ad pepper

the e-advertising network

Unaudited condensed interim consolidated financial statements as of March 31, 2012

- Subdued sales growth in first quarter, nevertheless accompanied by significant year-on-year improvement in key profitability figures and increase in liquidity compared with the end of 2011
- Transparency and related issues in real-time environments - at ad pepper media the future of online marketing is already well underway

Selected group key figures

	1.1.-3.31.2012	1.1.-3.31.2011	Change
	EUR 000s	EUR 000s	Percent
Net sales	13,313	12,859	+3.5
Gross profit	5,127	5,410	-5.2
EBIT	-896	-1,225	-26.9
Net income for period	-691	-1.151	-40.0
Earnings per share in EUR (basic)	-0.04	-0.06	-33.3

	3.31.2012	3.31.2011	Change
	EUR 000s	EUR 000s	Percent
Liquid funds*	16,811	21,061	-20.2
Equity	23,406	25,241	-7.3
Total assets	33,352	34,822	-4.2
No. of employees	261	267	-2.2

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

Major events

Subdued sales growth in first quarter nevertheless accompanied by significant year-on-year improvement in key profitability figures and increase in liquidity by around 3.5 percent since end of 2011

The Group only managed to increase its sales by a mere 3.5 percent in the first three months of the current financial year. The performance of the ad pepper media segment was especially disappointing, with a 21.6 percent decline in sales compared with the previous year's period. With sales growth of 7.6 percent, the Webgains segment was also unable to match the dynamic growth seen in previous quarters. The ad agents segment, by contrast, posted extremely pleasing growth. Sales here rose year-on-year by 74.8 percent. Despite this slight overall growth, the segment-specific margin mix meant that the Group had to accept a decline in its gross profit. This decreased by around EUR 283k compared with the previous year's period, equivalent to a reduction of 5.2 percent. Thanks to far-reaching cost-cutting measures, the Group managed to more than compensate for this decline in its margin. Operating expenses dropped significantly by 9.2 percent, thus enabling the Group to improve its overall key profitability figures compared with the previous year's period: EBITDA for the first quarter of 2012 amounted to EUR -778k (Q1 2011: EUR -1,090k). EBIT amounted to EUR -896k, as against EUR -1,225k in the previous year's quarter. The improvement was most apparent on the level of EBT, which amounted to EUR -551k, up from EUR -936k in the first quarter of 2011. Liquid funds also showed pleasing developments, rising by EUR 564k compared with the end of December 2011 to reach EUR 16,811k.

Transparency and related issues real-time environments – at ad pepper media the future of online marketing is already well underway

ad pepper media launched the international rollout of its adEXplorer ad management and real-time bidding platform at the dmexco 2011 fair already and can now report its first success. More than 60 international campaigns on more than 1.5 million different websites with more than 25 million ad impressions delivered per day and more than 3,500 bookable topic categories – these are the results of the first few months.

What makes the adEXplorer marketing specialist so successful is its key unique selling point compared with all other platforms, namely its semantic analysis technology. The placement of campaigns in relevant contexts is available in twelve languages. On webpage level, this facilitates semantic targeting in more than 3,500 categories and brand protection by blocking critical advertising environments in 18 filter categories. On URL level, it also enables negative and positive lists to be managed while also facilitating the retargeting of target groups. This way, adverts are only placed on page views exactly meeting advertisers' requirements. ad pepper media's real-time bidding and data platform thus offers the utmost accuracy and reduces dispersion losses, while also enabling advertisers to maximize their coverage from a wide variety of RTB sources and simultaneously protect their brand.

Macroeconomic framework

World/Europe/Germany

We expect the global economy to grow in 2012 as well. However, growth prospects will be held back by uncertainties on the financial markets concerning ongoing developments in the sovereign debt crisis in the euro area and the USA. Given the tensions seen on financial markets since August 2011 and the renewed intensification in the euro area sovereign debt crisis, macroeconomic forecasts have been repeatedly corrected downwards in recent months. The high degree of uncertainty and associated risks have significantly reduced the reliability of macroeconomic forecasts for the world, Europe and Germany.
According to a study compiled by the World Bank, the global economy is set to grow by 2.5 percent this year. Economic output had previously been forecast to grow by 3.6 percent (June 2011). The World Bank states two reasons for its slightly more cautious current forecast. Firstly, the euro area is manifestly sliding into recession in the wake of the debt crisis – according to the World Bank report, economic output in the euro area will shrink by 0.3 percent (contrasting with positive growth of 1.8 percent forecast in June 2011). Secondly, the rate of growth in emerging economies, such as China, Brazil and India, is also slowing noticeably. According to this outlook, emerging and developing economies are expected to report aggregate growth of 5.4 percent this year. In June 2011, the World Bank had still forecast 6.2 percent and 6.3 percent respectively.

While the World Bank expects to see a mild recession this year in the euro area as a whole, the economies of leading industrialized nations are forecast to grow by 1.4 percent on average. This group includes Germany and France, the two largest players in the euro area, as well as countries such as the USA and Japan. According to the World Bank outlook, in 2013 the global economy will also show weaker growth than previously expected. At least by then the euro area should have emerged from recession, with slight growth of 1.1 percent.

Advertising market

According to the Circle of Online Marketers (OVK), global advertising investment is set to grow by 4.7 percent in 2012 (2011: 3.5 percent). The advertising market stands to benefit this spring not only from the top sporting events, but also in particular from the recovery in Japan following its devastating earthquake catastrophe. Together, these two factors are expected to bring an additional USD 7 billion into the market according to ZenithOptimedia. For subsequent years, the outlook is even better. Global advertising volumes are expected to grow by 5.2 percent in 2013, and even by 5.8 percent in 2014. More moderate growth is expected in Western Europe. Even though most countries are sending teams to the European Football Championships and the Olympic Games will be broadcast at viewer-friendly times, the advertising market in this region is only expected to grow by 2 percent. Assuming that the economy recovers, ZenithOptimedia has forecast growth of 2.8 percent in 2013 and 3.3 percent in 2014. Worldwide too, the internet is proving to be the strongest growth driver, with annual growth of 15.9 percent by 2014.

We believe that brand communication via online advertising will become an ever more important factor in the coming years, one that will further increase its share of the overall advertising market. In 2012 as well, digital advertising will act as the key innovation driver for the advertising industry as a whole and also for the media sector. Despite the attractiveness of the technological possibilities on offer, the industry will still have to maintain a sense of proportion, particular when it comes to collecting and using data in personalized customer targeting.
Where online marketing instruments are not put to use and integrated in line with a suitable strategy, many of the potential cross-media opportunities are wasted. To address customers via just one or two marketing channels is no longer up-to-date. After all, this approach is no longer in tune with consumer behavior. In the buying process, consumers draw on a very wide variety of channels, both offline and online. Online advertising has become an indispensable component of comprehensive target group coverage. In future, the success of online campaigns will more than ever depend on whether a brand relies on the right targeting strategy and occupies suitable digital channels. For online media agen-

cies, data protection and targeting are without doubt among the most important topics in advising their customers and play a crucial role in the further development of the online advertising market.
The trend towards technologization is continuing apace in the online marketing field. The aim here is to reduce the so-called gross/net gap in online advertising spending. Ultimately, this means that greater attention will be paid to quality and to actually reaching the relevant target groups without any significant dispersion losses. Relevant advertising environments are becoming an increasingly significant factor in branding campaigns. By working with our patented iSense™ targeting technology, we already offer a unique instrument for precisely controlling online campaigns in the desired environments. Technological innovations are also intensifying further in the field of affiliate marketing, as no medium harbors efficiency potential comparable to that offer by the internet, whose so-called reverse channel capability opens up completely new possibilities for precise control. This is the approach taken when retargeting and optimizing sales at the e-shops operated by merchants on our Webgains affiliate marketing platform.

Display advertising has also received a new technological infrastructure in the form of advertising platforms to which marketers connect their sites. Here, agencies in turn connect themselves with supplier platforms via so-called trading desks and proprietary procurement platforms. This way, it should theoretically be possible to reach each placement or each individual user on the internet via a single interface. Demand side platforms (DSPs) are one example here. DSPs are independent service providers that pool coverage for agencies and customers under one surface, thus optimizing procurement prices for customers and also simplifying the relevant entries and reporting. In this, DSPs do not themselves offer advertising surfaces, but rather enable users to automatically compare prices at various online advertising marketers and marketplaces, to reach a booking decision, and to take part in real-time auctions of stocks (real-time bidding). ad pepper media has met the requirements to be linked to all relevant platforms. Here, the company has set itself apart from its competitors by offering its iSense™ technology, which enables advertisers to place their adverts in precisely defined surroundings or to exclude specified topic areas.

Structure of the ad pepper media Group

The ad pepper media Group is one of the leading independent marketing networks in the field of online advertising.
ad pepper media International N.V., based in Amsterdam, Netherlands, is the central management and holding company for the companies in the ad pepper media Group. With 12 offices in six European countries and the USA, ad pepper media handles campaigns for thousands of national and international advertising customers in a current total of more than 50 countries worldwide.
Our online advertising activities are centered around three business divisions: ad pepper media, Webgains and ad agents.

ad pepper media

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

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

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

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

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

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

Webgains

is one of the leading international affiliate networks, with offices in the UK, France, Germany, the Netherlands, the USA, Spain, Sweden and Denmark.

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

ad agents

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

The share

Share price performance

ad pepper media's share price performed positively in the first three months of the year. It closed at EUR 1.37 as of March 31, 2012, significantly higher than its closing price at the end of December 2011 (EUR 1.04).

Key share data

Security Identification Number (WKN)	940883
ISIN	NL0000238145
Market segment	Prime Standard
Designated sponsor	Equinet
Number of shares	23,000,000
Market capitalization (as of 3.31.2012)	EUR 31.5m

Share price performance over the past twelve months (Xetra)

Shareholder structure

Status: 3.31.2012

Shareholder	No. of shares	Percentage shareholding
EMA B.V.	9,486,402	41.25
Treasury stock	1,759,292	7.65
U. Schmidt	1,005,524	4.37
Euroserve Media GmbH	436,963	1.90
M. A. Carton	92,582	0.40
Viva Media Service GmbH	77,670	0.34
Subtotal	**12,858,433**	**55.91**
Free float	10,141,567	44.09
Total	**23,000,000**	**100.00**

Earnings, financial and net asset position

Earnings position

ad pepper media International N.V. began the new financial year with subdued sales growth in the first quarter of 2012. With consolidated sales of EUR 13,313k, the Group posted sales growth of 3.5 percent (Q1 2011: EUR 12,859k). This performance was chiefly due to the fact that the ad pepper media segment fell significantly short of expectations, with a reduction in sales by EUR 1,320k, or 21.6 percent, to EUR 4,780k. The Webgains segment was also unable to entirely match the dynamic developments seen in previous quarters. Sales here grew year-on-year by 7.6 percent, or EUR 373k, to EUR 5,260k. The ad agents segment, by contrast, posted further substantial sales growth of EUR 1,400k to EUR 3,273k, equivalent to an impressive growth rate of 74.8 percent. Despite slight growth at the Group, the segment-specific margin mix led to a decline in gross profit, which fell around 5.2 percent, or EUR 283k, short of the equivalent figure for the previous year (Q1 2011: EUR 5,410k). As a percentage of sales, the gross margin slipped correspondingly to 38.5 percent (Q1 2011: 42.1 percent).

Thanks to a substantial reduction in operating expenses, particularly in the ad pepper media segment, the company managed to more than compensate for the decline in its gross margin. Operating expenses were cut in total by EUR 613k, or 9.2 percent, in the first quarter (Q1 2011: EUR 6,635k), thus enabling the Group to post significantly improved overall key profitability figures compared with the previous year's period. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR -778k in the first quarter of 2012 (Q1 2011: EUR -1,090k). Earnings before interest and taxes (EBIT) amounted to EUR -896k, as against EUR -1,225k in the previous year's quarter. A particularly marked improvement was reported in earnings before taxes (EBT), which amounted to EUR -551k in the first three months of the financial year (Q1 2011: EUR -936k). Net income for the period amounted to EUR -691k (Q1 2011: EUR -1,151k).

Financial position

The gross cash flow amounted to EUR -784k (Q1 2011: EUR -999k), while a figure of EUR -715k was reported for the cash flow from operations, as against EUR -2,107k in the first three months of 2011. The net cash flow from investing activities amounted to EUR -850k in the first three months of 2012 (Q1 2011: EUR 3,627k). The cash flow from financing activities amounted to EUR 0k in the first three months of 2012, compared with EUR 177k in the equivalent period in the previous year.

Net asset position

Total assets reduced year-on-year by EUR 1,470k to EUR 33,352k. Despite the negative overall key profitability figures, the Group managed to increase its liquid funds (including securities measured at fair value and fixed-term deposits) by EUR 564k compared with December 31, 2011. Compared with March 31, 2011, liquid funds reduced by EUR 4,250k to EUR 16,811k (March 31, 2011: EUR 21,061k). Furthermore, ad pepper media owns a total of 1,759,292 treasury stock shares. The Group still has no liabilities to banks. The equity ratio reduced to 70.2 percent (March 31, 2011: 72.5 percent).

Employees

As of March 31, 2012, the ad pepper media Group had 261 employees, as against a total of 267 employees at the end of the equivalent period in the previous year. The workforce of the ad pepper media Group is assigned to the following segments.

	3.31.2012	3.31.2011
	Number	Number
ad pepper media	124	145
Webgains	77	72
ad agents	41	26
Administration	19	24

Risk and opportunity report

There have been no material changes in the opportunity and risk situation of ad pepper media International N.V. compared with the information provided in the Annual Report as of December 31, 2011. Reference is therefore made to the information presented in the management report for the 2011 financial year.

Outlook

More than ever, we face competing interests in terms of the technological challenges in the online business and necessary investments in our innovation and in regional growth markets which represent the key to further growth and success in the competitive environment. It is crucial that we lay foundations today to enable us actually to exploit our opportunities in future.

We acted early to invest in forward-looking technologies, thus positioning ourselves with a range of sustainable activities in the most important segments of the online advertising market. The first three months of the year were nevertheless weaker overall, particularly in terms of our sales performance, than we expected at the beginning of the year. This was due to a subdued start to the financial year across the sector as a whole, as well as to significantly more volatile order placement behavior on the part of advertisers at the beginning of the year. Given the substantial decline in sales in the ad pepper media segment, we will also have to review our product portfolio once again and make adjustments where necessary. Our investments in our adEXplorer proprietary real-time bidding platform show the way forward here. In parallel, it will be necessary to achieve further cost savings without impeding the growth prospects of profitable sections of the company.

Given the volatility and weakness of the market addressed by sections of our Group, it is currently difficult to issue any reliable forecast for the current second quarter. We are nevertheless convinced that, by analogy with the three-month period under report, we will make further progress in terms of improving our profitability.

Consolidated income statement (IFRS)

	Q1 2012 EUR 000s	Q1 2011 EUR 000s
Revenues	**13,313**	**12,859**
Cost of sales	-8,186	-7,449
Gross profit	**5,127**	**5,410**
Selling and marketing expenses	-4,017	-4,070
General and administrative expenses	-2,100	-2,627
Other operating income	209	140
Other operating expenses	-115	-78
Earnings/loss before interest and taxes	**-896**	**-1,225**
Financial income	353	295
Financial expenses	-8	-6
Earnings/loss before taxes	**-551**	**-936**
Income taxes	-140	-215
Net income/loss	**-691**	**-1,151**
attributable to shareholders of the parent company	-750	-1,197
attributable to minority interest	59	46
Basic earnings per share on net income for the year attributable to shareholders of the parent company	-0.04	-0.06
Diluted earnings per share on net income for the year attributable to shareholders of the parent company	-0.04	-0.06

	Q1 2012 No. of shares	Q1 2011 No. of shares
Weighted average number of shares outstanding (basic)	**21,074,511**	**21,107,139**
Weighted average number of shares outstanding (diluted)	**21,074,511**	**21,107,139**

Consolidated statement of comprehensive income (IFRS)

	Q1 2012 EUR 000s	Q1 2011 EUR 000s
Net income/loss	**-691**	**-1,151**
Currency translation differences	-30	-105
Revaluation of available-for-sale securities	1,560	402
Revaluation of available-for-sale financial investments	-150	-188
Income tax recognized directly in equity	0	0
Total income and expense recognized directly in equity, net of tax	**1,380**	**109**
Total income and expense recognized in equity	**689**	**-1,042**
attributable to minority interest	59	46
attributable to shareholders of the parent company	630	-1,088

Disclosures on total income and expense recognized directly in equity

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

			Q1 2012 EUR 000s			Q1 2011 EUR 000s
	before income taxes	income taxes	after income taxes	before income taxes	income taxes	after income taxes
Currency translation differences (incl. minority interest)	-30	0	-30	-105	0	-105
Revaluation of available-for-sale securities	1,560	0	1,560	402	0	402
Revaluation of available-for-sale financial investments	-150	0	-150	-188	0	-188
Total income and expense recognized directly in equity	**1,380**	**0**	**1,380**	**109**	**0**	**109**

Consolidated balance sheet (IFRS)

Assets	3.31.2012	12.31.2011
	EUR 000s	EUR 000s
Non-current assets		
Goodwill	24	24
Intangible assets	198	247
Property, plant and equipment	443	393
Securities at fair value through profit and loss	2,840	2,277
Securities available-for-sale	5,788	4,192
Other financial assets	7,070	6,821
Deferred tax assets	367	368
Total non-current assets	**16,730**	**14,322**
Current assets		
Trade receivables	7,191	9,918
Income tax receivables	331	562
Prepaid expenses and other current assets	624	456
Other financial assets	293	407
Cash and cash equivalents	8,183	9,778
Total current assets	**16,622**	**21,121**
Total assets	**33,352**	**35,443**

Consolidated balance sheet (IFRS)

Equity and liabilities	3.31.2012	12.31.2011
	EUR 000s	EUR 000s
Equity attributable to shareholders of the parent company		
Issued capital*	1,150	1,150
Additional paid-in capital	66,198	66,193
Treasury shares	-3,281	-3,281
Accumulated deficit	-41,231	-40,481
Accumulated other comprehensive income/losses	116	-1,264
Total	**22,952**	**22,317**
Minority interest	454	395
Total equity	**23,406**	**22,712**
Non-current liabilities		
Deferred tax liabilities	0	0
Total non-current liabilities	**0**	**0**
Current liabilities		
Trade payables	6,786	8,935
Other current liabilities	651	1,319
Other financial liabilities	2,360	2,371
Income tax liabilities	149	106
Total current liabilities	**9,946**	**12,731**
Total liabilities	**9,946**	**12,731**
Total equity and liabilities	**33,352**	**35,443**

* The Issued Capital consists of shares with a nominal value of EUR 0,05 each. The authorized capital amounts 23,429,708 shares, of which 23,000,000 are issued and 21,240,708 shares were floating at March 31, 2012 (December 31, 2011: 21,240,708).

Consolidated statement of cash flows (IFRS)

	1.1.12-3.31.2012	1.1.11-3.31.2011
	EUR 000s	EUR 000s
Net income/loss	**-691**	**-1,151**
Adjustments to reconcile net income for the year to net cash flow used in/provided by operating activities:		
Depreciation and amortization	118	135
Gain/loss on sale of fixed assets	1	-9
Share-based compensation	5	19
Gain/loss on sale of securities	-6	-19
Other financial income and financial expenses	-338	-270
Income taxes	140	215
Other non-cash expenses and income	-13	81
Gross cash flow	**-784**	**-999**
Change in trade receivables	2,740	1,021
Change in other assets	25	-213
Change in trade payables	-2,149	-576
Change in other liabilities	-676	-1,466
Income taxes received	254	0
Income taxes paid	-120	-63
Interest received	26	189
Interest paid	-31	0
Net cash flow from/used in operating activities	**-715**	**-2,107**

Consolidated statement of cash flows (IFRS)

	1.1.12-3.31.2012	1.1.11-3.31.2011
	EUR 000s	EUR 000s
Additions to intangible assets and property, plant and equipment	-120	-116
Proceeds from sale of intangible assets and property, plant and equipment	0	16
Purchase of shares in other investments	-30	0
Loans granted	-350	-150
Proceeds from sale/maturity of securities and maturity of fixed-term deposits	465	4,468
Purchase of securities	-815	-591
Net cash flow from/used in investing activities	**-850**	**3,627**
Sale of treasury shares	0	177
Net cash flow from/used in financing activities	**0**	**177**
Effect of exchange rates on cash and cash equivalents	-30	-104
Cash-effective decrease/increase in cash and cash equivalents	-1,565	1,697
Cash and cash equivalents at beginning of financial year	**9,778**	**9,803**
Cash and cash equivalents at end of period	**8,183**	**11,396**

Consolidated statement of changes in equity (IFRS)

	Balance at 1.1.2011	Total income and expense recognized in equity	Share-based payment	Purchase of treasury shares	Issuance of shares	Balance at 3.31.2011
Issued capital						
Number of shares	23,000,000					23,000,000
Issued capital (EUR 000s)	1,150					1,150
Additional paid-in capital						
for employee stock option plans (EUR 000s)	2,349		19			2,368
from contributions of shareholders of ad pepper media International N.V. (EUR 000s)	64,843					64,843
Treasury shares						
Number of shares	1,953,792				-174,500	1,779,292
Treasury shares at cost (EUR 000s)	-3,443				178	-3,265
Accumulated deficit (EUR 000s)	**-37,839**	**-1,197**				**-39,036**
Accumulated other comprehensive income						
Currency translation differences (EUR 000s)	-1,372	-105				-1,477
Revaluation available-for-sale securities (EUR 000s)	-1,939	402				-1,537
Revaluation available-for-sale investments (EUR 000s)	1,967	-188				1,779
Equity attributable to shareholders of ad pepper media International N.V. (EUR 000s)	**25,716**	**-1,088**	**19**	**0**	**178**	**24,825**
Minority interest (EUR 000s)	370	46				416
Total equity (EUR 000s)	**26,086**	**-1,042**	**19**	**0**	**178**	**25,241**

Consolidated statement of changes in equity (IFRS)

	Balance at 1.1.2012	Total income and expense recognized in equity	Share-based payment	Purchase of treasury shares	Issuance of shares	Balance at 3.31.2012
Issued capital						
Number of shares	23,000,000					23,000,000
Issued capital (EUR 000s)	1,150					1,150
Additional paid-in capital						
for employee stock option plans (EUR 000s)	2,411		5			2,416
from contributions of shareholders of ad pepper media International N.V. (EUR 000s)	63,782					63,782
Treasury shares						
Number of shares	1,759,292					1,759,292
Treasury shares at cost (EUR 000s)	-3,281					-3,281
Accumulated deficit (EUR 000s)	**-40,481**	**-750**				**-41,231**
Accumulated other comprehensive income						
Currency translation differences (EUR 000s)	-1,369	-30				-1,399
Revaluation available-for-sale securities (EUR 000s)	-3,304	1,560				-1,744
Revaluation available-for-sale investments (EUR 000s)	3,409	-150				3,259
Equity attributable to shareholders of ad pepper media International N.V. (EUR 000s)	**22,317**	**630**	**5**	**0**	**0**	**22,952**
Minority interest (EUR 000s)	395	59				454
Total equity (EUR 000s)	**22,712**	**689**	**5**	**0**	**0**	**23,406**

Notes

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

The current condensed interim consolidated financial statements of ad pepper media International N.V. were prepared according to the provisions of the International Financial Reporting Standards (IFRS) as applicable on the closing date, and are presented in euro. The comparative figures from the previous year were determined according to the same principles and adjusted where necessary. The quarter-end financial statements meet the requirements of IAS 34.
The condensed consolidated interim financial statements do not include all of the information required for the full annual financial statements and should therefore be read in conjunction with the consolidated annual report for the year ended December 31, 2011.

The consolidated interim financial statements include all subsidiaries.

ad pepper media International N.V. holds a 20 percent stake in SocialTyze LLC:
SocialTyze LLC is not included in the interim consolidated financial statements at equity, as an operating agreement has been concluded which does not allow ad pepper media to exert significant influence. Hence, the investment continues to be valued at cost.

ad pepper media International N.V. holds a 49 percent stake in Videovalis GmbH:
Videovalis GmbH is not included in the interim consolidated financial statements at equity, as the company's articles of association do not allow ad pepper media to exert significant influence. Hence, the investment continues to be valued at cost.

ad pepper media USA LLC acquired a 15 percent stake in React2Media in the first quarter of 2012. The purchase price was USD 40k. The investment is valued at cost.

The consolidated interim financial statements as per March 31, 2012 were authorized for issue by the management board on April 23, 2012.

2. Accounting principles

The accounting principles applied to these quarter-end financial statements do not materially differ from the principles as applied for the Annual Report as per December 31, 2011.
No standards and interpretations have been adopted since then within the scope of the comitology procedure.

3. Notes to the Interim Financial Statements

Essentially we refer the explanations regarding results of operations, financial position and net assets in the Interim Directors' Report.

The following one-off items affecting the income statement occurred in the period under review:
The financial result includes net exchange gains from the sale of securities totaling EUR 6k (Q1 2011: EUR 19k) as well as unrealized revaluation gains of EUR 240k (Q1 2011: EUR 0).
The tax result consists of current income tax accruals for profitable subsidiaries.

The following one-off items affecting the balance sheet occurred in the period under review:
As presented in the consolidated financial statements as of December 31, 2011, an revaluation gain of EUR 1.1m was recognized in equity in the first quarter of 2012 due to a public buyback offer by the issuer which ad pepper media rejected.
Furthermore, on March 21, 2012 ad pepper media was notified of the premature repayment of a security at par value. This resulted in an revaluation gain of EUR 445k recognized in equity in the first quarter of 2012.
The respective payment of EUR 3m was received on April 2, 2012, with a corresponding increase in cash and cash equivalents and a corresponding reduction in holdings of securities as of this date.

4. Segment reporting according to IFRS 8

IFRS 8 requires an entity to report financial and descriptive information about its so-called “reportable segments“. Reportable segments are either operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity, about which separate financial information is available, that is evaluated regularly by the chief operating decision maker for the purpose of resource allocation and assessing performance.

Generally, financial information is required to be reported on the same basis as is used internally to evaluate the operating segments (management approach). The information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on the category of services delivered. For this reason, the group reports segment information for the operating segments of “ad pepper media“ (lead, mail, banner, ad serving), “Webgains“ (affiliate marketing) and “ad agents“ (SEM/SEO) and for the non-operating “Admin“ (administration) segment.

The accounting policies of the reportable segments corresponds to the group‘s accounting policies described in note [2] of the consolidated annual report for the year ended December 31, 2011. The segment result is measured by EBIT and EBITDA for each segment without differences to IFRS. The segment result thus calculated is reported to the chief operating decision maker for the purpose of resource allocation and assessing segment performance.

The “dealing at arm’s length“ principle forms the basis of accounting for inter-segment transaction.

Q1 2012	ad pepper media EUR 000s	Webgains EUR 000s	ad agents EUR 000s	Admin EUR 000s	Consolida-tion EUR 000s	Group EUR 000s
Total revenues	**4,811**	**5,305**	**3,273**	**116**	**-192**	**13,313**
thereof external	4,780	5,260	3,273	0	0	13,313
thereof intersegmental	31	45	0	116	-192	0
Expenses and other income	**-5,377**	**-5,331**	**-3,060**	**-557**	**116**	**-14,209**
thereof amortization and depreciation	-35	-5	-14	-64	0	-118
thereof other non-cash income	17	0	0	0	0	17
thereof other non-cash expenses	0	-39	0	-33	-5	-77
EBITDA	**-531**	**-21**	**227**	**-377**	**-76**	**-778**
EBIT	**-566**	**-26**	**213**	**-441**	**-76**	**-896**
Financial income	**1**	**0**	**2**	**363**	**-13**	**353**
Financial expenses	**-13**	**0**	**-5**	**-3**	**13**	**-8**
Income taxes						**-140**
Net income for the period						**-691**

Q1 2011	ad pepper media EUR 000s	Webgains EUR 000s	ad agents EUR 000s	Admin EUR 000s	Consolida-tion EUR 000s	Group EUR 000s
Total revenues	**6,127**	**4,960**	**1,873**	**261**	**-362**	**12,859**
thereof external	6,100	4,886	1,873	0	0	12,859
thereof intersegmental	27	74	0	261	-362	0
Expenses and other income	**-6,844**	**-5,057**	**-1,710**	**-734**	**261**	**-14,084**
thereof amortization and depreciation	-50	-5	-11	-70	1	-135
thereof other non-cash expenses	-245	-44	-8	-17	-8	-321
EBITDA	**-667**	**-92**	**174**	**-403**	**-102**	**-1,090**
EBIT	**-717**	**-97**	**163**	**-473**	**-101**	**-1,225**
Financial income	**15**	**0**	**1**	**291**	**-12**	**295**
Financial expenses	**-12**	**0**	**-1**	**-5**	**12**	**-6**
Income taxes						**-215**
Net income for the period						**-1,151**

Geographical information

The Group operates in four principal geographical areas – the Netherlands (country of domicile), Germany, Scandinavia and the United Kingdom. The Group's revenue from the continued operations of the Group from business with external customers and information about the segments' assets are detailed below according to geographical location whereby the long-term assets do not include financial instruments or deferred tax assets:

	Revenue from external customers		Non-current assets	
	Q1 2012	Q1 2011	12.31. 2012	12.31. 2011
	EUR 000s	EUR 000s	EUR 000s	EUR 000s
The Netherlands	278	614	14	22
Germany	5,664	4,218	469	629
Scandinavia	1,694	1,742	89	154
United Kingdom	3,621	3,608	80	73
Other	2,056	2,677	13	22
Total	**13,313**	**12,859**	**665**	**900**

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

5. Own shares

Acquisition of own shares

By a shareholders' resolution of May 18, 2011, the board of directors was authorized to repurchase treasury stock of up to 50 percent of the issued capital within the next 18 months.

As of March 31, 2012, ad pepper media International N.V. held 1,759,292 own shares (March 31, 2011: 1,779,292) at a nominal value of 0.05 EUR each, corresponding to 7.65 percent (March 31, 2011: 7.74 percent) of the share capital.

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

Sale of own shares

In the first three months, no own shares (Q1 2011: 0) were sold at an exercise price of EUR 0.665, none (Q1 2011: 0) at a price of EUR 1.365, none (Q1 2011: 137,000) at an exercise price of EUR 0.89 and none (Q1 2011: 0) at a price of EUR 2.225, no (Q1 2011: 37,500) shares sold at an exercise price of EUR 1.500 as well as none (Q1 2011: 0) shares at a price of EUR 0.915 under the employee stock option plans.

No own shares were sold in the first quarter (Q1 2011: 174,500).

Number of shares outstanding

The number of shares issued and outstanding as of March 31, 2012 totals 21,240,708 (March 31, 2011: 21,220,708). Each share has a nominal value of EUR 0.05.

6. Events since the balance sheet date

Up until the day of authorization for issuance, the following event took place which would have exerted substantial influence on the net assets, financial position or result of operations as per March 31, 2012:
On March 21, 2012, ad pepper media was notified of the premature repayment of a security. The respective payment of EUR 3m was received on April 2, 2012, with a corresponding increase in cash and cash equivalents and reduction in securities as of this date.

7. Seasonal influences on business operations

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

8. Stock options and shareholdings

As of March 31, 2012, a total of 907,100 stock options exist under stock option plans. The exchange ratio for each of the stock options is one share per option. The exercise prices are in the range of EUR 0.665 to EUR 6.75.

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

	Shares as of 3.31.2012	Options as of 3.31.2012
Board of Directors		
Ulrich Schmidt	1,005,524	280,000
Michael A. Carton	92,582	109,500
Jens Körner	0	0
Supervisory board		
Michael Oschmann	0	0
Dr. Frank Schlaberg	0	0
Merrill Dean	0	0
Associated companies		
EMA B.V.	9,486,402	0
Viva Media Service GmbH	77,670	0
Euroserve Media GmbH	436,963	0
Employees		**517,600**

9. Number of employees

At the end of the first quarter of 2012, the ad pepper media Group employed a workforce of 261 (March 31, 2011: 267).

10. Report on major transactions with related companies and persons

Transactions of parent company with investments

ad pepper media International N.V. has granted loans of EUR 200k to Videovalis GmbH.

Transactions between subsidiaries and investments

Die Emediate ApS is providing ad serving services to Brand Affinity Technologies Inc. for USD 20k per month.
ad pepper media USA LLC holds an investment in React2Media and granted this company a loan of USD 200k.

No directors' dealings (within the meaning of § 15a of the German Securities Trading Act) were registered with ad pepper media International N.V. during the period.

Amsterdam/Nuremberg, April 23, 2012

Ulrich Schmidt Jens Körner Michael A. Carton

Company calendar

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

Company calendar

Quarterly report I/2012	*May 8, 2012*
General shareholder's meeting (Amsterdam, the Netherlands)	*May 15, 2012*
Quarterly report II/2012	*August 8, 2012*
Quarterly report III/2012	*November 8, 2012*

Contact

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

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