Investment Research

20 July 2011

Accumulate

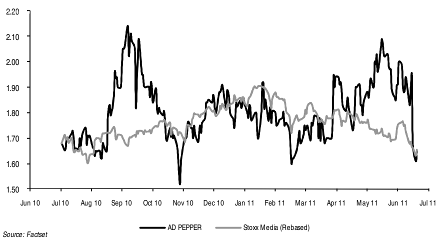
from Buy

Share price: EUR	**1.65**
closing price as of 19/07/2011	
Target price: EUR	**1.90**
from Target Price: EUR	**2.40**
Reuters/Bloomberg	APME.F/APM GY

Daily avg. no. trad. sh. 12 mth	41,713
Daily avg. trad. vol. 12 mth (m)	0.08
Price high 12 mth (EUR)	2.14
Price low 12 mth (EUR)	1.52
Abs. perf. 1 mth	-18.3%
Abs. perf. 3 mth	-2.4%
Abs. perf. 12 mth	6.5%

Market capitalisation (EURm)	35
Current N° of shares (m)	21
Free float	41%

Key financials (EUR)	12/10	12/11e	12/12e
Sales (m)	52	56	62
EBITDA (m)	2	(2)	(1)
EBITDA margin	*3.3%*	*nm*	*nm*
EBIT (m)	1	(2)	(1)
EBIT margin	*2.0%*	*nm*	*nm*
Net Profit (adj.)(m)	2	(3)	(2)
ROCE	32.8%	-134.5%	-99.6%
Net debt/(cash) (m)	(23)	(17)	(16)
Net Debt Equity	*-0.9*	*-0.8*	*-0.7*
Net Debt/EBITDA	-13.5	9.3	28.3
Int. cover(EBITDA/Fin.int)	(3.0)	2.9	1.0
EV/Sales	0.3	0.3	0.3
EV/EBITDA	8.3	nm	nm
EV/EBITDA (adj.)	8.3	nm	nm
EV/EBIT	14.2	nm	nm
P/E (adj.)	17.1	nm	nm
P/BV	1.5	1.6	1.8
OpFCF yield	*1.1%*	*-8.5%*	*-6.6%*
Dividend yield	*3.0%*	*0.0%*	*0.0%*
EPS (adj.)	0.11	(0.14)	(0.09)
BVPS	1.21	1.03	0.93
DPS	0.05	0.00	0.00



Source: Factset

Shareholders: Board Members 48%; Own Shares 8%; Grabacap ApS 3%;

For company description please see summary table footnote

Unabated growth will bring back profitability

We lower our PT for APM from EUR 2.40 to EUR 1.90 after a weak set of 1H11 figures especially on the earnings and net cash side. As a consequence, the recommendation moves from 'Buy' to 'Accumulate'. We nevertheless keep a positive stance due to our belief in improvements as of now. APM has invested into a new bidding and data platform that will be launched soon. On top of that, we still expect its strong growing Webgains business to achieve break-even this year and ad agents will benefit from interesting new contracts with ERGO and Neckermann. Nevertheless, we have become more cautious on margins and improvements will come rather gradually.

- ✓ **Online ad specialist with unique technology ...:** APM is an online advertising company with a particular focus on proprietary semantic advertising technologies that should be seen as a significant differentiator in competition. Its affiliate marketing subsidiary Webgains, that also employs APM's semantic tools, belongs to the fastest growing networks (25-30% in FY10 and FY11e) and takes a top 5 position in Europe.
- ✓ **... focusing on high conversion rates ...:** In all of its segments, APM pursues a very customer oriented approach and it especially focuses performance-based model to provide direct benefit and generally high so-called 'conversion rates' for its customers. We believe that this has helped ad agents, APM's search engine optimiser, as it was recently chosen by ERGO to administer the insurance's online ad budget. On top of that, ad agents could expand its business with Neckermann in the SEE region.
- ✓ **... enjoys favourable market trends, the fruits of internationalisation...:** Global advertising continues to grow by 5% p.a., but online advertising expands its share of ad spending and respective growth is expected to come to 15% p.a. until 2013 on average. Although APM has a limited exposure to Emerging Markets, that contribute strongly to this growth, the company has nevertheless managed to massively increase its revenues in the biggest market, i.e. 2010 sales grew yoy from EUR 1m to EUR 5m in the US.
- ✓ **... and benefits from Web 2.0 hype:** While after its IPO, the LinkedIn share price soared and investors are paying nearly 4 times revenues for the loss making company, a valuation of USD 100bn was discussed in the press for Facebook. We believe that the current hype, that has revived for internet business models, should have positive effects on APM's investments and subsidiaries. Hence, we have included hidden valuation reserves of EUR 6m into our model. On top of that, we note that APM has a strong track record in M&A.
- ✓ **Backed by a strong balance sheet ...:** Although net cash declined EUR 4m in 1H11, APM has conserved c. EUR 0.80 (around EUR 17m) liquidity per share. The equity ratio has never been below 65% and will most likely stay above this mark.
- ✓ **... APM remains attractively valued even after a weak 1H11 ...:** Although 1H11 came in weak and below management plan with an EBITDA loss of EUR 2m, we expect APM's projected 9.2% p.a. revenue growth (CAGR10-15e) to bring the company back into positive earnings terrain on a sustainable basis in the medium term. As peer multiples have limited use, we base our PT of EUR 1.90 on our DCF calculation. Accumulate.

Analyst(s): Adrian Pehl, CFA +49 69 58997 438 adrian.pehl@equinet-ag.de

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Investment Case

We lower our recommendation from 'Buy' to 'Accumulate' as well as our price target from EUR 2.40 to EUR 1.90 as a consequence of more cautious margin assumptions. We now believe that APM will post an EBITDA loss this year and might not exceed 5% longer-term taking headcount and product mix into account. APM's top line outlook continues to be favourable, however, mainly driven by its Webgains business.

Profile: APM is an online advertising company with a broad product portfolio and particular focus on proprietary semantic advertising technologies and a significant affiliate marketing business. The company acts as mediator between publishers on the one side and advertisers on the other with a performance-based model.

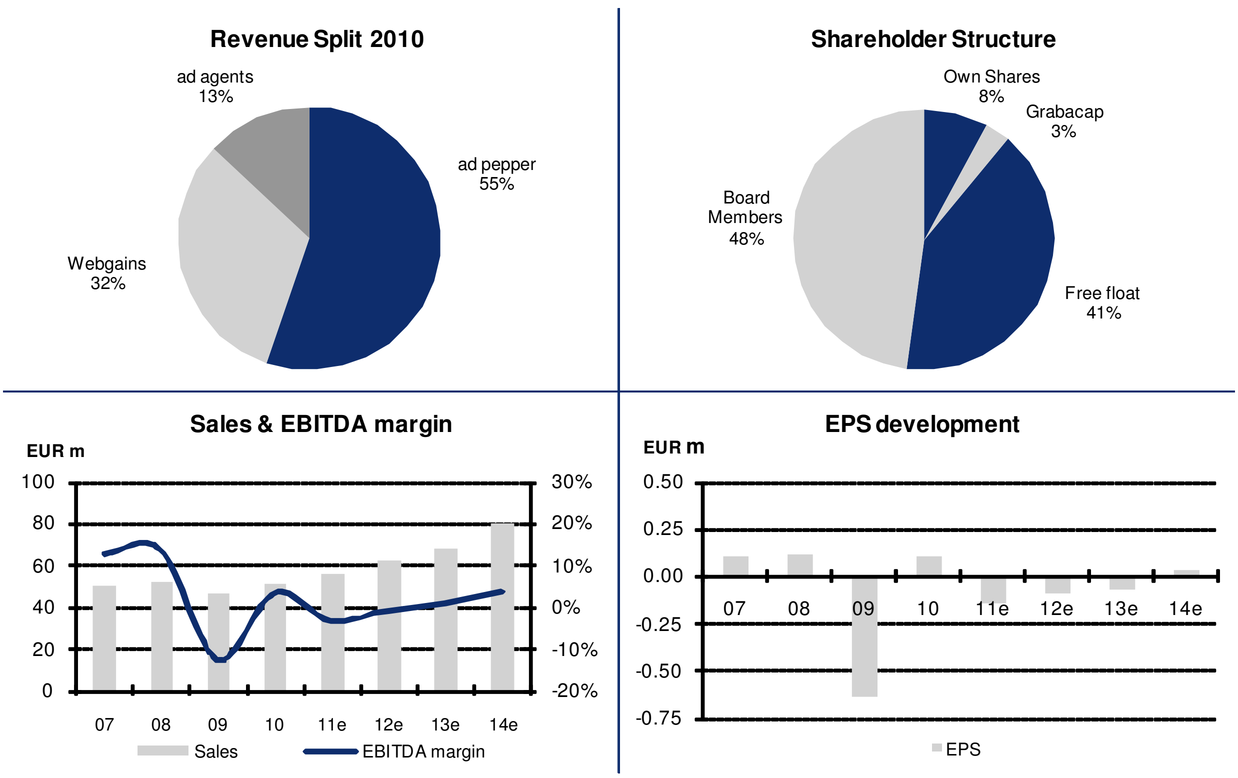
Market: Online advertising continues to expand its share of global ad spending and growth is expected to come to 15% p.a. until 2013 on average. A massive support results from the structural advantages of online media that allows for targeting specific user groups, which enables a very efficient use of advertising budgets.

Triggers & Drivers: Beyond high single-digit growth from operations, sale of investments, which have often been a successful part of APM's business model, could be a trigger for the share price. Scale effects, respective OPEX amortisation and Webgains achieving break-even this year should be the main source for a positive EBITDA development in the future.

Financials: We expect a FY11 top line growth of 8.6% yoy and a FY10-15e average of 9.2% (CAGR). After reviewing our estimates in light of weak 1H11 earnings, we have cut our EBITDA forecasts to EUR minus 1.8m for 2011 (down from EUR 2.2m) and to EUR minus 0.5m for 2012 (EUR 2.9m). Our long-term EBITDA margin forecast stands at 5%.

Valuation: We base our PT of EUR 1.90 on our DCF calculation as the peer group does not yield meaningful results. APMs relatively low EBITDA profitability in FY13 would signal an overvaluation, but ignore the company's high cash level in excess of EUR 0.8 per share and potential hidden reserves residing in APM's investments.

At a Glance



Sources: Company data, equinet Research

Valuation

We have based our price target determination mainly on our DCF calculation as the peer group comparison does not lead to meaningful results due to 1/APM's low profitability in 2013 and 2/as 2014 peer multiples are not available. Most probably, the application of the peer group analysis would lead to understating APM's value based on net cash in excess of EUR 17m and potential hidden reserves.

Peer group analysis

- **Composition of the peer group:** There is a multitude of national and international competitors in the online advertising market. Although they vary in size and pursued business model, the best comparable peers in our view are:
    - **Hi-Media** offers website publishing, online advertising and e-payment solutions.
    - **Tradedoubler** operates a performance-based ad network and affiliate network.
    - **Sedo Holding** is active in affiliate marketing and domain marketing/trading.
    - **Tomorrow Focus** offers e-commerce, advertising and technology services, including content creation in some cases.
    - **ValueClick** operates in online advertising (display adverting, lead generation, email marketing), affiliate marketing, comparison shopping, and technology.
- **Comparability:** In our view, Hi-Media and Tomorrow Focus offer somewhat lower comparability because they are not only active in the advertising business, but also in the content/publishing business. We consider Tradedoubler, Sedo Holding and ValueClick as better comparable peers based on their business models.
- **Earnings multiples:** As P/E'11-13 ratios and EV/EBIT'11-13 multiples do not lead to meaningful results. EV/EBITDA 2013 multiples could provide an indication in principel, but as APM will most likely be in a turn-around situation in this period and as we do not expect profits to jump suddenly, we should probably not gauge the company's relatively low profits versus its peers. As 2014 multiples are not available, which could provide an improved view, we conclude the earnings multiple analysis without result.
- **EV/Sales:** Instead of earnings multiples, we could opt to rely on EV/Sales. We assess this ratio however as the weakest among multiples as far as explanatory power is concerned. As also comparability of peer companies with APM is limited and as all those companies are profitable, we do not use EV/Sales to determine a fair value.

	P/E 2011	P/E 2012	P/E 2013	EV/Sales 2011	EV/Sales 2012	EV/Sales 2013	EV/EBITDA 2011	EV/EBITDA 2012	EV/EBITDA 2013	EV/EBIT 2011	EV/EBIT 2012	EV/EBIT 2013
HI-MEDIA	20.4	14.5	10.8	0.9	0.8	0.6	9.0	7.5	5.7	nm	9.5	6.9
SEDO HOLDING AG	17.7	13.5	12.0	0.8	0.6	0.5	12.1	9.3	8.6	15.2	13.4	11.8
TOMORROW FOCUS AG	17.7	13.0	10.1	1.4	1.2	1.0	8.0	6.3	5.2	10.4	7.9	6.4
VALUECLICK INC	20.6	17.9	15.3	2.1	1.9	2.0	7.8	7.0	nm	8.0	7.1	6.4
TRADEDOUBLER AB	14.5	12.0	10.3	0.5	0.4	0.3	8.6	7.5	6.5	10.5	8.8	7.6
MEDIAN	17.7	13.5	10.8	0.9	0.8	0.6	8.6	7.5	6.1	10.5	8.8	6.9
AD PEPPER MEDIA NV	neg.	neg.	neg.	0.3	0.3	0.3	neg.	neg.	32.4	neg.	neg.	neg.
THEOR. VALUATION PER SHARE OF AD PEPPER MEDIA NV	neg.	neg.	neg.	2.9	2.8	2.5	0.1	0.6	0.9	neg.	0.3	0.7

Sources: Thomson Financial, Bloomberg, ESN and equinet estimates

DCF valuation

- **Sales development:** We expect 8.6% sales growth in 2011, mainly due to a favourable development of the online markets with respect to Webgains and ad agents while we project only moderate growth for ad pepper core (3% CAGR 2011-2015e). As markets mature, growth should fade to 7.7% in 2015 and to 5% in Phase II.
- **2011 an investment year:** After a weak start into FY11, APM should miss achieving a positive EBITDA, although it has done good homework on OPEX discipline in 2010 (FY EBITDA of EUR 1.7m). However, APM had to increase the headcount again especially for software engineers to stay innovative. On top of this, 1H11 one time effects will weigh (e.g. bad debt allowance, restructuring etc. amounting to EUR 650k).
- **Profitability:** Since we expect more pronounced growth in the Webgains and the ad agents segments, the gross margin should slightly decline to c. 42-43% in the next years. Nevertheless, scale effects and OPEX amortisation should lead to an EBITDA margin increase of 164bp p.a. starting from FY11 (minus 3.3%) to FY16 (4.9%). We forecast the average EBITDA margin to remain around the 5% level in Phase II.
- **Estimated hidden reserves:** We have assumed hidden reserves for Globase (c. EUR 2.5m), SocialTyze (EUR 1m) and for other assets (EUR 2.5m). We believe that the currently high internet valuations (LinkedIn, Groupon, etc.) have a positive effect on APMs assets. For example APM acquired 10% of SocialTyze in 2008 for USD 0.2m and paid now USD 1.25m for another 10%. On the other hand, BAT was written up in FY10, leaving probably limited room for hidden reserves.
- **Fair value:** Using a beta of 1.2 and a target equity ratio of 90%, we arrive at a WACC of 9.3%. We perpetuity set at 2%, we end up with a fair value of c. EUR 1.90.

Discounted Cash Flow model

			Phase I					Phase II			Phase III
EUR m	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sales	56.1	62.4	68.4	74.4	80.1	84.1	88.3	92.7	97.4	102.2	104.3
Sales growth	8.6%	11.2%	9.6%	8.8%	7.7%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%
EBIT	-2.4	-1.2	-0.1	1.0	2.1	3.3	3.5	3.7	3.9	4.1	4.1
EBIT margin	-4.3%	-1.9%	-0.1%	1.4%	2.6%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Tax	(0.8)	(0.9)	(1.5)	(1.3)	(1.3)	(1.3)	(1.4)	(1.4)	(1.5)	(1.6)	(1.6)
Tax rate	nm	-150.0%	350.0%	85.0%	50.0%	35.0%	35.0%	35.0%	35.0%	35.0%	34.5%
NOPAT	(3.2)	(2.1)	(1.5)	(0.2)	0.8	2.0	2.1	2.2	2.3	2.5	2.5
Depreciation	0.6	0.6	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.0	1.0
in % of Sales	1.0%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%
Capex	(0.6)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)	(1.2)	(1.0)
in % of Sales	1.0%	1.3%	1.3%	1.3%	1.3%	1.1%	1.1%	1.1%	1.1%	1.1%	1.0%
Provision delta	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
in % of Sales	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%
NWC delta	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
in % of Sales	-0.2%	-0.3%	-0.3%	-0.2%	-0.2%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Other current assets delt	(1.7)	0.4	0.4	0.4	0.4	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0
in % of Sales	-3.1%	0.6%	0.5%	0.5%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free Cash Flow	-5.0	-2.0	-1.5	-0.2	0.9	1.7	1.8	1.9	2.1	2.2	2.5
FCF growth	nm	-59.0%	-27.8%	-86.0%	-516.4%	101.2%	6.3%	6.1%	5.5%	5.1%	15.4%
Present Value FCF	-4.8	-1.8	-1.2	-0.2	0.6	1.1	1.0	1.0	1.0	0.9	14.7

PV Phase I	-7.3	MCap	34.9	Targ. equity ratio	89.6%
PV Phase II	5.0	Risk premium	4.00%	Beta	1.20
PV Phase III	14.7	Risk free rate	4.50%	WACC	9.30%
		EV 2011e	19.2		
Total present value	12.4	EV 2012e	20.7	EV/EBIT 2012e	-17.6
+ capital increase/share buy back	0.2	EV 2013e	21.7	EV/EBIT 2013e	-267.5
+ associates / other fin. assets	4.1				
+ estimated hidden reserves	6.0				
- market value of minorities	5.3				
+ cash and liquid assets	23.2				
- interest bearing debt*	0.0				
Implied Mcap	40.6				
Number of shares	21.4				
Implied value per share	1.90				

Sensitivity Analysis		Growth rate Phase III				
		1.0%	1.5%	2.0%	2.5%	3.0%
	8.37%	1.96	2.01	2.08	2.15	2.24
	8.84%	1.88	1.93	1.98	2.04	2.11
WACC	9.30%	1.81	1.85	**1.90**	1.95	2.01
	9.77%	1.75	1.79	1.82	1.87	1.92
	10.23%	1.70	1.73	1.76	1.80	1.84

* Including pension provisions

Source: equinet

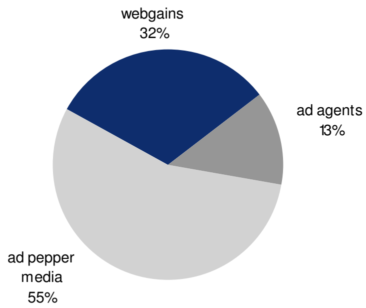
Company Profile & Market Environment

APM is active in performance-based advertising. Here, for example, website operators are paid per click for online ads or for website impressions, but also for so-called 'generated leads'. APM runs a successful affiliate network platform and offers proprietary technology for website analysis. Successful M&A activities have often supported APM's operating business in the past and are likely to do so in the future.

Company overview

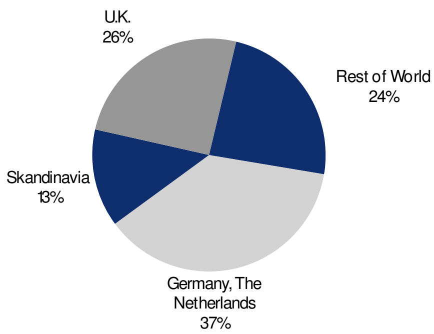
- **Company history:** APM was founded in 1999 by Ulrich Schmidt, the current CEO, and four partners. The company went public in 2000. In 2006, the group acquired UK based affiliate network Webgains and core semantic targeting technology. The ad agents segment was acquired in 2007.
- **Business model:** APM offers various forms of performance-based online advertising. As such, it is an intermediary between advertisers and publishers. Revenues are usually generated on a cost-per-impression, cost-per-click or cost-per-sale basis. APM has three business segments: Ad Pepper Media, Webgains, and ad agents.
- **Technology:** APM owns proprietary technology for so-called semantic analysis and advertising called 'SenseEngine'. It is the basis for the company's iSense Display and SiteScreen products. SenseEngine is a technology to semantically analyse webpages, which means analysing the text in detail to deduce its meaning and, once not obvious, its context and the content category it belongs to.
- **Ad Pepper Media/Core (55% of sales)** is an ad network which brings advertisers and publishers together. iSense display allows ads to be targeted to selected contexts whereas SiteScreen allows avoiding of inappropriate and undesired advertising. iLead is a product for the generation of sales contacts (leads) and the so-called 'Mailpepper' offers e-mail marketing.
- **Webgains (32% of sales)** is an affiliate network which provides a platform where affiliates allow ads on their websites and receive a percentage of sales generated in this way. Webgains gets a commission from these sales.
- **ad agents** is the smallest segment of APM with 13% of sales. It specializes in search engine marketing (SEM), search engine optimization (SEO) and performance marketing. Ad agents helps customers that run websites or internet shops to be found easily through search engines. APM holds a 60% stake in ad agents.
- **Regional sales:** APM is active in 8 European countries and the US. Germany and the Netherlands are the main markets which together account for 37% of sales. Other important markets are the U.K. (26% of sales) and Scandinavia (13% of sales).

Segment Revenue Split 2010



Source: company data

Geographical Sales Split 2010

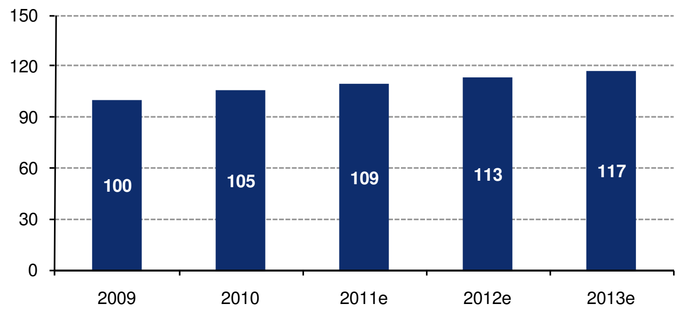


Source: company data

Market environment

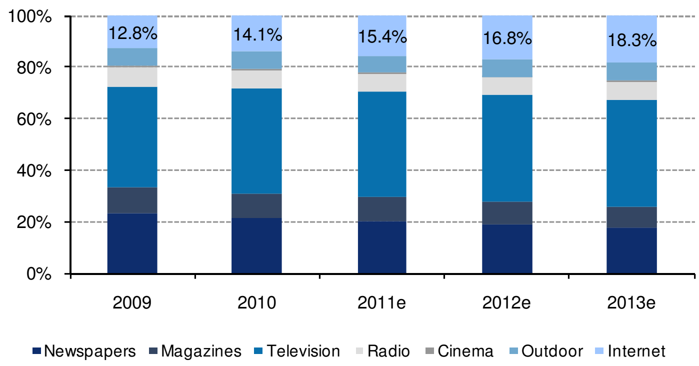
- **Relevant markets:** From a broad perspective, APM's relevant markets are the West and North European markets with a special focus on Germany and global markets for online advertising. Beyond this, also the US plays an important role, whereas other regions can be neglected. Here, we would like to focus on both the development of the overall advertising market and on which share online activities assume here.
- **Ad expenditures growing single-digit:** The global advertising market encompassed USD 452bn in 2010 of which the Western European market took a share of USD 105bn or c. 23%. The latter is forecast to grow at a 3.5% CAGR from 2010 to 2013 by market researchers of Zenith Optimedia. The US is by far the largest market globally and Germany ranks third, but China is catching up rapidly.
- **Increasing share of advertising:** The share of online advertising in global advertising expenditures is growing continuously. It is expected to increase from 14.1% in 2010 to 18.3% in 2013. Overall, this results in an expected CAGR of 14.7% in global online advertising. Although countries vary in the stage of their transition towards online advertising, the development appears to be consistent in basically every country.

Western European ad expenditures in USDbn



Source: Zenith Optimedia

Global ad expenditures by medium



Source: Zenith Optimedia

- **Two competing technology approaches:** Two main approaches exist for targeting ads to attract interested users and thereby increase the efficiency of ad expenditures. Behavioural targeting techniques collect information about users and use this to select ads they are interested in. Ad pepper uses a different approach called semantic targeting which analyses web page content to select ads which belong in the same content category. The latter approach has the advantage of not causing privacy issues because it does not require collecting data on users. Both approaches can be combined as well.
- **Competitive landscape:** There is a multitude of companies in the online advertising market and even in the more narrow semantic advertising market. In semantic advertising, most companies are very small. Currently, two important players in semantic advertising are Ad Pepper with its iSense technology and Peer39, Inc., a US-based company in this field which calls itself the "global leader in semantic advertising technology." Semantic advertising is still in a relatively early market stage and will continue to evolve in the next years.

Financials

We expect APM to grow its revenues by 9.2% (CAGR FY10-15e) in our detailed planning phase. On one hand, this is a result of the favourable market trends as outlined before. On the other hand, the respective developments of APM's segments is not uniform as we expect Webgains segment (19.1% in the same time frame) to explain most of APMs revenue increases in the next years.

Revenue forecast by segments

- **2009 the only year with declining sales:** Ad Pepper has a solid top line history with only yoy one sales decline in FY09 on an annual basis. Here, however, we have to take into account that APM exited Italy in 3Q09 which would have slightly mitigated the 10.9% yoy decline vs. FY08. Regarding divisions, ad pepper core proved to be most sensitive to economic fluctuations with revenues being down 21% yoy vs. FY08.
- **Ad Pepper Media:** Having said this, we should probably have expected that after the steep decline, Ad Pepper Core would show a significant recovery. However, it did not due to the competitive situation. In fact, we forecast this segment to stay relatively stable in FY11 vs. the prior year (c. EUR 28m). Single-digit growth may return (we expect 3% p.a. in the 2011-15e time frame) due to 1/a continuation of the overall favourable economic environment and 2/APM targeting website exchanges (e.g. appnexus) offering access to more prominent online marketing campaigns.
- **Webgains:** Growth even accelerated in FY10 from 13.5% (FY09 vs. FY08) to 28.2% underpinning the attractiveness of this affiliate platform. We expect a continuation of high growth rates in the short to medium term (28.8% in FY11e to EUR 21.0m and 22.5% in FY12e to EUR 25.7m), whereas in the medium term we has assumed a cautious approach as markets may mature (c. 15% in the FY12-15e time frame).
- **ad agents:** Revenues were affected from 1/changes of google search result listings and 2/recognition of sales on a net instead of a gross basis for some marketing budgets. Nevertheless, the SEO/SEM specialist ad agents managed to show usually low double-digit growth rates and we expect this to continue in principle for our detailed planning phase supported by larger account wins in FY11.
- **Group Outlook:** We forecast FY11 sales to grow 8.6% and 9.2% on average over our detailed planning phase (FY11-15e), largely supported by Webgains and ad agents as outlined above. We believe that this is in line with the management expectation although APM has not given precise top line guidance for this year.

Sales development by product category

EUR m	2008	2009	2010	Q1	Q2	Q3	Q4	2011e	2012e	2013e	2014e	2015e	CAGR*
ad pepper media	**36.2**	**28.8**	**28.6**	**6.1**	**7.0**	**7.0**	**7.5**	**27.6**	**28.4**	**29.3**	**30.2**	**31.1**	**1.7%**
in % of total	*68.9%*	*61.4%*	*55.3%*	*47.4%*	*52.3%*	*50.4%*	*47.0%*	*49.2%*	*45.6%*	*42.8%*	*40.5%*	*38.8%*	
Growth	*n.m.*	*-20.6%*	*-0.7%*	*-7.0%*	*-8.6%*	*3.9%*	*-1.5%*	*-3.4%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	
Webgains	**11.2**	**12.7**	**16.3**	**4.9**	**4.6**	**5.2**	**6.3**	**21.0**	**25.7**	**30.2**	**34.8**	**39.1**	**19.1%**
in % of total	*21.3%*	*27.1%*	*31.5%*	*38.0%*	*34.5%*	*37.4%*	*39.5%*	*37.4%*	*41.2%*	*44.2%*	*46.7%*	*48.8%*	
Growth	*n.m.*	*13.5%*	*28.2%*	*36.1%*	*22.3%*	*30.3%*	*27.4%*	*28.8%*	*22.5%*	*17.5%*	*15.0%*	*12.5%*	
ad agents	**5.2**	**5.4**	**6.8**	**1.9**	**1.8**	**1.7**	**2.2**	**7.5**	**8.3**	**8.9**	**9.5**	**9.9**	**8.0%**
in % of total	*9.8%*	*11.5%*	*13.1%*	*14.6%*	*13.2%*	*12.2%*	*13.6%*	*13.4%*	*13.2%*	*13.0%*	*12.7%*	*12.4%*	
Growth	*n.m.*	*4.6%*	*25.6%*	*1.6%*	*20.6%*	*11.1%*	*11.8%*	*10.8%*	*10.0%*	*7.5%*	*6.7%*	*5.0%*	
Total Sales	**52.6**	**46.9**	**51.7**	**12.9**	**13.4**	**13.9**	**16.0**	**56.1**	**62.4**	**68.4**	**74.4**	**80.1**	**9.2%**
Growth	*n.m.*	*-10.9%*	*10.2%*	*7.2%*	*10.9%*	*13.4%*	*13.3%*	*11.3%*	*10.9%*	*9.5%*	*8.6%*	*7.6%*	

* CAGR 2010 - 2015

Sources: Company data, equinet Research

Earnings development

- **EBIT – new resources needed:** While APM managed to achieve a visible EBIT in FY10 again thanks to OPEX discipline after FY09 was burdened by heavy write-downs, we forecast the company to generate an operating loss this year at c. EUR 1.8m. This line is burdened by 1H11 one-offs (EUR 650k alone), but also by additional personnel that was taken on board (40 people may be hired this year).
- **EBT – lower interest rates:** In the past two years, the financial result was distorted. Whereas in FY09 write-offs weighed, APM booked a positive one-off amounting to EUR 0.9m. Overall, we expect the conditions to generate financial income to be weak. Thus, FY10-15e CAGR is even negative (minus 3.5%).
- **EPS & EAT – tax burden despite losses:** According to APM, the different situation in group divisions and taxation will still lead to a tax burden. The group has not installed a profit-pooling to better exploit tax loss carry forwards, but may do so in the future. Until introduction, EAT an EPS generation will remain hampered.

Profit development

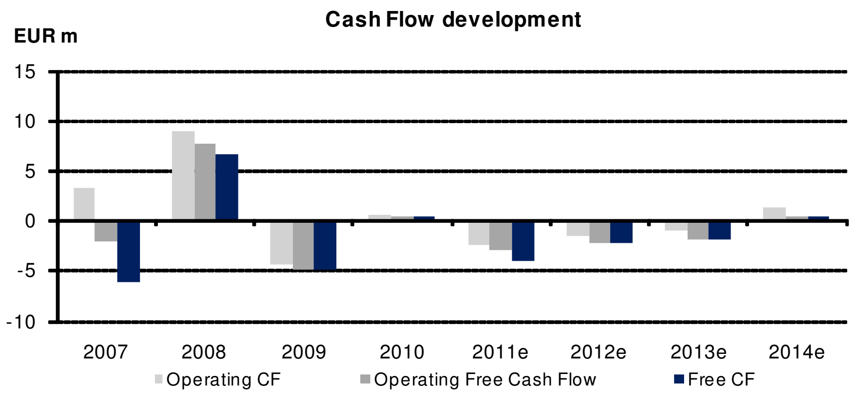
EUR m	2008	2009	2010	2011e	2012e	2013e	2014e	2015e	CAGR*
EBIT	**2.5**	**-32.0**	**1.0**	**-2.4**	**-1.2**	**-0.1**	**1.0**	**2.1**	**15.9%**
Growth	*-34.5%*	*n.a.*	*n.a.*	*n.a.*	*-51.3%*	*-93.1%*	*n.a.*	*100.9%*	
EBT	**3.7**	**-33.8**	**3.1**	**-1.8**	**-0.6**	**0.4**	**1.5**	**2.6**	**-3.5%**
Growth	*-14.7%*	*n.a.*	*n.a.*	*n.a.*	*-64.7%*	*n.a.*	*265.4%*	*68.5%*	
EAT	**2.6**	**-34.3**	**2.5**	**-2.6**	**-1.6**	**-1.0**	**0.2**	**1.3**	**-12.6%**
Growth	*0.9%*	*n.a.*	*n.a.*	*n.a.*	*-39.1%*	*-33.9%*	*n.a.*	*461.6%*	
EPS	**0.12**	**-1.61**	**0.11**	**-0.14**	**-0.09**	**-0.07**	**-0.01**	**0.04**	**-19.2%**
Growth	*-47.1%*	*n.a.*	*n.a.*	*n.a.*	*-32.1%*	*-25.1%*	*n.a.*	*-403.1%*	

* CAGR 2010 - 2015

Sources: Company data, equinet Research

Cash Flow

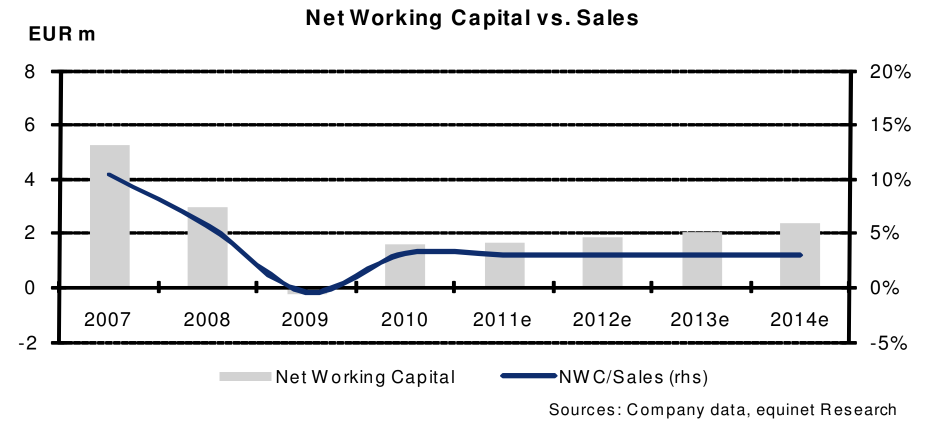
- **Operating cash flow:** With the exception of the crisis year 2009, OpCF has been positive in the past. In the current year, we expect OpCF to be negative again due to APM's operating loss, but to find back to break-even as of FY14.
- **Capex:** Capital expenditures for operating purposes of APM's business model are generally low and not a decisive factor (c. 1-1.5% of sales).
- **FCF:** As a result of APM's M&A activities, free cash flow has been volatile. In FY11e, this number is burdened mainly through the investment in SocialTyze. We have not planned for acquisitions or disposals in the future.



Sources: Company data, equinet Research

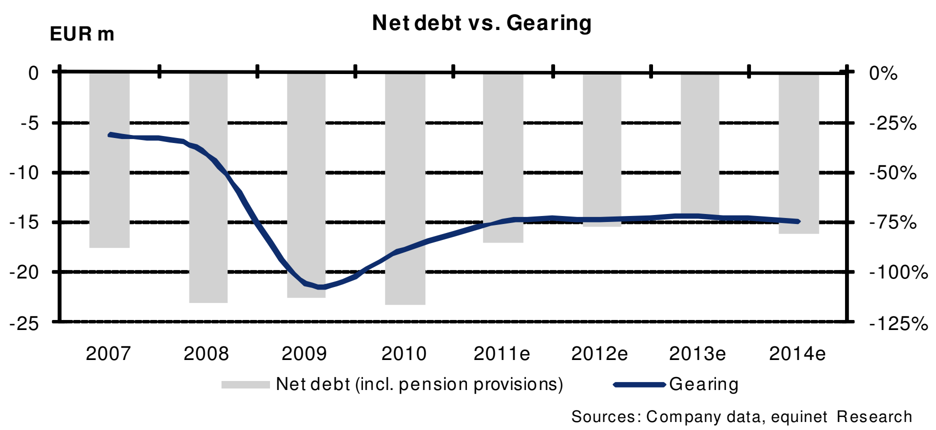
Working capital

- **Net working capital:** According to our calculations, the company should employ roughly EUR 1.7m NWC at the end of FY11e. Trade receivables should amount to EUR 8.4m (15% of sales) and trade liabilities should come in at EUR 6.7m (12%).
- **NWC/Sales:** In the course of several years, net working capital has been lowered substantially and amounted to 3% of sales in 2010. This reduction was caused by lower relative levels of receivables. We expect APM to hold the NWC/sales ratio at 3%.



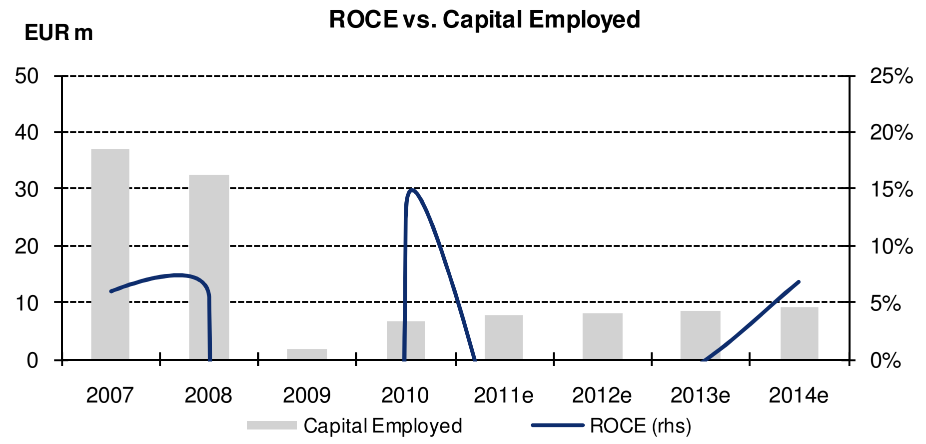
Gearing

- **Net cash:** APM is in the comfortable situation that the IPO proceeds have never been fully utilised. As the company has also divested assets in the past, net cash still amounts to c. EUR 17-18m. As operating profits improve, net cash should climb in the medium term. APM might pay a small dividend in 2016.
- **Equity:** As being a fully equity financed company, it is not surprising that the equity ratio has never been below 65%. As per December 2010, the book value per share stood at EUR 1.23.
- **Gearing:** Net debt/equity is around minus 75% and we expect that this should continue as APM will probably not pay regular dividends in the medium term, but might again do so when the EPS returns sustainably into positive terrain again.



Return on Capital Employed (ROCE)

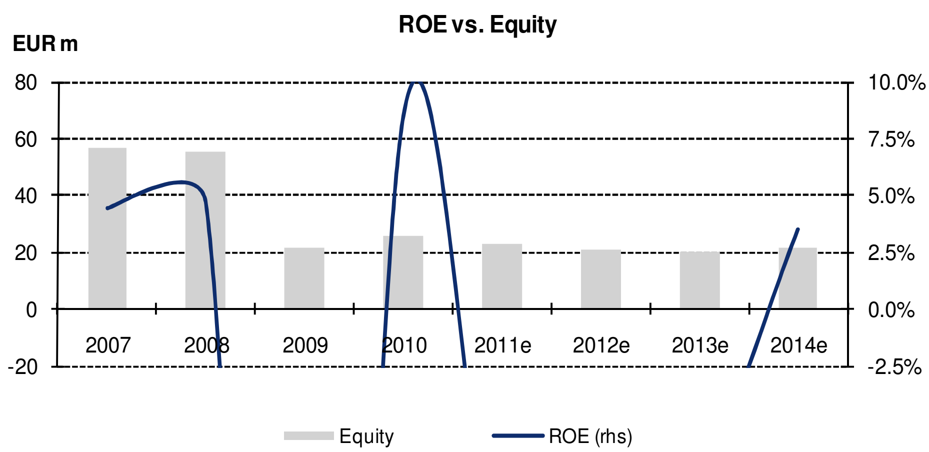
- **CE:** We expect FY11e Capital Employed (CE) to come in at EUR 7.7m only after APM has written off most intangibles and basically all goodwill in the crisis year 2009. Thus, capital employed is mostly determined by NWC (EUR 1.7m) and other assets (EUR 5.1m).
- **CE/Sales:** CE/Sales amounts to 0.14x (FY11e). As we expect revenues to increase going forward (sales CAGR 2010-15e: 9.2%), this ratio will likely decline slightly to c. 0.11x by FY2014e.
- **ROCE:** In 2011-12e, ROCE will be negative, but recover to c. 7% in FY14e as earnings will recover at the back of a very low asset base.



Sources: Company data, equinet Research

Return on Equity (ROE)

- **Equity:** We forecast APM's equity to amount to c. EUR 23m at the end of the current financial year. This is down roughly EUR 3.3m mainly due to the operating loss that we expect in FY11 and due to the dividend of EUR 0.05 which was paid out for FY10.
- **ROE development:** We expect a negative net result in FY11e and APM to sustainably break-even at a point in time in FY13e. Thus, ROE will begin to turn positive again in FY14e. Here, we forecast ROE to come in at roughly 3%.
- **Price/Book:** Currently, investors are paying c. 1.5x APM equity 2011e which we rate attractive.



Sources: Company data, equinet Research

Triggers & Swot Analysis

Triggers & Drivers

- **Online advertising still in a strong growth mode:** While underlying global advertising expenditures are growing by 5.2% p.a. annually until 2013, the portion allocated to the online markets continues to rise. From 12.8% of advertising expenditures, the online share is expected to grow to 18.3% in 2013. This translates into an online advertising growth of c. 15% p.a. Clearly, Emerging Markets will largely support. Here, APM's foothold is very limited, but we believe that APM will be very positively influenced from overall sector trends so that its top line will grow 9-10% p.a. (CAGR 2010-15e).
- **Webgains the pick of the bunch:** APM's affiliate network Webgains should remain the most prominent contributor to growth. In 2010, its sales increased by 28%. We expect this positive development to persist as Webgains appears to be among the most attractive partner networks and future sales might increase by c. 20% p.a. (CAGR 2010-15e). Earnings will follow sales growth and Webgains will break-even in FY11 and finally be the main driver for the APM group to return to profitability.
- **Strong M&A track record:** APM has often demonstrated its capability to profit from acquisitions and sale of entities in the online sector. It currently owns several stakes in highly interesting companies that might contain significantly more value than is in the books (e.g. BAT, SocialTyze, Globase). We currently observe high valuations for social networks and other online assets especially in the US which should also support a positive investor view on the Ad Pepper group.

Strengths & Opportunities

- **Unique technology:** Ad Pepper owns a technology for the semantic analysis of websites. This is a clear differentiator relative to most competitors as it allows a much more target oriented marketing for its clients from the very beginning. On top of that, APMs exploits this know-how for screening websites pooled in exchanges for its relative attractiveness (real time bidding and data platform).
- **Cash rich balance sheet:** Although the past 2 ½ years have been bumpy for APM's P&L, the company has conserved a cash pile of more than EUR 17m in its balance sheet or c. EUR 0.8 per share. APM's equity ratio was never below 65%. Basically all goodwill and most intangibles have been written off.
- **International markets:** Through its unique technology, APM could continue to successfully penetrate the huge online advertising market in the US which holds massive potential in general for a small group. On top of that, APM could expand its business in Emerging Markets in the future.

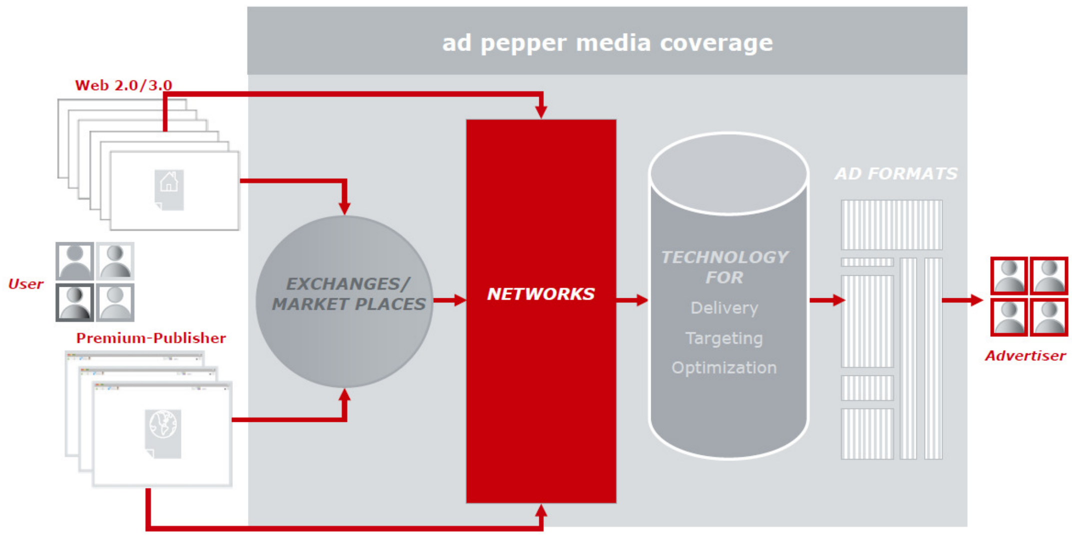
Weaknesses & Threats

- **Margin pressure and low operating profitability:** Especially in its core business, APM suffers under the fragmented competitor landscape that is the root of fierce price competition. Despite good gross margins, APM might continue to build resources to remain among innovation leaders. This will keep EBITDA margins in the single-digit terrain for the foreseeable future.
- **ad agents prone to google search algorithm changes:** Recent changes of google, causing relatively in-active sites to decline in rank (google 'Farmer' and 'Panda'), had a negative effect on revenues of SEO and SEM related businesses.
- **No specific mobile approach:** Although APM's online advertising business and website marketing should be technology agnostic in principle, it could be rewarding to offer a special mobile approach against the back of high smartphone growth.

Detail 1: Divisions & business models

➢ **Ad Pepper Media** is positioned as an ad network – a company which essentially brings advertisers and publishers together. This enables publishers to monetize their website and advertisers to use their ad spending effectively. The segment is Ad Pepper's core segment and accounted for 55% of sales in 2010. Ad Pepper Media offers the following products:

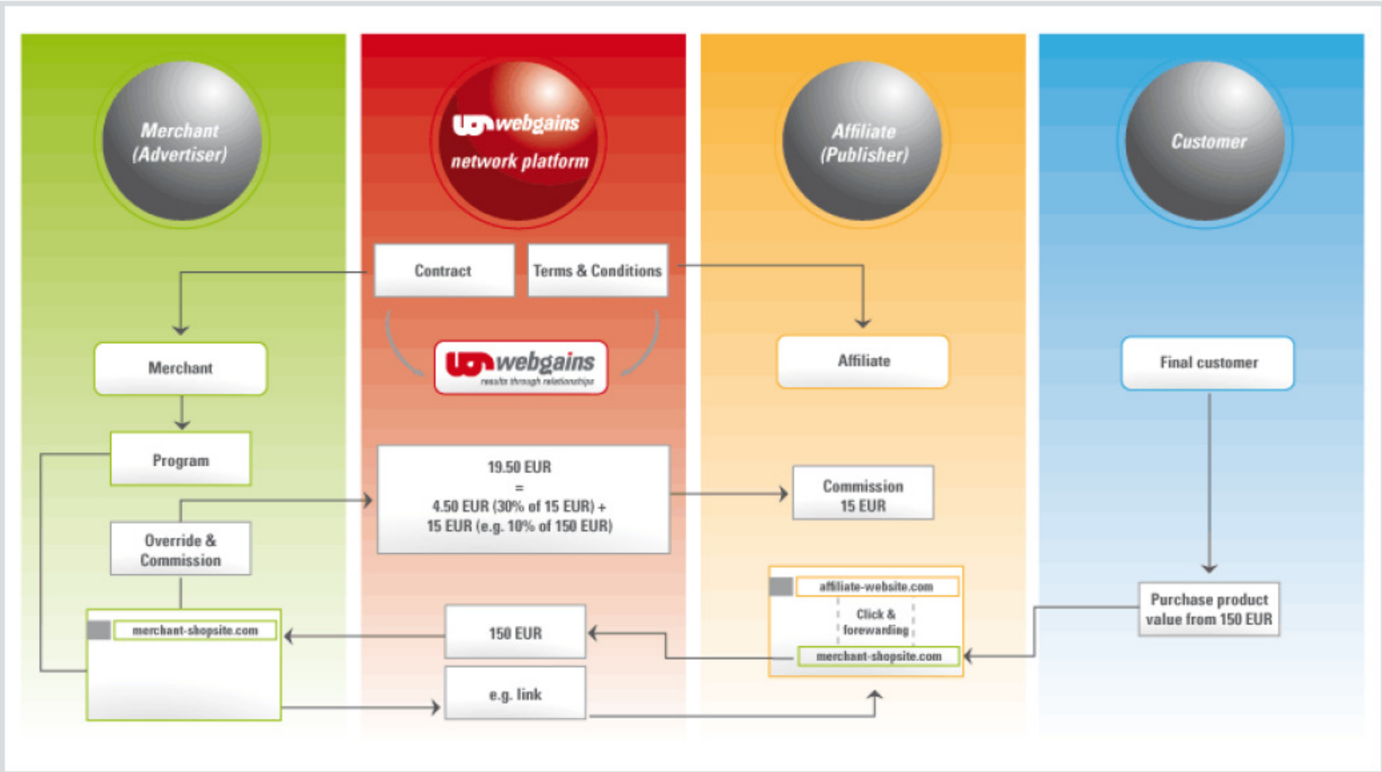
- **iSense Display** and **SiteScreen**: SenseEngine is a proprietary technology which took ten years to become practicably ready and required investments of more than EUR 10m. It was developed by the renowned linguist Prof. Dr. David Crystal. It is a technology to semantically analyse web pages, which means analysing the text in detail to deduce its meaning and, once not obvious, its context and the content category it belongs to. Based on this technology, the iSense Display product allows advertisements to be targeted to specific categories which were preselected by the advertiser. SiteScreen uses the same technology to avoid advertisements in contexts which could be negative for the advertised brands.
- **iClick** is a performance based solution to direct traffic to advertisers' websites by placing banners on relevant websites. Marketers using iClick will only pay if users click on their advertisements, not each time an advertisement is displayed.
- **iLead** is a product for the generation of leads through a mix of online delivery channels such as e-mail marketing, banners, surveys, polls, or social media. Leads are filtered before they are sent to the client in order to ensure good quality. iLead uses a performance based payment model, so that clients pay per generated lead.
- **mailpepper** is an e-mail marketing product which enables advertisers to find and contact specific target groups. The product is based on a list of over 15 million managed profiles.
- **emediate** was acquired in 2007. The Copenhagen based company offers adservers under the emediate brand offers technologies for the efficient delivery, management and analysis of online advertising campaigns.



Source: Ad Pepper

➢ **Webgains** is an affiliate network with offices in the UK, France, Germany, the Netherlands, the US, Spain, Sweden and Denmark. According to APM, webgains is Europe's fastest-growing network of affiliates. Affiliate marketing is a commission-based business where website operators (130k affiliates) allow advertisements by advertisers (2.5k merchants) and receive a percentage of the sales generated from the ads. The affiliate network acts as an intermediary between these parties. Webgains accounted for 32% of sales in 2010. Webgains operates with a fixed gross margin of 30% as this is the fee it collects from the commission paid to affiliates.

Webgains Business Model



Source: Ad Pepper

- **ad agents** is a 60% subsidiary which specializes in search engine marketing, search engine optimization (SEO) and performance marketing. It generated 13% of group sales in 2010. ad agents offers effective support for its business clients in making respective products and services better known, in successfully generating new leads and attaining higher turnover for the e-commerce products of its clients. ad agents possesses an international network of top-level contacts. The company has focused on well-known mail-order and travel companies, but serves many other businesses in a vast row of different sectors.
- **Further group companies/investments:** In addition to the described operating businesses, APM owners several stakes in other small companies. These are:
  - **Globase**: Based in Copenhagen, Denmark, Globase is a 100% subsidiary which offers email marketing campaigns, surveys, and SMS campaigns.
  - **Videovalis** is a German provider of video content and content syndication solutions. APM acquired a 19.9% stake in 2010 for less than EUR 1m and has a call option to acquire the remaining stake.
  - **Brand Affinity Technologies** (BAT) operates an endorsement platform that connects celebrity athletes with advertisers. This makes endorsement advertising simpler and less expensive for advertisers. Ad pepper acquired a 4.5% stake in 2008 for USD 2.5m and granted BAT a loan of USD 1.0m in 2009.

- **SocialTyze** is a provider of social media solutions in the United States and supports marketing and addressing specific user groups via Facebook. Ad pepper acquired 10% in 2008 for USD 0.2m. In 2011, APM increased its stake by 10% for a purchase price of USD 1.25m. According to Ad pepper, SocialTyze's net income for 2010 amounted to a low single-digit million USD figure.

Detail 2: Profit forecast by divisions

Gross Profit development by product category

EUR m	2008	2009	2010	Q1	Q2	Q3	Q4	2011e	2012e	2013e	2014e	2015e	CAGR*
ad pepper media	**18.2**	**16.1**	**16.7**	**3.4**	**3.9**	**4.0**	**4.5**	**15.8**	**16.6**	**17.2**	**17.9**	**18.6**	**2.2%**
Gross margin	*50.1%*	*55.9%*	*58.4%*	*56.5%*	*55.5%*	*56.4%*	*59.6%*	*57.1%*	*58.3%*	*58.8%*	*59.3%*	*59.8%*	
Webgains	**3.4**	**3.8**	**4.9**	**1.5**	**1.4**	**1.6**	**1.9**	**6.3**	**7.7**	**9.1**	**10.4**	**11.7**	**19.1%**
Gross margin	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	
ad agents	**1.0**	**1.1**	**1.8**	**0.5**	**0.7**	**0.6**	**0.7**	**2.5**	**2.8**	**3.1**	**3.4**	**3.6**	**14.6%**
Gross margin	*20.0%*	*20.0%*	*27.2%*	*26.7%*	*38.0%*	*33.5%*	*32.8%*	*32.7%*	*33.7%*	*34.7%*	*35.7%*	*36.7%*	
Total gross profit	**22.5**	**21.0**	**23.4**	**5.4**	**5.9**	**6.1**	**7.1**	**24.5**	**27.1**	**29.3**	**31.7**	**33.9**	**7.7%**
Gross margin	*42.8%*	*44.7%*	*45.3%*	*42.1%*	*44.4%*	*43.7%*	*44.3%*	*43.7%*	*43.4%*	*42.9%*	*42.6%*	*42.4%*	

* CAGR 2010 - 2015

Sources: Company data, equinet Research

EBIT development

EUR m	2008	2009	2010	Q1	Q2	Q3	Q4	2011e	2012e	2013e	2014e	2015e
ad pepper												
depreciation and amortisation	-2.733	-20.720	-0.325	-0.050	-0.050	-0.060	-0.060	-0.220	-0.240	-0.265	-0.290	-0.315
OPEX excl. depreciation	-15.157	-17.256	-14.462	-4.111	-4.554	-4.140	-4.200	-17.005	-17.405	-17.805	-18.205	-18.605
EBITDA	**2.993**	**-1.162**	**2.216**	**-0.667**	**-0.673**	**-0.190**	**0.275**	**-1.255**	**-0.846**	**-0.603**	**-0.336**	**-0.044**
EBITDA margin	*8.3%*	*-4.0%*	*7.8%*	*-10.9%*	*-9.6%*	*-2.7%*	*3.7%*	*-4.5%*	*-3.0%*	*-2.1%*	*-1.1%*	*-0.1%*
EBIT	**0.260**	**-21.882**	**1.891**	**-0.717**	**-0.723**	**-0.250**	**0.215**	**-1.475**	**-1.086**	**-0.868**	**-0.626**	**-0.359**
EBIT margin	*0.7%*	*-76.0%*	*6.6%*	*-11.8%*	*-10.3%*	*-3.6%*	*2.9%*	*-5.3%*	*-3.8%*	*-3.0%*	*-2.1%*	*-1.2%*
Webgains												
depreciation and amortisation	-0.350	-4.495	-0.021	-0.005	-0.006	-0.005	-0.006	-0.022	-0.030	-0.035	-0.040	-0.050
OPEX excl. depreciation	-2.318	-3.965	-5.229	-1.558	-1.542	-1.561	-1.650	-6.311	-7.000	-7.500	-8.000	-8.500
EBITDA	**1.043**	**-0.152**	**-0.340**	**-0.092**	**-0.159**	**-0.001**	**0.241**	**-0.011**	**0.718**	**1.568**	**2.428**	**3.232**
EBITDA margin	*9.3%*	*-1.2%*	*-2.1%*	*-1.9%*	*-3.4%*	*0.0%*	*3.8%*	*-0.1%*	*2.8%*	*5.2%*	*7.0%*	*8.3%*
EBIT	**0.693**	**-4.647**	**-0.361**	**-0.097**	**-0.165**	**-0.006**	**0.235**	**-0.033**	**0.688**	**1.533**	**2.388**	**3.182**
EBIT margin	*6.2%*	*-36.5%*	*-2.2%*	*-2.0%*	*-3.6%*	*-0.1%*	*3.7%*	*-0.2%*	*2.7%*	*5.1%*	*6.9%*	*8.1%*
ad agents												
depreciation and amortisation	-0.042	-0.021	-0.036	-0.011	-0.010	-0.010	-0.010	-0.041	-0.050	-0.060	-0.070	-0.080
OPEX excl. depreciation	-0.979	-1.089	-0.896	-0.326	-0.440	-0.400	-0.400	-1.566	-1.700	-1.900	-2.100	-2.300
EBITDA	**0.051**	**-0.011**	**0.949**	**0.174**	**0.230**	**0.170**	**0.310**	**0.884**	**1.078**	**1.175**	**1.277**	**1.345**
EBITDA margin	*1.0%*	*-0.2%*	*14.0%*	*9.3%*	*13.0%*	*10.0%*	*14.3%*	*11.8%*	*13.1%*	*13.2%*	*13.5%*	*13.5%*
EBIT	**0.009**	**-0.032**	**0.913**	**0.163**	**0.220**	**0.160**	**0.300**	**0.843**	**1.028**	**1.115**	**1.207**	**1.265**
EBIT margin	*0.2%*	*-0.6%*	*13.5%*	*8.7%*	*12.5%*	*9.4%*	*13.9%*	*11.2%*	*12.5%*	*12.6%*	*12.7%*	*12.7%*
Admin/Consolidation												
depreciation and amortisation	-1.574	-0.840	-0.330	-0.070	-0.063	-0.080	-0.080	-0.293	-0.303	-0.313	-0.323	-0.333
OPEX excl. depreciation	3.098	-4.544	-1.105	-0.504	-0.304	-0.320	-0.320	-1.448	-1.498	-1.548	-1.598	-1.648
EBITDA	**3.086**	**-4.551**	**-1.105**	**-0.504**	**-0.304**	**-0.320**	**-0.320**	**-1.448**	**-1.498**	**-1.548**	**-1.598**	**-1.648**
EBITDA margin	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
EBIT	**1.512**	**-5.391**	**-1.435**	**-0.574**	**-0.367**	**-0.400**	**-0.400**	**-1.741**	**-1.801**	**-1.861**	**-1.921**	**-1.981**
EBIT margin	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
GROUP												
depreciation and amortisation	-4.699	-26.076	-0.712	-0.136	-0.129	-0.155	-0.156	-0.576	-0.623	-0.673	-0.723	-0.778
OPEX excl. depreciation	-15.356	-26.854	-21.693	-6.499	-6.840	-6.421	-6.570	-26.330	-27.603	-28.753	-29.903	-31.053
EBITDA	**7.173**	**-5.875**	**1.720**	**-1.089**	**-0.906**	**-0.341**	**0.506**	**-1.830**	**-0.549**	**0.592**	**1.771**	**2.885**
EBITDA margin	*13.6%*	*-12.5%*	*3.3%*	*-8.5%*	*-6.8%*	*-2.5%*	*3.2%*	*-3.3%*	*-0.9%*	*0.9%*	*2.4%*	*3.6%*
EBIT	**2.474**	**-31.951**	**1.008**	**-1.225**	**-1.035**	**-0.496**	**0.350**	**-2.406**	**-1.172**	**-0.081**	**1.048**	**2.107**
EBIT margin	*4.7%*	*-68.1%*	*2.0%*	*-9.5%*	*-7.7%*	*-3.6%*	*2.2%*	*-4.3%*	*-1.9%*	*-0.1%*	*1.4%*	*2.6%*

Sources: Company data, equinet Research

Detail 3: Balance sheet

Ad Pepper Balance Sheet

	2006	2007	2008	2009	2010	2011e
ASSETS						
Fixed assets	33,959	31,692	29,562	2,130	5,032	6,017
Intangible assets	7,174	9,155	5,258	816	457	399
Goodwill	16,066	20,665	20,814	24	24	24
Tangible assets	885	1,100	819	563	445	488
Financial assets	9,833	772	2,671	727	4,106	5,106
Current assets	31,714	33,438	36,387	29,903	31,919	27,840
Inventories	0	0	0	0	0	0
Trade receivables	11,191	12,847	10,317	6,390	8,030	8,415
Debtors and other assets	2,206	3,041	3,023	911	675	2,425
Current investments	3,938	5,521	17,214	9,088	13,411	11,701
Liquid assets	14,380	12,029	5,833	13,514	9,803	5,299
Deferred taxes	0	2,979	740	308	113	113
Prepayments and accrued income	457	738	401	463	446	484
Total assets	66,130	68,847	67,090	32,804	37,510	34,455
LIABILITIES						
Equity	50,853	56,466	55,675	21,338	26,086	22,636
Provisions	6,470	3,602	2,993	3,714	3,274	3,324
Provisions for pensions	0	0	0	0	0	0
Provisions for taxation (incl. deferred)	822	907	377	21	0	0
Other provisions	5,649	2,695	2,616	3,693	3,274	3,324
Creditors	8,807	8,779	8,422	7,752	8,150	8,495
Corporate loans	0	0	0	0	0	0
Trade creditors	5,003	7,619	7,356	6,619	6,437	6,732
Other creditors (incl. tax and soc. security)	3,804	1,160	1,066	1,133	1,713	1,763
Shareholders' equity and liabilities	66,130	68,847	67,090	32,804	37,510	34,455

Source: Ad Pepper, equinet estimates

Detail 4: Quarterly Overview – 2Q11 Review

- APM will report its final 2Q11 figures on Tuesday, August 9, 2011, but has already released key performance indicators on Friday, July 15. According to the release, **2Q11 sales came in at EUR 13.4m which was said to be below company expectations** although this level was EUR 0.5m higher compared to 1Q11. Ad Pepper core sales fell 8.6% in 2Q11 to EUR 7m while Webgains grew 22.3% to EUR 4.6m. This level was below the 1Q11 amount of EUR 4.9m. However, we believe that 1Q11 was extraordinarily strong. ad agents developed nicely as this segment posted sales of EUR 1.8m which was up 21% yoy.

- Although the gross profit showed a strong development (44.4% in 2Q11, up 230bp qoq), driven by the favourable development of ad agents (new record with 38% gross margin), **APM failed to perform on the group EBITDA line. The company generated a 2Q11 loss in this line of EUR 0.9m** as a consequence of personnel built and restructuring efforts amounting to EUR 0.2m. We expect more restructuring (personnel, e.g. laying off high-wage developers as APM built corresponding resources for example in Ukraine) to come to help APM finally return to profitability, but the respective development should be rather gradual.

- **APM reported a 2Q11 net result of EUR minus 0.9m** or minus 5 Cents per share. We now expect that the net contribution in the next quarters will remain negative and forecast EUR minus 0.14 for the full year.

- **APM has not provided an outlook with the most recent release, but stated that it intends to generate substantial growth momentum by deploying its proprietary real time bidding and data platform**. On top of that, we highlight that ad agents has won two promising contracts from ERGO group as well as most recently from Neckermann for South Eastern Europe. Thus, the situation should improve as of now which supports our positive stance on the company, admittedly assuming a lower PT.

- **We note that net cash declined from EUR 21.1m to only EUR 17.3m which we found low** even taking the SocialTyze and the dividend payment into account and thus, somewhat disappointing. According to the management, taxes and working capital build-up burdened liquidity in 2Q11 (by c. EUR 1.1m).

Quarterly Development 2011

in EUR m	Q1/2011	in % of sales	yoy	Q2/2011e	in % of sales	yoy	Q3/2011e	in % of sales	yoy	Q4/2011e	in % of sales	yoy
Sales	**12.859**	**100.0%**	**7.2%**	**13.370**	**100.0%**	**3.7%**	**13.900**	**100.0%**	**13.4%**	**15.971**	**100.0%**	**10.0%**
Manufacturing costs	-7.449	-57.9%	11.1%	-7.436	-55.6%	8.5%	-7.820	-56.3%	16.9%	-8.895	-55.7%	11.2%
Gross profit	**5.410**	**42.1%**	**2.2%**	**5.934**	**44.4%**	**-1.7%**	**6.080**	**43.7%**	**9.1%**	**7.076**	**44.3%**	**8.6%**
Selling cost	-4.070	-31.7%	9.1%	-4.180	-31.3%	4.8%	-4.050	-29.1%	8.3%	-5.349	-33.5%	35.6%
G&A cost	-2.627	-20.4%	34.2%	-2.773	-20.7%	20.4%	-2.600	-18.7%	18.0%	-1.818	-11.4%	-31.5%
Other operating income	0.140	1.1%	-73.1%	0.210	1.6%	-80.4%	0.300	2.2%	-62.9%	0.472	3.0%	-46.2%
Investment Income	0.000	0.0%	nm	0.000	0.0%	nm	0.000	0.0%	nm	0.000	0.0%	nm
Other operating expenses	-0.078	-0.6%	-26.6%	-0.226	-1.7%	-55.7%	-0.226	-1.6%	-11.0%	-0.031	-0.2%	-89.2%
Total operating cost excl. inv. inc.	-6.635	-51.6%	25.8%	-6.969	-52.1%	21.6%	-6.576	-47.3%	22.0%	-6.726	-42.1%	11.9%
EBIT	**-1.225**	**-9.5%**	**-7305.9%**	**-1.035**	**-7.7%**	**-439.3%**	**-0.496**	**-3.6%**	**-372.5%**	**0.350**	**2.2%**	**-30.5%**
Interest expense	0.000	0.0%	-100.0%	0.000	0.0%	-100.0%	0.000	0.0%	-100.0%	0.000	0.0%	-100.0%
Interest income	0.289	2.2%	-37.4%	0.190	1.4%	-47.4%	0.150	1.1%	-60.2%	-0.004	0.0%	-99.2%
Other financial items	0.000	0.0%	nm	0.000	0.0%	nm	0.000	0.0%	-100.0%	0.000	0.0%	-100.0%
Financial result	0.289	2.2%	-28.3%	0.190	1.4%	-42.4%	0.150	1.1%	-88.1%	-0.004	0.0%	-108.4%
EBT	**-0.936**	**-7.3%**	**-322.9%**	**-0.845**	**-6.3%**	**-233.1%**	**-0.346**	**-2.5%**	**-124.0%**	**0.346**	**2.2%**	**-37.8%**
Taxes (tax rate)	-0.215	-23.0%	nm	-0.051	-6.0%	nm	-0.185	-53.5%	-660.6%	-0.351	101.4%	-39.8%
Net profit before minorities	**-1.151**	**-9.0%**	**nm**	**-0.896**	**-6.7%**	**nm**	**-0.531**	**-3.8%**	**nm**	**-0.005**	**0.0%**	**nm**
Minorities	-0.046	-0.4%	-41.0%	-0.107	-0.8%	37.4%	-0.064	-0.5%	-45.3%	-0.120	-0.8%	nm
Net profit	**-1.197**	**-9.3%**	**nm**	**-1.003**	**-7.5%**	**nm**	**-0.595**	**-4.3%**	**nm**	**-0.125**	**-0.8%**	**nm**
Number of shares	21.433			21.386			21.386			21.386		
EPS	**-0.06**			**-0.05**			**-0.03**			**-0.01**		
additional information												
EBITDA	**-1.089**	**-8.5%**	**-636.5%**	**-0.906**	**-6.8%**	**-285.7%**	**-0.341**	**-2.5%**	**-199.7%**	**0.506**	**3.2%**	**-26.3%**
Depreciation	0.136	1.1%	-26.9%	0.129	1.0%	-29.5%	0.155	1.1%	-3.1%	0.156	1.0%	-14.8%
mtl. OPEX run-rate net of depreciation	*-2.166*	*-16.8%*	27.7%	*-2.280*	*-17.1%*	23.3%	*-2.140*	*-15.4%*	22.8%	*-2.190*	*-13.7%*	12.7%

Source: Company data, equinet Research

Detail 5: Estimate Changes

- Based on a review after the 1H11 release, **we have significantly lowered our estimates as can be seen below**. On the sales side, this fine-tuning has hardly affected group figures, but our much more pessimistic earnings expectation for the core segment have led to projected losses for FY12 and even FY13.

Estimate changes

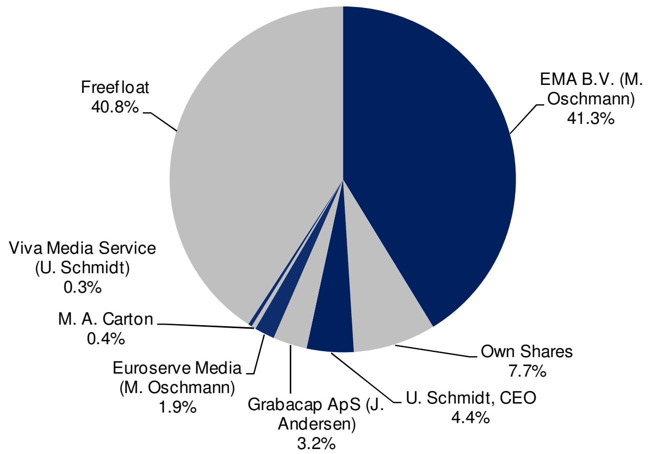
in EUR m	FY11 old	FY11 new	change	FY12 old	FY12 new	change	FY13 old	FY13 new	change
Sales	**58.4**	**56.1**	**-4%**	**64.2**	**62.4**	**-3%**	**70.1**	**68.4**	**-2%**
EBITDA	**2.2**	**-1.8**	**n.a.**	**2.9**	**-0.5**	**n.a.**	**3.8**	**0.6**	**-85%**
EBITDA margin	*3.8%*	*-3.3%*	*-710bp*	*4.6%*	*-0.9%*	*-550bp*	*5.5%*	*0.9%*	*-460bp*
EPS [EUR]	**0.07**	**-0.14**	**n.a.**	**0.08**	**-0.09**	**n.a.**	**0.10**	**-0.07**	**n.a.**

Sources: Company data, equinet Research

Detail 6: Shareholder Structure

Board members hold 48.3% of Ad Pepper, while free float currently amounts to 41%. The single largest shareholder is Michael Oschmann, the Chairman of the Supervisory Board and grandson of Hans Müller (Müller Verlag, yellow pages). As Mr. Jan Andersen is not a member of the supervisory board, we do not count his stake to board members anymore.

Shareholder Structure as per 31/03/2011



Source: Ad Pepper

Detail 7: Calendar of Events

Calendar of events

Event	Date
2Q11 report	August 9, 2011
3Q11 report	November 9, 2011
Analyst conference (Frankfurt am Main)	November 2011

Source: company data

Appendix 1: Google Panda

- **Google Panda Update:** Google is currently in the process of changing its search algorithms in various ways. This is commonly referred to as the **Panda** update (previous update dubbed 'Farmer'), although Google intends to make a total of 500 changes to its algorithm this year and Panda actually refers to one particular update only. The Panda update was first introduced in February and was applied to all English language queries in April. It impacted 12% of all queries according to Google. Google's algorithm changes are closely monitored in the online (advertising) world because of the considerable impact of Google search results.
- **Search Engine Algorithm Changes:** Google has stated its intention to help users find high-quality sites more easily by reducing rankings of low-quality sites. Some characteristics of what is considered high-quality content are:
    - **Unique:** it is not merely a copy of other content, the site does not have lots of duplicate, overlapping or redundant articles.
    - **Useful and relevant:** it has high quality and is considered useful by users. This can be measured by how long the user stays on a site or by how often sites are referred to by users on social networking platforms. Sites which users usually close after a short time are typically not considered useful.
    - **Optimized for users, not for search engines**. Content is not merely generated by guessing which content would rank well in search engines, as so-called content farms do.
    - **High-quality:** Articles are written by people who know their subject well and do not have many spelling, stylistic or factual errors.
- **Impact of Google Algorithm Changes:** In some cases, web visibility fell between 50% and as much as 95% for some sites. Although these are extreme cases, this shows the impact such changes can have and the reason why they are closely watched, in particular in the world of search engine optimization. Google has stated that it has already received positive feedback from users. In our view, APM could be affected in two main ways by Google's updates: ad agent's SEO business could be affected negatively because, as Google's search algorithm gets more intelligent, it will become increasingly difficult to optimise websites for search engines and in result, demand for SEO could decrease. In the Webgains segment, APM could be affected as well if sites of affiliates became lower ranked. However, it is not yet clear if this is really the case.

Appendix 2: Targeting in Practice

- **Targeted advertising:** The following screenshot from a news website demonstrates one possible application of semantic advertising. It shows an article about political efforts for climate protection. The content was analyzed with APM's technology and was found to belong to the content category "protection of the environment". As a result, an advertisement belonging in the same category is displayed in the upper right corner. For advertisers, this approach has the advantage of reaching predominantly users who have an interest in the category. In contrast to behavioural targeting approaches, this method does not require the collection of user data.
- **Brand protection:** Another application of semantic analysis in practice is the avoidance of inappropriate and potentially brand damaging advertisements. The next screenshot shows a news article about plane crash. Due to a lack of proper targeting, an ad by an airline is displayed on the right side. Of course, the advertiser does not want his ad displayed in such a context. Semantic analysis of the webpage can prevent this by understanding the negative content of the page. This analysis can be done on an individual page level with no necessity to block the entire website. For news websites, that would unnecessarily

reduce advertising revenues for publishers. Ad pepper offers a range of categories they would like to avoid to advertisers, including for example violence, extremism or drugs.

Sources: Ad Pepper

Ad pepper: Summary tables

PROFIT & LOSS (EURm)	12/2009	12/2010	12/2011e	12/2012e	12/2013e	12/2014e
Sales	**46.9**	**51.7**	**56.1**	**62.4**	**68.4**	**80.1**
Cost of Sales & Operating Costs	-52.8	-49.9	-57.9	-63.0	-67.8	-77.2
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**-5.9**	**1.7**	**-1.8**	**-0.5**	**0.6**	**2.9**
EBITDA (adj.)*	**-5.9**	**1.7**	**-1.8**	**-0.5**	**0.6**	**2.9**
Depreciation	-0.4	-0.3	-0.2	-0.3	-0.3	-0.4
EBITA	**-6.3**	**1.4**	**-2.1**	**-0.8**	**0.3**	**2.5**
EBITA (adj)*	**-6.3**	**1.4**	**-2.1**	**-0.8**	**0.3**	**2.5**
Amortisations and Write Downs	-25.6	-0.4	-0.3	-0.3	-0.3	-0.4
EBIT	**-32.0**	**1.0**	**-2.4**	**-1.2**	**-0.1**	**2.1**
EBIT (adj.)*	**-32.0**	**1.0**	**-2.4**	**-1.2**	**-0.1**	**2.1**
Net Financial Interest	0.6	0.6	0.6	0.5	0.5	0.5
Other Financials	0.0	0.2	0.0	0.0	0.0	0.0
Associates	0.7	0.6	0.0	0.0	0.0	0.0
Other Non Recurrent Items	-3.1	0.7	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	**-33.8**	**3.1**	**-1.8**	**-0.6**	**0.4**	**2.6**
Tax	-0.6	-0.6	-0.8	-0.9	-1.5	-1.3
Tax rate	*nm*	*18.1%*	*nm*	*nm*	*nm*	*50.0%*
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	-0.3	-0.3	-0.4	-0.4	-0.5
Net Profit (reported)	**-34**	**2**	**-3**	**-2**	**-1**	**1**
Net Profit (adj.)	**-14**	**2**	**-3**	**-2**	**-1**	**1**

CASH FLOW (EURm)	12/2009	12/2010	12/2011e	12/2012e	12/2013e	12/2014e
Cash Flow from Operations before change in NWC	-7.5	2.5	-2.3	-1.3	-0.8	1.6
Change in Net Working Capital	3.2	-1.8	-0.1	-0.2	-0.2	-0.2
Cash Flow from Operations	**-4.3**	**0.7**	**-2.4**	**-1.5**	**-0.9**	**1.4**
Capex	-0.5	-0.3	-0.6	-0.8	-0.9	-1.0
Net Financial Investments	-0.1	0.0	-1.0	0.0	0.0	0.0
Free Cash Flow	**-4.9**	**0.5**	**-3.9**	**-2.3**	**-1.8**	**0.4**
Dividends	0.0	0.0	-1.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	4.5	0.2	-1.2	0.8	0.8	1.1
Change in Net Debt	**0**	**1**	**-6**	**-1**	**-1**	**2**
NOPLAT	-32	1	-3	-3	0	1

BALANCE SHEET & OTHER ITEMS (EURm)	12/2009	12/2010	12/2011e	12/2012e	12/2013e	12/2014e
Net Tangible Assets	0.6	0.4	0.5	0.7	0.8	1.2
Net Intangible Assets (incl.Goodwill)	0.8	0.5	0.4	0.4	0.4	0.5
Net Financial Assets & Other	0.7	4.1	5.1	5.1	5.1	5.1
Total Fixed Assets	**2.1**	**5.0**	**6.0**	**6.2**	**6.4**	**6.8**
Net Working Capital	-0.2	1.6	1.7	1.9	2.1	2.4
Net Capital Invested	**1.9**	**6.6**	**7.7**	**8.0**	**8.4**	**9.2**
Group Shareholders Equity	**21.3**	**26.1**	**22.6**	**21.1**	**20.0**	**21.5**
o/w own Shareholders Equity	*21.2*	*25.7*	*21.9*	*19.9*	*18.5*	*19.0*
Net Debt	**-22.6**	**-23.2**	**-17.0**	**-15.5**	**-14.5**	**-16.1**
Provisions	4	3	3	3	3	4
Other Net Liabilities or Assets	-1	0	-1	-1	-1	0
Net Capital Employed	**2**	**7**	**8**	**8**	**8**	**9**

GROWTH & MARGINS	12/2009	12/2010	12/2011e	12/2012e	12/2013e	12/2014e
Sales growth	*-10.9%*	*10.2%*	*8.6%*	*11.2%*	*9.6%*	*17.2%*
EBITDA (adj.)* growth	***-chg***	***+chg***	***-chg***	***+chg***	***+chg***	***387.2%***
EBITA (adj.) growth*	*-chg*	*+chg*	*-chg*	*+chg*	*+chg*	*882.5%*
*EBIT (adj)*growth*	*-chg*	*+chg*	*-chg*	*+chg*	*+chg*	*+chg*
Net Profit growth	*-chg*	*+chg*	*-chg*	*+chg*	*+chg*	*+chg*
EPS adj. growth	***-chg***	***+chg***	***-chg***	***+chg***	***+chg***	***+chg***
DPS adj. growth		*+chg*	*-chg*			
EBITDA margin	***nm***	***3.3%***	***nm***	***nm***	***0.9%***	***3.6%***
EBITDA (adj) margin*	*nm*	*3.3%*	*nm*	*nm*	*0.9%*	*3.6%*
EBITA margin	*-13.5%*	*2.7%*	*-3.7%*	*-1.4%*	*0.4%*	*3.1%*
EBITA (adj) margin*	*-13.5%*	*2.7%*	*-3.7%*	*-1.4%*	*0.4%*	*3.1%*
EBIT margin	*nm*	*2.0%*	*nm*	*nm*	*nm*	*2.6%*
EBIT (adj) margin*	*nm*	*2.0%*	*nm*	*nm*	*nm*	*2.6%*

Ad pepper: Summary tables

RATIOS	12/2009	12/2010	12/2011e	12/2012e	12/2013e	12/2014e
Net Debt/Equity	-1.1	-0.9	-0.8	-0.7	-0.7	-0.7
Net Debt/EBITDA	3.8	-13.5	9.3	28.3	-24.5	-5.6
Interest cover (EBITDA/Fin.interest)	9.4	nm	2.9	1.0	nm	nm
Capex/D&A	9.4%	37.4%	97.4%	125.2%	127.0%	128.7%
Capex/Sales	1.1%	0.5%	1.0%	1.3%	1.3%	1.3%
NWC/Sales	-0.5%	3.1%	3.0%	3.0%	3.0%	3.0%
ROE (average)	-35.2%	9.5%	-12.3%	-9.5%	-7.7%	4.1%
ROCE (adj.)	nm	32.8%	-134.5%	-99.6%	6.1%	25.8%
WACC	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
ROCE (adj.)/WACC	nm	3.5	-14.5	-10.7	0.7	2.8

PER SHARE DATA (EUR)***	12/2009	12/2010	12/2011e	12/2012e	12/2013e	12/2014e
Average diluted number of shares	21.3	21.3	21.4	21.4	21.4	21.4
EPS (reported)	-1.61	0.11	-0.14	-0.09	-0.07	0.04
EPS (adj.)	-0.63	0.11	-0.14	-0.09	-0.07	0.04
BVPS	0.99	1.21	1.03	0.93	0.86	0.89
DPS	0.00	0.05	0.00	0.00	0.00	0.00

VALUATION	12/2009	12/2010	12/2011e	12/2012e	12/2013e	12/2014e
EV/Sales	0.0	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	nm	8.3	nm	nm	36.8	7.3
EV/EBITDA (adj.)*	**nm**	**8.3**	**nm**	**nm**	**36.8**	**7.3**
EV/EBITA	-0.3	10.3	-8.5	-24.0	86.3	8.5
EV/EBITA (adj.)*	**-0.3**	**10.3**	**-8.5**	**-24.0**	**86.3**	**8.5**
EV/EBIT	nm	14.2	nm	nm	nm	10.0
EV/EBIT (adj.)*	**nm**	**14.2**	**nm**	**nm**	**nm**	**10.0**
P/E (adj.)	**nm**	**17.1**	**nm**	**nm**	**nm**	**45.7**
P/BV	1.2	1.5	1.6	1.8	1.9	1.9
Total Yield Ratio	6.7%	2.1%	-0.5%	0.0%	0.0%	0.0%
EV/CE	1.4	5.7	6.8	6.9	6.6	5.2
OpFCF yield	-19.1%	1.1%	-8.5%	-6.6%	-5.2%	1.2%
OpFCF/EV	-294.2%	2.9%	-16.7%	-11.2%	-8.2%	2.0%
Payout ratio	0.0%	47.5%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	3.0%	0.0%	0.0%	0.0%	0.0%

EV AND MKT CAP (EURm)	12/2009	12/2010	12/2011e	12/2012e	12/2013e	12/2014e
Price** (EUR)	1.2	1.8	1.7	1.7	1.7	1.7
Outstanding number of shares for main stock	21.3	20.9	21.0	21.0	21.0	21.0
Total Market Cap	**25.2**	**37.6**	**34.7**	**34.7**	**34.7**	**34.7**
Net Debt	**-22.6**	**-23.2**	**-17.0**	**-15.5**	**-14.5**	**-16.1**
o/w Cash & Marketable Securities (-)	*-22.6*	*-23.2*	*-17.0*	*-15.5*	*-14.5*	*-16.1*
o/w Gross Debt (+)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Other EV components	**-1**	**0**	**0**	**1**	**2**	**2**
Enterprise Value (EV adj.)	2	14	18	20	22	21

Source: Company, Equinet Bank estimates.

Notes
** Where EBITDA (adj.) or EBITA (adj) or EBIT (adj.)= EBITDA (or EBITA or EBIT) +/- Non Recurrent Expenses/Income*
***Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years*
****EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.*

Sector: Media/Broadcasting & Entertainment

Company Description: Ad pepper media is one of the leading independent international online advertisement agents. With 16 offices in ten European countries and the USA, ad pepper fascilitates online campaigns for thousands of clients in more than 50 countries worldwide. In 2007, ad pepper reported sales of EUR 51m, EBIT of EUR 3.8m and net profit of EUR 2.6m.

Recommendations and Disclosures

Coverage	Analyst	Target	Rating	Disc.
4SC AG	Aubéry	3.60	Buy	2/3
Aareal Bank	Häßler	25.00	Buy	
Ad pepper	Pehl	1.90	Accumulate	2/3
adidas	Faust	64.00	Accumulate	
Advanced Vision Technology	Aubéry	5.00	Buy	2/3
Aixtron	Pehl	34.00	Accumulate	2/3
Allianz	Häßler	111.00	Accumulate	
Analytik Jena	Demidova	10.50	Hold	7
Augusta Technologie	Pehl	24.00	Buy	7
BASF	Demidova	77.00	Accumulate	
Bayer	Possienke	70.00	Buy	
BayWa	Schäfer	35.00	Hold	5
BB Biotech	Aubéry	66.00	Buy	2/7
Beiersdorf	Aubéry	46.00	Hold	
Berentzen	Faust	8.00	Buy	2/3
Beta Systems Software	Schuldt	3.20	Buy	2/3
Bilfinger Berger	Faust	83.00	Buy	
Biopetrol Industries	Schäfer	0.60	Sell	2/3
Biotest	Possienke	55.00	Hold	2/3
BMW	Schuldt	68.00	Hold	
Carl Zeiss Meditec	Aubéry	18.00	Accumulate	
Celesio	Possienke	16.00	Accumulate	
Cenit	Pehl	7.00	Buy	2/3
comdirect	Häßler	8.00	Hold	
Commerzbank	Häßler	4.40	Buy	
Continental	Schuldt	83.00	Buy	
DAB Bank	Häßler	4.40	Hold	
Daimler AG	Schuldt	60.00	Hold	
Daldrup & Soehne	Schäfer	23.00	Accumulate	2/3
Demag Cranes	Schmidt	50.00	Hold	2
Derby Cycle	Faust	20.00	Buy	2/3/4/5
Deutsche Bank	Häßler	55.00	Buy	
Deutsche Biogas	Schäfer	14.00	Buy	2/3/4/5
Deutsche Boerse	Häßler	61.00	Accumulate	
Deutsche EuroShop	Rothenbacher	28.50	Hold	
Deutsche Forfait	Häßler	6.30	Accumulate	2/3
Deutsche Post	Rothenbacher	16.00	Buy	
Deutsche Telekom	Pehl	12.00	Accumulate	
DNICK Holding plc	Freudenreich	13.00	Buy	2/3
Douglas Holding	Faust	44.00	Accumulate	
Drägerwerk	Aubéry	95.00	Hold	
E.ON	Schäfer	22.00	Hold	
ElringKlinger	Schuldt	26.00	Accumulate	
Epigenomics AG	Aubéry	4.20	Buy	2/3
Euromicron AG	Pehl	31.50	Buy	2/3/5
Fielmann	Possienke	80.00	Hold	
Fraport	Rothenbacher	61.00	Hold	
Freenet	Pehl	10.50	Accumulate	2
Fresenius	Aubéry	75.00	Hold	
Fresenius Medical Care	Aubéry	53.00	Hold	
Fuchs Petrolub	Demidova	120.00	Accumulate	
GEA Group	Schmidt	30.00	Buy	
Gerresheimer AG	Aubéry	40.00	Accumulate	
Gesco	Schmidt	80.00	Buy	2/3
GFT Technologies	Schuldt	5.10	Buy	2/3
Gildemeister	Schmidt	23.00	Buy	
Grenkeleasing AG	Häßler	40.00	Hold	
Hannover Re	Häßler	38.00	Hold	
Heidelberger Druck	Schmidt	2.50	Hold	
Henkel	Demidova	46.00	Hold	
HHLA	Rothenbacher	36.00	Accumulate	
Hochtief	Faust	70.00	Buy	
Hornbach Holding	Possienke	124.00	Buy	
Hugo Boss	Faust	75.00	Hold	
HYPOPORT AG	Häßler	17.00	Buy	
i:FAO AG	Rothenbacher	16.00	Buy	2/3

Coverage	Analyst	Target	Rating	Disc.
Integralis AG	Schäfer	6.75	Hold	2/3
Interseroh	Schäfer	40.00	Hold	2/3
Itelligence	Demidova	8.80	Buy	2/3
IVG Immobilien AG	Rothenbacher	7.00	Buy	
K+S AG	Schäfer	70.00	Buy	
KHD HUMBOLDT WEDAG INTERNA	Schuldt	11.50	Buy	
Kontron	Pehl	10.00	Buy	
Krones AG	Schmidt	62.00	Buy	
KTG Agrar	Schäfer	16.00	Accumulate	2/3/5
KUKA	Schäfer	18.00	Hold	
LANXESS	Demidova	63.00	Hold	
Leoni	Schuldt	49.00	Buy	
Linde	Demidova	140.00	Buy	
Loewe	Faust	6.00	Hold	2
Logwin	Rothenbacher	1.60	Buy	2/3/5
LPKF LASER & ELECTRONICS	Schuldt	14.00	Hold	
Lufthansa	Rothenbacher	18.00	Buy	
MAN	Schuldt	110.00	Buy	
MAX Automation AG	Schmidt	5.40	Buy	2/3/5
Medion	Faust	13.00	Hold	
Merck	Possienke	80.00	Accumulate	
MLP	Häßler	8.00	Accumulate	
Mobotix AG	Pehl	70.00	Buy	2/3
Morphosys	Possienke	35.00	Buy	
MTU	Pehl	61.00	Buy	2
Munich Re	Häßler	110.00	Hold	
Nanogate AG	Demidova	25.00	Buy	2/3/5
Pfeiffer Vacuum	Pehl	113.00	Buy	
Pfleiderer	Faust	1.00	Sell	
Phoenix Solar	Freudenreich	18.00	Sell	
Porsche	Schuldt	61.00	Hold	
Postbank	Häßler	20.00	Hold	
PSI	Schäfer	21.50	Hold	2
Puma	Faust	240.00	Accumulate	
Q-Cells	Freudenreich	1.80	Hold	
Rheinmetall	Pehl	72.00	Buy	
Rhoen-Klinikum	Possienke	19.00	Buy	
Roth & Rau	Freudenreich	23.00	Accumulate	
RWE	Schäfer	47.00	Hold	
RIB Software	Rothenbacher	10.50	Buy	2/3/4
SAF-HOLLAND	Schuldt	12.50	Buy	7
Salzgitter	Freudenreich	65.00	Accumulate	
Schuler AG	Schuldt	17.00	Buy	2/3
Seven Principles AG	Pehl	12.00	Buy	2/3/5
Singulus Technologies	Freudenreich	4.50	Hold	4/5
SKW Stahl	Possienke	23.00	Buy	
SMA Solar Technology	Freudenreich	70.00	Reduce	
SMT SCHARF AG	Schmidt	22.00	Buy	2/3/5
Solar-Fabrik	Freudenreich	7.00	Buy	2/3/5
SolarWorld	Freudenreich	9.40	Hold	
Solutronic	Freudenreich	11.00	Buy	2/3/4/5
Stada	Possienke	31.00	Hold	
Suess MicroTec	Pehl	13.00	Hold	2/3/5
Sunways	Freudenreich	6.50	Accumulate	2/3/5
Symrise AG	Demidova	24.00	Accumulate	
ThyssenKrupp	Freudenreich	32.00	Hold	
Tognum	Schmidt	26.00	Hold	
TUI	Rothenbacher	9.00	Buy	
United Internet	Pehl	15.00	Accumulate	
VBH Holding	Faust	5.20	Accumulate	2/3
VIB Vermoegen	Rothenbacher	11.00	Buy	
Volkswagen	Schuldt	152.00	Buy	
Vossloh	Schmidt	70.00	Sell	
Washtec	Schuldt	14.00	Buy	
Wacker Chemie	Freudenreich	178.00	Accumulate	
Wincor Nixdorf	Pehl	44.00	Reduce	

Source: equinet Recommendations

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Buy - The stock is expected to generate a total return of over 20% during the next 12 months time horizon.
Accumulate - The stock is expected to generate a total return of 10% to 20% during the next 12 months time horizon.
Hold - The stock is expected to generate a total return of 0% to 10% during the next 12 months time horizon
Reduce - The stock is expected to generate a total return of 0 to -10% during the next 12 months time horizon
Sell - The stock is expected to generate a total return below -10% during the next 12 months time horizon

Basis of Valuation
Equinet Bank Bank uses for valuation purposes primarily DCF-Valuations and Sum-Of-The-Parts-Valuations as well as peer group comparisons.

Share prices
Share prices in this analysis are the German closing prices of the last trading day before the publication.

Sources
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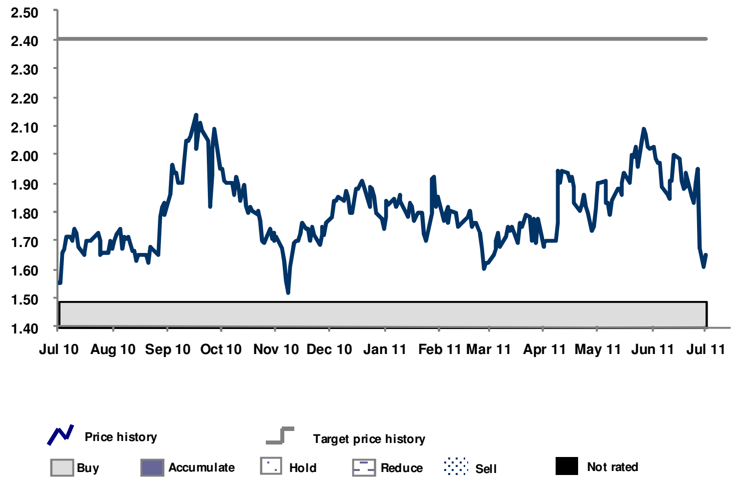
-BaFin- (Federal Financial Supervisory Authority)
Graurheindorfer Straße 108, 53117 Bonn and
Lurgialle 12, 60439 Frankfurt am Main.

Recommendation history for AD PEPPER

Date	Recommendation	Target price	Price at change date
20-Jul-11	Accumulate	1.90	1.65
08-Apr-11	Buy	2.40	1.79
11-Mar-10	Accumulate	1.70	1.43
11-Dec-09	Accumulate	1.40	1.18
13-Nov-09	Hold	1.40	1.23
21-Jul-09	Accumulate	1.25	1.10
10-Jun-09	Buy	1.25	1.00
06-Nov-08	Hold	1.65	0.97

Source: Factset & ESN, price data adjusted for stock splits.
This chart shows Equinet Bank continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Adrian Pehl, CFA (since 15/02/2010)



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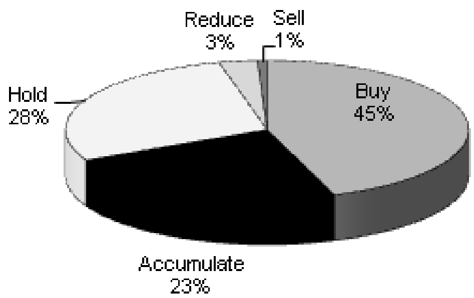
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy**: the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold**: the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce**: the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell**: the stock is expected to generate total return **under -10%** during the next 12 months time horizon
- **Rating Suspended**: the rating is suspended due to a capital operation (take-over bid, SPO, …) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated**: there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Equinet Bank Bank Ratings Breakdown



History of ESN Recommendation System

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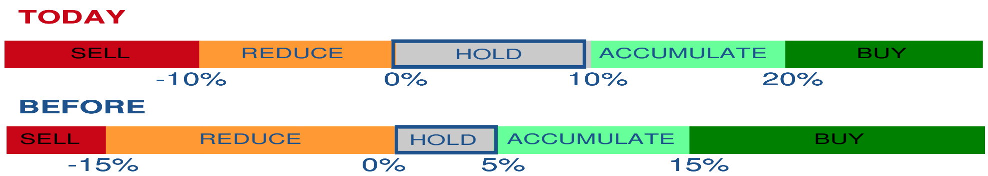
Since 4 August 2008, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:



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Members of ESN (European Securities Network LLP)

Banca Akros S.p.A.
Viale Eginardo, 29
20149 Milano
Italy
Phone: +39 02 43 444 389
Fax: +39 02 43 444 302

Equinet Bank AG
Gräfstraße 97
60487 Frankfurt am Main
Germany
Phone:+49 69 – 58997 – 410
Fax:+49 69 – 58997 – 299

Bank Degroof
Rue de l'Industrie 44
1040 Brussels
Belgium
Phone: +32 2 287 91 16
Fax: +32 2 231 09 04

Investment Bank of Greece
24B, Kifisias Avenue
151 25 Marousi
Greece
Phone: +30 210 81 73 000
Fax: +30 210 68 96 325

Bankia Bolsa
Serrano, 39
28001 Madrid
Spain
Phone: +34 91 436 7813
Fax: +34 91 577 3770

NCB Stockbrokers Ltd.
3 George Dock,
Dublin 1
Ireland
Phone: +353 1 611 5611
Fax: +353 1 611 5781

Caixa-Banco de Investimento
Rua Barata Salgueiro, 33-5
1269-050 Lisboa
Portugal
Phone: +351 21 389 68 00
Fax: +351 21 389 68 98

Pohjola Bank plc
P.O.Box 308
FI- 00013 Pohjola
Finland
Phone: +358 10 252 011
Fax: +358 10 252 2703

CM - CIC Securities
6, avenue de Provence
75441 Paris
Cedex 09
France
Phone: +33 1 4016 2692
Fax: +33 1 4596 7788

SNS Securities N.V.
Nieuwezijds Voorburgwal 162
P.O.Box 235
1000 AE Amsterdam
The Netherlands
Phone: +31 20 550 8500
Fax: +31 20 626 8064