercise of voting rights

Each share issued by ad pepper media entitles its shareholder to one vote. There are no restrictions on voting rights. As far as known to ad pepper media, there is no agreement involving a shareholder of ad pepper media that could lead to a restriction of the transferability of shares or of voting rights on shares.

Appointment and suspension of members of the Supervisory Board

The general meeting appoints the Supervisory Directors and shall at all times be empowered to suspend or dismiss each and any Supervisory Director. The general meeting appoints, dismisses, suspends a member of the Supervisory Board by absolute majority. The Supervisory Board shall consist of not less than three members, including a Chairman, who will retire by rotation as laid down in writing by the Supervisory Board and, with due regard of the statutory provisions, may be reappointed, whereby the basic principle will be that as few Supervisory Directors as possible retire at the same time.

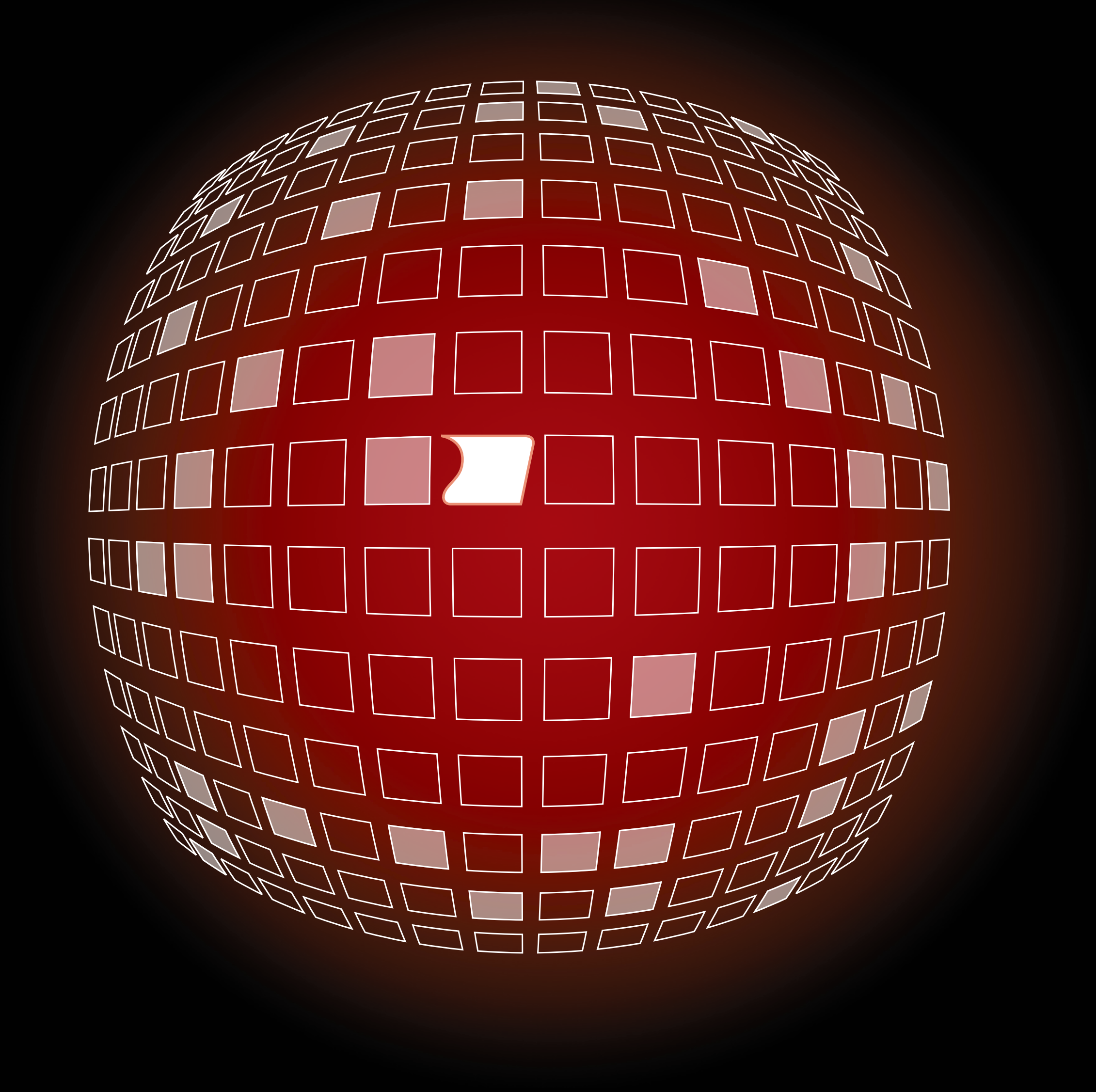
Amendment of the articles of association

The Articles of Association may only be amended by a resolution of the General Meeting at the proposal of the Board of Directors, made with the consent of the Supervisory Board.
If the Board of Directors has not made such a proposal any resolution to change the Articles of Association has to be taken with a majority of at least two-thirds of the validly cast votes.

Acquisition by the company of shares in its own capital

On 27 May 2008 the ordinary shareholders` meeting granted the management board the right to buy back up to 569,742 shares on the stock exchange. The approval is valid until November 2009. Until 31 December 2008 ad pepper media international N.V. has bought back shares in an amount of kEUR 463.
In all, 189,617 shares were purchased by this time at an average price of EUR 2.44 per ad pepper media-share.
This corresponds to 1.67 percent of the company's capital stock (equal to 11,394,854 shares).

The share



The share of ad pepper media International N.V.

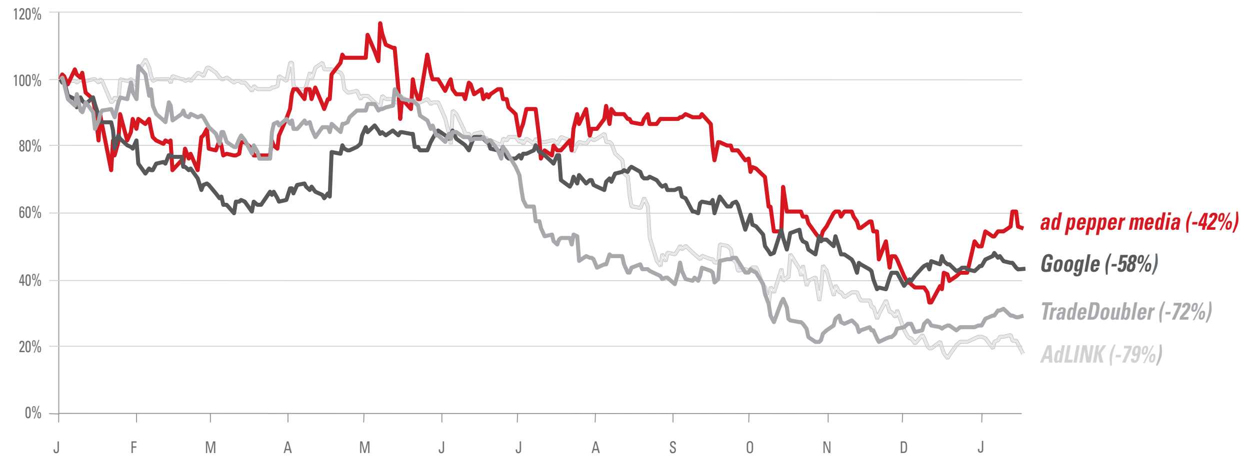
Shareholders' meeting

At the shareholders' meeting of ad pepper media International N.V. on 27 May 2008 in Amsterdam, all the resolutions proposed on the agenda were unanimously adopted without abstention.
All in all, 53.5 percent of the 11,364,854 voting rights were represented at the shareholders' meeting. In addition to the presentation of the annual financial statements 2007, important items included the purchase and sale of treasury shares and the election of the Supervisory Board. All incumbent members were re-elected while Dr. Frank Schlaberg has been elected as a new member of the supervisory board succeeding Dr. Günther Niethammer.

Share price development

	2008 EUR	2007 EUR
MarketCap	20.0m	38.0m
Year end	1.76	3.34
Year high	3.70	11.46
Year low	1.11	3.10

ad pepper media share oscillated between EUR 2.50 and EUR 3.50 during the first nine month of the year, while it marked new record low during the last quarter of 2008. The year's high of EUR 3.70 was recorded on 29 April, the lowest price of EUR 1.11 was reached on 11 December. As of 30 December the ad pepper media share finally closed at EUR 1.76 and therefore some 60 percent up from the lows seen in early December. As of end of 2008, market capitalization totaled EUR 20.0m and thus approximately EUR 3.00m below our cash and cash equivalents.



Business activities

Internet use driving a next wave

For Europeans, the internet is an effective tool that enables today's consumers to control and develop their lifestyle experiences, whether that be communication, entertainment, information gathering or resource management. This documented the European Interactive Advertising Association (EIAA) in a research published end of 2008. This shows that Europeans are deepening their experience of the internet by not only increasingly using it for leisure pursuits but to actively enhance and manage their daily lifestyles. 55 percent of European internet users are now online every single day, three quarters are using the internet during their evenings and 51 percent of Europeans (up 13 percent from last year) are on the web at the weekends. European Wi-Fi usage is currently growing more than twice as fast as the US. At current growth rates, Europe is poised to pass North America in wireless Internet usage.

The internet is rapidly becoming a hub for all media with internet users increasingly consuming media such as magazines, newspapers, radio and TV digitally. While youth are putting online ahead of TV, internet consumption is in fact still hot on the heels of TV consumption amongst all demographics across Europe. Three quarters of all internet users go online between 5 and 7 days per week, an increase from 61 percent in 2004. However, the number that watch TV has remained stable at 86 percent for the last three years.
While past reports have highlighted peaks of growing popularity amongst the population between 16 an 24 and the older generation, the so called "silver surfers", it is today's a 25 to 34 year old age group that seems to be collectively driving recent growth.

Further buying power growth to the web

A massive 80 percent of European internet users have bought a product or service online in 2008 and double the 2004 figure. Still E-commerce is one of the growth engines of the Internet industry. It certainly comes as no surprise that people who surf regularly on the Internet make their decisions to buy dependent not only on the name and reputation of a brand, but also strongly on the result of their online searches. A survey published by GfK came to the conclusion that in the field of travel and when it comes to technical products, seven out of ten decisions by online users to buy were influenced by the Internet. A growing number of population groups are coming to recognize this medium as a shopping channel. Senior citizens, in particular, are catching up as a user group.
Although this target group purchases only half as many items online as the average of all Internet users in Europe, this group, however, buys significantly more expensive products.

To the same extent as the number of Internet users is growing, so too must companies respond who hope to market their products and services online with new advertising and marketing concepts. This means that the Internet will become an even more important factor for buying decisions. Affiliate marketing, as a special form of online marketing, provides companies with the opportunity to address potential customers directly without using conventional, mostly expensive offline communication media. Since the costs which result for the e-commerce company are success-dependent in the case of affiliate marketing, ineffective measures and unnecessary costs are ruled out. This explains why affiliate marketing is on its way to becoming one of the most important tools of online marketing.

Everything in one place every advertising objective

The internet is continuing to prove the medium of choice for advertisers as they seek to maximize ad spend budgets. Despite the current economic climate advertisers are increasing recognizing the value and the positive impact of online advertising on the perception of their brand, influencing purchase decisions, and in increasing customer loyalty.

No other medium has been able to achieve such huge growth figures in such a short period of time like the Internet. It can be effectively used to draw the attention of Internet users to brands and to boost their familiarity. Companies know more today than ever before about their customers and can use the Internet to communicate locally and globally with their target groups. Compared to print advertising, Internet advertising offers other possibilities: Video, audio and animation effectively combine the multi-media options offered by the digital medium, boosting user attention. Innovative forms of online advertising strengthen the positive aspects of a brand image and brand popularity, clearly and uniquely communicating products and contents.
Many companies and brands are particularly interested in generating a significant presence with a high recognition value on the online market and in addressing the targeted group with the right tool and with as little dispersion loss as possible.
This is where ad pepper media's solutions, its services and its international network come into their own.
Our portfolio offers agencies and advertisers almost the entire range of products and technologies, enabling them to achieve their online advertising goals. Irrespective of whether our customers are aiming for considerable range or whether they wish to address specific groups, whether their main aim is to generate leads and traffic or to solicit new customers, ad pepper media's customers receive a full range of services, from campaign management to reporting – always based on the best available technology.
ad pepper media is persistently expanding its portfolio within the individual product areas, continuously developing new services and solutions in order to be able to warrant both customers and website partners ever-better results. In addition to this, the ad pepper media portfolio also offers website operators a comprehensive set of products and technologies to make their websites more attractive and to ultimately market them in a more profitable manner: With ad pepper media, website partners maximize the benefits of free advertising inventory, monetarise their e-mail databases, make use of our powerful ad serving and, as an affiliate partner, simply earn money with their websites.

A seasoned marketer

Since the company was established in 1999, ad pepper media, as a seasoned and professional partner, has offered its customers solutions that are perfectly tailored to their personal needs and for all areas of online advertising.
The company is present today with 16 branches in ten European countries and the US and currently conducts thousands of campaigns for national and international advertising customers in more than 50 countries around the globe. Thanks to a broad range of efficient marketing solutions, proprietary technical systems and a high international placement power for cross-border advertising campaigns, ad pepper media has successfully distinguished itself even further from competitors. Media agencies, advertisers and websites in the fields of branding, performance, e-mail, affiliate and search-engine marketing, as well as ad serving, receive targeted and efficient services which cover almost the entire spectrum of online advertising.

Advertisers receive a comprehensive one-stop service, from campaign management to reporting - always based on the best available technology. The company draws efficient marketing tools, which can be adapted to meet the needs of the market and clients. ad pepper media is constantly developing new services and solutions to guarantee that clients and website partners always get the best possible results.

Performance based online marketing to win out

Performance-based marketing campaigns saw a great success in the online world this year. Such strategies include pay per click services and lead generation, which have already been growing significantly in the recent past. E-mail and the Internet provide dialogue marketing specialists with tools that open up unforeseen opportunities for dialogue management in order to support advertising customers during the generation of new leads (potential customer's address), soliciting new customers and maintaining and intensifying existing business relationships. The demand for products of this kind is high because this form of performance marketing, unlike the field of branding, for instance, is purely orientated towards the measurable success of the advertising campaign. In other words, the advertising customer only pays if a lead is successfully generated. This makes it possible to calculate the cost of soliciting new customers.

ad pepper media's interactive direct marketing solutions make use of the enormous range potential of the entire network in order to convert advertising contacts into customer data. Our iLead product from the ad pepper performance range is a form of so-called permission marketing that is used to generate qualified leads. The permission for a company to transmit information and advertising content is obtained via individual profiles filled in by the consumer using web formats, such as pop-ups, newsletters and opt-in e-mails. Based on the profiles or leads transmitted, the advertiser can then survey the information relevant to him and/or address the potentially new customer directly in conjunction with his products or services.
Advertising customers who use iLead benefit from success based payment with this form of advertising, i.e. advertising money only flows when the respective leads have been generated.

A revolutionary award winning semantic ad targeting technology

With the patented SenseEngine™ targeting technology ad pepper media is ensuring to deliver relevant advertisements to the true context of webpages.

It has the ability to read and understand the meaning of the content on a page and to identify potentially controversial content identified within 12 categories such as alcohol, drugs, tobacco, sex, nudity, weapons or extreme political or religious views.

The SiteScreen Network is one of the products behind this technology and is the world`s first blind network proposition to enable advertisers to reap the rewards of an open market but to have the added advantage of a build-in brand protection. Even iSense makes use of the SenseEngine™ technology and classifies every single web page into one of 3,000 categories, and retrieves matching campaigns from our proprietary ad serving plattform. Unlike to other technologies that simply leverage bidded keywords iSense Display delivers display ads to semantically targeted to the true context of each and every webpage. This unique solution helps advertisers to increase reach while avoiding irrelevant content and to enhance return on ivestment by eleminating wasted impressions.

This technology is the result of eight years of research and development under the leadership of Prof. Dr. David Crystal, one of the world's most recognized linguists. The goal pursued here successfully and permanently distinguishes this system from existing targeting systems, thus gaining a decisive lead over competitors.

Webgains is the fastest growing affiliate networks in Europe

According to the e-consultancy report more retailers than ever see affiliate marketing as an effective sales channel and a cost-effective channel for driving customer acquisition. Our Webgains affiliate network is one of the most dynamic platforms in this market. Around 800 merchants and around 52,000 websites in the UK, France, Germany, the Netherlands, Sweden, Denmark, Spain and the US have already identified Webgains as one of the leading affiliate networks.

Maximum range combined with success-based payment makes affiliate marketing very attractive for all participants.

Using Webgains as the technology platform, advertisers (merchants) make advertising formats (banners, text links, etc.) available on the websites of website operators (affiliates). These formats can be used to advertise the merchants' products and services and, when successful, results in a purchase, subscription or similar transaction. This means that in a strict sense Webgains is an e-commerce platform and, in our opinion, one of the most efficient on the market because the technical platform is on the one hand persistently upgraded, in line with customer demands and on the one other supplemented by a service offering which is regarded as exemplary by the entire industry.

Achieving large ranges quickly with e-mail marketing

The main goals of e-mail marketing are to achieve large ranges quickly and effectively, or to send an advertising message to specific target groups without too much dispersion loss. Successful campaigns select their precise target groups in advance.

ad pepper media is one of the leading service providers in this field. As a full-service provider, the company's „mailpepper" experts offer all services related to e-mailing: from consultancy to the creative preparation of an advertising medium, right through to selecting the ideal mailing channel. The use of innovative technologies provides advertisers with the ultimate in transparency, delivering comprehensive results and analysis – of course in strict compliance with the laws in force in the respective countries. Prices for permission e-mail addresses depend on the supplier, the type of soliciting and the respective target group. The more detailed the requirement profile (sex, age, interests, etc.), the higher the costs which are billed in so-called CPM's – i.e. price per thousand contacts. E-mail addresses without the related user profiles, so-called rest addresses, naturally cost less. Irrespective of whether a broad image campaign is being planned or selected recipients are to be reached, ad pepper media can ensure reliable and smooth implementation in just a few hours. We can offer our customers access to 15 million exclusive e-mail profiles, depending on whether you wish to implement your campaign on a national or international level.

Professional search engine marketing

Although sales via search engine marketing and search engine optimization have yet to reach the level of classical advertising, they are still one of the growth drivers in online marketing business.

With the acquisition of ad agents GmbH, in which we have held a 60 percent share since April 2007, we are successfully represented in this business field and are also focusing increasingly on foreign customers, such as Neckermann in Switzerland, BON'A'PARTE in the Netherlands, Sweden, Denmark, Switzerland and Germany or Elegance in France. Trigema, RUNNERS POINT, Allianz or Condor or, for instance, all of whom, are customers of ad agents. All of these customers now have an established e-commerce strategy and sell goods and services via their websites or web shops.

ad agents, a specialist agency for search engine marketing, search engine optimization and performance marketing, helps its customers to transform their web presence into an efficient selling tool. This is carried out by improving range in combination with the best possible increase in advertising efficiency.

The strategies developed by ad agents on the basis of quality and security provide customers with sustainability in terms of clicks and sales and are supplemented by detailed reporting.

Independent, powerful ad serving

One of the most important milestones in the past financial year was the integration of the Scandinavian ad serving provider Emediate, acquired early in 2007, into the ad pepper media network. We have successfully implemented Emediate in all the countries in which we operate, replacing technologies from third-party suppliers. The goal was not only to cut costs in the short to medium term, but also to use proprietary ad serving technology and to adapt this to our individual needs without which it would not have been possible to delivery many of the new products developed by us, such as our semantic targeting technology and its products iSense and SiteScreen network.

Emediate is already the market leader in Scandinavia and its customers include top companies, such as wunderloop, a leading supplier of behavioral targeting services, dagbladet.no, one of Norway's biggest online daily newspapers, or the international online marketing network hi-media. Following AOL's takeover of Emediate competitor AdTech and the takeover of DoubleClick by Google, ad pepper media is now one of the few players on the market to boast independent and powerful ad serving and is hence even more attractive for our customers.

Agencies, advertisers and websites will now increasingly avail of services and products from Emediate in order to implement with an independent partner a reliable and scalable software solution to efficiently plan, steer and analyze their campaigns.

Well-positioned for the future

One basic trend within the online industry must also be noted, i.e. that the paths to target groups are becoming narrower and more complicated and call for the use of flexible solution models. The ad pepper media portfolio described offers almost the entire product set in order to successfully operate online marketing in this industry. We are continuously working on improving and supplementing our portfolio, so that we can offer our customers tailored and innovative solutions in the quality they are accustomed to. We are convinced that with our products and technology, we will be able to generate additional growth impetus for ad pepper media again in 2009.

Sales and marketing

As a customer-orientated service company, ad pepper media considers sales and marketing to be a central task and ultimately part of its everyday business. The majority of new customers result from intensive contacts in the company's 16 branch offices. Blue chips are won through the activities of our international sales team, and through local and international test products which, following successful implementation, result in large-scale campaigns. Furthermore, through its presence at industry-specific events, ad pepper media was able to develop new customer contacts. The company was present, for example, at a „MD expo" direct marketing exhibition in Paris in spring 2008, the „IAB Forum" in Milan, the „Webwinkelvagdaken" in Utrecht , or the most important trade exhibition for online marketing in Germany, the „online-marketing-düsseldorf" which recorded exceptionally high visitor numbers last year. The US branch office also successfully participated in the „ad:tech" in New York and San Francisco, the leading exhibitions for interactive marketing in the US. In Europe, ad pepper media was present at the „ad:tech" in London.

Economic development

Economic environment and product areas

Basic economic conditions

Global economy

The ongoing financial market crisis and the after-effects of soaring commodity prices are taking their toll: The global economy is in the middle of a severe recession. Real Gross Domestic Product in the industrialized countries will most probably shrink this year by 1.75 percent – more severely than during the recessions in the 70ies and 80ies. For the US, the International Monetary Fund (IMF) expects a minus of 1.6 percent in 2009, while economic activity in the eurozone is expected to drop by up to 2.2 percent. Emerging Asia and China will again lead the growth rankings (2009: 5 percent and 5.5 percent, respectively), but will also see a massive economic slowdown.

The global economy was still growing strongly up until autumn of last year. But now, economic risks have risen, at times, significantly. The finance market problems triggered by the mortgage crisis in the US have resulted in the revaluation of loan risks. It is often feared that the sometimes sudden increases in company financing costs could also burden the real economy. Economies where private consumption strongly correlates with the prices prevailing on the respective real-estate sector could suffer more if the decline in prices persists. On the other hand, the dynamic global economy, which has remained at a high level for some time now, gives reason for optimism.

Eurozone

The eurozone economy is now in its deepest recession since World War II. Tighter credit conditions, poorer consumer as well as business sentiment and the after-effects of the EUR appreciation up until last summer will accentuate the slowdown, leading to a contraction of 2.2 percent this year. Eurozone's biggest economy, Germany, is expected to shrink by 2.5 percent.

The miserable economic outlook together with the sustained correction in commodity prices converted inflation fears into deflation anxieties. Therefore, in a coordinated action, the ECB started an easing cycle in early October, followed by another 50 basis points cut in early November, an (unprecedented) 75 ticks in December and a further 50 basis points recently. Given the gloomy economic environment coupled with a pronounced disinflation, the ECB will most likely lower its refinance rate to 1.0 percent by mid-2009.

Online advertising markets growing more slowly

According to our own expectations, 2009 is going to be a challenging year for pretty much any segment of the Web publishing world dependent on brand advertising. That's because the macroeconomic climate has caused performance based advertising to gain market share at a faster rate, a trend that should continue through much of this year.

This trend is not new: Over the past five years, performance-based advertising has gained market share over the CPM-based model. In the UK, for instance, around 85 Percent of total online ad expenses were spent in 2008 on the performance-based model. And as brands are forced to take an even more intensive ROI approach this year in light of the ongoing recession, the shift toward performance-based advertising will only accelerate.

The same is happening in the US online market. According to a report published by analysts from J.P. Morgan performance-based advertising has gained a larger and larger share of the total online advertising market over the past five years. The report forecasts that in the U.S. search advertising (which is primarily performance based) will increase by 10 percent in 2009 to nearly USD 16 billion, while graphical advertising (which includes both performance and brand advertising) will increase by just 6.3 percent to USD 8.4 billion.

This is also the reason why we have restructured our German based mediasquares (branding) business in 2007/08 and thus shifted our product mix to more performance-based products (iLead, Webgains, ad agents, etc.).

All in all, around 80 percent of ad pepper media's business is already performance-based.

Business activities and markets

The ad pepper media-Group is one of the leading independent marketing networks in online advertising.

ad pepper media International N.V., which is based in Amsterdam, The Netherlands, performs a central management and holding function in respect of the companies in the ad pepper media Group.

With 16 branches in 10 European countries and the US, ad pepper media conducts campaigns for thousands of national and international advertising customers in more than 50 countries world-wide. Display, performance, e-mail, affiliate and search-engine marketing, as well as semantic targeting and ad serving product groups cover the entire range of online advertising formats. The price models include range-orientated CPM (cost-per-mille) campaigns, and purely success-based advertising campaigns on a CPL basis (cost-per-lead) and CPA basis (cost-per-action) or CPO (cost-per-order) in the field of performance and affiliate marketing (Webgains). For reporting in accordance with IFRS the company is divided into three segments: ad pepper media, Webgains and ad agents.

ad pepper media

iLead: iLead is ad pepper media's permission and performance based qualified lead generation solution. iLead enables marketers to provide users with immediate access to their product, service or promotional offer whilst simultaneously capturing permission-based user data through quick call for action ad formats such as pop-ups, newsletters, opt-in email and others. Marketers using iLead to generate qualified leads will benefit from a pay-for-performance solution with clearly measurable ROI. iLead is the basis for more direct marketing solutions. By adding tactical tools, such as Surveys, Sampling, Couponing or Gaming modules you can also add value to your online direct marketing strategy. iLead has been used successfully in national and international campaigns by over 750 B2C and B2B advertisers such as Nokia, Mitsubishi, Samsung, Yves Rocher and others.

Click generation: Click generation is ad pepper media's performance based traffic generating marketing solution designed to deliver qualified visitors in a cost effective and measurable way. Marketers using click generation will only pay if users click on their advertisements, not each time an advertisement is displayed. Marketers can benefit from click campaigns through the use of multiple traditional ad formats that can be placed on almost any website in the ad pepper media network and continuously optimized to increase performance.

E-mail marketing: Another area of ad pepper media's core business is e-mail marketing, designed to achieve large ranges quickly and effectively, or to send an advertising message to specific target groups without too much dispersion loss. As a full-service provider, the company's „mailpepper" experts offer all services related to e-mailing: from consultancy to the creative preparation of an advertising medium, right through to selecting the ideal mailing channel. The use of innovative technologies provides advertisers with the ultimate in transparency, delivering comprehensive results and analysis – of course in strict compliance with the laws in force in the respective countries. We can offer our customers access to 15 million exclusive e-mail profiles, depending on whether they wish to implement the campaign on a national or international level.

Emediate: Emediate's main business area is providing ad serving technology solutions and services. The core product is EmediateAd. Emediate is the market leader in Scandinavia and its customers include top companies, such as wunderloop, a leading supplier of behavioral targeting services, dagbladet.no, one of Norway's biggest online daily newspapers or Bonnier for the whole Nordic region. Following AOL's takeover of Emediate competitor AdTech and the takeover of DoubleClick by Google, ad pepper media is now one of the few players on the market to boast independent and powerful ad serving and is hence even more attractive for our customers.

Agencies, advertisers and websites continue to increase the avail of services and products from Emediate in order to implement with an independent partner a reliable and scalable software solution to efficiently plan, steer and analyze their campaigns.

iSense: iSense provides advertisers and publishers with a revolutionary semantic advertising technology suite that enables ads to be targeted to each and every web page based upon relevance. At the core of iSense, is a proprietary patented technology called the Sense Engine™. The Sense Engine is the result of 10 years in research and development and is the brainchild of Dr. David Crystal, one of the world's leading experts in linguistics. The Sense Engine development lead by Dr. Crystal has benefited from a large team of lexicographers and encyclopedists that have worked their way through all the words and senses in English that are likely to discriminate contexts, and to give them appropriate classification. The result of this unique development enables the Sense Engine™ to classify any webpage in over 3,000 categories.

Having defined the category of a web page, iSense™ is then able to deliver semantically targeted ads to the true context of every web page via its proprietary ad server Emediate. iSense was two times rewarded in the UK in 2008 with "the Digital Innovation Award" of the IAB and the "Econsultancy Award" for the most innovative Online technology.

Webgains

Our Webgains affiliate network is one of the fastest growing platforms in this market designed to provide cutting edge tools to enable affiliates and merchants to manage their programs simply and effectively. Around 800 merchants and around 52,000 websites in the UK, France, Germany, the Netherlands, Sweden and Denmark have already identified Webgains as one of the leading affiliate networks. In the light of this success, we decided to roll-out Webgains also to Spain and the US in mid 2008. Maximum range combined with success-based payment makes affiliate marketing very attractive for all participants. Using Webgains as the technology platform, advertisers (merchants) make advertising formats (banners, text links, etc.) available on the websites of website operators (affiliates).

These formats can be used to advertise the merchants' products and services and, when successful, results in a purchase, subscription or similar transaction. This means that in a strict sense Webgains is an e-commerce platform and, in our opinion, one of the most efficient on the market because the technical platform is on the one hand persistently upgraded, in line with customer demands and on the one other supplemented by a service offering which is regarded as exemplary by the entire industry.

ad agents

ad agent is a German based specialist agency for search engine marketing (SEM), search engine optimization (SEO) and performance marketing in which ad pepper holds a 60 percent share. ad agents provides consulting services to well-known companies from the mail-order and travel industries and many other sectors. ad-agents is focusing increasingly on international or blue chip customers, such as Neckermann in Switzerland, BON'A'PARTE in the Netherlands, Sweden, Denmark, Switzerland and Germany.
Trigema, RUNNERS POINT and Condor are for example other well known clients of ad agents. All of these customers now have an established e-commerce strategy and sell goods and services via their websites or web shops. ad agents helps its customers to transform their web presence into an efficient selling tool. This is carried out by improving range in combination with the best possible increase in advertising efficiency.
The strategies developed by ad agents on the basis of quality and security provide customers with sustainability in terms of clicks and sales and are supplemented by detailed reporting.

Presentation of the earnings position

Sales development

Last year's growing trend towards more performance-based advertising also led to a lower-than-expected increase in sales for ad pepper media. Additionally, our sales figure suffered from foreign-exchange effects especially in the second half of the year due to weak USD and GBP.
Although a four-percent increase in sales to kEUR 52,638 (2007: kEUR 50,624) is a satisfactory result, especially in light of the competition landscape, this result, however, is still below what we had expected. Excluding foreign exchange effects, revenue growth would have been approximately 6 percent.

Business with purely CPM-based branding campaigns became increasingly difficult, especially in the second semester of the past financial year, so that we decided in the fourth quarter to focus exclusively on performance-based advertising formats. The slowdown in sales growth was hence felt particularly strongly in the last two quarters: Whilst sales were still up 10.4 percent in the first six months, totalling kEUR 26,497 (H1 2007: kEUR 24,007), we had to accept a decline in sales particularly in the third of around kEUR 350. We were pleased to see that sales in the fourth quarter of 2008 totalled kEUR 14,467, once again almost on par with the previous year's figure (kEUR 14,603). This is an indication that we are managing to compensate more and more for the slump in sales with CPM-based business through performance-based campaigns.

In light of this, we have decided to change, as of the 2008 financial year, our segment reporting in such a manner that we no longer distinguish according to regions (as was the case up to now) but according to products and product groups. In future, we will distinguish between ad pepper media (core business), Webgains and ad agents, thus acknowledging the growing importance of the two latter (performance-based) product areas und the fact that greater demands for transparency are being placed on our business model both internally and externally.

Gross margin

In the year under review, gross margin totalled 42.8 percent (2007: 47.7 percent). In absolute figures, this fell from kEUR 24,169 in 2007 to kEUR 22,529 last year.
The main reason for this decline in gross margin is that Webgains and ad agents with their over proportionate growth generate a lower margin when compared to core business and thus insufficient to compensate for the reduction in gross margin of the core business. Adverse foreign exchange rates also contributed to the gross margin decline. This effect alone led to a reduction of approximately kEUR 300 in 2008.

Another significant reason for the decline is the fact that we agreed to so-called minimum guarantee targets with websites in the now restructured mediasquares entity (branding): These agreements, which are certainly customary in the industry, had a significantly negative impact on our earnings in the second half of 2008 due both to the difficulties experienced in branding business and the decline in CPM's, so that we were no longer able to market some of the big websites in our portfolio under the originally agreed terms and conditions. Although the fixed minimum sales targets were missed, we were still obliged to pay to the owners of the websites the guaranteed amounts originally agreed to and this led to a negative margin for the campaigns in question. Since 1 January 2009, the mediasquares business (including minimum guarantees) is no longer being pursued in this form.

Development of operative costs

Compared to the previous year, operative costs fell slightly by kEUR 339 to kEUR 20,055 (2007: kEUR 20,394). It must be noted here that operative costs for the past year include an extraordinary amount totalling kEUR 10,820 resulting from the sale of shares in associated and other investments (2007: kEUR 6,829) which lowered operative costs accordingly. Without this effect, operative costs would have risen by kEUR 3,652 compared to 2007. The main reason for this increase is significantly higher depreciation due to intangible assets acquired within the scope of company acquisitions. During the course of 2008, depreciation expenditure rose to kEUR 4,699 (2007: kEUR 2,573) including an impairment loss of kEUR 1,506.
Since early 2008, we have also decided not to capitalise research and development (R&D) expenditure whilst we had still capitalised costs of kEUR 1,586 in 2007. Irrespective of this, it goes without saying that we will continue to invest in R&D in order to guarantee that our products maintain a high technological standard. A major share of our development activities will focus on the areas of iSense, Webgains and Emediate, which are all in-house development projects. Finally, we posted additional bad debt allowance and write-off of receivables of kEUR 973 in 2008 (2007: kEUR 665), i.e. around kEUR 300 more than in the previous year.

EBIT and result before taxes

In the past financial year, earnings before interest and taxes (EBIT) totalled kEUR 2,474 (2007: kEUR 3,775). This figure includes milestone payments in conjunction with the sale of the minority stake in dMarc Broadcasting and Falk eSolutions totalling kEUR 10,820. In the previous year, gains of sales of shares in associated and other investments totaled kEUR 6,829.
In the 2008 financial year, our financial result rose significantly from the previous year's figure of kEUR 594 to kEUR 1,253. The increase in financial income in 2008 compared to 2007 is largely because the annual average of our liquid funds including "available-for-sale" securities at fair value and deposits with maturity over three month was generally higher. We were also able to significantly improve financial income, not only due to a generally higher interest level, but also by optimizing group-wide cash pooling. The result before taxes totals kEUR 3,727 (2007: kEUR 4,369).
In the past financial year, we once again managed to record a clearly positive result solely thanks to further milestone payments from Google (gain from the sale of shares in associated and other investments). Without this extraordinary gain, we would have recorded a significant operative loss in 2008. The main reason for this was a cost basis that was generally too high compared to sales and margin developments. Although some special factors which adversely affected operative costs in the past financial year can be seen and without which our result would have been much better, the development of our cost basis remains the focus of overall management, also and especially in the year ahead. All cost items are hence subject to ongoing review and optimization.

At the same time, we know that ad pepper media is operating in a highly competitive market environment and this makes ongoing investment in human resources and technology vital. In terms of costs, the current year will once again see efforts to boost profitability competing with further investment in opening up new markets. Webgains is one good example in this context which we launched in two new markets (US and Spain) in recent months. Initial losses can be expected here in the first half of 2009.

Presentation of finance and assets situation

Cash flow

Cash flow from operating activities totaled kEUR -680 and was thus only slightly negative for the year ended 31 December 2008 (2007: kEUR -1,822). Main reason for this positive development was an improved working capital management with a reduction in trade account receivables in the amount of kEUR 2,530 (2007: increase by kEUR 1,656). Trade account payables, on the other hand, de-creased by kEUR 263.
Total investment expenditure amounted to kEUR -5,029 largely influenced by acquisition of investments totalling kEUR 1,814 (thereof minority stake in Brand Affinity Technologies, Inc: kEUR 1,621). In addition, an amount of kEUR 13,059 has been invested in the purchase of securities and investment of deposits while we received a total of kEUR 10,820 resulting from the sale of shares in associated and other investments.

The share buyback, which started in May 2008, was a significant item in the cash flow from financing activities.
Until 31 December 2008 ad pepper media international N.V. has bought back shares in an amount of kEUR 463.

Balance sheet structure

The balance sheet structure continues to be marked by a very high equity base of kEUR 55,675 compared to kEUR 56,466 as per 31 December 2007. The decrease in this item is primarily due to the profit of kEUR 2,610 recorded in the past year as well as the changes in other comprehensive losses. At the end of the period under review, the equity ratio hence totalled 83.0 percent with a balance-sheet total of kEUR 67,090 (31 December 2007: 82.0 percent). As per the balance-sheet date, the ad pepper media group is financed from its own resources. There are no long-term liabilities to banks.

On the asset side, goodwill rose slightly to kEUR 20,814 compared to kEUR 20,665 as per 31 December 2007. Intangible assets declined to kEUR 5,258 (31 December 2007: kEUR 9,155) due to ordinary and extraordinary depreciation and amortization. The increase in other financial assets to kEUR 2,671 (31 December 2007: kEUR 772) is primarily due to the shareholding in Brand Affinity Technologies Inc. to the amount of around kEUR 1.621 where ad pepper media holds a share of approx. 4.5 percent. Despite sales growth, trade receivables were reduced significantly by kEUR 2,530 to kEUR 10,317 (31 December 2007: kEUR 12,847). At the same time, our trade accounts payable slightly decreased by kEUR 263 to kEUR 7,356 compared with fiscal year end 2007.

Liquid funds including securities at fair value and deposits with maturity over three month increased to kEUR 23,047 (31 December 2007: kEUR 17,550) due to further payments from Google (gain from the sale of shares in associated and other investments).

Risk report

Foreword

The German law on „Control and Transparency in Business" (KonTraG) as well as the Dutch Corporate Governance Code lay down the central rules and obligations regarding risk management and control systems. In compliance with these regulations in force in Germany and the Netherlands, ad pepper media operates a comprehensive and adequate risk management system. This requires that the Management Board ensures that the company complies with all applicable laws and regulations, and reports to the Supervisory Board regularly on the internal risk management and control systems.
The risk management system of ad pepper media identifies significant risks which could have implications for the company. These risks are quantified and evaluated with a view to potential effects. Finally, suitable measures are identified in order to counteract the risks in question. Significant risks to which the company may be exposed are enumerated below.

Legal risks:

Privacy concerns

Websites typically place small files of non-personalized (or "anonymous") information, commonly known as cookies, on an Internet user's browser. Cookies generally collect information about users on a non-personalized basis to enable websites to provide users with a more customized experience. Cookie information is passed to the website through an Internet user's browser software. We currently use cookies to track an Internet user's movement through our advertiser customer's websites and to monitor and prevent potentially fraudulent activity on our networks. Most currently available Internet browsers allow Internet users to modify their browser settings to prevent cookies from being stored on their hard drive, and some users currently do so. Internet users can also delete cookies from their hard drives at any time. Some Internet commentators and privacy advocates have suggested limiting or eliminating the use of cookies, and legislation has been introduced in some jurisdictions to regulate the use of cookie technology. The effectiveness of our technology could be limited by any reduction or limitation in the use of cookies. If the use or effectiveness of cookies were limited, we would have to switch to other technologies to gather demographic and behavioral information. While such technologies do currently exist, they are substantially less effective than cookies. We would also have to develop or acquire other technology to prevent fraud on our networks.
Replacement of cookies could require significant reengineering time and resources, might not be completed in time to avoid losing customers or advertising inventory, and might not be commercially feasible. Our use of cookie technology or any other technologies designed to collect Internet usage information may subject us to litigation or investigations in the future.
Furthermore many jurisdictions regulate in detail both collecting personal data, and using such data for rolling out direct marketing campaigns. Although we strictly comply with the applicable legislations in the various jurisdictions, we cannot exclude that a change in such legislations may deeply impact our business models and revenues. Any litigation or government action against us could be costly and time consuming, could require us to change our business practices and could divert management's attention.

Intellectual property rights

Our patents, trademarks, trade secrets, copyrights and other intellectual property rights are important assets for us. Various events outside of our control pose a threat to our intellectual property rights as well as to our products and services. For example, effective intellectual property protection may not be available in every country in which our products and services are distributed or made available through the Internet. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Also, protecting our intellectual property rights is costly and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results. Although we seek to obtain patent protection for our innovations, it is possible we may not be able to protect some of these innovations. In addition, given the costs of obtaining patent protection, we may choose not to protect certain innovations that later turn out to be important. Furthermore, there is always the possibility, despite our efforts, that the scope of the protection gained will be insufficient or that an issued patent may be deemed invalid or unenforceable.
In addition, as we grow, the possibility of intellectual property rights claims against us increases. Our products, services and technologies may not be able to withstand any third-party claims and regardless of the merits of the claim, any intellectual property claims could be time-consuming and expensive to litigate or settle. In addition, if any claims against us are successful, we may have to pay substantial monetary damages or discontinue any of our services or practices that are found to be in violation of another party's rights. We also may have to seek a license to continue such practices, which may significantly increase our operating expenses.

Market risks:

Competition from other advertising networks, web search providers and traditional advertising media

Our offer to advertisers and web publishers includes products and services that are based on a cost-per-action ("CPA"), cost-per-lead ("CPL"), cost-per-thousand-impressions ("CPM") or cost-per-click ("CPC") pricing model. We face significant competition in every aspect of our business, and particularly from other advertising and affiliate networks which provide similar online-services and -products. In addition to advertising networks and affiliate marketing companies, we face competition from web search providers such as Google and Yahoo!, or from huge ad serving platforms. We also compete with traditional advertising media, such as direct mail, television, radio, cable, and print, for a share of advertisers' total advertising budgets.

Many current and potential competitors enjoy competitive advantages over us, such as longer operating histories, greater name recognition, larger customer bases, greater access to advertising space on high-traffic websites, and significantly greater financial, technical, sales, and marketing resources.

They can use their experience and resources against us in a variety of competitive ways, including by making acquisitions, investing more aggressively in research and development and competing more aggressively for advertisers and websites. If some competitors are successful in providing similar or better services or more relevant advertisements we could experience a significant decline in the size of the ad pepper media network. Any such decline could negatively affect our revenues.
There has been a trend towards industry consolidation among our competitors, and so smaller competitors may become larger competitors and large competitors may become even bigger in the future. If our competitors are more successful than we are at offering online marketing services and products our revenues may decline.

Pressure on margins and revenue growth

The Internet advertising markets are characterized by rapidly changing technologies, evolving industry standards, frequent new product and service introductions, and fast changing customer demands. The introduction of new products and services embodying new technologies and the emergence of new industry standards and practices could render our existing products and services obsolete and unmarketable or require unanticipated technology or other investments. Our failure to adapt successfully to these changes could harm our business, results of operations and financial condition.

In addition we expect that our revenue growth rate will decline over time and anticipate that there will be downward pressure on our operating margin. We believe our revenue growth rate will generally decline as a result of increasing competition and the inevitable decline in growth rates as our revenues increase to higher levels. We believe our operating margin will experience downward pressure as a result of increasing competition and increased expenditures for many aspects of our business. Additionally, the margin we earn on revenue generated from our media or affiliate network could decrease in the future if we pay an even larger percentage of advertising fees to our website and affiliate partners.

Financial Risks:

Low levels of profitability

The profitability achieved in 2008 was mainly due to income from disposal of investments. We face risks that could prevent us from achieving net income in future periods. These risks include, but are not limited to, our ability to:

- maintain high levels of income from the disposal of investments
- maintain and increase our inventory of advertising space on publisher websites and with email list owners and newsletter publishers
- maintain and increase the number of advertisers that use our products and services
- continue to expand the number of products and services we offer and the capacity of our systems
- adapt to changes in Web advertisers' promotional needs and policies, and the technologies used to generate Web advertisements
- respond to challenges presented by the large and increasing number of competitors in the industry
- adapt to changes in legislation or regulation regarding Internet: usage, advertising and commerce
- ability to achieve revenue goals for partners to whom we guarantee minimum payments or pay distribution fees
- ability to generate revenue from services in which we have invested considerable time and resources, such as Webgains, motigo, Emediate and iSense.
- focus on long-term goals over short-term results
- adapt to changes in technology related to online advertising filtering software;
- adapt to changes in the competitive landscape, and
- obtain profitability and market recognition from our investments in new technologies and the related products/services we will be offering to the market.

If we are unsuccessful in addressing these risks and uncertainties, our business, results of operations and financial condition could be materially and adversely affected.

Risks of our mergers & acquisition strategy

We have grown in part because of business combinations with other companies, and we expect to continue to evaluate and consider future acquisitions. Any of these acquisitions could be material to our financial condition and results of operations. In addition, the process of integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditures and risks. The areas where we may face risks include:

- Implementation or remediation of controls, procedures and policies at the acquired company
- Diversion of management's attention from other business concerns
- Overvaluation of the acquired companies
- Acceptance of the acquired companies' products and services by our customers
- Cultural challenges associated with integrating employees from the acquired company into our organization
- Retention of employees from the businesses we acquire
- Integration of each company's accounting, management information, human resource and other administrative systems.

The integration of our acquired operations, products and personnel may place a significant burden on management and our internal resources. Particularly foreign acquisitions involve unique risks in addition to those mentioned above, including those related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries. Because of the number of acquisitions we have completed in the past several years, the differences in the customer bases and functionality of acquired products, service offerings and technologies, and other matters, these acquisitions may present materially higher product, sales and marketing, customer support, research and development, facilities, information systems, accounting, personnel, and other integration challenges than those we have faced in connection with our prior acquisitions and may delay or jeopardize the complete integration of these acquired businesses.

Minimum payments to certain advertising network members

We are obligated under certain agreements to make non cancellable guaranteed minimum revenue share payments to our network members. In these agreements, we promise to make these minimum payments to our network members for a pre-negotiated period of time. It is difficult to forecast with certainty the fees that we will earn under agreements with guarantees, and sometimes the fees we earn fall short of the guaranteed minimum revenue share payment amounts.

Currency risk

Since ad pepper media conducts a significant portion of its operations outside the euro currency zone, fluctuations in currency exchange rates can materially affect earnings.
Currency risk from financial instruments exists with respect to receivables, payables, cash and cash equivalents that are not denominated in a company's functional currency.
In the ad pepper media Group this risk is particularly significant for the U.S. Dollar and British Pound.

Impairment of goodwill

As of 31 December 2008, we have total intangible assets, including goodwill, of kEUR 26,072 (thereof goodwill: kEUR 20,814). We are required under accounting principles to review our amortizable intangible assets for impairment whenever events and circumstances indicate that the carrying value of such assets may not be recoverable. We are also required to review goodwill for impairment on an annual basis, or between annual tests whenever events and circumstances indicate that the carrying value of goodwill may not be recoverable. Events and circumstances considered in determining whether the carrying value of amortizable intangible assets and goodwill may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; a significant decline in the Company's stock price for a sustained period of time; and changes in the Company's business strategy. We may be required to record a significant charge to earnings in a period in which any impairment of our goodwill or amortizable intangible assets is determined.

We may have exposure to greater than anticipated tax liabilities

Our future income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates, by changes in the valuation of our deferred tax assets and liabilities or by changes in tax laws, regulations, accounting principles or interpretations thereof. Our determination of our tax liability is always subject to review by applicable tax authorities. Any adverse outcome of such a review could have a negative effect on our operating results and financial condition. In addition, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment and there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

New accounting standards

From time to time, the International Accounting Standards Board (IASB) and other regulatory bodies may issue new and revised standards, interpretations and other guidance that International Financial Reporting Standards (IFRS). The effects of such changes may include prescribing an accounting method where none had been previously specified, prescribing a single acceptable method of accounting from among several acceptable methods that currently exist, or revoking the acceptability of a current method and replacing it with an entirely different method, among others. Such changes to IFRS could impact our results of operations, financial condition and other financial measures.

Liquidity and Cash Flow risk

Substantially all of the Company's cash and cash equivalents are managed by financial institutions. On the basis of our business development, the liquidity of ad pepper media International N.V. can be regarded as secure at present and is sufficient to be able to meet all future payments obligations despite further investments in new companies, a negative cash flow from operating activities, and a share repurchase program conducted during the second half of 2008. A further decrease of cash and cash equivalents is anticipated as additional investments need to be made in the future. Additionally, the Company is exposed to the payment behavior of its customers. Accounts receivables are typically unsecured and are derived from revenues earned from customers primarily located in Europe. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses.

Technologies and IT-Risks:

Threats arising from new technologies

Technologies may be developed that can block the display of our ads. Most of our revenues are derived from fees paid to us by advertisers in connection with the display of ads on web pages. As a result, ad-blocking technology could, in the future, adversely affect our operating results.

Rapidly changing technologies

The Internet advertising market is characterized by rapidly changing technologies, evolving industry standards, frequent new product and service introductions, and changing customer demands. The introduction of new products and services embodying new technologies and the emergence of new industry standards and practices can render existing products and services obsolete and unmarketable or require unanticipated technology investments. Our success will depend on our ability to adapt to rapidly changing technologies, to enhance existing solutions and to develop and introduce a variety of new solutions to address our customers' and web publisher partners' changing demands. For example, advertisers are increasingly requiring Internet advertising networks to have the ability to deliver advertisements utilizing new formats that surpass stationary images and incorporate rich media, such as video and audio, interactivity, and more precise consumer targeting techniques. Our systems do not support some types of advertising formats and some of the website publishers in our networks do not accept all types of advertising formats we support. In addition, an increase in the bandwidth of Internet access resulting in faster data delivery may provide new products and services that will take advantage of this expansion in delivery capability. If we fail to adapt successfully to such developments, we could lose customers or advertising inventory. We purchase most of the software used in our business. We intend to continue to acquire technologies from third-parties necessary for us to conduct our business from third-parties. We cannot assure you that, in the future, these technologies will be available on commercially reasonable terms, or at all. We may also experience difficulties that could delay or prevent the successful design, development, introduction or marketing of new solutions. Any new solution or enhancement that we develop will need to meet the requirements of our current and prospective customers and may not achieve significant market acceptance. If we fail to keep pace with technological developments and the introduction of new industry and technology standards on a cost-effective basis, our expenses could increase, and we could lose customers and advertising inventory.

IT architecture/ infrastructure

To be successful, our network infrastructure has to perform well and be reliable. The greater the user traffic and the greater the complexity of our products and services, the more computing power we will need. We have spent and expect to continue to spend substantial amounts on the purchase and lease of data centers and equipment and the upgrade of our technology and network infrastructure to handle increased traffic and to roll out new products and services. This expansion is expensive and complex and could result in inefficiencies or operational failures. If we do not expand successfully, or if we experience inefficiencies and operational failures, the quality of our products and services and our users' experience could decline. This could damage our reputation and lead us to lose current and potential users, advertisers and advertising network members. Cost increases, loss of traffic of our advertising network partners or failure to accommodate new technologies or changing business requirements could harm our operating results and financial condition. In addition we rely on vendors, including data center and bandwidth providers. Any disruption in the network access or co-location services provided by these providers or any failure of these providers to handle current or higher volumes of use could significantly harm our business. Any financial or other difficulties our providers face may have negative effects on our business. We have experienced and expect to continue to experience interruptions and delays in service and availability for such elements. Any errors, failures, interruptions or delays in connection with these technologies and information services could harm our relationship with users, adversely affect our brand and expose us to liabilities.

Finally our systems are also heavily reliant on the availability of electricity. If we were to experience a major power outage, we would have to rely on back-up generators. These back-up generators may not operate properly and their fuel supply could be inadequate during a major power outage. This could result in a disruption of our business.

Internet access

Our products and services depend on the ability of our users to access the Internet, and certain of our products require significant bandwidth to work effectively. Currently, this access is provided by companies that have significant and increasing market power in the broadband and Internet access marketplace, including incumbent telephone companies, cable companies and mobile communications companies. Some of these providers have stated that they may take measures that could degrade, disrupt or increase the cost of user access to certain of our products by restricting or prohibiting the use of their infrastructure to support or facilitate our offerings, or by charging increased fees to us or our users to provide our offerings.
This could result in a loss of advertising network members and advertisers, increased costs, and impair our ability to attract new users and advertisers, thereby harming our revenue and growth.

Interruption of IT and communications systems

The availability of our products and services depends on the continuing operation of our information technology and communications systems. Any damage to or failure of our systems could result in interruptions in our service, which could reduce our revenues and profits, and damage our brand. Our systems are vulnerable to damage or interruption from floods, fires, power loss, telecommunications failures, computer viruses, terrorist attacks, computer denial of service attacks or other attempts to harm our systems. Our data centers are also subject to break-ins, sabotage and intentional acts of vandalism, and to potential disruptions if the operators of these facilities have financial difficulties. Some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. The occurrence of a natural disaster, a decision to close a facility we are using without adequate notice for financial reasons or other unanticipated problems at our data centers could result in lengthy interruptions in our service.

Growth of Internet usage and maintenance of Internet infra-structure

Our business and financial results will depend on continued growth in the use of the Internet. Internet usage may be inhibited for a number of reasons, such as: inadequate network infrastructure; security concerns; inconsistent quality of service; and, unavailability of cost-effective, high-speed service. If Internet usage grows, our infrastructure may not be able to support the demands placed on it and our performance and reliability may decline. In addition, websites have experienced interruptions in their service as a result of outages and other delays occurring throughout the Internet network infrastructure, and as a result of sabotage, such as electronic attacks designed to interrupt service on many websites. The Internet could lose its viability as a commercial medium due to delays in the development or adoption of new technologies required to accommodate increased levels of Internet activity. If use of the Internet does not continue to grow, or if the Internet infrastructure does not effectively support our growth, our revenue and results of operations could be materially and adversely affected.

Increased use of non-PC devices

The number of people who access the Internet through devices other than personal computers, including mobile telephones, hand-held calendaring and email assistants, and television set-top devices, has increased dramatically in the past few years. The lower resolution, functionality and memory associated with alternative devices make the use of our products and services through such devices more difficult. If we are unable to attract and retain a substantial number of alternative device users to our web search services or if we are slow to develop products and technologies that are more compatible with non-PC communications devices, we will fail to capture a significant share of an increasingly important portion of the market for online services.

Risks Related to Ownership of our Common Stock:

Volatility of our share price

The trading price of our stock has been volatile since our initial public offering and will likely continue to be volatile. The trading price of our stock may fluctuate widely in response to various factors, some of which are beyond our control. These factors include:

- Quarterly variations in our results of operations or those of our competitors.
- Announcements by us or our competitors of acquisitions, new products, significant contracts, commercial relationships or capital commitments.
- Recommendations by securities analysts or changes in earnings estimates.
- Announcements about our earnings that are not in line with analyst expectations, the risk of which is enhanced because it is our policy not to give guidance on earnings.
- Announcements by our competitors of their earnings that are not in line with analyst expectations.
- The volume of shares available for public sale.
- Sales of stock by us or by our stockholders.
- Short sales, hedging and other derivative transactions on shares.

In addition, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our Class A common stock, regardless of our actual operating performance. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

No dividends payments

We have never declared or paid any cash dividend on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future.

Limited influence of shareholders

Our common stock has one vote per share. As of 31 December 2008, one of the founding shareholders, EMA B.V., owned shares representing approximately 42 percent of the voting power of our outstanding capital stock. EMA B.V. therefore has significant influence over management and affairs and over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, for the foreseeable future. This concentrated control limits our stockholders' ability to influence corporate matters and, as a result, we may take actions that our stockholders do not view as beneficial. As a result, the market price of common stock could be adversely affected.

Assessment of the overall risk situation

Compared to the previous year, the overall risk situation did not change significantly in the reporting period. The overall risk assessment is based on a consolidated view of all significant individual risks. At present, no potential risks have been identified that either individually or in combination could endanger the continued existence of ad pepper media group.

Chances and forecast

Private consumption will continue to be weak along with deteriorating employment and income conditions and a more cautious consumer sentiment in 2009. Despite a generally negative economic outlook, the development expected for the online market for 2009 gives us cause to look to the future with optimism. The fundamental growth trends in the online marketing industry remain unbroken: Internet penetration continues to increase world-wide and the average time spent on the Internet is increasing as well. In addition to this, Internet advertising is becoming more important when compared to classical forms of advertising, such as print, radio or TV. We expect that the pending economic downturn will accelerate this trend even more.

Finally, the greater part of advertising formats shown on the Internet today is already only billed when successful, i.e. advertisers only pay when Internet users respond to their adverts. Today, ad pepper media's product portfolio already largely comprises web formats that are billed on a success basis. This is due to the fact that we were quick to recognize these so-called performance-based forms of advertising like iSense, iLead, Webgains, ad agents, etc. As a consequence, we think that we are well prepared for a economic downturn and believe that even in a gloomy economic environment, growth is possible. In addition to that, we are starting out in 2009 with a reduced cost basis thanks to a cost-cutting and efficiency-optimization program conducted in the course of 2008. Number of headcounts, however, is expected to slightly increase in the course of 2009. This makes us confident that in 2009 we will again be able to participate in the general growth in online advertising to a greater degree.

Responsibility statement

Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

The Management Board
ad pepper media International N.V.

Ulrich Schmidt Jens Körner Michael A. Carton

Annual consolidated financial statements

Consolidated income statement (IFRS)

	Note	Q1-Q4 2008 kEUR	Q1-Q4 2007 kEUR
Revenues		**52,638**	**50,624**
Cost of sales	7	-30,109	-26,455
Gross profit		**22,529**	**24,169**
Selling and marketing expenses	8	-16,779	-15,318
General and administrative expenses	9	-11,610	-10,921
Other operating income	10	2,442	590
Other operating expenses	11	-4,928	-1,574
Gain on sales of shares in associates and other investments	12	10,820	6,829
Earnings before interest and taxes		**2,474**	**3,775**
Financial income	13	1,265	645
Financial expenses	13	-12	-51
Earnings before taxes		**3,727**	**4,369**
Income taxes	14	-1,117	-1,782
Net income for the year		**2,610**	**2,587**
attributable to shareholders of the parent company		2,620	2,556
attributable to minority interest		-10	31
Basic earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	15	0.24	0.23
Diluted earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	15	0.23	0.22
Weighted average number of shares outstanding (basic)	15	**11,148,050**	**11,149,810**
Weighted average number of shares outstanding (diluted)	15	**11,319,549**	**11,679,362**

Consolidated Balance Sheet (IFRS)

Assets	Note	31 December 2008 kEUR	31 December 2007 kEUR
Non-current assets			
Goodwill	16	20,814	20,665
Intangible assets	17	5,258	9,155
Property, plant and equipment	18	819	1,100
Securities at fair value through profit and loss	19	1,590	0
Securities available for sale	19	4,155	2,131
Other financial assets	20	2,671	772
Deferred tax assets	14	740	2,979
Total non-current assets		**36,047**	**36,802**
Current assets			
Securities and deposits with maturity over three months	21	11,469	3,390
Trade receivables	22	10,317	12,847
Income tax receivables	23	1,159	1,151
Prepaid expenses and other current assets	24	401	738
Other financial assets	24a	1,864	1,890
Cash and cash equivalents	25	5,833	12,029
Total current assets		**31,043**	**32,045**
Total assets		**67,090**	**68,847**

Equity and liabilities	Note	31 December 2008 kEUR	31 December 2007 kEUR
Equity attributable to shareholders of the parent company			
Issued capital	26	1,139	1,139
Additional paid-in capital	27	66,747	66,319
Treasury shares	28	-1,732	-1,269
Accumulated deficit		-5,769	-8,389
Accumulated other comprehensive losses	30	-4,830	-1,511
Total		**55,555**	**56,289**
Minority interest	31	120	177
Total equity		**55,675**	**56,466**
Non-current liabilities			
Deferred tax liabilities	14	377	907
Total non-current liabilities		**377**	**907**
Current liabilities			
Trade payables	32	7,356	7,619*
Other current liabilities		960	792
Other financial liabilities	33	2,616	2,695*
Income tax liabilities		106	368
Total current liabilities		**11,038**	**11,474**
Total liabilities		**11,415**	**12,381**
Total equity and liabilities		**67,090**	**68,847**

* adjusted

Statement of Cash Flows (IFRS)

	Note	Q1-Q4 2008 kEUR	Q1-Q4 2007 kEUR
Net income for the period		**2,610**	**2,587**
Adjustments to reconcile net income for the year to net cash flow from operating activities			
Depreciation and amortization	6	4,699	2,573
Loss/ Gain on sale of fixed assets		5	-17
Gain/ Loss on sale of securities	19, 21	-207	30
Share-based compensation	39	428	438
Other financial income and financial expenses	13	-1,253	-624
Income taxes	14	1,116	1,782
Gain on sale of shares in associates and other investments	12	-10,820	-6,829
Other non-cash expenses and income		740	508
Gross cash flow		**-2,682**	**448**
Change in trade receivables	22	1,076	-2,322
Change in other assets		412	1,240
Income taxes paid		-363	-289
Interest received		912	457
Change in trade payables	32	-76	21
Interest paid	13	-12	-21
Change in other liabilities		53	-1,356
Net cash flow from operating activities		**-680**	**-1,822**

	Note	Q1-Q4 2008 kEUR	Q1-Q4 2007 kEUR
Additions to intangible assets and property, plant and equipment	17, 18	-1,196	-3,587
Proceeds from sale of intangible assets and property, plant and equipment		28	420
Proceeds from sale of shares in associates and other investments	12, 24	10,845	5,606
Security deposits / proceeds from repayment of security deposits		0	0
Acquisition of other investments	20	-1,814	0
Acquisition of subsidiaries, net of cash acquired	4, 17	-40	-5,994
Proceeds from sale of securities	19, 21	207	3,318
Purchase of securities and investment in deposits with maturity over 3 months	19, 21	-13,059	-1,500
Net cash flow from investing activities		**-5,029**	**-1,737**
Increase in capital	26, 27	0	2,297
Dividends paid to minorities		-47	0
Sale of treasury shares	28	0	53
Purchase of treasury shares	28	-463	-1,230
Repayment of loans granted	20	127	20
Net cash flow from financing activities		**-383**	**1,140**
Effect of exchange rates on cash and cash equivalents		-104	69
Cash-effective decrease / increase in cash and cash equivalents		-6,092	-2,420
Cash and cash equivalents at beginning of year		**12,029**	**14,380**
Cash and cash equivalents at end of period		**5,833**	**12,029**

Consolidated Statement of Changes in Equity

	Note	Issued capital kEUR	Additional paid-in capital kEUR	Treasury shares kEUR	Accumulated deficit kEUR	Accumulated other Currency translation differences kEUR	Comprehensive losses Market valuation of „available-for-sale" securities kEUR	Minority interest kEUR	Total kEUR
		Equity attributable to shareholders of the parent company							
Balance at 1 January 2007		**1,115**	**61,860**	**-340**	**-10,944**	**-140**	**-698**	**0**	**50,853**
Currency translation differences	30	0	0	0	0	29	0	0	29
Unrealized gains / losses on securities	30	0	0	0	0	0	-702	0	-702
Total income and expense for the year recognized directly in equity		**0**	**0**	**0**	**0**	**29**	**-702**	**0**	**-673**
Net income for the year		0	0	0	2,555	0	0	32	2,587
Total recognized income and expense for the year		**0**	**0**	**0**	**2,555**	**29**	**-702**	**32**	**1,914**
Stock-based compensation	39	0	438	0	0	0	0	0	438
Increase in capital	26, 27	24	2,273	0	0	0	0	0	2,297
Purchase of treasury shares	28	0	0	-1,231	0	0	0	0	-1,231
Issuance of treasury shares	28	0	1,748	302	0	0	0	0	2,050
Acquired minority interest	31	0	0	0	0	0	0	145	145
Balance at 31 December 2007		**1,139**	**66,319**	**-1,269**	**-8,389**	**-111**	**-1,400**	**177**	**56,466**
Balance at 1 January 2008		**1,139**	**66,319**	**-1,269**	**-8,389**	**-111**	**-1,400**	**177**	**56,466**
Currency translation differences	30	0	0	0	0	-1,366	0	0	-1,366
Unrealized gains / losses on securities	30	0	0	0	0	0	-1,953	0	-1,953
Total income and expense for the year recognized directly in equity		**0**	**0**	**0**	**0**	**-1,366**	**-1,953**	**0**	**-3,319**
Net income for the year		**0**	0	0	2,620	0	0	-10	2,610
Total recognized income and expense for the year		**0**	**0**	**0**	**2,620**	**-1,366**	**-1,953**	**-10**	**-709**
Stock-based compensation	39	0	428	0	0	0	0	0	428
Purchase of treasury shares	28	0	0	-463	0	0	0	0	-463
Dividends paid to minorities	31	0	0	0	0	0	0	-47	-47
Balance at 31 December 2008		**1,139**	**66,747**	**-1,732**	**-5,769**	**-1,477**	**-3,353**	**120**	**55,675**

Development of consolidated fixed assets

	Historical cost						Accumulated depreciation / Amortisation / Impairment					Book value	
Business year 2007	Balance at 1 January 2007 kEUR	Additions kEUR	Additions through business combinations kEUR	Disposals kEUR	Exchange differences kEUR	Balance at 31 December 2007 kEUR	Balance at 1 January 2007 kEUR	Depreciation/ Amortisation/ Impairment 2007 kEUR	Disposals kEUR	Exchange differences kEUR	Balance at 31 December 2007 kEUR	Business year 31 December 2007 kEUR	Previous year 31 December 2006 kEUR
Goodwill	17,701	0	4,598	0	0	22,299	1,634	0	0	0	1,634	20,665	16,066
Intangible assets													
Software	7,095	2,877	577	2,297	0	8,252	2,243	1,138	2,009	0	1,372	6,880	4,852
Brands and customer bases	3,515	0	935	1	0	4,449	1,193	988	7	0	2,174	2,275	2,322
Total	10,610	2,877	1,512	2,298	0	12,701	3,436	2,126	2,016	0	3,546	9,155	7,174
Property, plant and equipment													
Other equipment, operational and office equipment	2,181	710	74	1,434	0	1,531	1,296	448	1,313	0	431	1,100	885
Total	30,492	3,587	6,184	3,732	0	36,531	6,366	2,574	3,329	0	5,611	30,920	24,125
Business year 2008	Balance at 1 January 2008 kEUR	Additions kEUR	Additions through business combinations kEUR	Disposals kEUR	Exchange differences kEUR	Balance at 31 December 2008 kEUR	Balance at 1 January 2008 kEUR	Depreciation/ Amortisation/ Impairment 2008 kEUR	Disposals kEUR	Exchange differences kEUR	Balance at 31 December 2008 kEUR	Business year 31 December 2008 kEUR	Previous year 31 December 2007 kEUR
Goodwill	22,299	0	149	0	0	22,448	1,634	0	0	0	1,634	20,814	20,665
Intangible assets													
Software	8,252	655	0	0	-414	8,493	1,372	2,985	0	-6	4,351	4,142	6,880
Brands and customer bases	4,449	244	0	0	-215	4,478	2,174	1,229	0	-41	3,362	1,116	2,275
Total	12,701	899	0	0	-629	12,971	3,546	4,214	0	-47	7,713	5,258	9,155
Property, plant and equipment													
Other equipment, operational and office equipment	1,531	297	0	55	18	1,791	431	485	22	78	972	819	1,100
Total	36,531	1,196	149	55	-611	37,210	5,611	4,699	22	31	10,319	26,891	30,920

Notes to the consolidated financial statements

Corporate information [1]

The consolidated financial statements of ad pepper media International N.V. (the "company") for the year ended 31. December 2008 were authorized for issue by the board of directors on 26 March 2009.
ad pepper media International N.V. is a limited liability company incorporated in the Netherlands, domiciled at Hogehilweg 15, 1101 CB Amsterdam, the Netherlands. The Head Office is domiciled at Frankenstraße 150C, 90461 Nuremberg, Germany. The company's shares are publicly traded under WKN 940883 (ISIN NL0000238145) on the Prime Standard of the Frankfurt Stock Exchange. The business activities of ad pepper media International N.V. involve holding investments in other entities whose objective is to market advertising space on the internet, and providing services for the subsidiaries. Since its formation, ad pepper media has been geared towards acting flexibly to meet the requirements of a whole range of different markets as an international group.

ad pepper media is an international provider of interactive products and services for websites and advertisers. The company currently markets campaigns and websites in more than 50 countries and operates from 14 branches in nine European countries and the USA. ad pepper media uses state-of-the-art technology to link thousands of small, medium and large websites to a top-quality advertising network with global reach and an exact focus on its target group.

In addition to a regional, national and international marketing presence, website partners receive a large number of other important products and services such as ad serving, traffic analysis and performance optimization, provided by ad pepper media and its affiliated entities in a localized form.

Accounting principles [2]

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments that have been measured at fair value through equity and for investments designated as at fair value through profit and loss. The consolidated financial statements are presented in euro. All values are rounded to the nearest euro (EUR) or thousand euro (kEUR) except when indicated otherwise.

Statement of compliance

The consolidated financial statements of ad pepper media International N.V. and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

Basis of consolidation

The consolidated financial statements comprise the financial statements of ad pepper media International N.V. and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.
All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

All business combinations are accounted for under the purchase method. In accordance with this method, the purchase price has been allocated to the fair value of the interest held in the net assets of the consolidated subsidiaries at the time of acquisition. In doing so, all identifiable assets, liabilities and contingent liabilities are recognized at fair value and measured accordingly in the consolidated balance sheet. Following adjustments to the fair values of assets acquired and liabilities assumed, any resulting positive difference is capitalized in the balance sheet as goodwill. Situations in which the fair value of net assets is greater than the purchase price paid result in a negative difference. In the event that such difference remains following reassessment of the allocation of the purchase price or determining the fair value of acquired assets, liabilities and contingent liabilities, this is recognized as income immediately. The proportion of assets, liabilities and contingent liabilities of the subsidiary applicable to minority interest is also recognized at fair value. Goodwill is however reported only to the extent that it applies to the group and is not extrapolated to minority interest.

Consolidated group

The entities included in consolidation are as follows:

Entity	*Share in percent*
ad pepper media GmbH, Nuremberg, Germany	*100*
ad pepper media Austria GesmbH, Salzburg, Austria	*100*
ad pepper media Benelux B.V., Amsterdam, the Netherlands	*100*
ad pepper media Sweden AB, Stockholm, Sweden	*100*
ad pepper media Denmark A/S, Copenhagen, Denmark	*100*
Pentamind A/S, Copenhagen, Denmark	*100*
ad pepper media UK Ltd, London, United Kingdom	*100*
ad pepper media France S.A.R.L., Paris, France	*100*
ad pepper media Spain S.A., Madrid, Spain	*100*
ad pepper media USA LLC, New York, USA	*100*
ad pepper media Italy srl., Milan, Italy	*100*
Web Measurement Services B.V., Amsterdam, the Netherlands	*100*
Crystal Reference Systems Ltd., Holyhead, United Kingdom	*100*
Webgains Ltd, London, United Kingdom	*100*
ad pepper media Australia Ltd., Melbourne, Australia	*100*
ad pepper media SA, Küssnacht am Rigi, Switzerland	*100*
Globase International ApS, Copenhagen, Denmark	*100*
Emediate ApS, Copenhagen, Denmark	*100*
EMSEAS TEKNIK AB, Stockholm, Sweden	*100*
ad agents GmbH, Herrenberg, Germany	*60*

Changes in consolidated group

The companies Atlas Internet Associates s.r.o., Bratislava, Slovak Republic, and ad pepper media Oy, Helsinki, Finland, which have been dormant, were wound up in mid-August 2008 and were deconsolidated.

The companies did not own any assets and liabilities at the time of liquidation.

ad pepper media Austria GesmbH was in the process of liquidation on the balance sheet date.
Further comments are provided in the note on business combinations.

Changes in accounting policies

The accounting policies adopted are fundamentally consistent with those of the previous financial year with the exception of the following reclassification and a voluntary early adoption of IFRS 8:

Webgains affiliate commissions

The amount of kEUR 407 reported in the previous year under the other financial liabilities was reclassified, on account of its character, to trade payables. The comparable amount for 2008 is kEUR 826.

New standards

Changes in accounting principles result from adoption of the following new and amended standards:

IFRS 8 Operating segments

IFRS 8 supersedes IAS 14 "Segment reporting" and converges the standards of the IASB with the requirements of the Statement of Financial Accounting Standards (SFAS) 131. The IFRS requires an entity to report financial and descriptive information about its reportable segments.
Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity, on which separate financial information is available, that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

The group is disclosing segment information for the operating segments "ad pepper media", "Webgains" and "ad agents" as well as the non-operating segment "Admin".
As a new controlling software/ERP-system was introduced as at 1 January 2008 the group is not able to give comparable IFRS 8 figures for 2007 under the new reporting structure. Though, the group additionally reports segment information under IAS 14 to enable a comparison to 2007 figures.

IFRIC 11 Group and Treasury Share Transactions

IFRIC 11 addresses the question how IFRS 2 „Share-based Payment" is to be applied in cases where an entity grants to its employees rights to equity instruments of the same or another entity. IFRIC 11 had no impact on ad pepper media's annual report for the financial year 2008.

Amendments to IAS 39 and IFRS 7

On 13 October 2008, the IASB adopted amendments to the applicable IAS 39.50 as well as IFRS 7.12 and .12A which are final without any further IASB processes. The amendments made address, with a view to the crisis on the financial market, the need to reduce differences between IFRS and US-GAAP and to eliminate potential competition advantages of US banks. These amendments now allow companies to reclassify some non-derivate financial instruments from the category titled: „financial assets at fair value through profit or loss", in as far as such financial instruments were not originally assigned to this category through the exercising of the fair value option, and from the category titled „available-for-sale financial assets". This concerns particularly those financial instruments which, had there been no intention to trade and/or no designation as „available for sale" would have originally fulfilled the definition of „loans and receivables".

The changes regarding reclassification may be used with effect as of 1 July 2008. IFRS 7 was amended accordingly. In Commission Regulation (EC) No. 1004/2008, the Commission of the European Communities included these amendments to IAS 39 Financial instruments (recognition and measurement) and to IFRS 7 Financial instruments (disclosures). The regulation came into effect at the time of publication on 16 October 2008 in the Official Journal of the European Union L 275/37.

Due to its high equity ratio, ad pepper media decided not to make use of this right, but instead to continue to value the existing securities categorized as „available for sale" at fair value.

IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN COMMUNITY WHICH ARE NOT YET TO BE ADOPTED:

IAS 1 revised – Presentation of Financial Statements

IAS 1 revised was issued in September 2007 and is applicable for financial years beginning on or after 1 January 2009. IAS 1 revised will result (among other things) in additional disclosures regarding equity. IAS 1 revised will result in additional disclosures in the consolidated financial statements.

IAS 23 Borrowing costs (revised 2007)

IAS 23 Borrowing costs (revised 2007) was issued in March 2007 and is applicable for financial years beginning on or after 1 January 2009. The standard requires capitalization of borrowing costs that can be allocated to a qualifying asset.

According to its transitional provisions, the standard shall be applied prospectively from the date of application. IAS 23 Borrowing costs (revised 2007) is not expected to apply to ad pepper media.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 presentation of Financial Statements:

The amendments to IAS 32 and IAS 1 Puttable instruments and obligations arising on liquidation were published in February 2008 and shall be applied for the first time for financial years beginning on or after 1 January 2009. The amendments relate to the classification of puttable shareholder contributions as an equity instrument or as a financial liability. Under the existing rules, entities were in some cases forced, on account of redemption rights on the part of the shareholder that were foreseen by law, to report the capital as financial liabilities.

In future, these shareholder contributions will generally be classified as equity, if compensation at fair value is agreed and the contributions made represent the most subordinate claims on the company's net assets. On the basis of the existing situation, the amended IAS 32 will not have any significant impact.

Improvements to IFRSs

The International Accounting Standards Board (IASB) published the Improvements to IFRSs on 22 May 2008, amending a number of International Financial Reporting Standards (IFRSs) under the first Annual Improvements Project. The final amendments are the result of the discussions held up to now with the aim of adapting the wording of individual IFRS to clarify the existing regulations. In addition, amendments were made that will affect accounting, valuation or assessment.
The standards affected are listed in the IASB's press release together with a brief description of each amendment. Contrary to the initial draft, amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards are no longer included. They are to be published in a separate document. Unless separately regulated in the respective standard, the amendments are to be applied to fiscal years commencing on or after 1 January 2009.
The expected improvements in IAS 36, IAS 38 and IAS 39 could result in changes to the ad pepper media group's accounting and valuationmethods. A final assessment of the effects is not possible at this stage.

IFRS 1 First-time Adoption of International Financial Reporting Stand-ards and IAS 27 Consolidated and Separate Financial Statements

On 22 May 2008 the International Accounting Standards Board (IASB) published amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements. The amendments are summarized in a document entitled „Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate", and also include changes to IAS 18, IAS 21 and IAS 36. The amendments make it possible for companies, when using the International Financial Reporting Standards (IFRS) for the first time in their IFRS separate financial statements, to calculate either the current market value or the book value according to the previously used national accounting rules when determining the purchase cost of a holding. This rule applies to jointly controlled, associate and subsidiary companies.
This amendment took into account reservations that, when the IFRS are applied for the first time, in some cases the retroactive determination of the purchase cost according to IAS 27 is only possible at a disproportionately high cost or requires a disproportionate amount of work.
The amendments also removed from IAS 27 the obligation to reduce purchase costs when distributing revenue reserves formed before the acquisition of the shares. Dividends from jointly controlled entities, associates companies and subsidiaries must in future be recorded in the Profit and Loss Account regardless of whether the money distributed stems from profits made before the acquisition date or not. An „impairment test" is to be carried out if the profit distributed in a year exceeds the total profits for this year. The amendments apply to fiscal years beginning on or after 1 January 2009.

The amendments made to IFRS 1 and IAS 27 currently have no impact on the ad pepper media group's accounting.

IFRS 2 Share-based Payment: Vesting Conditions and Cancellations

This amendment to IFRS 2 Share-based Payment was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services.

Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation.
This amendment to IFRS 2 Share-based Payment will have no impact on the consolidated financial accounts.

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 was issued in June 2007 and is applicable for financial years beginning on or after 1 July 2008. This Interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted.
IFRIC 13 Customer Loyalty Programmes will probably have no impact on the consolidated financial accounts.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 was issued in July 2007 and is applicable for financial years beginning on or after 1 January 2008. The interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits.
IFRIC Interpretation 14 will probably have no impact on the consolidated financial accounts.

Amendments to IAS 39

The International Accounting Standards Board (IASB) published amendments to IAS 39 Financial Instruments: Recognition and Measurement on 31 July 2008. The amendments are summarized in a document entitled „Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement". The point of departure is the existing regulations under which a company can incorporate the entire underlying transaction – or part of it, or certain risks of it – into a hedge. In order to simplify the application of the unchanged fundamental principles, additions were made to the application principles in the areas of designating inflation risks as an underlying transaction and designating a unilateral risk in an underlying transaction (e.g. with an option as the hedge). Regarding the designation of inflation risks as the underlying transaction, it is clarified that this risk cannot on principle be designated as a hedged risk. If, however, the inflation component is made up of contractually fixed parts of a financial instrument's cash flows, inflation may be hedged.
A unilateral risk is when a company exclusively designates changes in the cash flows or in the current market value of an under lying transaction above or below a fixed price or another variable. The addition clarifies that only the intrinsic value of the option – but not the full value of the option consisting of intrinsic value and current market value – can be designated. If the full value of the option were designated as the hedging instrument for an unilateral risk of a future transaction, this would represent hedge ineffectiveness, since only the hedging instrument contains a component of current market value.
The amendments are applicable to fiscal years beginning on or after 1 July 2009. Earlier application is permitted. The amendments have not yet been incorporated into European law.

These amendments currently have no impact on the ad pepper media group's accounting.

IFRS AND IFRIC INTERPRETATIONS IN FORCE BUT NOT YET ENDORSED BY THE EUROPEAN COMMUNITY:

IFRIC 12 Service concession arrangements

IFRIC 12 is limited to accounting for arrangements whereby a government contracts for the supply of public services (such as roads or hospitals) to private operators from the perspective of the licensee. IFRIC 12 shall be applied for annual periods beginning on or after 1 January 2008. This interpretation is not relevant for the business of the group.

IFRS 3 Business Combinations

The revised IFRS 3 was published in January 2008 and becomes effective for financial years beginning on or after 1 July 2009. The Standard was comprehensively revised in conjunction with the IASB/FASB convergence project. The main changes comprise in particular the introduction of an option for the measurement of minority interests between the recording of the identifiable net assets ("purchased goodwill method") and the full goodwill method, under which the full goodwill of the acquired entity, also including the portion attributable to the minority interest, shall be recognized. Furthermore, special mention should be made of the revaluation of existing interests, recognizing gains or losses in profit or loss, when control is obtained for the first time (successive business acquisition), the mandatory reflection of consideration that is linked to the occurrence of future events at the acquisition date and the recognition of transaction costs. The transitional regulations provide for the prospective application of the new Standard.

No changes ensue for assets and liabilities that result from business combinations before the first-time application of the new Standard.
The group had not yet finally analyzed the effects of these changes as of the closing date.

IAS 27 Consolidated and Separate Financial Statements

The revised IAS 27 was published in January 2008. The amendments that have been made shall be applied for the first time for financial years beginning on or after 1 July 2009. The amendments result from the joint project between the IASB and the FASB on the revision of the accounting regulations applicable to business combinations. The amendments relate primarily to accounting for interests without a control character (minority interests), which will participate in future in full in the losses of the group, and transactions that result in the loss of control over a subsidiary, the effects of which shall be recognized in profit or loss. The effects of disposals of interests that do not result in the loss of control shall on the other hand however be recognized in equity. The transitional regulations, which fundamentally foresee the retrospective application of the amendments, provide for the prospective application of the above-mentioned matters. No changes ensure for assets and liabilities that result from such transactions before the first time application of the new Standard. The group had not yet finally analyzed the effects of these changes as of the closing date. On the basis of the existing situation, the amended IAS 27 will not have any significant impact.

IFRS 1 First-time Adoption of International Financial Reporting Standards (revised 2008)

In November 2008 the IASB has released a restructured version of IFRS 1 First-time Adoption of International Financial Reporting Standards. IFRS 1 was first issued in June 2003, and since then it has been amended frequently. As a result, the IFRS became more complex and less clear. In 2007, therefore, the Board proposed, as part of its annual improvements project, to change IFRS 1 to make it easier for the reader to understand and to design it to better accommodate future changes. The new version of IFRS 1 just issued retains the substance of the previous version, but within a changed structure.

It replaces the previous version and is effective for entities applying IFRSs for the first time for annual periods beginning on or after 1 July 2009. Earlier application is permitted.

IFRIC 15 Agreements for the Construction of Real Estate

The International Financial Reporting Interpretations Committee (IFRIC) published IFRIC 15 Agreements for the Construction of Real Estate on 3 July 2008. The interpretation aims to achieve uniform accounting by businesses that develop land and, in this capacity, sell units such as residential units or houses „off plan", i.e. before construction is completed. IFRIC 15 defines criteria according to which accounting must follow either IAS 11 Construction Contracts or IAS 18 Revenue. The interpretation applies to fiscal years beginning on or after 1 January 2009.
IFRIC 15 is not applicable to the ad pepper media group's business activities.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The International Financial Reporting Interpretations Committee (IFRIC) published IFRIC 16 Hedges of a Net Investment in a Foreign Operation on 3 July 2008. The objective of the interpretation is to clarify two issues relating to two standards – IAS 21 The Effects of Changes in Foreign Exchange Rates and IAS 39 Financial Instruments: Recognition and Measurement – in connection with posting hedges of foreign-currency risks within a company and its foreign operations. IFRIC 16 clarifies what is to be considered a risk in the hedge of a net investment in a foreign operation and where within the group the instrument for hedging this risk may be held. The interpretation is to be applied to fiscal years beginning on or after 1 October 2008.

IFRIC 16 currently has no impact on the ad pepper media-group's accounting.

IFRIC 17 Distributions of Non-cash Assets to Owners.

The International Financial Reporting Interpretations Committee has issued IFRIC 17 Distributions of Non-cash Assets to Owners in November 2008. IFRIC 17 Distributions of Non-cash Assets to Owners clarifies that:

- a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity.
- an entity should measure the dividend payable at the fair value of the net assets to be distributed.
- an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.
- an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 17:

- applies to pro rata distributions of non-cash assets except for common control transactions.
- is to be applied prospectively.
- is effective for annual periods beginning on or after 1 July 2009. Earlier application is permitted.

IFRIC 18 Transfers of Assets from Customers

The IASB has published IFRIC 18 Transfers of Assets from Customers in January 2009. This Interpretation is of particular relevance for the utility sector as it clarifies the accounting for agreements where an entity receives an item of PP&E (or cash to construct such an item) from a customer and this equipment in turn is used to connect a customer to the network or to provide ongoing access to supply of goods/services.

The Interpretation clarifies:

- When the definition of an asset is met
- Recognition and measurement of the asset
- Identification of separately identifiable services
- Recognition of revenue
- Accounting for cash transfers from customers

The Interpretation is effective prospectively for transfers occurring on or after 1 July 2009. Earlier application is permitted if the necessary valuation and other information to apply IFRIC 18 were obtained at the time of the transfer.

Improving Disclosures about Financial Instruments (Amendments to IFRS 7)

On 5 March 2009 the IASB has issued Improving Disclosures about Financial Instruments (Amendments to IFRS 7). The amendments require enhanced disclosures about fair value measurements and liquidity risk. Among other things, the new disclosures:

- clarify that the existing IFRS 7 fair value disclosures must be made separately for each class of financial instrument
- add disclosure of any change in the method for determining fair value and the reasons for the change
- establish a three-level hierarchy for making fair value measurements:
  - quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
  - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (i.e. derived from prices) (Level 2); and
  - inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).
- add disclosure, for each fair value measurement in the statement of financial position, of which level in the hierarchy was used and any transfers between levels, with additional disclosures whenever level 3 is used including a measure of sensitivity to a change in input data
- clarify that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts
- add disclosure of a maturity analysis for derivative financial liabilities

Amendments to IFRIC 9 and IAS 39

On 12 March 2009 the IASB has published amendments to IFRIC 9 and IAS 39 to clarify the accounting treatment of embedded derivatives for entities that make use of the Reclassification Amendment issued by the IASB in October 2008. The reclassification amendment allows entities to reclassify particular financial instruments out of the ‚fair value through profit or loss' category in specific circumstances. These amendments to IFRIC 9 and IAS 39 clarify that on reclassification of a financial asset out of the ‚fair value through profit or loss' category, all embedded derivatives in the reclassified instrument have to be assessed and, if necessary, separately accounted for in financial statements. The amendments apply retrospectively and are effective for annual periods ending on or after 30 June 2009.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

In the process of applying the group's accounting policies, management has to make judgments, which have a significant effect on the amounts recognized in the financial statements:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Development Costs

Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. Further information is presented in the note on "Intangible assets".

Impairment of Goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Estimating an amount for the recoverable amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further information is presented in the note on "Goodwill".

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies. Further information is presented in the note on "Income taxes".

Assets acquired as part of a business combination

The recognition of property, plant and equipment and intangible assets involves estimations to determine the fair value on the acquisition date. This applies in particular to assets acquired as part of a business combination. The determination of the fair values of assets and liabilities and the useful lives of assets is based on assessments by management. Further information is presented in the note on "Business combinations".

Impairment of available-for-sale financial assets

ad pepper assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. As the debts instruments have considerably decreased in its fair value, ad pepper media has thoroughly assessed the need for impairment. In making this judgement, ad pepper evaluates among other factors, the normal volatility in stock-market prices as well as the impact of a lack of liquidity in trading in prevailing market conditions. However, a debt instrument classified as available-for-sale is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the debt instrument and that the loss event has impact on the estimated future cash flows of the debt instruments. Evidence of impairment may include indications that the issuer of the debt instrument is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the issuer is facing bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears. Impairment deemed appropriate when there is convincing doubt about the creditability of the issuer or there is strong indications that the redemption of the debt instruments or the interest payments are at risk. Considering the facts that the debt instruments are covered by support agreement, guaranteeing the full redemption of the instruments, that so far all interest payments have been received in time and that there is no material deterioration of the financial fundamentals of issuers, Directors of the Board after due consideration are of the opinion that there is no evidence that the available for sale financial asset are impaired. No impairment losses have been recognized for available-for-sale assets at 31 December 2008 (2007: nil). Further information is presented in the note on "Current and non-current marketable securities".

Summary of significant accounting policies [3]

Foreign currency translation

The consolidated financial statements are presented in euros, which is the company's functional and presentation currency. Each entity in the group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

As at the reporting date, the assets and liabilities of those subsidiaries that have a functional currency other than the euro are translated into the presentation currency of ad pepper media International N.V. (the euro) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

The significant foreign currency exchange rates have developed as follows:

Foreign currency per 1 EUR	Closing rate 31,12,08	Closing rate 31,12,07	Average rate 2008	Average rate 2007
US dollar	1.3917	1.4674	1.4788	1.4733
British pound	0.9525	0.7333	0.7845	0.7122
Swedish krone	10.870	9.4253	9.5612	9.3416
Danish krone	7.4506	7.4377	7.4544	7.4373

Property, plant and equipment

Plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight line basis over the useful life of the assets. The estimated useful lives of the assets are between three and ten years. An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Business combinations and goodwill

Business combinations are accounted for applying the purchase method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the group's primary or secondary reporting format determined in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortized goodwill is recognized in the income statement.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognized only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development.

During the period of development, the asset is tested for impairment annually. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected

future sales. During the period in which the asset is not yet in use, it is tested for impairment annually.

Gains or losses arising from derecognizing of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the fair value of the asset or cash-generating unit less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. The valuation model is based on a discounted cash flow method.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increased amount shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized on the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognized for goodwill are not reversed for subsequent increases in its recoverable amount.

THE FOLLOWING CRITERIA ARE ALSO APPLIED IN ASSESSING IMPAIRMENT OF SPECIFIC ASSETS:

Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.
Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized.
Impairment losses recognized for goodwill shall not be reversed in future periods. The group performs its annual impairment test of goodwill as at 31 December.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.
The group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.
All regular way purchases and sales of financial assets are recognized on the settlement date, being the date on which the group clears the purchase or sale of a financial asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.
Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in profit or loss.
The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in the preceding category.
Available-for-sale financial assets, classified as current or non-current marketable securities depending on their maturity, are non-derivative financial assets that are designated as available-for-sale. They are recognized on initial measurement at fair value. After initial measurement, available-for-sale financial assets are measured at fair value, recognizing unrealized gains or losses directly in equity in the net unrealized gains reserve. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the income statement.

Fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Amortized cost

Loans and receivables are measured at amortized cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

IMPAIRMENT OF FINANCIAL ASSETS

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.
If the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the recognition of impairment, the impairment loss previously recognized is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.
In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from equity to the income statement.
Reversals in respect of equity instruments classified as available-for-sale are not recognized in the income statement.
Reversals of impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the group's own equity instruments.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. Shares in money market funds are also included in cash equivalents.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Provisions

Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Share-based payment transactions

Employees (including senior executives) of the group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

In situations in which some or all of the goods or services reeived by the entity as consideration for equity instruments cannot be specifically identified, they are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using an appropriate pricing model, further details of which are given in subsequent notes.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. A voluntary waiver of the counterparties of granted stock options after the grant date is treated as a cancellation of the plan resulting in an accelerated vesting of the granted stock options. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are provided in Note[15]).

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Only operating lease agreements exist. Payments are recognized as an expense in the income statement on a straight line basis over the lease term.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other turnover taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

The company generates its revenues mainly by marketing internet advertising space. Advertising customers book units (Ad Impressions, Ad Clicks, Registrations, Mail send-outs, Transactions) via the company – these are supplied over a period defined by the customer. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price of the transaction is fixed and determinable, and recoverability is reasonably assured.

In cases in which the campaign starts before the balance sheet date and lasts beyond this date, revenue is deferred proportionately according to the units supplied or to the period, depending on the contract.

Revenue recognized leads to the recognition of unbilled receivables as long as an invoice is not send out to the client.

Interest income

Revenue is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable and deductible temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Earnings per share

Earnings per share is determined pursuant to IAS 33 "Earnings per Share". Basic earnings per share is the consolidated net income divided by the weighted average number of shares of ordinary shares outstanding. Diluted earnings per share is the consolidated net income divided by the total of the weighted average number of shares of ordinary shares outstanding and all dilutive effects of potential ordinary shares.

Cash flow statement

The cash flow statement according to IAS 7 "Cash Flows Statements" is classified by operating, investing and financing activities.

Business combinations [4]

Webgains Ltd.

The increase in goodwill shown per 31 December 2008 on the balance sheet of kEUR 109 is a result of the release of an escrow account that was set up for the acquisition of Webgains Ltd.

Keypoint

The further increase in goodwill shown in the balance sheet by kEUR 41 as per 31 December 2008 results from an asset deal made by ad pepper media Italy s.r.l. in August 2008. The assets acquired consist solely of two websites and a database of registered users. Neither funds nor liabilities were acquired. As a reliable measurement of these intangibles is not possible the group increased goodwill. This goodwill comprises revenue prospects from the use of the websites. The minimum purchase price was kEUR 25.

The final purchase price is dependent on earn-out components in the form of the financial results until summer 2009 and can total kEUR 100 max. An earn-out component of additionally kEUR 16 has already been paid out. The preliminary purchase price thus amounts to kEUR 41. The final purchase price allocation will be completed in summer 2009.

Segment reporting [5]

IFRS 8 supersedes IAS 14 "Segment reporting" and converges the standards of the IASB with the requirements of the Statement of Financial Accounting Standards (SFAS) 131. The IFRS requires an entity to report financial and descriptive information about its reportable segments.

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity, on which separate financial information is available, that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

The group is disclosing segment information for the operating segments "ad pepper media ", "Webgains" (Affiliate-Marketing) and "ad agents" (SEM/SEO) as well as the non-operating segment "Admin" (Administration).

As a new controlling software/ERP-system was introduced as at 1 January 2008 the group is not able to give comparable IFRS 8 figures for 2007 under the new reporting structure. Though, the group additionally reports segment information under IAS 14 to enable a comparison to 2007 figures.

Financial year 2008	*ad pepper media kEUR*	*Webgains kEUR*	*ad agents kEUR*	*Admin kEUR*	*Consolidation kEUR*	*Group kEUR*
Total revenues	*37,625*	*11,477*	*5,154*	*2,602*	*-4,220*	*52,638*
thereof external	*36,243*	*11,203*	*5,151*	*41*	*0*	*52,638*
thereof intersegment	*1,382*	*274*	*3*	*2,561*	*-4,220*	*0*
Expenses and other income	*-37,365*	*-10,784*	*-5,145*	*566**	*2,564*	*-50,164*
thereof amortization and depreciation	*-2,733***	*-350*	*-42*	*-1,576*	*2*	*-4,699*
thereof other non-cash expenses	*-978*	*-85*	*-22*	*-434*	*-11*	*-1,530*
EBIT	*260*	*693*	*9*	*3,168*	*-1,656*	*2,474*
Financial income	*151*	*9*	*11*	*1,366*	*-272*	*1,265*
Financial expenses	*-274*	*-8*	*-1*	*-1*	*272*	*-12*
Income taxes						*-1,117*
Net income for the year						*2,610*

** thereof kEUR 10,820 gains from the sale of minority investments*
*** thereof impairment loss of intangible assets with definite useful life kEUR 1,506*

Disclosure information according to IFRS 8.34 is not relevant as there is no dependency on major customers within the ad pepper media-Group.

The various products and services of ad pepper media do not differ materially as regards risk and income. Internal financial reporting and the management structure primarily focus on geographical regions. Primary reporting is therefore provided for the following summarized segments:

- Central Europe including Germany, Austria, the Netherlands and Slovakia
- Northern Europe including Denmark and Sweden
- Western Europe including the UK, France, Spain and Italy
- Others (US, Australia, Switzerland)

Financial year 2008	Central Europe kEUR	Northern Europe kEUR	Western Europe kEUR	Others kEUR	Consoli-dation kEUR	Group kEUR
Total revenues	**22,012**	**9,637**	**19,432**	**3,268**	**-1,711**	**52,638**
thereof external	20,809	9,600	18,961	3,268	0	52,638
thereof intercompany	1,203	37	471	0	-1,711	0
Expenses and other income	**16,434**	**10,229**	**21,937**	**3,783**	**-2,219**	**50,164**
thereof amortization and depreciation	2,153	591	1,944	13	-2	4,699
thereof other non-cash expenses depreciation	656	191	597	124	0	1,568
EBIT	**5,578**	**-592**	**-2,504**	**-516**	**508**	**2,474**
Financial income, net						**1,253**
Income taxes						**-1,117**
Net income for the year						**2,610**

Financial year 2008	Central Europe kEUR	Northern Europe kEUR	Western Europe kEUR	Others kEUR	Consoli-dation kEUR	Group kEUR
Assets	17,806	10,018	13,343	853	-5	42,015
Unallocated assets						25,075
Total assets						**67,090**
thereof investments in property, plant and equipment in the financial year*	133	113	28	23	0	297
thereof investments in intangible assets in the financial year*	529	216	303	0	0	1,048
Liabilities	**4,607**	**1,546**	**4,320**	**293**	**0**	**10,766**
Unallocated liabilities						649
Total liabilities						**11,415**

* to comply with IAS 14.57, the group has included the cost of segment assets acquired by way of business combinations.

Financial year 2007	Central Europe kEUR	Northern Europe kEUR	Western Europe kEUR	Others kEUR	Consoli-dation kEUR	Group kEUR
Total revenues	**21,819**	**10,757**	**16,388**	**3,350**	**-1,690**	**50,624**
thereof external	20,813	9,490	16,523	3,798	0	50,624
thereof intercompany	1,006	1,267	-135	-448	-1,690	0
Expenses and other income	**16,194**	**10,528**	**18,252**	**3,597**	**-1,722**	**46,849**
thereof amortization and depreciation	1,412	376	479	13	293	2,573
thereof other non-cash expenses depreciation	802	130	781	133	-150	1,696
EBIT	**5,625**	**229**	**-1,864**	**-247**	**32**	**3,775**
Financial income, net						**594**
Income taxes						**-1,782**
Net income for the year						**2,587**

Financial year 2007	Central Europe kEUR	Northern Europe kEUR	Western Europe kEUR	Others kEUR	Consoli-dation kEUR	Group kEUR
Assets	18,580	10,755	15,969	1,170	-64	46,410
Unallocated assets						22,437
Total assets						**68,847**
thereof investments in property, plant and equipment in the financial year*	329	330	95	30	0	784
thereof investments in intangible assets in the financial year*	1,301	1,510	1,578	0	0	4,389
Liabilities	**4,417**	**1,975**	**4,352**	**406**	**-134**	**11,016**
Unallocated liabilities						1,364
Total liabilities						**12,380**

* to comply with IAS 14.57, the group has included the cost of segment assets acquired by way of business combinations.

Notes to the income statement [6]

The revenues of ad pepper media are derived from the rendering of online-marketing services; e.g. display, affiliate, SEM/SEO and adserving-solutions.
The income statement has been prepared using the function of expense method. The expenses contain personnel expenses of kEUR 19,219 (2007: kEUR 18,794) and depreciation and amortization of kEUR 4,699 (2007: kEUR 2,573) including an impairment loss of kEUR 1,506.

The personnel expenses include the employer's share to state pension schemes amounting to kEUR 806 (2007: kEUR 752) which have to be disclosed as contribution to a defined contribution plan.

Cost of sales [7]

Cost of sales mainly comprises expenses for internet advertising space and for server technology used, including the associated personnel costs.

Selling and marketing expenses [8]

This item comprises all costs associated with attracting customers and orders. Advertising costs of kEUR 567 (2007: kEUR 526) were expensed in 2008.

General and administrative expenses [9]

This item includes costs of kEUR 546 (2007: kEUR 578) in connection with the sale of investments in dMarc Broadcasting Inc. and Falk eSolutions.

Other operating income [10]

This item primarily includes foreign exchange gains of kEUR 1,114 (2007: kEUR 317) as well as income from the release of accrued liabilities and write-off of payables from prior years.

Other operating expenses [11]

This item includes foreign exchange losses of kEUR 593 (2007: kEUR 768) and changes in the bad debt allowances as well as write-off of receivables totaling kEUR 973 (2007: kEUR 665).
Additionally an amount of EUR 0.8m is included relating to the writing-off of unbilled receivables .
Per 30 June 2008 there was an impairment to a residual book value of zero of intangible assets with a definite useful economic life in the context of the acquisitions of mediasquares GmbH (customer database) and Crystal Reference Ltd. (software) reflecting lower expectations for cashflows from these assets. Thereof the segment "ad pepper media" respectively "Central Europe" accounted for EUR 0.4m, the segment "ad pepper media" respectively "Western Europe" for EUR 1.1m. The total amount of kEUR 1,506 is included in the consolidated income statement under „other operating expenses".

Gain on sale of shares in associates and other investments [12]

During the financial year 2006, the 25.1 percent interest in Falk eSolutions AG was sold to DoubleClick. Gains of EUR 1.0m were recognized in 2008 (2007: EUR 0.4m) from earn-out components of the selling price, which were dependent on meeting defined milestones.
Also in the first quarter of 2006, Google took over dMarc Broadcasting, in which ad pepper media held a stake of 8.2 percent. Gains of EUR 9.8m were recognized in 2008 (2007: EUR 6.4m) from earn-out components of the selling price, which were dependent on meeting defined milestones

Financial income, net [13]

The amount for the past business year includes net interest of kEUR 1,046 (2007: kEUR 624) and realized gains of kEUR 207 from the trade of securities.
In the previous year, financial income, net, furthermore included realized losses of kEUR 30 on the disposal of available-for-sale securities.
Interest income calculated using the effective interest method (IFRS 7.20 b) corresponds with the interest income of kEUR 1,046 (2007: kEUR 644), because no premiums or discounts have to be allocated. Interest expense on financial liabilities that are not at fair value though profit or loss amounts to kEUR 11 (2007: kEUR 21).

Income taxes [14]

Income taxes break down

Income taxes break down	2008 kEUR	2007 kEUR
Current income tax	-93	-279
Deferred tax	-1,024	-1,503
Income tax	-1,117	-1,782

The current income taxes reported relate to the taxes paid or payable by individual local entities. The calculation of the deferred taxes was based on the country-specific tax rates.
Due to the existing unused tax losses, deferred tax assets of kEUR 7,315 (2007: kEUR 4,854) were calculated on the basis of the unused tax losses of kEUR 24,777 (2007: kEUR 17,036).
Deferred tax assets from unused tax losses were recorded to the extent that it is probable that future taxable profit is available against which they can be utilized within a foreseeable planning period. Thus, an amount of deferred tax assets of kEUR 951 (2007: kEUR 2,463) has been recognized for the tax loss carry forwards. The majority of the available tax loss carry forwards is non-expiring.
In addition to the unused tax losses, the following significant deferred tax assets and liabilities result from temporary differences.

Deferred tax liabilities

Deferred tax liabilities	2008 kEUR	2007 kEUR
Software	173	680
Goodwill	211	144
Website / customer base	204	227
Total	588	1,051

Deferred tax assets

Deferred tax assets	2008 kEUR	2007 kEUR
Tax losses brought forward	951	2,463
Securities	0	647
Others	0	13
Total	951	3,123

Changes in deferred tax liabilities on temporary differences recognized in profit or loss amount to kEUR 463 (2007: kEUR 330). The change in deferred tax assets on temporary differences is recognized directly in equity in the case of the reported securities which are allocated to the available-for-sale category, and otherwise in profit or loss.

Deferred tax assets and liabilities are netted if the company has the legally enforceable right to set off current tax assets against current tax liabilities and if they relate to the same tax authorities and the same taxable entity. As a result, deferred tax assets of kEUR 740 (2007: kEUR 2,979) and deferred tax liabilities of kEUR 377 (2007: kEUR 907) were recognized in the balance sheet.
Deferred tax assets of kEUR 513 (2007: kEUR 907) on tax losses are recognized for companies with a history of losses, because group management assumes that it has created the basis for the forecast development of the earnings through the steps taken to improve the profitability.

The tax rates in several European countries in which ad pepper media is active, such as Germany, Denmark, Italy and Spain, have been reduced with effect from 2008. In particular the reduction of the Dutch rate for corporate income tax and trade tax on income from 25 percent to 20 percent affected the measurement of deferred tax.
No deferred tax liabilities were recognized as of 31 December 2008 (2007: nil) for taxes on non-distributed profits of subsidiaries, because the group has decided that the profits of its subsidiaries that have not been distributed will not be distributed in the foreseeable future.

If deferred taxes were to be recognized for these temporary differences, only the source tax rates applicable in each case, where appropriate taking into account the German tax of 5 percent of the distributed dividends, would have to be applied for the computation. The calculation of these deferred taxes, which have been ignored, would be associated with unreasonable cost and effort.

ad pepper media International N.V. has its tax domicile in Germany. With effect from 2008 the combined German income tax rate was decreased. The reconciliation between expected income tax expense and actual income tax expense based on the German statutory tax rate (combined corporate income tax and trade tax on income) of 31.47 percent (2007: 39.82 percent) is as follows:

	2008 kEUR	2007 kEUR
Expected income tax expense	-1,176	-1,740
Foreign tax rate differential	142	-436
Effect from tax-free gains	3,304	2,638
Prior year income tax	57	-532
Deferred tax expense due to change in tax rates	-98	-434
Increase of allowance on deferred tax assets	-2,411	-1,038
Non-deductible stock option expenses	-134	-174
Non-tax-deductible expenses and other	-802	-66
Actual tax expense	**-1,117**	**-1,782**

Non-tax-deductible expenses mainly consist of waivers of loans given to consolidated group companies.
The increase of allowances on deferred tax assets includes kEUR 1,677 on deferred tax assets reported in prior year.

Earnings per share [15]

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The income and share data used in the computations of basic and diluted earnings per share are as follows:

	2008	2007
Net income attributable to shareholders of the parent company in kEUR	2,620	2,556
Number of shares at the beginning of the period	11,201,958	10,942,280
Number of shares at the end of the period	11,012,341	11,201,958
Weighted average number of shares outstanding (basic)	11,148,050	11,149,810
Basic earnings per share in EUR	0.24	0.23
Weighted average number of shares outstanding (diluted)	11,319,549	11,679,362
Diluted earnings per share in EUR	0.23	0.22

The weighted average number of shares outstanding in 2008 was calculated on a daily basis. In 2008, the options granted resulted in dilution of an average of 171,499 shares (2007: 529,552 shares).
No new shares in ad pepper media International N.V. were admitted for trading on the Frankfurt Stock Exchange in 2008 (2007: 239,854 shares).

The company has carried out a share repurchase program, in the course of which 189,617 (2007: 169,200 shares) were acquired at an average price of EUR 2.44 (2007: EUR 7.27).

NON-CURRENT ASSETS

Goodwill [16]

The change in reporting for segments is reflected in a change of testing goodwill for impairment as goodwill is monitored on operating segment-level. In accordance with the provisions of IAS 36, goodwill was tested for impairment in the fourth quarter of 2008 on the basis of future cash flows. The recoverable amount of each cash-generating unit (CGU), which is identical to the operating segments (2007: local entities), was determined on the basis of the calculation of a fair value less costs to sell using cash flow forecasts based on the financial plans for the next five financial years. Individual growth rates were defined for each operating segment considering average growth rates of peer group (2007: the companies in the individual countries). Overall, an average CAGR (compound annual growth rate) of 13 percent (2007: 15 percent) on revenues was assumed for the group, which is in line with market expectations on the basis of current studies in the industry.

The discount rate (weighted average cost of capital) used for the cash flow forecast is between 7.15 percent and 7.26 percent (2007: discount rates between 6.78 percent and 9.83 percent). Cash flows after the five-year forecast period were calculated without using a constant growth rate, as it is not currently possible to calculate a long-term average growth rate for this young industry. The underlying assumptions for the most material CGUs are as follows:

Cash generating units 2008	Goodwill in kEUR	Discount rate in percent	CAGR in percent
ad pepper media	17,011	7.15	4.1
ad agents	24	7.15	31.1
Webgains	3,779	7.26	25.3

Cash generating units 2007	Goodwill in kEUR	Discount rate in percent	CAGR in percent
ad pepper media	16,971	7.80	11.1
ad agents	24	7.80	19.7
Webgains	3,670	7.96	19.0

This did not lead to any impairments.

Sensitivity to changes in assumptions
With regard to the assessment of the recoverable amount of the CGUs, ad agents and Webgains, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed their recoverable amounts. For the CGU ad pepper reasonably possible changes in key assumptions could arise, which could cause the carrying values of the units to exceed their recoverable amounts. The actual recoverable amount for this CGU exceeds its carrying amount by kEUR 1,751.
The implications of the key assumptions on the recoverable amount are discussed below:

Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to impact adversely on forecasts included in the budget, but could yield a reasonably possible alternative to the estimated growth rate. On a reduced growth rate of 2.4 percent, the recoverable amount of the CGU “ad pepper media” would be reduced to its carrying amount.

Total goodwill at the end of the financial year amounted to kEUR 20,814 (2007: kEUR 20,665). The allocation to the cash generating units is as follows:

CGU	31 December 2008 kEUR	31 December 2007 kEUR
ad pepper media	17,011	16,971
ad agents	24	24
Webgains	3,779	3,670
Total	**20,814**	**20,665**

Further details about changes in goodwill are disclosed under “Business Combinations” and “Changes in consolidated group”.

The development of intangible assets including goodwill is presented in the consolidated fixed assets schedule.

Intangible assets [17]

Impairment

Per 30 June 2008 there was an impairment to a residual book value of zero of intangible assets with a definite useful economic life in the context of the acquisitions of mediasquares GmbH (customer database) and Crystal Reference Ltd. (software) reflecting lower expectations for cashflows from these assets. Thereof the segment "ad pepper media" respectively "Central Europe" accounted for EUR 0.4m, the segment "ad pepper media" respectively "Western Europe" for EUR 1.1m. The total amount of kEUR 1,506 is included in the consolidated income statement under „other operating expenses".

The intangible assets break down as follows:

Software

In regard to software expenses there were no material research and development expenses but expenses for software maintenance.

In 2008, no software IT solutions were developed in-house for the company's own use and thus none were capitalized. Amortization of solutions developed in-house for the company's own use amounts to kEUR 925 (2007: kEUR 536), and the carrying amount at 31 December 2008 to kEUR 2,237 including exchange rate differences (2007: kEUR 3,296).

In 2007, software IT solutions developed in-house for the company's own use were capitalized at cost in the amount of kEUR 1,586. Amortization of solutions developed in-house for the company's own use amounts to kEUR 536, and the carrying amount at 31 December 2007 to kEUR 3,296.

Software is amortized over a useful life of three to five years.

There was no software not yet in use as of 31 December 2008 and hence no testing for impairment as of 31 December 2008. This did like in prior years not lead to any impairments.

Brands and customer base

The most material items included are as follows:

On 30 August 1999, ad pepper media purchased the "ad pepper media" brand for kEUR 614. This brand is being written off over a period of ten years on a straight-line basis. The residual carrying amount as of 31 December 2008 is kEUR 41 (2007: kEUR 102). In April 2003, the "Regio Ad" brand was acquired for kEUR 48, including incidental acquisition costs. The amortization period is also ten years. The residual carrying amount as of 31 December 2008 is kEUR 20 (2007: kEUR 25).

The customer base acquired in connection with the acquisition of ResultOnline at a cost of kEUR 444 is being amortized over a useful life of seven years. The residual carrying amount as of 31 December 2008 is kEUR 201 (2007: kEUR 275). The customer base acquired in connection with the acquisition of Nedstat Basic in 2005 at a cost of kEUR 1,331 is being amortized over a useful life of three years. The residual carrying amount as of 31 December 2008 is nil (2007: kEUR 335).

The portfolio of websites acquired in the course of the acquisition of the mediasquares online marketing agency in the financial year 2005 at a cost of kEUR 627 is being amortized over a useful life of seven years. The residual carrying amount as of 31 December 2008 is nil (2007: kEUR 425) due to an impairment as at 30 June 2008 .

The customer base acquired in connection with the acquisition of the Webgains affiliate platform in 2006 at a cost of kEUR 235 is being amortized over a useful life of three years. The residual carrying amount as of 31 December 2008 is kEUR 26 (2007: kEUR 104).

The customer bases of publisher clients and agency clients acquired in connection with the acquisition of Emediate at a cost of kEUR 811 and kEUR 125 respectively are being amortized over useful lives of five and three years respectively. The residual carrying amounts as of 31 December 2008 are kEUR 568 (2007: kEUR 729) and kEUR 62 (2007: kEUR 104) respectively.

Property, plant and equipment [18]

The development of property, plant and equipment including cost and accumulated depreciation is presented in the development of consolidated fixed assets.

Non-current and current securities [19, 21]

As at 31 December all securities are non-current. Recognised as current in the balance sheet are only fixed-term deposits of kEUR 11,469 with a maturity of more than three months after purchase date (2007: available-for-sale-securities of kEUR 3,390).

The securities posted under current assets on 31 December 2007 are posted under non-current assets as per 31 December 2008. The reason behind is the relinquishment of the intention to sell these securities on receiving the milestone payments of EUR 9.8m for the shares in dMarc Broadcasting Inc.

The securities as of 31 December 2008 consist of available-for-sale securities and of securities at fair value through profit and loss (2007: entirely of available-for-sale securities).

Non-current securities have a remaining term of more than one year or if shorter then their disposal within one year is not planned.

In the reporting year, available-for-sale securities were acquired for kEUR 0 (2007: kEUR 1,500) and sold for a total of kEUR 0 (2007: kEUR 3,460). The losses incurred in the financial year amount to kEUR 0 (2007: kEUR 30), including losses of kEUR 0 (2007: kEUR 30) from the release of other comprehensive income to profit or loss.

In the reporting period, unrealized losses of kEUR 1,366 (2007: kEUR 805) were recognized directly in other comprehensive income and loss.

The maturities of the available-for-sale securities as of the end of the period are as follows:

Fair value	*31 December 2008 kEUR*	*31 December 2007 kEUR*
Due within one year	*720*	*1,290*
Due between one and five years	*1,050*	*2,100*
Due in more than five years	*2,385*	*2,131*
Total	*4,155*	*5,521*

In the reporting year, securities at fair value through profit and loss were acquired for kEUR 1,590 (2007: nil) and sold for a total of kEUR 0 (2007: nil). The losses incurred in the financial year amount to kEUR 0 (2007: nil). IAS 39.AG33A states that when an entity becomes a party to a hybrid (combined) instrument that contains one or more embedded derivatives, paragraph 11 requires the entity to identify any such embedded derivative, assess whether it is required to be separated from the host contract and, for those that are required to be separated, measure the derivatives at fair value at initial recognition and subsequently. These requirements can be more complex, or result in less reliable measures, than measuring the entire instrument at fair value through profit or loss. For that reason this Standard permits the entire instrument to be designated as at fair value through profit or loss.

ad pepper media has chosen this „fair value option" for this security as the security includes embedded derivates.

The maturities of the securities at fair value through profit and loss as of the end of the period are as follows:

Fair value	*31 December 2008 kEUR*	*31 December 2007 kEUR*
Due within one year	*0*	*0*
Due between one and five years	*0*	*0*
Due in more than five years	*1,590*	*0*
Total	*1,590*	*0*

Other financial assets [20]

On 2 May 2008 ad pepper media acquired 4.5 percent share of the capital stock in Brand Affinity Technology Inc. This company (founder of dMarc Broadcasting Inc.), which was established by brothers Chad and Ryan Steelberg, refers to itself as a "Partnership marketing and branded advertising network". Using its patented software platform, the aim of Brand affinity is to bring together celebrities (e.g. from the worlds of sports, movies and entertainment) and advertisers in order to strike up sponsor and marketing agreements. The company is currently still at an early stage of its business. The purchase price totaled USD 2.5m (EUR 1.6m).

Additionally, this item contains rent and similar deposits, carried at their nominal amount of kEUR 487 (2007: kEUR 493). Furthermore, the item includes non-current loan receivables from a board member and shareholder of kEUR 153 (2007: kEUR 280) at an interest rate of 3.9 percent and with a remaining period of up to four years.

CURRENT ASSETS

Trade receivables [22]

Trade receivables are recognized at their nominal value less valuation allowances. The valuation allowances as of 31 December 2008 amount to kEUR 895 (2007: kEUR 2,009). The allowances are calculated on the basis of all information available to the company and include all probable bad debts on receivables as of 31 December 2008.

Income tax receivables [23]

The item includes capital gains tax of kEUR 794 (2007: kEUR 541) paid in advance, which is to be reimbursed by the tax authorities, as well as prepaid taxes.

Prepaid expenses and other current assets [24]

Other current assets are generally recognized at their nominal value. In addition to payments in advance and prepaid expenses, this item also includes value added tax receivables of kEUR 129 (2007: kEUR 258).

Other financial assets [24a]

Also included are receivables from a pending purchase price payment of kEUR 0 (2007: kEUR 466) and from a earnout-component of kEUR 1,200 (2007: kEUR 758) in connection with the sale of the investment in dMarc Broadcasting Inc. The amount was received on bank in early March 2009.
Loan receivables of kEUR 137 have been written off in full (2007: allowance of kEUR 137).

Cash and cash equivalents [25]

The item includes bank balances, cash in hand , day-today investments in money market funds whose amortized cost corresponds with their market value as well as fixed-term deposits with an original maturity of up to three months.
For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at banks and on hand of kEUR 5,833 (2007: kEUR 8,651) as well as shares in-money-market funds of kEUR 0 (2007: kEUR 3,778).

Issued capital [26]

The issued capital of ad pepper media International N.V. com-prises 11,394,854 (2007: 11,394,854) bearer shares each with a nominal value of EUR 0.10.

Additional paid-in capital [27]

Proceeds from the issuance of shares increased the additional paid-in capital by the amount by which they exceeded the par value of the shares.

Treasury shares [28]

By resolution of the annual general meeting on 27 May 2008, the management board was authorized to purchase treasury shares of up to 5 percent of the share capital. Altogether 189,617 treasury shares were purchased in 2008 (2007: 169,200 shares).
ad pepper media International N.V. held 382,513 treasury shares as of 31 December 2008 (2007: 192,896 treasury shares).

Sale of treasury shares

In the reporting year, no (2007: 5,600) treasury shares were sold at an exercise price of EUR 1.33, none (2007: 5,400) at a price of EUR 2.73 (2007: 3,500), none at a price of EUR 1.78 and none (2007: 4,750) shares at a price of EUR 4.45 under the employee stock option plans.
No treasury shares were sold in the reporting year (2007: additionally 167,674 treasury shares to settle purchase price liabilities resulting from the acquisition of Webgains Ltd).

Number of shares outstanding

The number of shares issued and outstanding as of 31 December 2008 totaled 11,012,341 (2007: 11,201,958). Each share has a nominal value of EUR 0.10.

Authorized unissued capital [29]

The authorized unissued capital totals EUR 32,000 (EUR: 32,000) and comprises 320,000 shares (2007: 320,000 shares).

Accumulated other comprehensive losses [30]

Accumulated other comprehensive losses include losses on available-for-sale securities of kEUR 3,353 (2007: kEUR 1,400), taking into account deferred taxes of kEUR 0 (2007: kEUR 647), and accumulated exchange differences of kEUR -1,477 (2007: kEUR -111) from the translation of the financial statements of foreign subsidiaries.

Minority interest [31]

The minority interest results from the acquisition of 60 percent of the shares in ad agents GmbH and the result for the period of ad agents GmbH allocated proportionately to the minority interest.

CURRENT LIABILITIES

Trade payables [32]

Trade payables are recognized at the settlement amount. This item also includes accrued liabilities for outstanding invoices.

Other financial liabilities [33]

This balance sheet item mainly comprises liabilities for bonuses and commissions, and employee flexi time credits.

Related party disclosures [34]

Persons in key positions in the group

The loan receivables described in the note on the balance sheet item "other financial assets [20]" are owed by a member of the Management Board. Please refer with regard to other business relationships with this group of persons to Note [40].

As Director's Dealing the following transactions which are subject to § 15a WphG were brought to our attention:

Purchase of 50,000 shares at EUR 3.30 (Volume: EUR 165,000)
- Stock exchange: Frankfurt
- Related party: Michael A. Carton (Member of the board of directors)
- Date: 2 April 2008

Purchase of 28,500 shares at EUR 2.01 (Volume: EUR 57,285)
- Stock exchange: Xetra, Frankfurt
- Related party: Euroserve Media GmbH (Michael Oschmann, Head of the supervisory board)
- Date: 5 November 2008

Purchase of 45,000 shares at EUR 1.998 (Volume: EUR 89,610)
- Stock exchange: Xetra, Frankfurt
- Related party: Euroserve Media GmbH (Michael Oschmann, Head of the supervisory board)
- Date: 7 November 2008

Purchase of 100 shares at EUR 1.20 (Volume: EUR 120)
- Stock exchange: Frankfurt
- Related party: Michael A. Carton (Member of the board of directors)
- Date: 12 December 2008

Purchase of 1,223 shares at EUR 1.196 (Volume: EUR 1,463.14)
- Stock exchange: Frankfurt
- Related party: Michael A. Carton (Member of the board of directors)
- Date: 15 December 2008

Purchase of 9,063 shares at EUR 1.274 (Volume: EUR 11,547.66)
- Stock exchange: Frankfurt
- Related party: Michael A. Carton (Member of the board of directors)
- Date: 22 December 2008

Entities controlled by the ultimate parent company

ad pepper media GmbH also markets the internet pages of Gelbe Seiten Marketing and Funkhaus Nürnberg at standard market terms. Remuneration to such website operators amounted in 2008 to kEUR 108 (2007: kEUR 76). The liabilities as of 31 December 2008 amounted to kEUR 0 (2007: kEUR 0).

Litigation and claims [35]

Neither the ultimate parent nor any of its subsidiaries are involved in any material litigation with third parties.

Other financial obligations [36]

Other financial obligations mainly result from rented offices and from leases for cars and office equipment. The expenses from lease agreements amounted to kEUR 257 in financial year 2008 (2007: kEUR 186). Rental expense amounted to kEUR 1,410 (2007: kEUR 1,181). The future minimum payment obligations resulting from the contracts in place as of 31 December 2008 are as follows:

Financial year	2009 kEUR	2010 kEUR	2011 kEUR	2012 kEUR	2013 kEUR	Thereafter kEUR	Total kEUR
Office rent	1,052	837	764	468	239	140	3,500
Guarantees	31	0	0	0	0	0	31
Car leases	129	96	46	11	0	0	282
Others	241	160	0	0	0	0	401
Total	1,453	1,093	810	479	239	140	4,214

Guarantees relate to agreed minimum delivery volumes for certain websites. If the minimum delivery volume is not reached, ad pepper media is obliged to compensate the contractual partner for some of the income from the website. A material shortfall compared with the minimum delivery volumes is deemed unlikely.

Seasonal influences [37]

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 of each calendar year, revenue and thus operating profit are generally higher in this period.

Additional cash flow information [38]

The following information is provided to supplement the statement of cash flows: "Other non-cash expenses and income" mainly comprise accrued interest income and expenses for allocation to and income from the release of valuation allowances on trade receivables, and expenses from writing down receivables.
The item in the cash flow statement for repurchase of treasury shares includes stock options exercised that were settled in cash by ad pepper media International N.V. as well as buy-backs of treasury shares settled in cash.

Stock option programme [39]

Prior to the company's IPO in 2000, the extraordinary general meeting of ad pepper media International N.V. adopted a pre-IPO stock option plan for all of the employees of the company or its subsidiaries at the time of the IPO. The options issued in 2000 under this plan may be exercised ten years after the IPO with no conditions imposed, or before this date in four equal tranches if the respective performance targets have been met (25 percent after the first year if the market price during this period exceeds EUR 19.55 on one occasion, 25 percent after two years if the market price during this period exceeds EUR 22.10 on one occasion, 25 percent after three years if the market price during this period exceeds EUR 23.80 on one occasion, 25 percent after four years if the market price during this period exceeds EUR 25.50 on one occasion). The options expire if an employee terminates his or her employment contract or if the employer terminates the employment for good cause.

At each of the annual general meetings on 26 April 2001, 25 April 2002, 5 May 2003, 7 May 2004, 2 May 2005, 12 May 2006 and 30 April 2007, the Management Board was authorized to repurchase up to 10 percent of the share capital as treasury shares within an 18-month period. At the annual general meetings on 27 May 2008 the Management Board was authorized to repurchase up to five percent of the share capital as treasury shares within an 18-month period. The treasury shares thus repurchased are available for acquisitions and employee stock options.

Options granted under the "Ongoing Stock Option Plan" are subject to the following provisions:

The options are granted to employees of the ad pepper media group. Altogether 500,000 shares have been reserved for the "Ongoing Stock Option Plan". The subscription ratio is one share per option right. The subscription price is based on the average share price on the Xetra exchange during the first ten trading days of May 2001 for the 2001 plan, or the first ten trading days in January for subsequent plans.

Options can first be exercised when the share price has risen at least ten percent above the subscription price, but no sooner than one year after the option has been granted. Options may be exercised in whole or in part in the three-week period after publication of the company's quarterly reports. As a rule, the stock options granted do not expire. However, the options expire if an employee terminates his or her employment contract or if the company terminates the employment for good cause.

In January 2003, the "Ongoing Stock Option Plan" for executives was replaced by the "Executive Stock Option Plan", the aim of which is to encourage executives to remain with the company. Under this plan, a nonrecurring issue of options was granted to executives; the exercise price for these options is also based on the average share price during the first ten trading days in January. Ten percent of the options may be exercised in each of the following ten years.
Pursuant to the resolution of the general meeting dated 2 May 2005, exercise of the executive stock options can in particular cases also be settled in cash at the request of ad pepper media.

In the years 2005 and 2006 option plans to tie employees in key positions to the company were issued. These options may be exercised over a period of four years at 25 percent each year. Similar to the other plans, the exercise prices for these options are based on the average share price during the first ten trading days before grant date. The option plans do not include an exercise hurdle, but can be exercised at the earliest one year after being granted.

No stock options were granted in 2007.

An employee equity-participation program involving 610,000 options was launched for executive employees on 15 May 2008. The valuation was carried out by simulation (Monte-Carlo method). The volatility was calculated from the development of the ad pepper media International N.V. share price between 1 January 2003 and 30 April 2008. Earlier values would have distorted the estimate of volatility. One quarter of the option rights can be exercised one year after they were granted at the earliest, another quarter another year after they were granted, and so on. The fair values of the individual tranches at the time of granting are between EUR 0.564 and EUR 1.029 per issued option. The maximum cost of the program over the entire period is EUR 0.5m.

The average share price during 2008 was EUR 2.57 (2007: EUR 4.88).

The personnel expenses recorded in the past financial year in connection with stock option programs granted on the basis of equity instruments amount to kEUR 428 (2007: kEUR 438).

The following table shows the changes in the options during the financial year 2008:

	2008 Number	2007 Number	Subscription price EUR
Options at the beginning of the fiscal year (Pre-IPO)	112,750	112,750	13.50
Options at the beginning of the fiscal year (Ongoing SOP 2001)	38,000	43,400	2.73
Options at the beginning of the fiscal year (Ongoing SOP 2002)	10,200	15,800	1.33
Options at the beginning of the fiscal year (Ongoing SOP 2003)	0	4,100	1.78
Options at the beginning of the fiscal year (Executive SOP 2003)	790,000	820,000	1.78
Options at the beginning of the fiscal year (Ongoing SOP 2004)	42,550	48,900	4.45
Options at the beginning of the fiscal year (Executive SOP 2005)	80,000	80,000	5.32
Options at the beginning of the fiscal year (Executive SOP 2006)	100,250	618,750	7.59
Options granted (Executive SOP 2008)	610,000	-	3.00
Options forfeited (Ongoing SOP 2003)	-	-600	1.78
Options forfeited (Ongoing SOP 2004)	-	-1,600	4.45
Options forfeited (Executive SOP 2006)	-21,250	-130,000	7.59
Options forfeited (Executive SOP 2008)	-110,000	-	3.00
Options cancelled (Executive SOP 2006)	-	-388,500	7.59
Options exercised (Ongoing SOP 2001)	-	-5,400	2.73
Options exercised (Ongoing SOP 2002)	-	-5,600	1.33
Options exercised (Ongoing SOP 2003)	-	-3,500	1.78
Options exercised (Ongoing SOP 2004)	-	-4,750	4.45
Options exercised (Executive SOP 2003)	-	-30,000	1.78
Options at the end of the fiscal year	**1,402,500**	**1,173,750**	
Weighted subscription price in EUR	3.79	3.77	
Exercisable options as of 31 December	300,750	379,500	
Weighted subscription price in EUR	4.36	3.08	

The fair value of the stock options was calculated applying the Black-Scholes-Model, based on the following assumptions:

	Pre-IPO	Ongoing SOP 2001	Ongoing SOP 2002	Ongoing SOP 2003	Ongoing SOP 2004
Share price when granted, in EUR	13.50	2.60	1.30	1.78	4.44
Date of grant	31,05,00	18,05,01	15,01,02	15,01,03	16,01,04
Strike price, in EUR	19.55	2.73	1.33	1.78	4.45
Risk-free interest rate, in percent	4.80	4.00	3.80	3.50	2.75
Estimated term, in years	7	4	1	1	1
Future dividend, in EUR	0	0	0	0	0
Estimated volatility, in percent	20	93	68	73	40

	Executive SOP 2003	Executive SOP 2005	Executive SOP 2006	Executive SOP 2008
Share price when granted, in EUR	1.78	5.00	7.60	2.80
Date of grant	15,01,03	15,04,05	16,01,06	15,05,08
Strike price, in EUR	1.78	5.32	7.59	3.00
Risk-free interest rate, in percent	4.50	3.65	3.48	4.15
Estimated term, in years	10	4	4	10
Future dividend, in EUR	0	0	0	0.08 to 0.12
Estimated volatility, in percent	53	58	56	50

The development in the price of the ad pepper media share in the period from 1 January 2003 to 28 April 2006 respectively 30 April 2008 was used as a basis to determine volatility for the option plans issued in 2006 respectively 2008. Prior figures would have distorted the volatility figure.

Total remuneration of management in key positions [40]

	2008 kEUR	2007 kEUR
Short-term employee benefits	1,141	1,120
Post-employment benefits (pensions and medical supply)	26	26
Share-based payments	80	272
Total remuneration of the Management Board	**1,247**	**1,418**

Options to purchase shares of the company held by the members of the Management Board have the following expiration dates and exercise prices:

	Expiration	Exercise price in EUR	Number 31,12,08	Number 31,12,07
2000	-	19.55	46,000	59,000
2001	-	2.73	10,000	10,000
2003	-	1.78	306,000	556,000
2008	15,05,2018	3.00	155,000	0

Within the Executive SOP 2008 75,000 resp. 80,000 options were granted to two members of the board of directors, Michael A. Carton and Jens Körner, under the terms described in paragraph 39.

Events after the balance sheet date [41]

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 31 December 2008.

Financial instruments [42]

The classes of financial instruments within the meaning of IFRS 7.6 are defined in accordance with the categories of financial instruments in IAS 39. A distinction is accordingly made between financial instruments that are measured at amortized cost and those measured at fair value.

1. Capital risk management

The Group manages its capital with the aim of optimizing the income from investments in business entities by optimizing the debt equity ratio and maximizing its shareholder value by maintaining a high credit standing rating and a good equity ratio. At the same time, it is ensured that group entities can operate under the going concern assumption. The capital structure of the Group consists of liabilities, whereby these do not include any new borrowings, cash and cash equivalents, available-for-sale securities, and the equity attributable to the parent company's shareholders. This consists of issued shares in circulation, the capital reserve, retained earnings brought forward and other equity captions.

Net indebtedness

The Group manages its capital structure and makes adjustments to this, taking into account changes in the general economic environment. In order to maintain or adjust the capital structure, the Group can make dividend payments or pay back capital to the shareholders, issue new shares or buy back its own shares.
No changes in the objectives, guidelines and procedures were made as at 31 December 2008 compared to 31 December 2007. Negative net indebtedness means that the Company is debt-free.

Net indebtedness at the end of the year was as follows:

	31,12,08 kEUR	31,12,07 kEUR
Current and non-current financial liabilities	9,972	10,314
Cash and cash equivalents	-5,833	-12,029
Securities and fixed-term deposits	-17,214	-5,521
Net liabilities	**-13,075**	**-7,237**
Equity per balance sheet including minority interest	55,675	56,466
Net indebtedness, in percent	**-23**	**-13**

2. Significant accounting policies

IAS 39.AG33A states that when an entity becomes a party to a hybrid (combined) instrument that contains one or more embedded derivatives, paragraph 11 requires the entity to identify any such embedded derivative, assess whether it is required to be separated from the host contract and, for those that are required to be separated, measure the derivatives at fair value at initial recognition and subsequently. These requirements can be more complex, or result in less reliable measures, than measuring the entire instrument at fair value through profit or loss. For that reason this Standard permits the entire instrument to be designated as at fair value through profit or loss. Please refer to section [19,21] on non-current securities at fair value through profit and loss.

No re-designation of financial assets has taken place that has resulted in a change in the measurement method. The Group has not transferred any financial assets in such a way that the assets would not have had to be derecognized.

The Group has provided a part of EUR 1.0m (2007: EUR 1.1m) of its securities as collateral for credit facilities of EUR 1.0m (2007: EUR 1.1m). The Group does not hold any collateral for credit facilities. Detailed information on the main accounting policies applied, including the recognition criteria, the measurement bases and the bases for the recognition of income and expenses, are presented separately for each category of financial assets, financial liabilities and equity instruments in Section [3].

3. Categories of financial instruments

Carrying amount per category of financial instruments Financial assets	*31,12,08 kEUR*	*31,12,07 kEUR*
At fair value through profit and loss		
Held for trading	*0*	*0*
Designated as at fair value through profit or loss	*1,590*	*0*
Held-to-maturity financial investments	*0*	*0*
Loans and receivables (including cash and cash equivalents)	*32,153*	*27,538*
Available-for-sale financial assets	*4,155*	*5,521*
Total	*37,898*	*33,059*

Financial liabilities	*31,12,08 kEUR*	*31,12,07 kEUR*
At fair value through profit and loss		
Held for trading	*0*	*0*
Designated as at fair value through profit or loss	*0*	*0*
Other financial liabilities measured at amortised cost	*9,972*	*10,314*
Total	*9,972*	*10,314*

The carrying amount for all categories of financial instruments represents the fair value, because they are either current financial instruments or a fair value measurement is carried out (in the case of available-for-sale financial assets). The respective fair value is determined by referring to quoted market prices in active markets. No significant concentrations of credit risks existed on loans and receivables designated as at fair value through profit or loss as of the reporting date. The reported carrying amount of zero reflects the maximum credit risk of the Group for such loans and receivables.

There have been no (accumulated) changes in the fair value due to changes in the credit risk during the reporting period. Credit derivates to hedge loans and receivables designated as at fair value through profit or loss have not existed and do not exist.

4. Objectives of financial risk managements

The main financial liabilities used by the Group comprise trade payables. The primary purpose of these financial liabilities is to finance the Group's business activities. The Group has available var-ious financial assets, such as trade receivables, cash and short-term deposits, which result directly from its business activities, as well as available-for-sale securities. Group management monitors and manages the financial risks of the Group. These risks include the market risk (including exchange rate risks, interest rate-induced fair value risks and price risks), the credit risk, the liquidity risk and interest rate induced cash flow risks. In addition, management decides on the utilization of derivative and non-derivative financial transactions and the deposit of surplus liquidity. The Group does not enter into any contracts with or deal in financial instruments, including derivative financial instruments, for speculative purposes.

5. Market risk

The Group's activities expose it primarily to financial risks from changes in exchange rates (see 6. below) and interest rates (see 7. below).

Market risk positions are determined by means of a sensitivity analysis.

No changes occurred either in the market risk expositions of the Group or in the nature and means of risk management and assessment.

6. Exchange rate risk management

Certain transactions in the Group are denominated in foreign currency. Risks from fluctuations in exchange rates can result from these.

The carrying amounts of the monetary assets and liabilities of the Group denominated in foreign currencies are as follows:

Financial assets	*31,12,08 kEUR*	*31,12,07 kEUR*
US dollar	*316*	*1,071*
British pound	*2,941*	*2,934*
Swedish krone	*656*	*564*
Danish krone	*3,032*	*2,692*
Total	*6,945*	*7,261*

Financial liabilities	*31,12,08 kEUR*	*31,12,07 kEUR*
US dollar	*149*	*431*
British pound	*1,744*	*1,481*
Swedish krone	*281*	*281*
Danish krone	*1,132*	*1,542*
Total	*3,306*	*3,735*

Foreign currency sensitivity analysis

Because the exchange rate of the Danish krone scarcely fluctuates in relation to the EUR, the Group is primarily exposed to the exchange rate risk from the currencies, USD and GBP. The following table shows the sensitivity from the point of view of the Group of a 10 percent rise or fall in the euro compared with the respective foreign currency. The 10 percent shift represents management's assessment with regard to a reasonable possible change in the exchange rate.

The sensitivity analysis only includes outstanding monetary positions denominated in foreign currency and adjusts their translation at the end of the period to a 10 percent change in the exchange rates. A negative figure below indicates a decrease in the annual earnings and equity if the euro strengthens by 10 percent compared with the respective currency. If the euro falls by 10 percent compared with the respective currency, this will have a similar influence in the opposite direction on the annual earnings and equity; the figure below would then be positive.

	Effect of USD 31,12,08 kEUR	Effect of USD 31,12,07 kEUR	Effect of GBP 31,12,08 kEUR	Effect of GBP 31,12,07 kEUR	Total 31,12,08 kEUR	Total 31,12,07 kEUR
Net income for the year	-106	-149	55	-215	-51	-364
Equity	0	0	0	0	0	0

The exchange rate risk sensitivity of the Group decreased during the past accounting period due to the reduction of business denominated in GBP and USD by means of Intercompany-settlement.

7. Interest rate risk management

The Group is exposed to interest rate risks, because the group parent company invests funds at fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate relationship between floating and fixed investments of funds.
The interest rate risk on financial assets and financial liabilities is discussed in detail in the section on control of the liquidity risk.

Interest rate sensitivity analysis

The sensitivity analyses described below were determined on the basis of the interest rate risk exposure on non-derivative financial instruments at the balance sheet date. For investments of funds at floating interest rates, the analysis is prepared on the assumption that the funds invested at the balance sheet date were invested throughout the year. An increase or decrease in the interest rate by 50 basis points is assumed for the interest rate risk. This represents management's assessment with regard to a justified, possible change in the level of interest rates.
If the interest rate had been 50 basis points higher (lower) and all other variable had remained constant:

- the net income for the year ended 31 December 2008 would have decreased (increased) by kEUR 47 (kEUR 49) (2007: increase (decrease) of kEUR 34). This is due to interest rate risks from the investment of funds by the Group at floating rates and the change in the fair value of securities at fair value through profit and loss.
- the equity of the Group would have fallen by kEUR 107 (increased by kEUR 74) (2007: decrease of kEUR 142 (increase of kEUR 134). This is due to changes in the fair value of available-for-sale financial assets.

The interest rate sensitivity of the Group declined during the past reporting period, mainly because of contrarious effects of the interest rate curve shifts on the fair value of securities.

8. Credit risk management

Credit risk is the risk of a loss for the Group if a contractual party does not comply with its contractual obligations. Business relationships are only entered into with creditworthy contractual parties, and, as appropriate, obtaining collateral, to reduce the risk of a loss through the non-fulfillment of obligations. The Group only enters into business relationships with entities that are rated with or better than "investment grade". This information is provided by independent rating agencies. If such information is not available, the Group makes use of other available financial information and its own trading records, in order to evaluate its major customers. The risk exposure of the Group and the credit ratings are continuously monitored.
Trade receivables exist with a large number of customers spread over various sectors and geographical territories. Continuous credit assessments are carried out with regard to the financial condition of the receivables. The Group is not exposed to any significant credit risks relating to a single contractual party or a group of contractual parties with similar characteristics. The Group defines contractual parties as those with similar characteristics if they are related parties. The concentration of credit risk from customer relationships did not exceed 3 percent of the financial gross asset values at any time during the reporting period. The credit risk on liquid funds and available-for-sale securities is low because the contractual parties are banks and their subsidiaries, with good to excellent credit ratings on issuance date.
As two of the available-for-sale debt instruments have considerably decreased in their fair value, ad pepper has thoroughly assessed the need for impairment. In making this judgement, ad pepper media evaluates among other factors, the normal volatility in stock-market prices as well as the impact of a lack of liquidity in trading in prevailing market conditions. However, a debt instrument classified as available-for-sale is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the debt instrument and that the loss event has impact on the estimated future cash flows of the debt instruments. Evidence of impairment may include indications that the issuer of the debt instrument is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the issuer is facing bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears. Impairment deemed appropriate when there is convincing doubt about the creditability of the issuer or there is strong indications that the redemption of the debt instruments or the interest payments are at risk. Considering the facts that the debt instruments are covered by support agreement, guaranteeing the full redemption of the instruments, that so far all interest payments have been received in time and that there is no material deterioration of the financial fundamentals of issuers, Directors of the Board after due consideration are of the opinion that there is no evidence that the available for sale financial asset are impaired.
The carrying amount of the financial assets included in the consolidated financial statements less any impairment losses represents the Group's maximum credit risk. Any collateral possibly held is ignored.
An account for specific allowances is only maintained for the class of "loans and receivables" for the trade receivables and loans granted that are included therein.

The reconciliation of changes required by IFRS 7.16 is as follows:

	31,12,08 kEUR	31,12,07 kEUR
Specific allowances		
Balance at beginning of year	2,146	3,113
Allowances in the period		
Additions	261	649
Reversals	-623	-270
Consumption	-889	-1,346
Balance at end of year	**895**	**2,146**

The analysis of overdue but unimpaired gross financial assets for the relevant class of "loans and receivables" in the form of trade receivables is as follows :

	Total kEUR	Not overdue kEUR	Up to 180 days overdue but not yet impaired kEUR
2008	9,389	3,484	5,905
2007	10,587	4,136	6,451

The total shown above does not include unbilled receivables of kEUR 573 (2007: kEUR 1,587).

The analysis of impaired financial assets for the relevant class of "loans and receivables" shows that allowances were set up on a gross receivables amount of kEUR 1,250 (2007: kEUR 2,818).

A uniform group calculation method has been applied since 1 January 2007 for the calculation of allowances on trade receivables. A bad debt allowance on trade receivables applies with 50 percent after 180 days overdue and 100 percent after one year overdue.

9. Liquidity risk management

The Group monitors the risk of a shortage of liquidity on a continuous basis with the help of a liquidity planning tool. This tool takes into account the maturities of the financial investments and the financial assets (e.g. receivables, other financial assets) and the expected cash flows from operating activities. The Group's aim is to maintain a balance between the continuous coverage of the funding requirement and the necessity for flexibility.

The maturities of the financial liabilities of the Group as at 31 December 2008 are presented below. The information is based on contractual, undiscounted payments.

Financial liabilities 31,12,2008	< 1 mo. kEUR	< 3 mo. kEUR	3 mo. to 1 year kEUR	Total kEUR
Trade payables	6,763	379	214	7,356
Other financial liabilities measured at amortized cost	870	1,075	671	2,616
Total	7,633	1,454	885	9,972

Financial liabilities 31,12,2007	< 1 mo. kEUR	< 3 mo. kEUR	3 mo. to 1 year kEUR	Total kEUR
Trade payables	7,433	139	47	7,619
Other financial liabilities measured at amortized cost	562	0	2,133	2,695
Total	7,995	139	2,180	10,314

Nuremberg, 26 March 2009

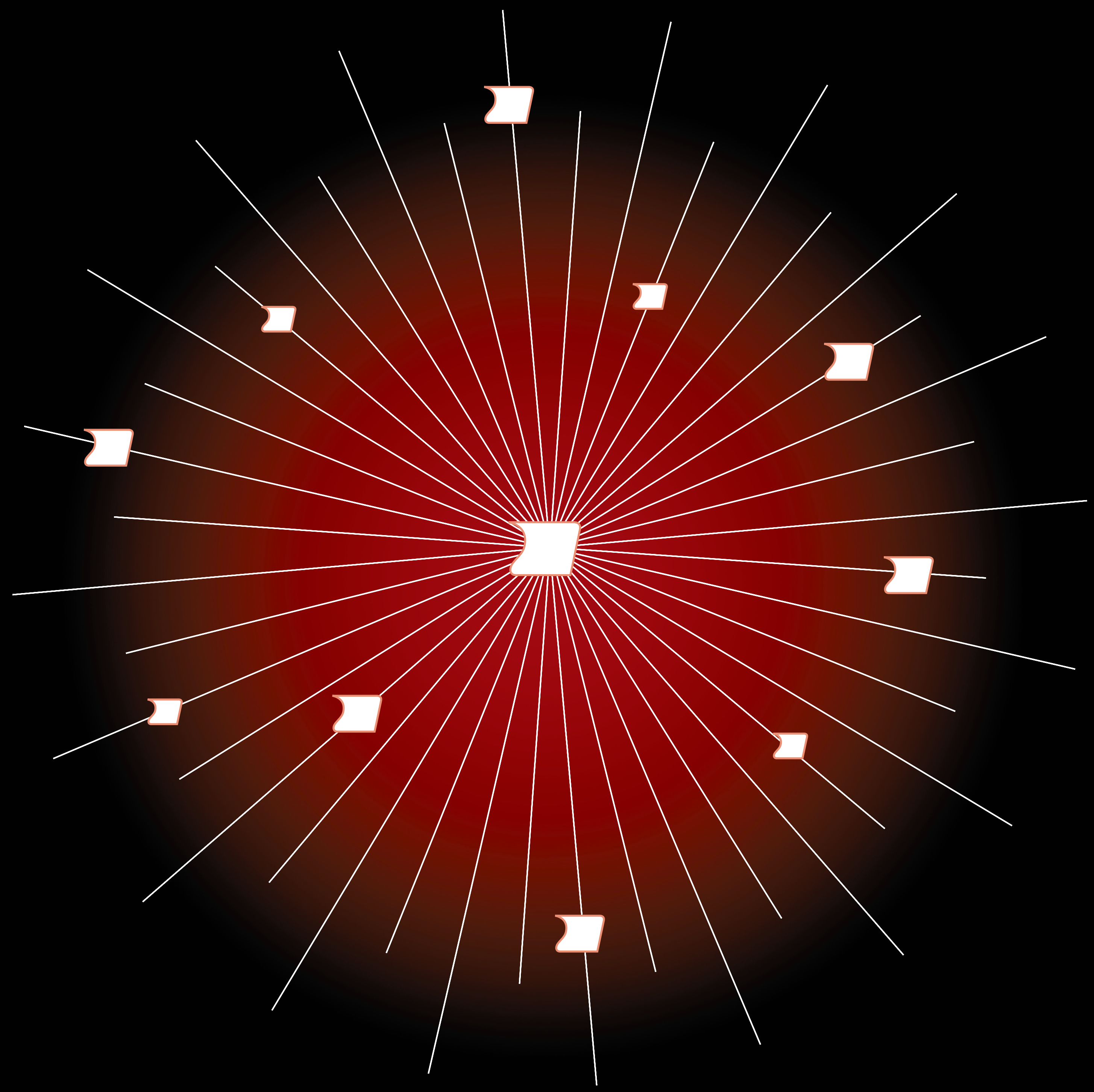
The Management Board of ad pepper media International N.V. comprised the following members in the financial year 2008:

- Ulrich Schmidt, CEO (Chairman)
  Nuremberg, Germany
- Jens Körner, CFO
  Nuremberg, Germany
- Michael A. Carton, Director of the Board
  London, United Kingdom
- Niels Nüssler, CSO (until 26 November 2008)
  Nuremberg, Germany

The Supervisory Board of ad pepper media International N.V. in fiscal year 2008 consisted of:

- Michael Oschmann, (Chairman)
  Nuremberg, Germany
  Managing Director
- Dr. Günther Niethammer (until 27 May 2008)
  Nuremberg, Germany
  Partner
- Dr. Frank Schlaberg (since 27 May 2008)
  Munich, Germany
  Managing Director Corporate Finance Advisory
- Jan Andersen
  Copenhagen, Denmark
  Managing Director
- Merrill Dean
  Scottsdale, USA
  Managing Director

Independent auditor's report



To Management Board of ad pepper media International N.V.

Auditor's report

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements for the year ended 31 December 2008 (as set out on page 49 to 98) which are part of the financial statements of ad pepper media International N.V., Amsterdam, which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of ad pepper media International N.V. as at 31 December 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the consolidated financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

The Hague, 26 March 2009
Ernst & Young Accountants LLP

/s/ M. de Kimpe

Additional information

Glossary

Ad
Abbreviation for advertising banners ("ad" is an English abbreviation for "advertisement").

Ad impression
Standard unit adopted by DMMV, GWA, VDZ, BDZV and VPRT industry associations at the end of 1998 as the binding unit to be used in future for measuring the performance of advertising media. In contrast to page impressions, this standard measures the number of times an advertising banner itself, rather than the page on which it is positioned is actually viewed.

Ad server
A central server that delivers banners to the website's advertising space independently of the web server for the site. Ad servers enable efficient banner management and uniform campaign management across different websites.

Advertiser
Used primarily by offerers from the USA, the word "advertiser" is synonymous with "merchant". Via the affiliate system, dealers make available the products and services that they offer online. Dealers allow linked distributing partners to market the merchandise via their websites. For each mediated sale, the dealer pays a predetermined commission based on a percentage of the sale's volume.

Affiliate
A distributing participant in the partner program who is linked in his websites, newsletter or Ad-Words campaign in order to profit from the commissions (advertising medium).

Affiliate marketing
Online distribution channel and special discipline within performance marketing. Success-based payments are made via partner programs for all services mediated by affiliates.

Affiliate network
Providers of technological and/or other services who take over tracking and invoicing on behalf of affiliates and merchants. Also frequently known as "affiliate platform."

Banner
Ads displayed on a website. The commonest data formats until now are image files in GIF or JPEG format. Innovative banner types (see "Rich media") are gaining in importance, however. Banners contain hyperlinks to the advertiser's website.

Banner burnout
Describes the decline in a banner's advertising effectiveness, especially when expressed in falling click-through rates.

Click-through
A click on an advert hyperlink (e.g. a banner) that leads to the advertiser's website.

Click-through rate
Ratio of click-throughs to ad impressions or ad views. Important benchmark for the efficiency of online advertising. However, clickthrough rate does not take into account other key criteria for advertising effectiveness, such as awareness, image, communicative performance and likeability.

Cookie
A small text file which a website can automatically place in the memory of the computer of a user who visited that website, thus enabling the website to subsequently identify the user. Sales and leads are assigned to the affiliates via cookies.

Cost per click (CPC)
Billing unit for online advertising. What is billed is the number of click-throughs, i.e. how often users click on a banner and are taken to the advertiser's website.

Cost per lead (CPL)
Fee per dataset. Also known as"PPL" (pay per lead).

Cost per objective (CPO)
Billing unit for online advertising that depends on whether the advertiser has achieved certain targets (generating address material - cost per lead, sales - cost per sale).

Cost per thousand impressions (CPM)
Billing unit for online advertising, analogous to the Thousand-Contacts-Price (TCP). What is billed is the number of viewing contacts with a banner (see "Ad impression").

Frequency
Refers to how often a user is supposed to see a particular banner. One of the potential targeting criteria for countering banner burnout.

Interstitial
Ad loaded in between two websites.

Lead
A mediated dataset, e.g. the postal address of a person, his email address, or both.

Merchant
The advertiser and the operator of the partner program.

One-stop shopping
Centralized handling of worldwide advertising campaigns by a marketer. Booking, guidance and invoicing occur via an interface.

Page impression
Number of viewing contacts with a particular HTML page that could potentially carry ads within an online offering. Unlike "hits", the respective page is counted as a separate unit, regardless of how many different elements it contains (graphics, etc.). See also "Page view".

Page view
Outdated parameter for determining the coverage of an online offering. Provides information of little relevance compared to page impressions, because each frame in a particular online page generates a page view. Sites loaded from cache are not counted.

Performance marketing
Measures to acquire customers and encourage their loyalty, with the goal of generating quantifiable responses and/or transactions.

Publisher
Another term for "affiliate".

Rate card
The media data for a website, detailing booking options, access figures and prices.

Rich media
Refers to a variety of technologies, such as Emblaze, Enliven, InterVu and Java, for creating innovative banner types. The efficiency of a banner is considerably enhanced by rich media due to the greater scope for creativity and the integration of interactive components.

Run of network (RON)
By booking several websites, the coverage of a campaign is increased. State-of-the-art ad serving technologies enable specific target groups to be targeted.

Run of site (ROS)
Campaign booking for a website, without specific sections of it being selected.

Site promotion
Advertising for websites on other websites, or in classical media.

Sponsoring
Alternative advertising option in addition to banner placement. Websites are linked exclusively to an advertiser's messages and display the latter's logo.

Targeting
Target-group-oriented use of advertising banners and other forms of advertising in the Internet. Users are assigned to a particular target group after they have responded by indicating a special area of interest at a website, after they have gone into the Internet with a particular browser, or after they have logged in from a particular country of origin.

Tracking
An ongoing technical process to record and document the success of specific affiliates and merchants. Well-functioning tracking is a precondition for the successful operation of a partner program.

Traffic
Number of users visiting a website. There are various ways of measuring this parameter.

Addresses

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Company calendar

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

Annual report 2008	*14 April 2009*
General Meeting of Shareholders' (Amsterdam, The Netherlands)	*19 May 2009*
Quarterly report I/ 2009	*29 May 2009*
Quarterly report II/ 2009	*28 August 2009*
Quarterly report III/ 2009	*27 November 2009*
Analysts´ conference: German Equity Forum (Frankfurt / Main)	*November 2009*

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Jens Körner, Finance
Michael Carton, Director of the Board

Disclaimer

This Annual Report contains future-related statements which are based on current assumptions and assessments by the management of ad pepper media International N.V. These statements are not to be understood as a guarantee that such expectations will in fact materialise. Future developments and the results actually achieved by ad pepper media International N.V. and its affiliated companies are dependent upon a number of risks and uncertainties and can hence deviate significantly from the future-related statements.

Several of these factors are beyond ad pepper media's control and cannot be precisely estimated in advance, such as the future economic environment and the actions of competitors and other market players. There are no plans to update the future-related statements nor does ad pepper media International N.V. undertake any separate obligation to do so.

We will gladly send you our 2008 Annual Report as well as the interim financial reports for 2008 in German or English. These reports are also published as PDF files at www.adpepper.com under Investor Relations/Annual reports and Presentations.

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