ad pepper

the e-advertising network

Unaudited condensed interim consolidated financial statements as of September 30, 2013

- dmexco 2013: All key topics, minds, and visions for the global economy in one location
- Disposal of minority stake in Videovalis GmbH

Selected group key figures

	7.1.-9.30. 2013	7.1.-9.30. 2012	Change	1.1.-9.30. 2013	1.1.-9.30. 2012	Change
	EUR 000s	EUR 000s	Percent	EUR 000s	EUR 000s	Percent
Net sales	11,290	12,714	-11.2	36,434	39,355	-7.4
Gross profit	4,695	5,638	-16.7	15,792	16,367	-3.5
EBIT	-371	-674	45.0	-1,085	-1,917	43.4
Net income for period	327	-561	158.3	-303	-1,648	81.6
Earnings per share in EUR (basic)	0.01	-0.03	133.3	-0.02	-0.08	75.0

				9.30. 2013	9.30. 2012	Change
				EUR 000s	EUR 000s	Percent
Liquid funds*				14,445	15,777	-8.4
Equity				18,381	21,956	-16.3
Total assets				27,933	32,173	-13.2
No. of employees				266	263	1.1

* Including securities measured at fair value and deposits with maturities of more than 3 months

The ad pepper media share

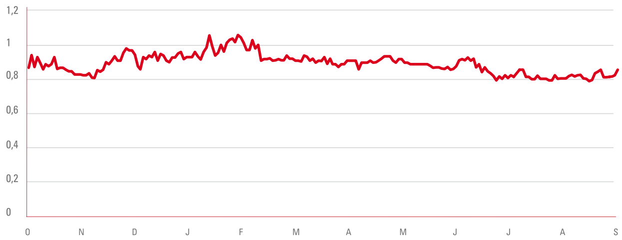
Key data about ad pepper media´s share

Security Identification Number (WKN)	940883
ISIN	NL0000238145
Type of share	Ordinary bearer shares
Stock market segment (Frankfurt Stock Exchange)	Prime Standard
Initial public offering	10.9.2000
Designated Sponsor	Equinet
Share Capital in EUR	1,150,000
No. of shares	23,000,000
Sector	Advertising

Key share figures	1.1.-9.30.2013	1.1.-9.30.2012
XETRA closing price at end of period (EUR)	0.85	0.85
Highest price (EUR)	1.05	1.53
Lowest price (EUR)	0.79	0.82
Market capitalization at end of period (EUR)	19.6m	19.6m
Average no. of shares traded (XETRA)	26,309	22,169
Earnings per share (basic) (EUR)	-0.02	-0.08
Net cash per share* (EUR)	0.63	0.69

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

Share price performance over the past twelve months (Xetra)



Shareholder structure per 9.30.2013

Shareholder	No. of shares	Percentage shareholding
EMA B.V.	9,486,402	41.25
Treasury stock	1,759,292	7.65
Axxion S.A.	1,163,501	5.06
Euro Serve Media GmbH	436,963	1.90
Subtotal	**12,846,158**	**55.86**
Free float	10,153,842	44.14
Total	**23,000,000**	**100.00**

Structure of the ad pepper media Group

The ad pepper media Group is one of the leading independent marketing networks in the field of online advertising. ad pepper media International N.V., based in Amsterdam, Netherlands, is the central management and holding company for the companies in the ad pepper media Group. With 15 companies in eight European countries and the USA, ad pepper media is currently managing campaigns for thousands of national and international advertising clients in more than 50 countries. Our online advertising activities are centered around three business divisions: ad pepper media, Webgains and ad agents.

ad pepper media

The ad pepper media division offers the entire spectrum of successful display, performance and e-mail marketing and ad serving solutions. Its main products are iSense, SiteScreen, iLead, iClick, mailpepper and Emediate.

iSense provides advertisers and publishers with a revolutionary semantic targeting technology enabling them to place their adverts in a targeted manner and in relevant surroundings for each website. At core, iSense consists of the patented Sense Engine™ technology and is the result of ten years of research and development by Prof. Dr. David Crystal, one of the world's leading linguistic experts. Operating under the name SiteScreen, the technology offers advertisers maximum security for their brand, as the placement of adverts in inappropriate surroundings can be blocked.

iLead is an ideal solution for advertisers aiming to extend and expand their customer databases. It enables potential new customers that have already shown interest in the products and services offered by the advertiser and consented to being approached to be contacted by telephone, e-mail or post.

iClick is ad pepper media's performance marketing solution enabling advertisers to efficiently attract quantifiable volumes of eligible internet users to their websites.

mailpepper provides advertisers with an effective means of addressing mailing shots to very broad or highly specific target groups that have explicitly consented to being contacted via ad pepper media or the advertisers.

Emediate's main activity involves providing ad serving technology solutions and services. Emediate is the market leader in Scandinavia and provides publishers in particular with a stable, innovative delivery system.

Webgains

is one of the leading international affiliate networks, with offices in the UK, France, Germany, Spain and the USA. What makes affiliate marketing so attractive for all participants is the way it facilitates wide coverage via a large number of websites while offering performance-related compensation. Affiliate marketing is a commission-based advertising model where website operators (affiliates) drive internet traffic to the site of advertisers (merchants) and receive a percentage of the sales generated there in return. It is not only the excellent service Webgains offers that is so convincing – in recent years it has also taken the lead by offering technological novelties on the platform, such as iSense SiteSeeker, Voucher Management Tool, Page Peel and Mobile Tracking.

ad agents

ad agents specializes in search engine marketing (SEM), search engine optimization (SEO) and performance marketing. Ad agents advises well-known companies in the mail order, travel and numerous other sectors that already have sophisticated e-commerce strategies in place and that offer goods and/or services via their websites or their internet shops. In this, ad agents help its customers to be located quickly and precisely on all standard search engines and to transform these search results into successful transactions.
The ad pepper media International N.V. holds a 60 percent stake in ad agents.

General information about this management report

Definitions

All mentions of “ad pepper media International N.V.”, “ad pepper media”, “ad pepper media Group” or the “Group” in this management report relate to the ad pepper media Group.

Forward-Looking Statements

This management report contains forward-looking statements and information based on the beliefs of, and assumptions made by, our management using information currently available to them. We have based these forward-looking statements on our current expectations, assumptions, and projections about future conditions and events. As a result, our forward-looking statements and information are subject to uncertainties and risks, many of which are beyond our control. If one or more of these uncertainties or risks materializes, or if management’s underlying assumptions prove incorrect, our actual results could differ materially from those described in or inferred from our forward-looking statements and information. We describe these risks and uncertainties in the Risk Factors section of our annual report 2012.
The words “aim”, “anticipate”, “assume”, “believe”, “continue”, “could”, “counting on”, “is confident”, “estimate”, “expect”, “forecast”, “guidance”, “intend”, “may”, “might”, “outlook”, “plan”, “project”, “predict”, “seek”, “should”, “strategy”, “want”, “will”, “would” and similar expressions as they relate to us are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date specified or the date of this report. We accept no obligation to publicly update or revise any forward-looking statements as a result of new information that we receive about conditions that existed upon issuance of this report, future events, or otherwise unless we are required to do so by law.

Internal control system

Revenue and profits (EBIT, EBITDA, Gross profit) are some of the parameters which ad pepper media analyses monthly and compares with the original business plan to control and monitor the development of individual subsidiaries. In addition, further key performance indicators are calculated each month for control purposes and are used within all the operating companies of the ad pepper media Group. External indicators are also regularly analyzed for company management purposes. In addition, there are weekly scheduled jour fixes as well as regular shareholder meetings with the individual subsidiaries.

Macroeconomic framework

World/Europe/Germany

In its study published in October, the International Monetary Fund (IMF) most recently forecast slightly improved economic data. For Germany, the IMF raised its GDP growth forecast for 2013 by 0.2 percentage points to 0.5 percent. In the coming year, GDP in the Federal Republic is expected to grow by 1.4 percent.

The IMF also sees signs of improvement in the euro area situation. The 17 euro countries are still expected to post negative growth of 0.4 percent in the current year, but the Spanish and Greek economies are slowly beginning to recover. Accordingly, the euro area will be hit less severely by recession this year than was assumed in the IMF's previous outlook in July. According to the forecast, in the coming year the euro area economy is set to grow once again, albeit by a mere 1.0 percent. With regard to the global economy, the IMF declared that global growth would "remain in low gear". For this year, the IMF only expects to see growth of 2.9 percent, and thus 0.3 percentage points less than its July outlook. At 3.6 percent, the rate of global economic growth in the coming year as well is expected to turn out slightly weaker than previously assumed.

Advertising market

Online advertising is now the second-largest media category for numerous industries and brands in Europe. These are granting the internet an ever more important role in their communications concepts. Digital advertising forms, media and platforms now offer brands and companies ever more varied possibilities of communicating. Online also remains the fastest-growing advertising medium. Experts at the "European IAB AdEx Benchmark Reports" have confirmed that the internet advertising category posted a superb performance in 2012. Based on this data the online share of overall advertising spending thus amounted to 25.6 percent (EUR 24.3 billion). Compared with the first AdEx report for 2006, the share of overall spending has thus more than doubled from 10.3 percent (EUR 9.4 billion). In 2012, online spending overtook the daily newspaper category for the first time, thus securing second place across Europe behind TV.

The increase in online spending within the stagnant overall advertising market reflects the ever greater importance users are according to online channels in their media consumption patterns. The AdEx Report surveys online advertising spending separately for the categories of display, search and headings and classifieds. Across all markets, virtually half of all spending is invested in search word advertising (48.8 percent). Classifieds and headings account for almost one fifth (18.5 percent) of online spending. The display segment still receives one third of spending, but has shown the lowest rate of growth. Particularly significant in percentage terms is the growth of 87.3 percent in the mobile display segment. Alongside advertising formats for mobile telephones, this also includes tablet advertising and mobile moving image advertising. At EUR 392 million, mobile display spending now accounts for a 5 percent share of online display advertising. Spending thus still falls far short of the mobile communications' share of overall medium consumption. In-stream (pre-, mid-, post-rolls) video adverts across all end appliances already account for 12.9 percent of overall online display sales (+50.7 percent since 2011). Double-digit growth in highly developed online economies, such as Scandinavia and the UK, shows that investments in technologies, enhanced measurements and monetarization strategies customized to more mobile consumers can promote sustainable growth in online advertising.

For Germany, the Circle of Online Marketers (OVK) has forecast online advertising growth of more than 11 percent in 2013 (2012: EUR 6.5 billion), and thus an industry volume of EUR 7.18 billion (gross advertising volume). Growth is therefore set to continue, and the head start enjoyed by TV, the leading medium, can be expected to shrink further in 2013 as well.

This strong growth is still due to the fact that advertisers increasingly see online activities as a suitable medium for strengthening brands and as a medium offering new opportunities to address target groups more precisely. The focus here is on addressing target groups more efficiently. Topics such as measurability, advertising impact, data protection, and big data are thus ever more in the foreground in the advertising industry.

The ability to manage large volumes of data and interlink these smartly forms the basis for more efficient and successful marketing strategies. Key drivers for this development are innovative advertising formats (e.g. in the fields of moving images, internet-capable TV, mobile and audio digital environments) and refined targeting options. The combination of marketing analysis and automation with new communication channels and comprehensive targeting and tracking competencies represents a further development driver when it comes to enhanced performance value reporting and effectiveness measurement. Advertisers accord great relevance to customer tracking and to ad currencies aimed at evaluating online contacts in general and ad visibility in particular. Further down the list are automated trading, data protection and OBA initiatives.

Major events

ad pepper media parts company with its minority stake in Videovalis GmbH

ad pepper media International N.V. sold its 49.5 percent stake in Videovalis GmbH as of August 21, 2013. ad pepper media supported Videovalis GmbH during its development phase in which the company's business activities focused on syndicating and marketing video content. Videovalis GmbH is taking its next strategic steps towards TV broadcasting and audio together with a strategic partner, RSG Rundfunk Service GmbH, to which ad pepper media has now sold its entire stake. The proceeds of the sale amounted to EUR 475k. This increased profit for the third quarter by a total of EUR 259k.

dmexco 2013: All key topics, minds and visions for the global economy in one location

dmexco, the leading international fair and congress for the digital economy, continues to grow apace. Notwithstanding a new third hall, the fair was virtually booked out in 2013. More than 740 companies from all over the world presented their latest digital solutions, technologies and visions and made contact with customers on 57,000 square meters of exhibition space. It goes without saying that ad pepper media's German team was also there, represented by 30 of our experts. Company CEO Dr. Ulrike Handel completed a marathon of appointments with customers and partners on both days of the fair, sharing ideas about future joint projects and the latest developments in the industry.
Under "Turning Visions into Reality", its motto for this year, the dmexco Conference presented all of the key topics, trends and players in the global digital economy at absolutely top level. The fact that, to generate future success, visions have to be turned into reality was clearly apparent throughout the dmexco 2013 site. Heated discussions were held about the opportunities and challenges thereby presented for digital business. One example was the urgent need to integrate consumers even more closely in future into brand communications. From ad pepper media's perspective, the greatest challenge faced by the digital economy relates above all to retaining a comprehensive overview of the all-round product or brand experience, and that both online and offline. Consumers wish to be authentically addressed via their desired channels. Here too, the internet offers solutions that were previously not possible. Consumers themselves become providers. The role that can be played here by various channels on a wide variety of different screens was also emphasized at the fair. At the same time, it is important that companies should not lose sight of the economic criteria that have to be met, a factor automatically underpinning any new development. The digital economy is currently torn between the opposing poles of a high pace of innovation and the need to meet profitability criteria. The key challenge is to achieve both virtually simultaneously.

Among others, general topics addressed this year included advertising, targeting, content, web controlling, e-commerce, apps, mobile shopping, and mobile payment.

Earnings, financial and net asset position

Earnings position

ad pepper media International N.V. generated sales of EUR 36,434k in the first nine months of the current financial year (Q1-Q3 2012: EUR 39,355k). This represents a decrease of 7.4 percent compared with the equivalent period in the previous year. Gross profit also declined slightly by EUR 575k, or 3.5 percent, to EUR 15,792k (Q1-Q3 2012: EUR 16,367k). As a percentage of sales, the gross margin rose slightly to 43.3 percent, up from 41.6 percent in the first nine months of the previous year.

Looking at our sales performance more closely, the Webgains segment increased its sales by EUR 1,998k, or 12.7 percent, to EUR 17,689k, while the ad agents segment reported a downturn in sales by EUR 3,309k, or 39.1 percent, to EUR 5,161k. The sales performance at ad agents was due to the conversion in the business model already described in previous quarters, in which most ad agents customers have been persuaded to settle pure media sales in the SEO and SEM fields directly with Google.

The ad pepper media segment, by contrast, had to accept a marked downturn in sales by EUR 1,610k, or 10.6 percent, to EUR 13,584k, and thus failed to meet expectations. This was largely attributable to the country companies in Spain and UK, which in terms of their gross margins fell short of the previous year's figures, in some cases significantly so. It should be noted in this respect that, given the closure of our Dutch operations, the 8.8 percent decline in the gross margin is slightly exaggerated. Furthermore, we were obliged to make minimum guarantee payments to websites we market. In the third quarter, this factor led to total expenses of EUR 259k. Excluding these two items, the reduction in the gross margin in the ad pepper media segment would only have amounted to 2.9 percent. By contrast, Emediate, which also forms part of the ad pepper media segment, reported an extremely pleasing operating business performance.

Operating expenses could be reduced by 7.7 percent, or EUR 1,407k, to EUR 16,877k (Q1-Q3 2012: EUR 18,284k). The discontinuation of our operating business in the ad pepper media segment in the Netherlands and further personnel adjustment measures in Denmark led to one-off charges totaling EUR 389k in the first nine months of the financial year. On the other hand, the disposal of our stake in Videovalis GmbH enabled us to post one-off income of EUR 259k. Furthermore, a reduction in provisions in the Webgains segment led to one-off income of EUR 357k (please see note 2 for further details). The combination of the slight decline in our gross profit and the significant reduction in our cost base enabled us to improve all of our key profitability figures, in some cases significantly so, compared with the previous year's period. We nevertheless did not succeed in posting positive results. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the first nine months of 2013 thus amounted to EUR -871k (Q1-Q3 2012: EUR -1,567k). Earnings before interest and taxes (EBIT) amounted to EUR -1,085k, as against EUR -1,917k in the previous year's period. Earnings before taxes (EBT) totaled EUR -803k in the first nine months of the financial year (Q1-Q3 2012: EUR -1,380k). Net income for the period improved significantly and amounted to EUR -303k (Q1-Q3 2012: EUR -1,648k).

Financial position

The gross cash flow amounted to EUR -1,069k (Q1-Q3 2012: EUR -1,276k), while a figure of EUR 2,671k was reported for the cash flow from operations, as against EUR -1,014k in the first nine months of 2012. The net cash flow from investing activities amounted to EUR -193k in the first nine months of 2013 (Q1-Q3 2012: EUR 2,515k). The cash flow from financing activities amounted to EUR -95k in the first nine months of 2013, compared with EUR -260k in the equivalent period in the previous year.

Net asset position

Total assets reduced year-on-year by EUR 4,240k to EUR 27,933k (9.30.2012: EUR 32,173k). Here, trade receivables decreased to EUR 5,924k (9.30.2012: EUR 7,013k). Trade payables reduced to EUR 6,112 (9.30.2012: EUR 6,846k). Liquid funds (including securities measured at fair value and fixed-term deposits) dropped EUR 1,304k down to EUR 14,445k compared with December 31, 2012 (12.31.2012: EUR 15,749k).

Furthermore, ad pepper media owns a total of 1,759,292 treasury stock shares. The Group still has no liabilities to banks. The equity ratio amounted to 65.8 percent (9.30.2012: 68.2 percent).

Research and development activities

ad pepper media has two investments, Emediate ApS and Crystal Semantics Ltd, which perform a major share of the development work for the administration segment and the ad pepper media segment either directly themselves or by commissioning and accompanying such work. In the Webgains segment, research and development activities are performed on a decentralized basis within Webgains Ltd itself. In the interests of conservative accounting, the development expenses incurred at the ad pepper media Group are not capitalized as internally generated software, but are rather fully expensed.

Employees

As of September 30, 2013, the ad pepper media Group had 266 employees, as against a total of 263 employees at the end of the equivalent period in the previous year. The workforce of the ad pepper media Group is assigned to the following segments:

	9.30.2013 Number	9.30.2012 Number
ad pepper media	106	114
Webgains	90	82
ad agents	53	49
Administration	17	18

Risk and opportunity report

There have been no material changes in the opportunity and risk situation of ad pepper media International N.V. compared with the information provided in the Annual Report as of December 31, 2012. Reference is therefore made to the information presented in the management report for the 2012 financial year.

Outlook

The performance of the ad pepper media Group's operating business in the first nine months of the financial year was satisfactory. The gross margin reduced by 3.5 percent, but our cost structures are significantly leaner than in the previous year. The personnel adjustment measures implemented in the second quarter (closure of the operating business our Dutch subsidiary) will sustainably reduce our cost base. Overall, we therefore expect to see a year-on-year improvement in our earnings performance in the final quarter ahead as well.

Consolidated income statement (IFRS)

	Q3 2013 EUR 000s	Q3 2012 EUR 000s	1.1.2013-9.30.2013 EUR 000s	1.1.2012-9.30.2012 EUR 000s
Revenues	**11,290**	**12,714**	**36,434**	**39,355**
Cost of sales	-6,595	-7,076	-20,642	-22,988
Gross profit	**4,695**	**5,638**	**15,792**	**16,367**
Selling and marketing expenses	-3,494	-3,799	-11,232	-11,817
General and administrative expenses	-2,232	-2,356	-6,705	-6,665
Other operating income	649	202	1,214	754
Other operating expenses	-248	-359	-512	-556
Gain on sale of shares in associates and other investments	259	0	358	0
Earnings/loss before interest and taxes	**-371**	**-674**	**-1,085**	**-1,917**
Financial income	118	134	338	572
Financial expenses	-10	0	-56	-35
Earnings/loss before taxes	**-263**	**-540**	**-803**	**-1,380**
Income taxes	590	-21	500	-268
Net income/loss	**327**	**-561**	**-303**	**-1,648**
attributable to shareholders of the parent company	296	-557	-399	-1,748
attributable to non-controlling interests	31	-4	96	100
Basic earnings per share on net income for the year attributable to shareholders of the parent company	0.01	-0.03	-0.02	-0.08
Diluted earnings per share on net income for the year attributable to shareholders of the parent company	0.01	-0.03	-0.02	-0.08

	Q3 2013 No. of shares	Q3 2012 No. of shares	1.1.2013-9.30.2013 No. of shares	1.1.2012-9.30.2012 No. of shares
Weighted average number of shares outstanding (basic)	**21,240,708**	**21,240,708**	**21,240,708**	**21,240,708**
Weighted average number of shares outstanding (diluted)	**21,272,996**	**21,240,708**	**21,240,708**	**21,240,708**

Consolidated statement of comprehensive income (IFRS)

	Q3 2013 EUR 000s	Q3 2012 EUR 000s	1.1.-9.30.2013 EUR 000s	1.1.-9.30.2012 EUR 000s
Net income/loss	**327**	**-561**	**-303**	**-1,648**
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	39	-13	-1	9
Revaluation of available-for-sale securities	358	-198	419	1,130
Revaluation of available-for-sale investments	-150	-130	-97	3
Income tax recognized directly in equity	0	0	0	0
Total income and expense recognized directly in equity, net of tax	**247**	**-341**	**321**	**1,142**
Total income and expense recognized in equity	**574**	**-902**	**18**	**-506**
Attributable to non-controlling interests	31	-4	96	100
Attributable to shareholders of the parent company	543	-898	-78	-606

Disclosures on total income and expense recognized directly in equity

The total income and expense recognized directly in equity and the corresponding income taxes are as follows:

	Q3 2013 EUR 000s			Q3 2012 EUR 000s			1.1.-9.30.2013 EUR 000s			1.1.-9.30.2012 EUR 000s		
	before income taxes	income taxes	after income taxes	before income taxes	income taxes	after income taxes	before income taxes	income taxes	after income taxes	before income taxes	income taxes	after income taxes
Currency translation differences (incl. non-controlling interests)	39	0	39	-13	0	-13	-1	0	-1	9		9
Revaluation of available-for-sale securities	358	0	358	-198	0	-198	419	0	419	1,130	0	1,130
Revaluation of available-for-sale investments	-150	0	-150	-130	0	-130	-97	0	-97	3	0	3
Total income and expense recognized directly in equity	**247**	**0**	**247**	**-341**	**0**	**-341**	**321**	**0**	**321**	**1,142**	**0**	**1,142**

Consolidated balance sheet (IFRS)

Assets	September 30, 2013	December 31, 2012
	EUR 000s	EUR 000s
Non-current assets		
Goodwill	24	24
Intangible assets	92	62
Property, plant and equipment	377	435
Deposits with maturity over twelve months	750	0
Securities available-for-sale	4,070	3,162
Other financial assets	5,160	6,056
Deferred tax assets	744	99
Total non-current assets	**11,217**	**9,838**
Current assets		
Trade receivables	5,924	8,353
Income tax receivables	254	758
Prepaid expenses and other current assets	572	403
Other financial assets	339	178
Cash and cash equivalents	9,627	12,587
Total current assets	**16,716**	**22,279**
Total assets	**27,933**	**32,117**

Consolidated balance sheet (IFRS)

Equity and liabilities	September 30, 2013	December 31, 2012
	EUR 000s	EUR 000s
Equity attributable to shareholders of the parent company		
Issued capital*	1,150	1,150
Reserves	66,216	66,203
Treasury shares	-3,281	-3,281
Accumulated deficit	-46,153	-45,754
Accumulated other comprehensive gains/losses	183	-138
Total	**18,115**	**18,180**
Non-controlling interests	266	265
Total equity	**18,381**	**18,445**
Current liabilities		
Trade payables	6,112	8,073
Other current liabilities	378	1,141
Other financial liabilities	2,946	4,334
Income tax liabilities	116	124
Total current liabilities	**9,552**	**13,672**
Total liabilities	**9,552**	**13,672**
Total equity and liabilities	**27,933**	**32,117**

* The Issued Capital consists of shares with a nominal value of EUR 0.05 each. The authorized capital amounts 23,429,708 shares, of which 23,000,000 are issued and 21,240,708 shares were floating at September 30, 2013 (December 31, 2012: 21,240,708).

Consolidated statement of cash flows (IFRS)

	1.1.2013-9.30.2013 EUR 000s	1.1.2012-9.30.2012 EUR 000s
Net income/loss	**-303**	**-1,648**
Adjustments to reconcile net income for the year to net cash flow used in/provided by operating activities:		
Depreciation and amortisation	214	350
Gain/loss on sale of fixed assets	11	1
Share-based compensation	13	10
Gain/loss on sale of securities	-155	-65
Other financial income and financial expenses	-127	-472
Income taxes	-500	268
Gain on sale of shares in associates and other investments	-358	0
Other non-cash expenses and income	136	280
Gross cash flow	**-1,069**	**-1,276**
Change in trade receivables	2,293	2,625
Change in other assets	-114	174
Change in trade payables	-1,961	-2,089
Change in other liabilities	-2,261	-378
Income taxes received	686	254
Income taxes paid	-308	-568
Interest received	273	287
Interest paid	-210	-43
Net cash flow from/used in operating activities	**-2,671**	**-1,014**

Consolidated statement of cash flows (IFRS)

	1.1.2013-9.30.2013 EUR 000s	1.1.2012-9.30.2012 EUR 000s
Additions to intangible assets and property, plant and equipment	-197	-270
Purchase of shares in other investments	0	-30
Loans granted	-50	-350
Proceeds from sale of other investments	523	0
Repayment of loans granted	563	30
Proceeds from sale/maturity of securities and maturity of fixed-term deposits	9,822	4,251
Purchase of securities and investment in fixed-term deposits	-10,854	-1,116
Net cash flow from/used in investing activities	**-193**	**2,515**
Dividends to non-controlling interests	-95	-260
Net cash flow from/used in financing activities	**-95**	**-260**
Effect of exchange rates on cash and cash equivalents	-1	9
Cash-effective decrease/increase in cash and cash equivalents	-2,959	1,241
Cash and cash equivalents at beginning of period	**12,587**	**9,778**
Cash and cash equivalents at end of period	**9,627**	**11,028**

Consolidated statement of changes in equity (IFRS)

	Balance at 1.1.2012	Total income and expense recognized in equity	Share-based payment	Purchase of treasury shares	Issuance of shares	Dividends	Balance at 9.30.2012
Issued capital							
Number of shares	23,000,000						23,000,000
Issued capital (EUR 000s)	1,150						1,150
Reserves							
for employee stock option plans (EUR 000s)	2,411		10				2,421
from contributions of shareholders of the parent company (EUR 000s)	63,782						63,782
Treasury shares							
Number of shares	1,759,292						1,759,292
Treasury shares at cost (EUR 000s)	-3,281						-3,281
Accumulated deficit (EUR 000s)	**-40,481**	**-1,748**					**-42,229**
Accumulated other comprehensive income							
Currency translation differences (EUR 000s)	-1,369	9					-1,360
Revaluation available-for-sale securities (EUR 000s)	-3,304	1,130					-2,174
Revaluation available-for-sale investments (EUR 000s)	3,409	3					3,412
Equity attributable to shareholders of the parent company (EUR 000s)	**22,317**	**-606**	**10**	**0**	**0**	**0**	**21,721**
Non-controlling interests (EUR 000s)	395	100				-260	235
Total equity (EUR 000s)	**22,712**	**-506**	**10**	**0**	**0**	**-260**	**21,956**

Consolidated statement of changes in equity (IFRS)

	Balance at 1.1.2013	Total income and expense recognized in equity	Share-based payment	Purchase of treasury shares	Issuance of shares	Dividends	Balance at 9.30.2013
Issued capital							
Number of shares	23,000,000						23,000,000
Issued capital (EUR 000s)	1,150						1,150
Reserves							
for employee stock option plans (EUR 000s)	2,421		13				2,434
from contributions of shareholders of the parent company (EUR 000s)	63,782						63,782
Treasury shares							
Number of shares	1,759,292						1,759,292
Treasury shares at cost (EUR 000s)	-3,281						-3,281
Accumulated deficit (EUR 000s)	**-45,754**	**-399**					**-46,153**
Accumulated other comprehensive income							
Currency translation differences (EUR 000s)	-1,384	-1					-1,385
Revaluation available-for-sale securities (EUR 000s)	-2,028	419					-1,609
Revaluation available-for-sale investments (EUR 000s)	3,274	-97					3,177
Equity attributable to shareholders of the parent company (EUR 000s)	**18,180**	**-78**	**13**	**0**	**0**	**0**	**18,115**
Non-controlling interests (EUR 000s)	265	96				-95	266
Total equity (EUR 000s)	**18,445**	**18**	**13**	**0**	**0**	**-95**	**18,381**

Notes

Consolidated segment information (IFRS)

Q1-Q3 2013	ad pepper media EUR 000s	Webgains EUR 000s	ad agents EUR 000s	Admin EUR 000s	Consolida-tion EUR 000s	Group EUR 000s
Total revenues	**13,620**	**17,702**	**5,162**	**419**	**-469**	**36,434**
thereof external	13,584	17,689	5,161	0	0	36,434
thereof intersegment	36	13	1	419	-469	0
Expenses and other income	**-14,762**	**-17,628**	**-4,817**	**-731**	**419**	**-37,519**
thereof amortization and depreciation	-94	-35	-46	-39	0	-214
thereof other non-cash expenses	-79	-169	-4	-20	-20	-292
EBITDA	**-1,048**	**109**	**391**	**-273**	**-50**	**-871**
EBIT	**-1,142**	**74**	**345**	**-312**	**-50**	**-1,085**
Financial income	**12**	**2**	**1**	**339**	**-16**	**338**
Financial expenses	**-12**	**-4**	**0**	**-56**	**16**	**-56**
Income taxes						**500**
Net income/loss for the period						**-303**

Q1-Q3 2012	ad pepper media EUR 000s	Webgains EUR 000s	ad agents EUR 000s	Admin EUR 000s	Consolida-tion EUR 000s	Group EUR 000s
Total revenues	**15,272**	**15,843**	**8,470**	**420**	**-650**	**39,355**
thereof external	15,194	15,691	8,470	0	0	39,355
thereof intersegment	78	152	0	420	-650	0
Expenses and other income	**-15,595**	**-16,120**	**-8,112**	**-1,865**	**420**	**-41,272**
thereof amortization and depreciation	-97	-16	-45	-192	0	-350
thereof other non-cash expenses	-136	-128	-102	-38	-6	-410
EBITDA	**-226**	**-261**	**403**	**-1,253**	**-230**	**-1,567**
EBIT	**-323**	**-277**	**358**	**-1,445**	**-230**	**-1,917**
Financial income	**3**	**0**	**3**	**611**	**-45**	**572**
Financial expenses	**-45**	**0**	**-5**	**-30**	**45**	**-35**
Income taxes						**-268**
Net income/loss for the period						**-1,648**

1. Basis for the preparation of the quarter-end financial statements

The current condensed interim consolidated financial statements of ad pepper media International N.V. were prepared according to the provisions of the International Financial Reporting Standards (IFRS) as applicable on the closing date, and are presented in euros. The comparative figures from the previous year were determined according to the same principles and adjusted where necessary. The quarterend financial statements meet the requirements of IAS 34. The condensed consolidated interim financial statements do not include all of the information required for the full annual financial statements and should therefore be read in conjunction with the consolidated annual report for the year ended December 31, 2012.
The consolidated interim financial statements as per September 30, 2013 were authorized for issue by the Board of Directors on October 28, 2013.

2. Change in measurement methods

Enhanced controlling and financial reporting possibilities were created in the Webgains segment in the third quarter of 2013. Here, changes have been made to the measurement of the provision for affiliate credits not yet paid out. Previously, a provision was recognized for all confirmed transactions, irrespective of the transaction date. The latest assessments show that credits not called up within one year after closing of the program regularly no longer result in payment. The provision has therefore been reduced by the amount attributable to transactions more than one year prior to the respective balance sheet date. First-time application of this measurement method in the third quarter resulted in a one-off income of EUR 357k.

3. Accounting principles

The accounting principles applied to these quarter-end financial statements do not materially differ from the principles as applied to the Annual Report as per December 31, 2012.
Since that time the following standards and interpretations have been adopted:

Improvements to IFRS 2009-2011
On March 28, 2013 the European Union issued a commission regulation which resulted in the endorsement of Annual Improvements to IFRSs, 2009-2011 Cycle which are now incorporated into European law. The changes of the following standards are effective from January 1, 2013:

- IFRS 1 "First-time Adoption of IFRS"
- IAS 1 "Presentation of Financial Statements"
- IAS 16 "Fixed Assets"
- IAS 32 "Financial Instruments"
- IAS 34 "Interim Financial Reporting"

This will not have any material implications for the consolidated financial statements of ad pepper media.

Amendments to IFRS 10, 11 and 12
In its Official Journal dated April 5, 2013, the European Union published Regulation (EC) No. 313/2013 dated April 4, 2013 concerning the amendment to Regulation (EC) No. 1126/2008 in respect of the endorsement of specific international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and Council. This Regulation takes over amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", and IFRS 12 "Disclosures of Interests in Other Entities" published by the IASB in June 2012.

The amendment aims to clarify the transitional requirements in IFRS 10 and introduce additional relief for the transition to IFRS 10, IFRS 11, and IFRS 12. Adjusted comparative information, for example, is only required for the previous comparative period and the obligation to disclose comparative information for unconsolidated structured entities for periods prior to the first-time application of IFRS 12 no longer applies.

Furthermore, Article 1 of the Regulation clarifies that, for EU IFRS users, the references to IFRS 9 included in the amendments to IFRS 11 should be understood as references to IAS 39 "Financial Instruments: Recognition and Measurement "as IFRS 9 has yet to be endorsed by the European Union. The amendments require application at the latest at the beginning of the first financial year beginning on or after January 1, 2014; voluntary earlier application is thus permitted.

These amendments will not have any material implications for ad pepper media's consolidated financial statements.

4. Consolidated group

The entities included in consolidation are as follows:

Entity	9.30. 2013 Percent	12.31. 2012 Percent
ad pepper media GmbH, Nuremberg, Germany	100	100
ad pepper media Benelux B.V., Amsterdam, The Netherlands	100	100
ad pepper media Sweden AB, Stockholm, Sweden	0***	100
ad pepper media Denmark A/S, Copenhagen, Denmark	100	100
ad pepper media UK Ltd, London, United Kingdom	100	100
ad pepper media France S.A.R.L., Paris, France	100	100
ad pepper media Spain S.A., Madrid, Spain	100	100
ad pepper media USA LLC, New York, USA	100	100
Web Measurement Services B.V., Amsterdam, The Netherlands	0**	100
Crystal Semantics Ltd, London, United Kingdom	100	100
Webgains Ltd, London, United Kingdom	100	100
ad pepper media SA, Küssnacht am Rigi, Switzerland	100*	100
Globase International ApS, Copenhagen, Denmark	100	100
Emediate ApS, Copenhagen, Denmark	100	100
EMSEAS TEKNIK AB, Stockholm, Sweden	100	100
ad agents GmbH, Herrenberg, Germany	60	60

* in liquidation
** liquidated with effect of October 31, 2012 at January 17, 2013
*** Merger with EMSEAS TEKNIK AB at September 9, 2013

Emediate ApS opened Emediate Norway NUF, a branch office in Oslo, Norway, on February 14, 2013.
ad pepper media Sweden AB was merged with EMSEAS TEKNIK AB as of September 9, 2013.
ad pepper media International N.V. holds a 20 percent stake in SocialTyze LLC. SocialTyze LLC is not included in the interim consolidated financial statements at equity, as an operating agreement has been concluded which does not allow ad pepper media to exert significant influence. The investment was fully impaired as of December 31, 2012.
The 49.5 percent stake held in Videovalis GmbH was disposed of at a selling price of EUR 475k in August 2013.
As of April 1, 2012, ad pepper media USA LLC secured a stake totaling 15 percent in React2Media LLC. In the beginning of 2013 ad pepper media USA LLC sold back the investment to React2Media.

5. Notes to the Interim Financial Statements

Reference is basically made to the comments on the results of operations, financial position and net assets in the Management Report.

The following one-off items affecting the income statement occurred in the period under review:
Net financial expenses include realized net exchange gains of EUR 152k from the trade of securities (Q1-Q3 2012: EUR 65k) and unrealized net valuation gains of EUR 0k (Q1-Q3 2012: EUR 240k).
At the beginning of January 2013, ad pepper media USA LLC resold its interest in React2Media at a price of USD 170k, corresponding to a profit of USD 130k. Furthermore, ad pepper media International N.V. sold its shareholding in Videovalis GmbH at a selling price of EUR 475k in August 2013. This transaction led to the recognition of profit of EUR 259k. Additionally the change in measurement methods described in note 2 in the segment Webgains resulted in a one-off income of EUR 357k. The discontinuation of the operating business of the ad pepper media segment in the Netherlands and further personnel adjustment measures in Denmark led to one-off charges totaling EUR 389k in the first nine months of the financial year. Furthermore, we were obliged to make minimum guarantee payments to websites we market. This factor resulted in expenses totaling EUR 259k in the third quarter.
The tax result is due to the recognition of current tax deferrals for profitable companies and of recognizing deferred tax EUR 640k.

The following one-off items affecting the balance sheet occurred in the period under review:
Payment by installment was agreed upon the sale of the interest of USD 170k in React2Media. ad pepper media USA LLC had corresponding receivables of USD 104k as of September 30, 2013. The loan granted to React2Media in March 2012 had an outstanding balance of USD 90k as of September 30, 2013. Other financial assets reduced by EUR 895k compared with December 31, 2012, a development chiefly due to the repayment of all loan receivables, amounting to EUR 525k, due to Videovalis GmbH. Other liabilities reduced by EUR 1,388k compared with December 31, 2012 (mainly payment of payroll tax liabilities, bonuses, and a reduction in the sales tax balance).

6. Segment reporting according to IFRS 8

IFRS 8 requires an entity to report financial and descriptive information about its so-called “reportable segments“. Reportable segments are either operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity, about which separate financial information is available, that is evaluated regularly by the chief operating decision maker for the purpose of resource allocation and assessing performance. Generally, financial information is required to be reported on the same basis as is used internally to evaluate the operating segments (management approach). The information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on the category of services delivered.

For this reason, the group reports segment information for the operating segments of “ad pepper media“ (lead, mail, banner, ad serving), “Webgains“ (affiliate marketing) and “ad agents“ (SEM/SEO) and for the non-operating “Admin“ (administration) segment.

The accounting policies of the reportable segments in principle correspond to the group's accounting policies described in note [2] of the consolidated annual report for the year ended December 31, 2012. The segment result is measured by EBIT and EBITDA for each segment without differences to IFRS. The segment result thus calculated is re-ported to the chief operating decision maker for the purpose of resource allocation and assessing segment performance.
The "dealing at arm's length"-principle forms the basis of accounting for intersegment transaction.

Geographical information

The Group operates in four principal geographical areas – the Netherlands, Germany, Scandinavia and the United Kingdom. The operating business in the Netherlands was discontinued per June, 30 2013. The Group's revenue from the continued operations of the Group from business with external customers and information about the segments' assets are detailed below according to geographical location.
Long-term assets do not include financial instruments or deferred tax assets:

	Revenue from external customers		Non-current assets	
	Q1-Q3 2013	Q1-Q3 2012	9.30. 2013	9.30. 2012
	EUR 000s	EUR 000s	EUR 000s	EUR 000s
The Netherlands	191	798	0	13
Germany	12,181	16,208	288	357
Scandinavia	6,543	5,716	155	135
United Kingdom	12,805	11,332	45	68
Other	4,714	5,301	5	10
Total	**36,434**	**39,355**	**493**	**583**

Disclosure information according to IFRS 8.34 is not relevant as there is no dependency on major customers.

7. Treasury stock

Acquisition of treasury stock

By shareholders' resolution dated May, 14, 2013 and May 15, 2012, the Board of Directors was authorized to repurchase treasury stock of up to 50 percent of the issued capital within the next 18 months.
As of September 30, 2013, ad pepper media International N.V. held 1,759,292 treasury stock (September 30, 2012: 1,759,292) at a nominal value of EUR 0.05 each, corresponding to 7.65 percent (September 30, 2012: 7.65 percent) of the share capital.
According to a shareholders' resolution, these shares can be used for stock option plans or acquisitions.

Sale of treasury stock

No treasury shares were sold during the first nine months 2013 (Q1-Q3 2012: 0). No shares were sold under the employee stock option plans and no cash settlements amounting for fully vested stock options occurred (Q1-Q3 2012: 0).

Number of shares outstanding

The number of shares issued and outstanding as of September 30, 2013 totals 21,240,708 (September 30, 2012: 21,240,708). Each share has a nominal value of EUR 0.05.

8. Seasonal influences on business operations

ad pepper media is engaged in the field of online advertising in the broadest sense. Due to the seasonal character of the advertising industry, with its traditional focus on expenditure in the 4th quarter, revenue and thus operating profit are generally higher in the second half of the year.

9. Change within the boards

An extraordinary general meeting held on March 20, 2013 appointed Dr. Ulrike Handel to chair the Board of Directors and as Chief Executive Officer (CEO) of ad pepper media International N.V. Dr. Handel had already been a member of the Supervisory Board of ad pepper media International N.V. since May 2012. Furthermore the extraordinary general meeting elected three new Supervisory Board members, namely, Mr. Thomas Bauer, Ms. Eun-Kyung Park, and Dr. Stephan Roppel.

10. Stock options and shareholdings

An employee equity-participation program involving 510,000 options was launched for the members of board of directors on August 20, 2013. The valuation was carried out by simulation (Monte-Carlo method). The fair value of the stock options was calculated applying the Black-Scholes-Model, based on the following assumptions:

Executive SOP 2013 (BoD)

Share price when granted (EUR)	*0.80*
Date of grant	*8.20.2013*
Strike price (EUR)	*0.80*
Risk-free interest rate (Percent)	*1.10*
Estimated term	*7 years*
Future dividend (EUR)	*0.04 to 0.06*
Estimated volatility (Percent)	*64.41*

The volatility was calculated from the development of the ad pepper media International N.V. share price between September 3, 2007 and August 20, 2013.
One third of the option rights can be exercised one year after they were granted at the earliest, another third another year after they were granted, and so on.
The fair values of the individual tranches at the time of granting are between EUR 0.237 and EUR 0.325 per issued option. The maximum cost of the program over the entire period is EUR 145k.

Furthermore an employee equity-participation program involving 490,000 options was launched for executive employees on August 20, 2013. The valuation was carried out by simulation (Monte-Carlo method). The fair value of the stock options was calculated applying the Black-Scholes-Model, based on the following assumptions:

Executive SOP 2013 (MD)

Share price when granted (EUR)	*0.80*
Date of grant	*8.20.2013*
Strike price (EUR)	*0.80*
Risk-free interest rate (Percent)	*1.10*
Estimated term	*7 years*
Future dividend (EUR)	*0.04 to 0.06*
Estimated volatility (Percent)	*64.41*

The volatility was calculated from the development of the ad pepper media International N.V. share price between September 3, 2007 and August 20, 2013.

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 0.237 and EUR 0.350 per issued option. The maximum cost of the program over the entire period is EUR 147k.

As of September 30, 2013, a total of 1,657,900 stock options exist under stock option plans. The exchange ratio for each of the stock options is one share per option. The exercise prices are in the range of EUR 0.665 to EUR 3.795.

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

	Shares as of 9.30.2013	Options as of 9.30.2013
Board of Directors		
Dr. Ulrike Handel (since March 20, 2013)	0	300,000
Jens Körner	0	210,000
Former Board of Directors		**389,500**
Supervisory Board		
Michael Oschmann	0	0
Thomas Bauer (since March 20, 2013)	0	0
Eun-Kyung Park (since March 20, 2013)	0	0
Dr. Stephan Roppel (since March 20, 2013)	0	0
Dr. Ulrike Handel (until March 19, 2013)	0	0
Associated companies		
EMA B.V.	9,486,402	0
Euro Serve Media GmbH	436,963	0
Employees		**758,400**

11. Report on major transactions with related companies and persons

Transactions of parent company with investments

ad pepper media International N.V. granted loans of EUR 50k to Videovalis GmbH in the first nine months of 2013 (2012: EUR 475k). Repayment of the entire volume of loans outstanding, amounting to EUR 525k, took place prior to the disposal of this shareholding in August 2013.

Transactions between subsidiaries and investments

Emediate ApS provides ad serving services to Brand Affinity Technologies Inc. for USD 102k in the first three quarters.

Otherwise there have been no material changes in transactions with related parties compared with the 2012 financial year.

12. Events after the balance sheet date

Up until the day of authorization for issuance, no events took place which would have exerted substantial influence on the net assets, financial position or result of operations as per September 30, 2013.

Amsterdam/Nuremberg, October 28, 2013

Dr. Ulrike Handel, Jens Körner

Company calendar

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

Company calendar	
Quarterly report III/2013	*November 7, 2013*
Annual report 2013	*March 28, 2014*
General Meeting of Shareholders' 2014 Amsterdam, the Netherlands	*May 13, 2014*

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Jens Körner, CFO

We will gladly send you our 2012 Annual Report as well as the interim financial reports for 2013 in German or English.
These reports are also published as PDF files at www.adpepper.com under:
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