ad pepper
The e-Advertising Network

Unaudited condensed interim consolidated financial report as of 30 June 2007

Overview over the main key figures

	Q2/2007 kEUR	Q2/2006 kEUR	Change	1. HY 2007 kEUR	1. HY 2006 kEUR	Change
Net sales	12,659	10,910	16%	24,007	20,173	19%
Gross margin	6,261	5,474	14%	12,198	9,867	24%
EBIT	205	517		1,651	6,764	
Profit for the period	32	381	-92%	1,553	6,466	-76%
				30.06.2007 kEUR	**31.12.2006 kEUR**	
Liquid resources*				14,775	22,678	
Equity				55,882	50,853	
Total assets				68,022	66,130	
	Q2/2007 EUR	**Q2/2006 EUR**		**1. HY 2007 EUR**	**1. HY 2006 EUR**	
Earnings per share (basic)	0.00	0.04	-100%	0.14	0.60	
				30.06.2007	**30.06.2006**	
Employees				249	192	

* Including short term liquidable fixed assets

Foreword

Dear Shareholders,

ad pepper media International N.V. increased its sales in the 2nd quarter by 16 percent (1. HY 2007: 19 percent) compared to the same period of the previous year to 12,659 kEUR (1. HY 2007: 24,007 kEUR) and generated an EBIT of 205 kEUR (1. HY 2007: 1,651 kEUR). In addition to an encouraging level of operational growth throughout the entire ad pepper group, the recently transacted acquisition of Emediate (ad-serving) and ad agents (SEO/SEM) were already making a substantial contribution to the growth in sales. The earn-out component from the sale of a minority holding in Falk eSolutions worth 441 kEUR (1. HY 2007: 1,969 kEUR) also made positive contribution to profits.

In operational terms, the integration into the ad pepper network of technology from the Scandinavian ad-serving provider Emediate, which was taken over in January, was one of the most important milestones. In several countries we already migrated completely to our proprietary technology from third-party providers such as DoubleClick and AdTech during the past quarter, which will lead to cost savings in the short to medium term. Hence we are already using Emediate in Denmark, Spain, France, the Netherlands, the UK, Norway, Sweden, the US and Australia.

Since AOL took over Emediate competitor AdTech in May and Google acquired DoubleClick in April of this year, ad pepper media has been one of the few players in the market that still has an independent, high-performance ad-serving system, so that we have also become even more attractive for external customers. In this context we have been preparing to launch the marketing of Emediate technology to external customers in Germany. The green light will be given in September. For agencies, publishers, marketers and advertisers, the products EmediateAd and EmediateTracking represent a reliable and scalable software solution for the efficient planning, control and analysis of their campaigns. Further markets will follow.

The development of our latest acquisition – ad agents GmbH, in which we have held a 60 percent stake since April – has also been encouraging. The company operates in the trend-setting field of search-engine optimisation (SEO) and search-engine marketing (SEM); it has already made a substantial contribution to the ad pepper group's sales and profits.

The international roll-outs of mediasquares and our affiliate platform Webgains, which we acquired last year, are also progressing according to plan. In the first six months of the year, Webgains became further established in the UK, Germany, France and the Netherlands and is respected as a serious player in these countries despite strong competition in some cases.

The fundamental trend within the online advertising industry seems to be that access to target groups is becoming increasingly narrow and tortuous and necessitates the use of flexible solution models. ad pepper media's portfolio offers a virtually complete set of products and technologies which enable our customers to reach their online-advertising objectives – irrespective of whether they want to achieve a broad reach, send advertising messages to specific target groups, generate leads and prospective customers, or win new customers.

We therefore remain optimistic that we can keep our fingers on the pulse of the times with our products and technologies. Further products and services are in preparation to enable us to continue offering advertisers, media agencies and websites custom-made and innovative solutions in the future. We expect these to continue having a positive impact on growth in the second half of the year.

Dear Shareholders, we would like to thank you for your trust and will do our utmost to justify this trust in the further course of 2007.

The Management Board
ad pepper media International N.V.

Ulrich Schmidt   Jens Körner   Niels Nüssler   Michael A. Carton

1. Business activities and markets

1.1. Business activities

ad pepper media implements customised marketing solutions in the media, response, e-mail marketing and affiliate marketing product groups for media agencies, advertisers and website operators.

With 20 branches in twelve European countries, the US and Australia, ad pepper media handles campaigns for thousands of national and international advertising customers in more than 50 countries world-wide. The company has successfully increased its lead over its competitors, thanks to a full range of efficient marketing solutions, proprietary technical systems and strong international placement power that enables the company to implement international advertising campaigns.

Many companies and brands are particularly interested in generating a clear presence with a high recognition value on the online market and want to address their target group with the right tool and a minimum of dispersion losses. This is where ad pepper media's solutions, services and international network come into their own.

ad pepper media offers agencies and advertisers a comprehensive range of services from campaign management to reporting – always based on the best available technology. ad pepper media is continuously expanding its service portfolio within the individual product areas and developing new services and solutions in order to be able to guarantee ever-better results to customers and website partners alike.

ad pepper media's portfolio offers website operators a comprehensive set of products and technologies for profitably marketing their sites or making them even more attractive for visitors – whether website partners want to maximise the use of free advertising inventory, generate additional income with their email database, improve their ad-serving performance, or simply earn money with their websites as affiliate partners.

1.2. Markets

The strong trend towards online advertising among corporate marketing departments is clearly visible not only in Germany but also in the whole of Europe, where expenditure on online marketing is expected to more than double over the next five years from approx. 7.5 billion EUR in 2006 to 16 billion EUR in 2012. This was the prediction of the market-research institute Forrester Research in a recent study. 12 billion EUR of this will come from the UK, France and Germany, where the researchers predict extremely strong growth. In five years time, the market experts believe, online marketing – including search-engine, screen and email advertising – will account for about 18 percent of the entire media budget.

The affiliate market is one of the most dynamic areas of online advertising alongside search-engine marketing. Following the takeover of the affiliate platform Webgains last year and the purchase in April this year of a majority holding in ad agents GmbH, an agency specialising in search-engine marketing, ad pepper media is not only participating in growth in both segments, but also strengthening its position as a full-service provider overall. Fast-rising numbers of online buyers, and a growing number of trading companies that are recognising the potential of this sales outlet and using it in an increasingly professional way, are making sure that affiliate and search-engine marketing will remain very important in the future.

Furthermore, classic online advertising will also continue to grow. Small dispersion losses, a high degree of personalisation, and an improved level of customer loyalty achieved through interactivity are only a few of the main benefits of online advertising compared to conventional advertising in media such as television, radio and the print media. Online campaigns can be planned with increasing precision. In addition to click rates, in the meantime extensive data are also available on target groups and reach for many websites. This is increasingly attracting advertisers to the Internet and making online advertising an indispensable part of the marketing mix for more and more advertisers.

In all these areas, ad pepper media is excellently positioned to win an above-average share of this dynamic long-term growth.

2. The share

ad pepper media's share price recovered briefly in the period under review due to the publication of the figures for the first three months on 24 April. Having remained very much under the impression of the published year's results – standing at 6.81 EUR on 2 April – the share price rose and peaked at 7.90 EUR on 7 May. The first milestone payment of 1.38 million EUR by Google to ad pepper media in connection with the sale of the minority holding in dMarc Broadcasting was a contributory factor here. The share price was also buoyed by the announcement of a share buy-back programme that was approved by the company's Management Board on 7 May. By the end of the buy-back on 9 July, a total of 169,200 ad pepper media shares (= approx. 1.5 percent of the capital stock) had been acquired at an average price of 7.22 EUR; the total volume amounted to 1.22 million EUR (total number of own shares on 30 June 2007: 181,896).

Despite this positive news, very active investor-relations activity – with visits to Paris, Amsterdam and Frankfurt – and the inclusion of the ad pepper media share in the analyst coverage of the Sal. Oppenheim investment bank, the development of the share price remained unsatisfactorily overall. The closing price on 29 June was 6.50 EUR, i.e. approximately the same as at the beginning of the second quarter. We expect the resolute continuation of our strategic orientation, combined with undiminished, active capital-market communications, to lay the foundations for a more positive price performance in the second half of the year.

3. Income situation, net worth, financial position

ad pepper media again grew dynamically in the second quarter, continuing the positive trend of the first quarter. ad pepper media's sales of 24,007 kEUR (1. HY 2006: 20,173 kEUR) were around 19 percent up on the 1. HY 2006. Sales during Q1 totaled 12,659 kEUR, and thereby represented the company's highest quarterly sales since the company was established (Q2 2006: 10,910 kEUR). Whilst organic growth during the past six months remained within the range of expectations compared to the previous year which was, amongst other things, due to an excellent second quarter of 2006 in ad pepper media's core markets, the acquisitions of Emediate and ad agents during the first six months convinced everyone.

The gross margin was again very high at 50,8 percent (1. HY 2006: 48,9 percent); it rose from 9,867 kEUR in 1. HY 2006 to 12,198 kEUR in the 1. HY 2007. Earnings before interest and taxes (EBIT) were also within the Management Board's expectations at 1,651 kEUR (1.HY 2006: 6,764 kEUR), especially bearing in mind that there was further investment in areas such as iSense (semantic targeting), Webgains (affiliate marketing) and mediasquares (premium website marketing). The roll-outs of the above-mentioned products and technologies in the most important European growth markets are going according to plan, although – as already announced in this year's first quarterly report – we expect larger contributions to sales and profits particularly in the second half of the year.

1,969 kEUR (1. HY 2006: 7.846 million EUR) from the sales of holdings in Falk eSolutions and dMarc Broadcasting was posted as equity income and part of EBIT during the first half of the year. Of this, a sum of 593 kEUR is to be attributed to the second quarter. The result for the period totals 1,553 kEUR, following 6,466 kEUR during the same period of the previous year which was, however, strongly marked by earn-out payments. During the second quarter, the result for the period totalled 32 kEUR following 381 kEUR in Q2 of the previous year.

The balance-sheet structure was further marked by a comparatively very high equity position amounting to 55,882 kEUR, compared to 50,853 kEUR on 31 December 2006. The in-crease in this position was essentially influenced by an capital increase against contributions in cash in the amount of 2,278 kEUR in the course of the acquisition of Emediate in January by issuing 209,854 new ad pepper media-shares. The equity ratio thus amounted to 82 percent on 30 June (31 December 2006: 76.9 percent) with a balance-sheet total of 68,022 kEUR. The ad pepper group was financed out of its own resources on the balance-sheet date. There were no long-term liabilities to banks.

On the assets side of the balance-sheet, goodwill rose from 16,066 kEUR on 31 December 2006 to 20,654 kEUR. The main reason for this was again the acquisition of Emediate at the beginning of the year, in the course of which goodwill worth 3,601 kEUR was acquired and a last milestone payment of 949 kEUR was made to the former shareholders of mediasquares GmbH. Trade debtors rose by 2,373 kEUR compared to year-end 2006 – to 13,563 kEUR.

Liquid resources including short term liquid fixed assets fell compared to the first quarter to 14,775 kEUR (31 December 2006: 22,678 kEUR).The main reasons for this were the acquisition of Emediate, the share buy-back programme begun at the beginning of May and since completed, and bonus payments.

4. Staff

ad pepper media's workforce comprised 249 permanently employed members of staff world-wide on 30 June 2007. A total of 44 additional employees were thus taken on in the first half of 2007. In addition to an acquisition-induced increase in staff as a result of the purchase of Emediate and ad agents, the increase in staff was mainly due to the expansion of the core business and the roll-out of Webgains and mediasquares in Germany, France, Benelux and Scandinavia.

5. Report on opportunities and risks

Introduction of a new IT architecture

High-quality online marketing of the kind carried out by ad pepper media is increasingly dependent on highly developed information-technology (IT) systems. The harmonisation of IT systems in ad pepper media's product areas (e.g. ad-serving) and subsidiaries to create a uniform IT architecture represents a particular challenge. In this context, the company is currently implementing a new ERP system with integrated customer-relation-management (CRM) and corporate-financial systems, which are planned to go live during the fourth quarter. ad pepper media will license the IT system of a renowned software house and, if necessary, adapt it to the company's specific requirements. Even so, it cannot be ruled out that implementation may not be completed on schedule, that the new IT system may have faults or prove to be incompatible with the existing IT architecture, or that implementation can only be completed at substantially higher cost than planned. Should this be the case, this could have a material adverse effect on the asset position, financial condition and results of operations.

Minimum revenue guarantees for marketed websites

On the basis of certain fixed-term agreements, we are committed to pay minimum guarantees to website operators who commission us to market their website inventory. There are limits to the precision with which the potential sales via the respective website can be planned and predicted at the time when these (perfectly normal) website-marketing agreements are signed. Even if the agreed minimum sales objectives are not met, ad pepper media still has an obligation to pay the website operator the originally agreed price of the inventory to be marketed; in individual cases this can lead to negative margins at ad pepper media.

Corporate Tax Reform, tax audit

The 2008 draft bill on the Corporation Tax Reform Law 2008 was passed by the Bundestag (German Lower House of Parliament) on 25 May 2007 and approved by the Bundesrat (Upper House) on 6 July 2007; it will become law with effect from 1 January 2008. As a result, the ad pepper group's corporate tax rate will fall from currently 39 percent to approx. 30 percent; this will make it necessary to devalue the capitalized tax losses carried forward, which amounted to about 19 million EUR on 31 December 2006.

In view of the ongoing tax audit for the years 1999 – 2002, there is a certain degree of uncertainty with regard to the amount of the existing losses carried forward.

Further income from former holdings
In February 2006, ad pepper media sold its 8.2 percent stake in dMarc Broadcasting, Inc. to Google. The first payments to ad pepper in this context were already made in 2006 and in the first quarter of this year. In addition to the purchase-price payments already received, depending on the extent to which certain performance targets are met, up to 390 million USD will be paid out in relation to the current year and up to 721 million USD in relation to 2008. In line with the former 8.2 percent shareholding, ad pepper can receive a maximum of 31.98 million USD for 2007 and 59.122 million USD for 2008. Depending on the degree to which the performance targets are reached, the actual payments can deviate considerably from the above-mentioned amounts; in the worst-case scenario there may be no payments at all.

6. Outlook

In the future, ad pepper media will continue to pursue a consistent growth strategy in order to generate new customers and expand its business relations with existing customers by means of intensive customer care and by further diversifying the product range in the individual national companies.

To this purpose we will continue developing our existing branch offices in the growth markets and expanding their product ranges with the roll-out of Webgains and mediasquares, which was begun at the end of 2006. The companies Emediate and ad agents, which were acquired this year, will ensure additional growth potential and further establish us as an internationally operating online marketer with a well developed network, state-of-the-art technologies and high-performance products. Our iSense semantic targeting solution, which allows the analysis of website content in real time, holds great promise in this context. We are convinced that the future belongs to semantically based advertising formats; in the remaining six months of the financial year we shall therefore forge ahead with the marketing of iSense products in ad pepper media's largest European markets.

This – and the European roll-out of the above-mentioned products – will require further investment in people and technologies. This strategic reorientation will be one of the main aspects of 2007 and will influence the company's profitability for the next two quarters.

Consolidated statements of operations (IFRS)

	Q2/2007 EUR	Q2/2006 EUR	1. HY 2007 EUR	1. HY 2006 EUR
Net sales	12,658,553	10,909,751	24,007,135	20,173,179
Cost of sales	-6,397,336	-5,435,304	-11,808,984	-10,306,291
Gross profit	**6,261,216**	**5,474,447**	**12,198,150**	**9,866,888**
Selling and marketing expenses	-3,848,052	-2,665,740	-7,105,322	-5,066,313
General and administrative expenses	-2,822,520	-1,918,772	-5,373,636	-5,344,986
Other operating income	108,685	189,397	65,704	294,223
Other operating expense	-87,425	-562,826	-103,152	-831,452
Earnings from sale of shares in affiliated companies and of other investments	593,226	0	1,969,087	7,846,082
Earnings before interest and tax	**205,130**	**516,506**	**1,650,831**	**6,764,442**
Financial gains	162,190	143,792	343,750	272,577
Income before income taxes	**367,321**	**660,298**	**1,994,581**	**7,037,019**
Income taxes	-278,501	-279,440	-385,064	-570,866
Earnings before minority interest expense	**88,820**	**380,858**	**1,609,517**	**6,466,153**
Minority interest expense	-56,592	0	-56,592	0
Consolidated net gain	**32,228**	**380,858**	**1,552,925**	**6,466,153**
Earnings per share (basic)	0.00	0.04	0.14	0.60
Earnings per share (deluted)	0.00	0.03	0.14	0.54
	Q2/2007 shares	**Q2/2006 shares**	**1. HY 2007 shares**	**1. HY 2006 shares**
Weighted average shares outstanding (basic)	11,126,408	10,832,193	10,762,482	10,762,482
Weighted average shares outstanding (deluted)	11,807,838	12,046,799	11,480,321	11,922,241

Consolidated balance sheets (IFRS)

	30 June 2007 EUR	31 December 2006 EUR
Assets		
Noncurrent assets		
Goodwill	20,653,475	16,066,134
Intangible assets	9,218,365	7,174,216
Equipment	1,392,626	885,026
Marketable securities	4,042,300	4,360,000
Other financial assets	793,170	726,804
Deferred tax assets	4,510,512	4,746,613
Noncurrent assets, total	**40,610,448**	**33,958,793**
Current assets		
Marketable securities	4,029,750	3,937,800
Trade accounts receivable	13,563,464	11,190,794
Income tax receivables	656,586	661,815
Prepaid expenses and other current assets	2,458,349	2,000,799
Cash and cash equivalents	6,702,911	14,380,214
Current assets, total	**27,411,060**	**32,171,422**
Assets, total	**68,021,508**	**66,130,215**
Liabilities and shareholders‘ equity		
Shareholders‘ equity		
Share capital	1,136,485	1,115,500
Additional paid-in capital	66,210,334	61,859,464
Treasury stock	-1,198,430	-340,352
Accumulated deficit	-9,391,335	-10,944,260
Accumulated other comprehensive loss	-1,077,469	-837,451
Equity of the shareholders of the parent company	**55,679,585**	**50,852,901**
Minority interest	202,317	0
Shareholders‘ equity, total	**55,881,902**	**50,852,901**
Noncurrent liabilities		
Deferred tax liabilities	1,381,119	821,539
Noncurrent liabilities, total	**1,381,119**	**821,539**
Current liabilities		
Trade accounts payable	3,293,556	5,003,251
Other current liabilities	1,928,457	3,425,440
Income tax liabilities	478,612	378,458
Accrued expenses	5,057,862	5,648,626
Current liabilities, total	**10,758,486**	**14,455,775**
Liabilities, total	**12,139,606**	**15,277,314**
Liabilities and shareholders‘ equity, total	**68,021,508**	**66,130,215**

Statement of cash flows (IFRS)

	1. HY 2007 EUR	1. HY 2006 EUR
Net gain	**1,552,925**	**6,466,166**
Adjustments to reconcile net gain/loss to cash provided by operations		
Depreciation and amortization	1,077,680	866,394
Gain/loss on sale of equipment	-19,334	-63,331
Stock option expenses	352,749	136,184
Interest income and expenses	-343,750	-272,577
Income tax expense	385,064	570,866
Income from sale of investments	-1,969,087	-7,811,082
Other non-cash income and expenses	86,941	290,955
Gross-cash-flow	**1,123,188**	**183,575**
Increase in trade accounts receivable	-2,380,717	-248,221
Increase in prepaid expenses and other assets	899,980	630,116
Income taxes paid	0	-109,469
Interest income received	273,721	201,041
Increase in trade accounts payable	-2,192,695	-1,920,555
Interest expenses paid	-8,866	-8,390
Increase/decrease in accrued expenses and other liabilities	-220,871	2,804,834
Net cash used in/provided by operating activities	**-2,506,260**	**1,532,931**
Capital expenditures for intangible assets and equipment	-2,053,305	-785,214
Proceeds from sale of intangible assets and equipment	23,210	104,605
Proceeds from sale of shares in affiliated companies and of other investements	1,375,786	12,459,703
Security payments/proceeds from repayment security deposits	-78,366	42,464
Repayment of restricted cash	0	650,000
Acquisition of subsidiary, net of cash acquired	-999,883	-2,341,627
Cash paid for acquisition of shares in consolidated companies	-4,587,341	-3,319,582
Sales of marketable securities	0	3,100,500
Purchase of marketable securities	0	-1,990,440
Net cash used in/provided by investing activities	**-6,319,899**	**7,920,409**
Sale of treasury stock	53,296	308,281
Proceeds from capital increase	2,270,527	0
Purchases treasury stock	-1,160,516	-402,000
Repayment of loan liabilities	0	-152,311
Repayment of granted loans	12,000	360,000
Net cash used in/provided by financing activities	**1,175,307**	**113,970**
Effect of exchange rate changes on cash and cash equivalents	-26,451	451
Changes in cash and cash equivalents	-7,650,852	9,567,761
Cash and cash equivalents at beginning of year	**14,380,214**	**7,027,645**
Cash and cash equivalents at end of period	**6,702,911**	**16,595,406**

Statement of shareholder's equity

	Equity of the shareholders of the parent company							
					Accumulated other comprehensive income/loss			
	Share capital	Additional paid-in capital	Treasury stock	Accumulated deficit	Currency conversion	Market valuation "available for sale" securities	Minority interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 01.01.2006	**1,115,500**	**59,942,263**	**-421,578**	**-16,257,118**	**-6,901**	**-431,368**	**0**	**43,940,798**
Issuance of treasury shares			571,280					571,280
Net gain for the period				6,466,166				6,466,166
Stock based compensation		136,184						136,184
Differences from currency conversion					451			451
Unrealized gain/loss on securities						-457,501		-457,501
Comprehensive income/loss, total								**6,145,300**
Balance at 30.06.2006	**1,115,500**	**60,078,447**	**149,702**	**-9,790,952**	**-6,450**	**-888,869**	**0**	**50,657,378**
Balance at 01.01.2007	**1,115,500**	**61,859,464**	**-340,352**	**-10,944,260**	**-139,654**	**-697,797**	**0**	**50,852,901**
Acquisition of treasury shares			-1,160,517					-1,160,517
Issuance of treasury shares		1,748,579	302,439					2,051,018
Capital Increase	20,985	2,249,542						2,270,527
Net gain for the period				1,552,925				1,552,925
Acquired Minority Interest							202,317	202,317
Stock based compensation		352,749						352,749
Differences from currency conversion					-14,268			-14,268
Unrealized gain/loss on securities						-225,750		-225,750
Comprehensive income/loss, total								**1,665,656**
Balance at 30.06.2007	**1,136,485**	**66,210,334**	**-1,198,430**	**-9,391,335**	**-153,922**	**-923,547**	**202,317**	**55,881,902**

1. Basis for the preparation of the half year financial reports

The consolidated condensed interim financial statements were prepared in accordance with the provisions of IAS 34 "interim financial reporting".

They do not include all of the information and disclosures required for full annual financial statements and shall be read in conjunction with the annual report for the year ended 31 December 2006.

The consolidated statements for the six-month period ended 30 June 2007, of ad pepper media International N.V. were authorized by the Management Board for issue on 15 August 2007.

2. Accounting principles

The accounting principles applied to these interim financial statements do not materially differ from the principles as applied for the Annual Report as of 31 December 2006.
The following interpretations were initially adopted without having any impacts on the Group's assets, financial situation or earnings, nor did they result in any disclosure obligations in the condensed interim consolidated financial statements.

IFRIC 9 Reassessment of embedded derivatives
The interpretation is effective for annual periods beginning on or after 1 June 2006. Under IFRIC 9 guidance is given as to when to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract and should not be reassessed unless the contract terms change to significantly modify the cash flows that would otherwise be required. The possible impact of this interpretation is currently being evaluated.

IFRIC 10 Interim financial reporting and impairment
IFRIC 10 is effective for financial years beginning on or after 1 November 2006. It clarifies that an entity shall not reverse an impairment loss recognized in previous interim periods in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

3. Business combinations

Emediate
On 31 January 2007 ad pepper media announced its 100 percent takeover of Emediate ApS. The Scandinavian adserving provider offers online marketing technologies for the efficient dissemination, management and analysis of online advertising campaigns, thus providing individually tailored adserving and tracking technology for small, medium-sized and large websites. Revenues have been generated through a classical Application Service Providing Model (ASP) as well as licensing of the Emediate software. Both income streams will remain after the acquisition by ad pepper media. By rolling out the Software in those countries where ad pepper media is already present, we are convinced to be able to remarkably speed up Emediate's growth. In addition, we will use the technology within our proprietary network Webstats4U as well as within the affiliate marketing as we are convinced to be able to monetize synergies especially in the field of micro-publishers.

The purchase price for Emediate totals 4.8 million EUR in cash, which were due with closing. At the same time, former shareholders of Emediate have committed to buying new shares of ad pepper media for a total amount of 2.3 million EUR, which were issued via a capital increase. On the basis of a price of 10.96 EUR per share, 209,854 shares were transferred to the sellers.

The final purchase price allocation is still pending.

Emediate contributed with a profit of 290,451 EUR to the consolidated income.

Revenue of the entity amounted to 801,998 EUR. Assuming that the acquisition had been effective at beginning of the reporting period the proforma revenues and the proforma net income do not materially deviate from the values presented in the consolidated interim financial statements.

Net cash paid

	kEUR
Cash acquired with the subsidiary	80
Cash paid for the acquisition	-4,800
Expenses directly connected to the acquisition	-32
Net cash paid	**-4,752**

The fair value of the identifiable assets and liabilities at the date of acquisition and the corresponding carrying amounts are reported as follows:

	Recognized on acquisition kEUR	Carrying value kEUR
Intangible assets	1,510	0
Property, plant and equipment, net	43	43
Non current assets, total	**1,553**	**43**
Trade receivables	183	183
Prepaid expenses and other current assets	16	16
Cash and cash equivalents	80	80
Current assets, total	**279**	**279**
Assets, total	**1,832**	**322**
Deferred tax liabilities	423	0
Trade payables	43	43
Other current liabilities	72	72
Tax liabilities	63	63
Liabilities, total	**601**	**178**
Net assets	**1,231**	**144**
Goodwill	3,601	
Total purchase price	**4,832**	

The goodwill of 3.601 kEUR comprises the fair value of expected synergies arising from the acquisition.

ad agents

Furthermore, in April 2007 ad pepper media acquired a majority interest in ad agents GmbH, Nuremberg. The company designs and realizes services within Search-Engine-Marketing. The core business of ad agents is thereby Search-Engine-Optimization (SEO), as well as Search-Engine-Marketing (SEM). Additionally, the company consults numerous clients in Online-Media, for example with managing campaigns on affiliate platforms, marketing of online advertising space as well as with online cooperations. ad pepper media acquired a 60 percent stake in ad agents GmbH via a capital increase against cash contributions and underlines its strategic focus to establish products, formats, services and tools faster in emerging markets by external growth. The purchase price, including additional costs of acquisition, amounts to 242,891.46 EUR in cash.

ad agents contributed with a profit of 84,888 EUR to the consolidated income. Revenue of the entity amounted to 829,297 EUR. Assuming that the acquisition had been effective at beginning of the reporting period the proforma revenues would have been 24,881,299 EUR and the proforma net income 1,576,720 EUR.

Cash acquired

	kEUR
Cash acquired with the subsidiary	73
Expenses directly connected to the acquisition	-3
Net cash acquired	**70**

The fair value of the identifiable assets and liabilities at the date of acquisition, which equal the carrying amounts are reported as follows:

	Recognized on acquisition kEUR
Intangible assets	8
Property, plant and equipment, net	19
Non current assets, total	**27**
Trade receivables	388
Prepaid expenses and other current assets	173
Cash and cash equivalents	73
Current assets, total	**634**
Assets, total	**661**
Trade payables	440
Other current liabilities	14
Provisions	82
Tax liabilities	0
Minority interest	50
Liabilities, total	**586**
Net assets	**75**
Capital increase after minority shares	144
Goodwill	24
Total purchase price	**243**

The goodwill of 24 kEUR comprises the fair value of expected synergies arising from the acquisition
The final purchase price allocation is still pending.

mediasquares
In June 2007, an additional performance-based purchase price of 948,606 EUR was paid in cash in the context of the acquisition of mediasquares in October 2005. The amount has been allocated to goodwill.

4. Segment reporting

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

- Central Europe includes Germany, the Netherlands and Slovakia
- Northern Europe includes Denmark and Sweden
- Western Europe includes Great Britain, France, Spain and Italy
- Other including USA, Australia, Switzerland

Sales

Sales Q2/2007 in kEUR	Central Europe	Northern Europe	Western Europe	Other	Consolidation	Group total
External sales	5,459	2,443	3,761	995		12,658
Intersegment sales	320	71	185	2	-578	0
Sales, total	**5,779**	**2,514**	**3,946**	**997**	**-578**	**12,658**
Sales Q2/2006 in kEUR						
External sales	4,507	1,689	3,963	751		10,910
Intersegment sales	711	125	220	-29	-1,027	0
Sales, total	**5,218**	**1,814**	**4,183**	**722**	**-1,027**	**10,910**

Sales 1. HY 2007 in kEUR	Central Europe	Northern Europe	Western Europe	Other	Consolidation	Group total
External sales	9,453	4,602	8,035	1,917		24,007
Intersegment sales	702	167	472	2	-1,343	0
Sales, total	**10,155**	**4,769**	**8,507**	**1,919**	**-1,343**	**24,007**
Sales 1. HY 2006 in kEUR						
External sales	8,420	3,109	7,072	1,572		20,173
Intersegment sales	1,131	182	288	-24	-1,577	0
Sales, total	**9,551**	**3,291**	**7,360**	**1,548**	**-1,577**	**20,173**

Net gain/loss of the period in kEUR	Central Europe	Northern Europe	Western Europe	Other	Consolidation	Group total
Q2/ 2007	1,140	-267	-786	-55		32
Q2/ 2006	394	-167	173	4	-23	381
1. HY 2007	2,699	-471	-631	-44		1,553
1. HY 2006	6,488	-387	162	124	79	6,466

5. Own shares

Based on a resolution passed by the General Meeting of shareholders on 30 April 2007, the Management Board has been authorized to repurchase own shares of up to 10 percent of its share capital within 18 months of this resolution via the stock exchange, i.e. until 30 October 2008. Until 30 June 2007 a total of 181,896 own shares with a nominal value of 0.10 EUR each were held by the company, which corresponds to 1.60 percent of the company`s share capital. In accordance with resolution passed by the General Meeting of shareholders these shares can be used as an acquisition currency or be utilise the shares from the current buyback for the company's own employee share programs.

In the first six months of the financial year 2007 5,400 shares at an exercise price of 2.73 EUR, 5,600 shares at an exercise price of 1.33 EUR, 5,600 shares at an exercise price of 1.78 EUR and 4,750 shares at an exercise price of have been for the execution of employee stock option programs.

In addition, 24,658 own shares at a price of 10.74 EUR and 143,016 own shares at an average price of 12.12 EUR have been used as a part of the purchase price payment in connection with the acquisition of Webgains.

6. Subsequent events after the reporting period
After the date of completion of the half-year report the company had no subsequent adjusting.

7. Stock options and shareholdings

As of 30 June 2007, a total of 1,672,350 stock options were granted under the company`s stock option programs entitling holders to execute shares in the ratio of one share for every option right. The exercise prices vary between 1.33 EUR and 13.50 EUR.

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

	Shareholdings as of 30.06.2007	Options as of 30.06.2007
Members of the Managing Board		
Ulrich Schmidt	502,762	253,000
Michael A. Carton	73,703	214,000
Niels Nüssler	38,113	263,000
Jens Körner	0	30,000
Members of the Supervisory Board		
Michael Oschmann	7,786	0
Dr. Günther Niethammer	19,862	1,250
Jan Andersen	0	0
Merrill Dean	0	0
Associated companies		
EMA B.V.	4,743,201	0
Viva Media Beteiligungsgesellschaft	5,650	0
Euroserve	13,780	0
Grabacap AS	424,000	0
Employees		**911,100**

8. Number of employees

At the end of the first six month of the year 2007 ad pepper media employed 249 employees (30 June 2006: 192 employees).

9. Related party disclosures

Transactions with related parties did not change significantly since 31 December 2006.

10. Representation from the legal representatives of the group

To the best of our knowledge we affirm that: pursuant to the applicable accounting rules for interim financial reporting, the consolidated interim accounts present an accurate picture of the company's net worth, financial position and income situation; the group Interim Directors Report presents an accurate picture of the development of business including the business results and the group's situation; it also accurately describes the main opportunities and risks attending the group's expected development during the rest of the financial year.

The Management Board
ad pepper media International N.V.

Ulrich Schmidt Jens Körner Niels Nüssler Michael A. Carton

Company calendar

All financial and press data, which are relevant for the capital market, on a view:

9-Months-Report 2007: 29 November 2007

Analyst´s conference: November 2007
(German Equity Forum, Frankfurt/Main)

2006 annual report and interim financial reports 2007

We will gladly send you our 2006 annual report as well as the interim financial reports 2007 in German or English. These reports are also available for immediate download as PDF-files (Acrobat) at **www.adpepper.com** - Investor Relations - Financial Reports.

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Jens Körner, Finance
Niels Nüssler, Sales
Michael A. Carton, Director of the Board

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