

AD PEPPER MEDIA INTERNATIONAL N.V., AMSTERDAM,
THE NETHERLANDS

Annual Report 2007

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1 MANAGING DIRECTORS' REPORT

The Managing Director's Report for the financial year 2007 has been included in the consolidated financial statements of ad pepper media International N.V. as published on the company's website (www.adpepper.com). Upon request, copies are also available at the Company's office in Nürnberg, Germany.

2 COMPANY FINANCIAL STATEMENTS OF AD PEPPER MEDIA INTERNATIONAL N.V., AMSTERDAM

2.1 DUTCH GAAP COMPANY ONLY BALANCE SHEET

December 31, 2007
(Before proposed appropriation of profit)
(in thousands of EUR)

| | <u>2007</u> | <u>2006</u> |
|---|----------------------|----------------------|
| A s s e t s | | |
| Non-current assets | | |
| Intangible assets [2.3.2.1] | 24.025 | 17.606 |
| Equipment [2.3.2.2] | 337 | 283 |
| Financial assets [2.3.2.3] | 11.486 | 13.608 |
| Other financial assets [2.3.2.4] | 280 | 300 |
| Marketable securities [2.3.2.5] | 2.131 | 4.360 |
| Total non-current assets | <u>38.259</u> | <u>36.157</u> |
| Current assets | | |
| Trade accounts receivable | 11 | 33 |
| Group companies [2.3.2.6] | 7.396 | 4.820 |
| Prepaid expenses and other current assets [2.3.2.7] | 2.353 | 1.516 |
| Marketable securities [2.3.2.5] | 3.390 | 3.938 |
| Cash and cash equivalents [2.3.2.8] | 6.069 | 8.807 |
| Total current assets | <u>19.219</u> | <u>19.114</u> |
| Total assets | <u><u>57.478</u></u> | <u><u>55.271</u></u> |

| | <u>2007</u> | <u>2006</u> |
|--|----------------------|----------------------|
| S h a r e h o l d e r ' s e q u i t y a n d l i a b i l i t i e s | | |
| Shareholder's equity | | |
| Share capital [2.3.2.9] | 1.139 | 1.116 |
| Additional paid-in capital [2.3.2.9] | 66.319 | 61.859 |
| Accumulated deficit [2.3.2.9] | (12.212) | (16.598) |
| Accumulated other comprehensive loss [2.3.2.9] | (1.511) | (837) |
| Net income | 2.555 | 5.313 |
| | <u>56.290</u> | <u>50.853</u> |
| Non-current liabilities | | |
| Provisions for deferred taxes | 143 | 137 |
| Total non-current liabilities | <u>143</u> | <u>137</u> |
| Current liabilities | | |
| Other current liabilities [2.3.2.10] | 749 | 4.123 |
| Accrued expenses | 296 | 158 |
| Total non-current liabilities | <u>1.045</u> | <u>4.281</u> |
| Total shareholder's equity and liabilities | <u><u>57.478</u></u> | <u><u>55.271</u></u> |

2.2 DUTCH GAAP COMPANY INCOME STATEMENT

Year ended December 31, 2007

(in thousands of EUR)

| | <u>2007</u> | <u>2006</u> |
|---|--------------|--------------|
| Income from participations in group companies after taxes | -3.559 | 645 |
| Other income after taxes | 6.114 | 4.668 |
| Net income | <u>2.555</u> | <u>5.313</u> |

2.3 NOTES TO THE DUTCH GAAP COMPANY FINANCIAL STATEMENTS

2.3.1 General

Corporate information [1]

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 19 branches in twelve European countries, the USA and Australia. 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 optimisation, provided by ad pepper media and its affiliated entities in a localised form.

The company financial statements for the year ended December 31, 2007 are authorized for issue through a resolution of the Management Board dated 24 April 2008.

In accordance with this resolution, the Annual General Meeting of Shareholders is requested to approve the company financial statements.

List of subsidiaries

| Entity | Share |
|---|-------|
| 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 Oy, Helsinki, Finland | 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., Barcelona, Spain | 100 % |
| ad pepper media USA LLC, Delaware, USA | 100 % |
| ad pepper media Italy srl., Milan, Italy | 100 % |
| Atlas Internet Associates s.r.o, Bratislava, Slovakia | 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, Lugano, Switzerland | 100 % |
| Globase International ApS, Copenhagen, Denmark | 100 % |
| Emediate ApS, Kongens Lyngby, Denmark | 100 % |
| EMSEAS TEKNIK AB, Stockholm, Sweden | 100 % |
| ad agents GmbH, Herrenberg, Germany | 60 % |

Basis of preparation[2]

Unless stated otherwise, all amounts are in thousands of Euro.

These financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands (Dutch GAAP) as embodied in Part 9 of Book 2 of the Netherlands Civil Code.

In conformity with article 402, Book 2 of the Dutch Civil Code, a condensed statement of income is included in the ad pepper media International N.V. company accounts. These financial statements should therefore be read in conjunction with the consolidated financial statements of

ad pepper media International N.V. (available on www.adpepper.com or at the Company's office in Nürnberg, Germany).

The accounting policies used are almost the same as those used in the consolidated financial statements of ad pepper media International N.V. in accordance with article 362-8 of Book 2 of the Dutch Civil Code. Investments in subsidiaries are accounted for at net assets value in accordance determined on the basis of IFRS as applied consolidated financial statements of ad pepper media International N.V. For details on the (relevant) IFRS accounting policies applied in the consolidated financial statements refer to the next paragraph "Accounting policies".

Accounting policies

The accounting principles stated below comprise a summary of the accounting principles as disclosed in the consolidated 2007 financial statements of ad pepper media International N.V.

Significant accounting judgments, 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 recognised 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 recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, 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”.

Impairment of available-for-sale financial assets

The group classifies certain assets as available-for-sale and recognises changes in their fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in profit or loss. No impairment losses have been recognised for available-for-sale assets at 31 December 2007 (2006: nil). Further information is presented in the note on “Current and non-current marketable securities”.

Summary of significant accounting policies

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 recognised 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 recognised in equity relating to that particular foreign operation is recognised in the income statement.

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 derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 derecognised.

Goodwill

Goodwill (acquired) is initially measured at cost being the excess of the cost of the acquisition over the group's interest in the net fair value of the acquiree'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 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 IAS 14 Segment Reporting.

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 recognised 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 amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised 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 recognised 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 amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised 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 derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

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 recognised 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognised 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 recognised. 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 recognised on the asset in prior years. Such reversal is recognised 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 recognised 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 recognised. Impairment losses recognised 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 loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised 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 recognised 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.

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 amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation 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 recognised on initial measurement at fair value. After initial measurement, available-for-sale financial assets are measured at fair value, recognising unrealised gains or losses directly in equity in the net unrealised gains reserve. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the income statement.

Fair value

The fair value of investments that are actively traded in organised 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.

Amortised cost

Loans and receivables are measured at amortised 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 amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised 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 recognised 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 recognised is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised 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 derecognised 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 amortisation) and its current fair value, less any impairment loss previously recognised 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 recognised 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 recognised 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.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised 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 amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Provisions

Provisions are recognised 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 recognised 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 recognised 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 received 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 recognised, 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 recognised 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 recognised as at the beginning and end of that period.

No expense is recognised 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 recognised is the expense if the terms had not been modified. An additional expense is recognised 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 fulfilment 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 recognised as an expense in the income statement on a straight line basis over the lease term.

Revenue recognition

Revenue is recognised 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 recognised:

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 recognised 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.

Interest income

Revenue is recognised 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 recognised directly in equity is recognised 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 recognised 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 recognised 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 utilised 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 recognised 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 utilised.

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 utilised. Unrecognised deferred income tax

assets are reassessed at each balance sheet date and are recognised 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 realised 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 recognised directly in equity is recognised 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 recognised 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 recognised 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.

2.3.2 Notes to the company balance sheet

2.3.2.1 Intangible assets

The changes in the intangible assets are:

| (in thousands of EUR) | <u>Goodwill</u> | <u>Trademark</u> | <u>Software</u> | <u>Total</u> |
|---------------------------------|-----------------|------------------|-----------------|---------------|
| Book value at January 1, 2006 | 6.481 | 225 | 2.614 | 9.320 |
| Additions | 9.285 | - | 79 | 9.364 |
| Disposals | - | - | - | - |
| Amortization | - | (61) | (1.017) | (1.078) |
| Book value at December 31, 2006 | <u>15.766</u> | <u>164</u> | <u>1.676</u> | <u>17.606</u> |
| Purchase value | 15.766 | 614 | 3.780 | 20.160 |
| Accumulated Amortization | - | (450) | (2.104) | (2.544) |
| Book value at December 31, 2006 | <u>15.766</u> | <u>164</u> | <u>1.676</u> | <u>17.606</u> |
| Additions | 4.598 | - | 2.800 | 7.398 |
| Disposals | - | - | -14 | -14 |
| Amortization | - | -61 | -904 | -965 |
| Book value at December 31, 2007 | <u>20.364</u> | <u>103</u> | <u>3.558</u> | <u>24.025</u> |
| Purchase value | 20.364 | 614 | 5.090 | 26.068 |
| Accumulated Amortization | - | (511) | (1.532) | (2.043) |
| Book value at December 31, 2007 | <u>20.361</u> | <u>103</u> | <u>3.558</u> | <u>24.025</u> |

2.3.2.2 Equipment

The changes in equipment (tangible fixed assets) are:

| (in thousands of EUR) | <u>2007</u> | <u>2006</u> |
|--------------------------|-------------|-------------|
| Balance at January 1 | 283 | 113 |
| Additions | 221 | 253 |
| Disposals | -28 | -1 |
| Depreciation | -139 | -82 |
| Balance at December 31 | <u>337</u> | <u>283</u> |
| Purchase value | 525 | 604 |
| Accumulated depreciation | (188) | (321) |
| Balance at December 31 | <u>337</u> | <u>283</u> |

2.3.2.3 Financial assets

The movements during the year are as follows:

| (in thousands of EUR) | <u>Subsidiary companies</u> | | <u>Participating interests</u> | <u>Deferred tax assets</u> | <u>Total</u> |
|------------------------------|-----------------------------|---------------|--------------------------------|----------------------------|---------------|
| | <u>Investments</u> | <u>Loans</u> | <u>Investments</u> | | |
| Balance at December 31, 2005 | (5.511) | 14.103 | 4.615 | 3.577 | 16.784 |
| Additions | (744) | 2.641 | - | - | 1.897 |
| Disposals | - | - | (4.615) | (1.143) | (5.758) |
| Share of net profit | 645 | - | - | - | 645 |
| Investments in subsidiaries | 178 | - | - | - | 178 |
| Translations adjustments | (138) | - | - | - | (138) |
| Balance at December 31, 2006 | <u>(5.570)</u> | <u>16.744</u> | <u>-</u> | <u>2.434</u> | <u>13.608</u> |
| Additions | - | 1.690 | - | - | 1.690 |
| Disposals | - | - | - | (810) | (810) |
| Share of net profit | (3.559) | - | - | - | (3.559) |
| Investments in subsidiaries | 4.399 | (3.814) | - | - | 585 |
| Translations adjustments | (28) | - | - | - | (28) |
| Balance at December 31, 2007 | <u>(4.758)</u> | <u>14.620</u> | <u>-</u> | <u>1.624</u> | <u>11.486</u> |

2.3.2.4 Other Financial Assets

The Other financial assets comprise of long term loan receivables from a current board member who is also a shareholder. These loans bear interest of 3.9 percent and a maturity of up to seven years.

2.3.2.5 Marketable securities

The securities as of 31 December 2007 consist entirely of available-for-sale securities.

Current securities consist exclusively of securities with a remaining term of less than one year. Non-current securities have a remaining term of more than one year, to the extent that their disposal within one year is not planned.

In the reporting period, unrealised losses of EUR 805 k (2006: EUR 438 k) were recognised 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:

| Market value (in thousands of EUR) | 2007 | 2006 |
|--|-------------|-------|
| Due within one year | 3.390 | 3.938 |
| Due between one and five years | 0 | 1.987 |
| Due in more than five years | 2.131 | 2.373 |
| Total | 5.521 | 8.298 |

2.3.2.6 Group companies

The receivables from group companies mature within one year.

2.3.2.7 Prepaid expenses and other current assets

| (in thousands of EUR) | 2007 | 2006 |
|-----------------------|--------------|--------------|
| Other current assets | 1.783 | 1.060 |
| Prepaid expenses | 570 | 456 |
| | <u>2.353</u> | <u>1.516</u> |

The item comprises loan receivables to former board member who is also a shareholder of EUR 205 k (2006: EUR 197 k). The loan bears interest at 4.0 percent p.a. and matures in one year or less. Also included are receivables from a pending purchase price payment of EUR 466 k (2006: EUR 619 k) and from a earn-out-component of EUR 758 k in connection with the sale of the investment in dMarc Broadcasting Inc.. Loan receivables of EUR 137 k have been written off in full (2006: EUR 137 k).

2.3.2.8 Cash and cash equivalents

No restrictions to cash exist at balance sheet date.

2.3.2.9 Shareholder's equity

Issued capital

The issued capital of ad pepper media International N.V. comprises 11.394.854 (2006: 11.155.000) bearer shares each with a nominal value of EUR 0,10.

On 9 February 2007, the Frankfurt Stock Exchange admitted for trading 209.854 new shares in ad pepper media International N.V. from the increase in capital in connection with the acquisition of Emediate ApS.

On 21 December 2007, a further 30.000 new shares in ad pepper media International N.V. were admitted for trading in connection with the exercise of stock options by a member of the Management Board.

Additional paid-in capital

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.

The costs (EUR 56 k) from the increase in capital in connection with the acquisition of Emediate ApS were deducted from the additional paid-in capital.

Treasury shares

By resolution of the annual general meeting on 30 April 2007, the management board was authorised to purchase treasury shares of up to 10 percent of the share capital. Altogether 169.200 treasury shares were purchased in 2007. ad pepper media International N.V. held 192.896 treasury shares as of 31 December 2007 (2006: 212.720 treasury shares). The corresponding value of these shares, being EUR 1,268,704 (2006: EUR 340,352) has been deducted from the Accumulated deficit.

Sale of treasury shares

In the reporting year, 5,600 (2006: 2,800) treasury shares were sold at an exercise price of EUR 1.33, 5,400 (2006: 12,600) at a price of EUR 2.73, 3,500 (2006: 61,700) at a price of EUR 1.78 and 4,750 (2006: 54,600) shares at a price of EUR 4.45 under the employee stock option plans. In

2006, a further 52,500 shares were sold at a price of EUR 5.32 under the employee stock option plans.

In addition, 167,674 treasury shares were sold in the reporting year to settle purchase price liabilities resulting from the acquisition of Webgains Ltd. In 2006, 65,336 treasury shares were sold to settle purchase price liabilities resulting from the acquisition of Crystal Semantics.

Number of shares outstanding

The number of shares issued and outstanding as of 31 December 2007 totalled 11,201,958 (2006: 10,942,280). Each share has a nominal value of EUR 0.10.

Authorized unissued capital

The authorized unissued capital totals EUR 32.000 and comprises 320.000 shares (2006: 0 shares).

Accumulated other comprehensive losses

Accumulated other comprehensive losses include losses on available-for-sale securities of EUR 1.400 k (2006: EUR 847 k), taking into account deferred taxes of EUR 647 k (2006: EUR 494 k), and accumulated exchange differences of EUR -111 k (2005: EUR -140 k) from the translation of the financial statements of foreign subsidiaries.

For movements in the shareholder's equity refer to the following table:

| | Issued capital | Additional paid-in capital | Accumulated deficit | Accumulated other comprehensive losses | | Total |
|--|------------------|----------------------------|---------------------|---|--|-------------------|
| | EUR | EUR | EUR | Currency translation differences EUR | Market valuation of available-for-sale securities EUR | |
| Balance at 1 January 2006 | 1.115.500 | 59.942.263 | -16.678.696 | | | |
| Currency translation differences | | | | -6.901 | -431.368 | 43.940.798 |
| Unrealised gains/losses on securities | | | | -132.753 | | -132.753 |
| <i>Total income and expense for the year recognised directly in equity</i> | | | | | -266.429 | -266.429 |
| Net income for the year | 0 | 0 | 0 | -132.753 | -266.429 | -399.182 |
| <i>Total recognised income and expense for the year</i> | 0 | 0 | 5.312.858 | -132.753 | -266.429 | 5.312.858 |
| Stock-based compensation | | 999.655 | | | | 999.655 |
| Issuance of treasury shares | | 917.546 | 81.226 | | | 998.772 |
| Balance at 31 December 2006 | 1.115.500 | 61.859.464 | -11.284.612 | -139.654 | -697.797 | 50.852.901 |
| Balance at 1 January 2007 | 1.115.500 | 61.859.464 | -11.284.612 | -139.654 | -697.797 | 50.852.901 |
| Currency translation differences | | | | 28.080 | | 28.080 |
| Unrealised gains/losses on securities | | | | 0 | -701.873 | -701.873 |
| <i>Total income and expense for the year recognised directly in equity</i> | | | | | | |
| Net income for the year | 0 | 0 | 0 | 28.080 | -701.873 | -673.793 |
| <i>Total recognised income and expense for the year</i> | 0 | 0 | 2.555.163 | 0 | 0 | 2.555.163 |
| Stock-based compensation | | 438.036 | | | | 438.036 |
| Increase in capital | 23.985 | 2.273.154 | 0 | 0 | | 2.297.139 |
| Purchase of treasury shares | | | -1.230.084 | | | -1.230.084 |
| Issuance of treasury shares | | 1.748.579 | 301.732 | | | 2.050.311 |
| Balance at 31 December 2007 | 1.139.485 | 66.319.233 | -9.657.801 | -111.574 | -1.399.670 | 56.289.673 |

2.3.2.10 Other current liabilities

The other current liabilities comprise mainly of bonus accruals.

2.3.2.11 Stock option program

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 authorised to repurchase up to 10 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.

The following table shows the changes in the options during the financial year 2007:

| | 2007 Number | 2006 Number | Subscription price EUR |
|--|----------------|----------------|---------------------------|
| Options at the beginning of the fiscal year (Pre-IPO) | 112,750 | 117,650 | 13.50 |
| Options at the beginning of the fiscal year (Ongoing SOP 2001) | 43,400 | 71,000 | 2.73 |
| Options at the beginning of the fiscal year (Ongoing SOP 2002) | 15,800 | 37,100 | 1.33 |
| Options at the beginning of the fiscal year (Ongoing SOP 2003) | 4,100 | 17,800 | 1.78 |
| Options at the beginning of the fiscal year (Executive SOP 2003) | 820,000 | 958,000 | 1.78 |
| Options at the beginning of the fiscal year (Ongoing SOP 2004) | 48,900 | 103,500 | 4.45 |
| Options at the beginning of the fiscal year (Exec SOP 2005) | 80,000 | 190,000 | 5.32 |
| Options at the beginning of the fiscal year (Exec SOP 2006) | 618,750 | - | 7.59 |
| Options granted (Executive SOP 2005) | - | 30,000 | 5.32 |
| Options granted (Executive SOP 2006) | - | 675,000 | 7.59 |
| Options forfeited (Pre-IPO) | - | -4,900 | 13.50 |
| Options forfeited (Ongoing SOP 2001) | - | - | 2.73 |
| Options forfeited (Ongoing SOP 2002) | - | - | 1.33 |
| Options forfeited (Ongoing SOP 2003) | -600 | - | 1.78 |
| Options forfeited (Ongoing SOP 2004) | -1,600 | - | 4.45 |
| Options forfeited (Executive SOP 2003) | - | - | 1.78 |
| Options forfeited (Executive SOP 2005) | - | - | 5.32 |
| Options forfeited (Executive SOP 2006) | -130,000 | -56,750 | 7.59 |
| Options cancelled (Executive SOP 2006) | -388,500 | - | 7.59 |
| Options exercised (Ongoing SOP 2001) | -5,400 | -27,600 | 2.73 |
| Options exercised (Ongoing SOP 2002) | -5,600 | -21,300 | 1.33 |
| Options exercised (Ongoing SOP 2003) | -3,500 | -13,700 | 1.78 |
| Options exercised (Ongoing SOP 2004) | -4,750 | -54,600 | 4.45 |
| Options exercised (Executive SOP 2003) | -30,000 | -48,000 | 1.78 |
| Options exercised (Exec SOP 2005) | - | -52,500 | 5.32 |
| Options exercised (Exec SOP 2006) | - | - | 7.59 |
| Options at the end of the fiscal year | 1,173,750 | 1,743,700 | |
| Weighted subscription price in EUR | 3.77 | 4.86 | |
| Exercisable options as of 31 December 2007 | 379,500 | 247,700 | |

Weighted subscription price in EUR

3.08

2.48

No stock options were granted in 2007.

The average share price during 2007 was EUR 4.88 (2006: EUR 10.27).

The personnel expenses recorded in the past financial year in connection with stock option programs granted on the basis of equity instruments amount to EUR 438 k (2006: EUR 1,000 k).

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

| | Ongoing Pre-IPO | Ongoing SOP 2001 | Ongoing SOP 2002 | Executive SOP 2003 | Ongoing SOP 2003 | Ongoing SOP 2004 | Executive SOP 2005 | Executive SOP 2006 |
|--------------------------|--------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|-----------------------|-----------------------|
| Share price when granted | 13.50 EUR | 2.60 EUR | 1.30 EUR | 1.78 EUR | 1.78 EUR | 4.44 EUR | 5.00 EUR | 7.60 EUR |
| Date of grant | 31.05.00 | 18.05.01 | 15.01.02 | 15.01.03 | 15.01.03 | 16.01.04 | 15.04.05 | 16.01.06 |
| Strike price | 19.55 EUR | 2.73 EUR | 1.33 EUR | 1.78 EUR | 1.78 EUR | 4.45 EUR | 5.32 EUR | 7.59 EUR |
| Risk-free interest rate | 4.8 % | 4.0 % | 3.8 % | 3.5 % | 4.5 % | 2.75 % | 3.65 % | 3.48% |
| Estimated term | 7 years | 4 years | 1 year | 1 year | 10 years | 1 year | 4 years | 4 years |
| Future dividend | 0 % | 0 % | 0 % | 0 % | 0 % | 0 % | 0 % | 0 % |
| Estimated volatility | 20 % | 93 % | 68 % | 73 % | 53 % | 40% | 58 % | 56 % |

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

2.3.2.12 Events after the balance sheet date

ad pepper media International N.V. was informed end of March 2008 about the conclusion of the negotiations on a settlement agreement relating to the purchase price payments for Falk eSolutions. In accordance therewith, the company is entitled to a final payment of USD 1.56 million from the sale of its investment, which will be recognised in profit or loss in the first quarter of 2008.

2.3.2.13 Other financial obligations

Other financial obligations mainly result from rented offices and from leases for cars and office equipment. The expenses from lease agreements amounted to EUR 32 k in financial year 2007 (2006: EUR 37 k). Rental expense amounted to EUR 99 k (2006: EUR 20 k). The future

minimum payment obligations resulting from the contracts in place as of 31 December 2007 are as follows:

| Financial year (in thousands of EUR) | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter | Total |
|--|-------------|-------------|-------------|-------------|-------------|-------------------|--------------|
| Office Rent | 99 | 99 | 99 | 99 | 99 | 199 | 694 |
| Car lease | 30 | 18 | 12 | 0 | 0 | 0 | 60 |
| Others | 148 | 0 | 0 | 0 | 0 | 0 | 148 |
| Total | 277 | 117 | 111 | 99 | 99 | 199 | 902 |

2.3.3 Notes to the income statement

2.3.3.1 Employee information

The company employed at the end of the financial year 22 people (2006: 14).

Personnel expenses

| (in thousands of EUR) | 2007 | 2006 |
|-------------------------------|--------------|--------------|
| Wages and salaries | 1.191 | 2.929 |
| Stock option expenses | 438 | 1.000 |
| Social security costs | 198 | 203 |
| Voluntary employment expenses | 3 | 5 |
| | <u>1.830</u> | <u>4.137</u> |

These costs are included in the cost of sales, selling expenses and general and administrative expenses. The average number of personnel employed during the year was:

| | 2007 | 2006 |
|----------------|-------------|-----------|
| Production | 6 | 4 |
| Sales | 2 | 3 |
| Administration | 12 | 10 |
| | <u>20</u> | <u>17</u> |

2.3.3.2 Remuneration of the Managing and Supervisory Directors

Remuneration (including pension costs) of current and former Managing and Supervisory Directors amounted to:

| (in thousands of EUR) | <u>2007</u> | <u>2006</u> |
|-----------------------|--------------|--------------|
| Managing Directors | 1.418 | 2.048 |
| Supervisory Directors | 5 | 5 |
| | <u>1.423</u> | <u>2.053</u> |

No other than the following board remuneration were charged to the company in the year under review, especially no long-term bonuses, pension payments or severance payments.

The bonus payments are subject to the attainment of an earnings before tax-goal which was reached in the year under review.

| Remuneration of the management board 2007 (in EUR) | | Periodically paid | Annual bonus | Stock based | Total |
|---|----------------------------|------------------------------|-------------------------|------------------------|------------------|
| U. Schmidt | CEO | 232.989 | 144.273 | 31.708 | 408.970 |
| J. Körner | CFO (since 1 January 2007) | 153.800 | 45.000 | 55.778 | 254.578 |
| N. Nüssler | CSO | 176.600 | 109.273 | 26.424 | 312.297 |
| M.A. Carton | Director of the board | 174.200 | 109.273 | 158.469 | 441.942 |
| Total | | 737.589 | 407.819 | 272.379 | 1.417.787 |

**Remuneration of the supervisory board
2007 (in EUR)**

| | | | | | |
|-------------------|---------------------------------|-------|---|---|-------|
| Dr. G. Niethammer | Member of the Supervisory board | 5.000 | 0 | 0 | 5.000 |
|-------------------|---------------------------------|-------|---|---|-------|

| Loans of the management board 2007 (in EUR) | | Principal amount | Repayment | Outstanding amount | Interest rate p.a. |
|--|----------------------------|-----------------------------|------------------|-------------------------------|-------------------------------|
| U. Schmidt | CEO | n/a | n/a | n/a | n/a |
| J. Körner | CFO (since 1 January 2007) | n/a | n/a | n/a | n/a |
| N. Nüssler | CSO | n/a | n/a | n/a | n/a |
| M.A. Carton | Director of the board | 300.000 | -20.000 | 280.000 | 3,9% |
| Total | | 300.000 | -20.000 | 280.000 | |

| Remuneration of the management board 2006 (in EUR) | | Periodically paid | Annual bonus | Stock based | Total |
|---|------------------------------|------------------------------|-------------------------|------------------------|------------------|
| U. Schmidt | CEO | 214.523 | 337.000 | 35.360 | 586.883 |
| H. Claus | CFO (until 31 December 2006) | 153.100 | 301.000 | 23.573 | 477.673 |
| N. Nüssler | CSO | 161.742 | 306.000 | 29.466 | 497.208 |
| M.A. Carton | Director of the board | 107.251 | 277.000 | 102.147 | 486.398 |
| Total | | 636.616 | 1.221.000 | 190.546 | 2.048.162 |

**Remuneration of the supervisory board
2006 (in EUR)**

| | | | | | |
|-------------------|---------------------------------|-------|---|---|-------|
| Dr. G. Niethammer | Member of the Supervisory board | 5.000 | 0 | 0 | 5.000 |
|-------------------|---------------------------------|-------|---|---|-------|

| Loans of the management board 2006 (in EUR) | | Principal amount | Repayment | Outstanding amount | Interest rate p.a. |
|--|------------------------------|-----------------------------|------------------|-------------------------------|-------------------------------|
| U. Schmidt | CEO | n/a | n/a | n/a | n/a |
| H. Claus | CFO (until 31 December 2006) | 149.398 | 0 | 204.413 | 4,0% |
| N. Nüssler | CSO | n/a | n/a | n/a | n/a |
| M.A. Carton | Director of the board | 300.000 | 0 | 300.000 | 3,9% |
| Total | | 449.398 | 0 | 504.413 | |

Article 383d of the Dutch Civil Code: Share-based remuneration**Number of stock options held**

| Management board 2007 | Pre-IPO | Ongoing SOP 2001 | Ongoing SOP 2002 | Exec SOP 2003 | Exec SOP 2006 |
|----------------------------------|----------------|-----------------------------|-----------------------------|--------------------------|--------------------------|
| U. Schmidt | 33.000 | 10.000 | 0 | 180.000 | 0 |
| J. Körner (since 1 January 2007) | 0 | 0 | 0 | 0 | 0 |
| N. Nüssler | 13.000 | 0 | 0 | 250.000 | 0 |
| M.A. Carton | 13.000 | 0 | 0 | 126.000 | 0 |
| Total | 59.000 | 10.000 | 0 | 556.000 | 0 |

| Supervisory board 2007 | Ongoing SOP 2001 | Ongoing SOP 2002 | Ongoing SOP 2003 | Ongoing SOP 2004 |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Dr. G. Niethammer | 0 | 0 | 0 | 1.250 |
| Total | 0 | 0 | 0 | 1.250 |

| Management board 2006 | Pre-IPO | Ongoing SOP 2001 | Ongoing SOP 2002 | Exec SOP 2003 | Exec SOP 2006 |
|-----------------------------------|----------------|-----------------------------|-----------------------------|--------------------------|--------------------------|
| U. Schmidt | 33.000 | 10.000 | 0 | 210.000 | 0 |
| N. Nüssler | 13.000 | 0 | 0 | 250.000 | 0 |
| M.A. Carton | 13.000 | 0 | 0 | 126.000 | 75.000 |
| H. Claus (until 31 December 2006) | 28.000 | 15.000 | 0 | 90.000 | 0 |
| Total | 87.000 | 25.000 | 0 | 676.000 | 75.000 |

| Supervisory board 2006 | Ongoing SOP 2001 | Ongoing SOP 2002 | Ongoing SOP 2003 | Ongoing SOP 2004 |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Dr. G. Niethammer | 5.000 | 5.000 | 5.000 | 5.000 |
| Total | 5.000 | 5.000 | 5.000 | 5.000 |

The principal conditions and other important data can be found in the following table.

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

| | Ongoing Pre-IPO | Ongoing SOP 2001 | Executive SOP 2002 | Ongoing SOP 2003 | Ongoing SOP 2003 | Ongoing SOP 2004 | Executive SOP 2005 | Executive SOP 2006 |
|--------------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|
| Share price when granted | 13.50 EUR | 2.60 EUR | 1.30 EUR | 1.78 EUR | 1.78 EUR | 4.44 EUR | 5.00 EUR | 7.60 EUR |
| Date of grant | 31.05.00 | 18.05.01 | 15.01.02 | 15.01.03 | 15.01.03 | 16.01.04 | 15.04.05 | 16.01.06 |
| Strike price | 19.55 EUR | 2.73 EUR | 1.33 EUR | 1.78 EUR | 1.78 EUR | 4.45 EUR | 5.32 EUR | 7.59 EUR |
| Risk-free interest rate | 4.8 % | 4.0 % | 3.8 % | 3.5 % | 4.5 % | 2.75 % | 3.65 % | 3.48% |
| Estimated term | 7 years | 4 years | 1 year | 1 year | 10 years | 1 year | 4 years | 4 years |
| Future dividend | 0 % | 0 % | 0 % | 0 % | 0 % | 0 % | 0 % | 0 % |
| Estimated volatility | 20 % | 93 % | 68 % | 73 % | 53 % | 40% | 58 % | 56 % |

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

The options do not expire.

No stock options were granted in the financial year 2007.

The change in the number of stock options held by Mr. Niethammer is due to exercising them at the abovementioned strike prices for one share per option.

Mr. Schmidt exercised 30.000 stock options of Executive SOP 2003 at the abovementioned strike price for one share per option.

Movement in directors' holdings

| Management board | 2007 | | 2006 | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | Shares | Options | Shares | Options |
| U. Schmidt | 502.762 | 223.000 | 502.762 | 253.000 |
| J. Körner (since 1 January 2007) | 0 | 0 | n/a | n/a |
| N. Nüssler | 38.113 | 263.000 | 38.113 | 263.000 |
| M.A. Carton | 73.703 | 139.000 | 73.703 | 214.000 |
| H. Claus (until 31 December 2006) | n/a | n/a | 71.808 | 133.000 |
| Total | 614.578 | 625.000 | 686.386 | 863.000 |

| Supervisory board | 2007 | | 2006 | |
|-------------------|---------------|--------------|--------------|---------------|
| | Shares | Options | Shares | Options |
| M. Oschmann | 0 | 0 | 7.786 | 0 |
| J. Andersen | 0 | 0 | 0 | 0 |
| M. Dean | 0 | 0 | 0 | 0 |
| Dr. G. Niethammer | 19.862 | 1.250 | 1.112 | 20.000 |
| Total | 19.862 | 1.250 | 8.898 | 20.000 |

| Associated companies | 2007 | | 2006 | |
|-------------------------|------------------|----------|------------------|----------|
| | Shares | Options | Shares | Options |
| EMA B.V. | 4.743.201 | 0 | 4.743.201 | 0 |
| Euroserve Media GmbH | 79.566 | 0 | 13.780 | 0 |
| Viva Media Service GmbH | 35.650 | 0 | 100 | 0 |
| Grabacap ApS | 424.000 | 0 | 424.000 | 0 |
| Total | 5.282.417 | 0 | 5.181.081 | 0 |

Mr. Schmidt is related party to Viva Media Service GmbH.

Mr. Oschmann is related party to EMA B.V. and Euroserve Media GmbH.

Mr. Andersen is related party to Grabacap ApS.

Nuremberg, April 24, 2008

The Managing Board members are:

Ulrich Schmidt, Chief Executive Officer (CEO).

Jens Körner, Chief Financial Officer (CFO) since January 1, 2007

Michael A. Carton, Director of the Board

Niels Nüssler, Chief Sales Officer (CSO).

The Supervisory Board members are:

Michael Oschmann, Nuremberg, Germany, managing director (Chairman)

Merrill Dean, Scottsdale, US, managing director

Jan Andersen, Copenhagen, Denmark, managing director

Dr.Günther Niethammer, Nuremberg, Germany, Managing Board member

3 OTHER INFORMATION

Appropriation of net result

According to Article 15 of the Company's articles of association, the annual meeting of shareholders determines the appropriation of the Company's net result for the year and the previous year.

The Managing Directors propose that the balance is added to retained earnings

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

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying company financial statements for the year ended 31 December, 2007 (as set out on page 6 to 37) which are part of the financial statements of ad pepper media International N.V., Amsterdam, which comprise the balance sheet as at 31 December 2007, the statement of income 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 company financial statements and for the preparation of the management board report, both 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 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 company 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company 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 company 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 company 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 company financial statements give a true and fair view of the financial position of ad pepper media International N.V. as at 31 December 2007, and of its result for the year then ended in accordance 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 e 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, 24 April 2008

for Ernst & Young Accountants

signed by M. de Kimpe