



***Unaudited condensed interim consolidated financial  
report as of 30 June 2008***

## CONSOLIDATED COMPANY FIGURES

### Selected key figures

	Q2 / 2008 kEUR	Q2 / 2007 kEUR	Change %	1. HY 2008 kEUR	1. HY 2007 kEUR	Change %
Net sales	13,465	12,659	6.4	26,497	24,007	10.4
Gross margin	5,708	6,261	-8.8	11,406	12,198	-6.5
EBIT	3,988	205	1,845.4	3,597	1,651	117.9
Net income for the period	4,865	89	5,366.3	4,659	1,610	189.4
				30.06.2008 kEUR	30.06.2007 kEUR	
Liquid funds*				25,154	14,775	
Equity				60,658	55,882	
Total assets				73,046	68,022	
	Q2 / 2008 kEUR	Q2 / 2007 kEUR	Change %	1. HY 2008 kEUR	1. HY 2007 kEUR	Change %
Earnings per share (basic)	0.43	0.00	>100	0.41	0.14	192.9
				30.06.2008	30.06.2007	
Employees				251	249	

\* including „available-for-sale“ securities

- 
- Sales increase of 10.4 percent compared to the previous year to reach EUR 26.5m
  - Another milestone payment to the amount of EUR 8.6m from Google for dMarc Broadcasting ups profit
  - Part of the dMarc payment used for impairment of intangible assets as well as for partial reorganisation of the corporate structure
  - Webgains's expansion course continues in Europe - affiliate network successfully launched in Spain
- 

## **INTERIM DIRECTORS' REPORT**

Important events	6
Basic economic conditions	8
Results of operations, financial position and net assets	10
Report on opportunities and risks	14
Forecast report	14
Follow-up report	14
The share	15

## **CONSOLIDATED INTERIM FINANCIAL STATEMENT**

Income Statement	16
Balance Sheet	18
Statement of Cash Flows	22
Statement of Changes in Equity	26
Notes	28

## **OTHER INFORMATION**

Declaration by legal representatives	40
Company calendar	41
Contact data	42
Publisher's notes	43

### **Important events**

#### ***Another milestone payment from the sale of dMarc Broadcasting to Google***

ad pepper media International N.V. received another milestone payment in conjunction with the sale of its minority share in dMarc Broadcasting; the sum paid to ad pepper media totaled around USD 13.3m (approx. EUR 8.6m). For ad pepper media, this transaction means an increase in profits to the same amount as the increase shown in the result for the second quarter.

#### ***Further reorganization and streamlining of our technology development centers***

With the closure of the Crystal Reference Systems Ltd. sites in Holyhead/Wales and in Liverpool, which also involved lay-offs, we primarily intend to cut costs in the medium term. This step additionally allows us to bundle and focus our technology development more on the remaining locations in London and Copenhagen. In conjunction with this and the finalized merger of mediasquares GmbH with ad pepper media Deutschland GmbH, we have posted an impairment loss in amount of EUR 1.5m on intangible assets which were acquired within the scope of the acquisition of Crystal Reference Systems Ltd. and mediasquares GmbH.

#### ***ad pepper media International N.V. opens Webgains Spain***

Following Germany, the UK, France, Sweden, Denmark, Ireland and the Netherlands, the branch office in Spain is the next step in Webgains' international course of expansion. The opening of the facility in Madrid is our response to the market requirements of our customers who demand ever more international reach for their affiliate marketing activities.

#### ***ad pepper media International N.V. participates in Brand Affinity Technologies Inc.***

On 2 May 2008, ad pepper media acquired a 4.5 percent share of the capital stock of Brand Affinity Technologies Inc. This company (founder of dMarc Broadcasting Inc.), which was established by brothers Chad and Ryan Steelberg, refers to itself as a „Partnership marketing and branded advertising network“. Using its patented software platform, the aim of Brand Affinity is to bring together public figures (e.g. from the worlds of sports, film and entertainment), on the one hand, and advertisers on the other, in order to strike up sponsor and marketing agreements. The company is currently still at a very early stage of development. The purchase price totaled USD 2.5m (EUR 1.6m).

#### ***New member to the Supervisory Board***

With Dr. Frank Schlaberg, we have been able to win a new member for the Supervisory Board who has excellent contacts in the investment banking community. Dr. Schlaberg has many years of experience in M&A and corporate finance and is currently Managing Director of the Markets & Investment Banking unit of Bayerische HypoVereinsbank/Unicredit Group. He will replace Dr. Günther Niethammer who decided not to stand again for re-election at this year's shareholders' meeting on 27 May 2008.

### **Basic economic conditions**

#### **US/Europe/Germany**

Despite the slight downward trend, the IMF believes that a 3.7 percent increase in the global economy is possible. However, according to the IMF, growth in the US practically came to a standstill in the first months of 2008 so that only a 0.5 percent increase in growth can now be assumed for the world's biggest economy.

This is due to continuously high energy prices, a weak labor and housing market, as well as the lack of lending which, despite cuts in interest rates by the US Central Bank and a billion-dollar economy support program, are weighing down the economy.

The IMF also expects lower growth in Europe due to a possible spillover of the rejects on the US lending market with considerably higher risks for countries such as the UK and Spain. In the current draft economic outlook for Germany, the International Monetary Fund now only expects growth in 2008 to reach 1.2 percent instead of the recently expected 1.5 percent. Expectations for 2009 in Germany are also much more modest than those voiced a few months ago: For the coming year, for instance, Hamburgische WeltWirtschaftsinstitut (HHWI) now only expects a rate of 1.1 percent as opposed to the previously expected 1.3 percent.

#### **Advertising market**

The media and advertising sector expects developments on the advertising market to remain stable in 2008. According to a study by Timelabs advisors, expenditure on online advertising is to rise from its current figure of 6 percent to more than 15 percent of the total advertising market by 2010.

The main reasons for the establishment of online advertising in the media mix of advertising business are the high efficiency achieved by the optimization of advertising means and the proven multiple brand shaping effect. The diverse fields of advertising and the central importance which the Internet has in large sections of the population have made the Web an extremely attractive advertising medium.

The Internet is now the most important information medium for the young target group and even among so-called silver surfers, the Internet has advanced hugely in reach. In Germany, 60 percent of 50 to 59 year olds already use the Internet and even among those over the age of 60, this share already totals 24.6 percent.

The Internet share in media expenditure in Germany continues to be below the Internet share in media use. In order to participate in the Internet boom, advertisers will continue to shift their budgets more to the net. The biggest growth engines here continue to be the fields of search engine marketing and search engine optimization. But sales with affiliate marketing are also expected to rise further. With an annual growth rate of 80 percent, the affiliate market is one of the most dynamic sectors of the entire online industry.

Affiliate networks are particularly focusing on the internationalization of their portfolios and on opening up new markets. One key reason for this is that affiliate marketing is particularly effective when it comes to the international marketing of products and services.

One of the biggest strengths which online advertising has to offer is the reduction of dispersion losses. Using so-called targeting technologies, advertising means can, contrary to advertising placement, be automated on the basis of various parameters and distributed directly. This not only benefits the targeting advertising customers, but also Internet users who receive relevant advertising. Targeting has without doubt a future and with the iSense semantic targeting technology, ad pepper media has a unique tool to significantly optimize relevance for online advertisements.

### **Results of operations, financial position and net assets**

#### **Results of operations**

In the first six months of the year, ad pepper media increased its sales to kEUR 26,497. Compared to the same period of the previous year in which sales totaled kEUR 24,007, this corresponds to growth of 10.4 percent. Over proportionate growth was achieved through the acquisition of Emediate (Ad serving) and ad agents (Search engine marketing) early in 2007. However, Webgains, our affiliate network, was also a significant growth engine in the second quarter. Germany, France and the US, on the other hand, failed to meet expectations. We hope that in the second half of the year we will be able to catch up with the online advertising market there with its generally good growth.

Gross margin totaled kEUR 11,406 compared to kEUR 12,198 in the first half of 2007. In addition to a structural margin dilution resulting from the strong growth of Webgains, it was not possible to maintain the previous year's margin for the same period, especially in Germany, France and the US.

Operating costs decreased from kEUR 10,547 in the first half of 2007 to kEUR 7,809 during the first six months of 2008; the amounts consist of extra ordinary gains in connection with the disposal of investments of kEUR 9,621 in the first half of 2008 (1. HY 2007: kEUR 1,969). After deducting these extraordinary gains leaves ad pepper media with an increase of operating costs which is primarily the result of our active M&A policy which leads to considerably higher amortization costs in current year. At the same time, we decided to carry out an impairment of EUR 1.5m on intangible assets acquired in conjunction with the take over of Crystal Reference Systems Ltd. and mediasquares GmbH. Furthermore, we have increased allowances for doubtful accounts by kEUR 690. In addition, the first six months were affected by non-recurring write-offs of receivables in the amount of kEUR 563.

Financial earnings include realized gains from sales of securities amounting to EUR 0.2m.

Earnings before interest and taxes (EBIT) to the amount of kEUR 3,597 were significantly higher than the figure for the previous period of the same year (1st six months of 2007: kEUR 1,651). Earnings before taxes (EBT) were also positive. Following a profit of kEUR 1,995 for the first six months of 2007, it was possible to achieve kEUR 4,235 for the same period this year.

Income taxes consist for the main part of deferred tax income which resulted from the reversal of deferred tax liabilities in connection with the above mentioned impairment on intangible assets.

Following the (basic) earnings per share increased to EUR 0.41 (first six months 2007: EUR 0.14)

#### **Financial position**

The net cash flow from operating activities amounted to kEUR -157 during the first half of 2008 (1. HY 2007: kEUR -2,449) due to improved working capital management.

The net cash flow from investing activities amounted to kEUR 3,057 during the first six months of 2008 (1. HY 2007: kEUR -6,377). It must be noted here that in 2007 kEUR 4,752 was used to acquire Emediate ApS.

Cash flow for investment activities fell by kEUR 1,111 to kEUR 64 against the first six months of 2007. This was mainly due to the capital increase of kEUR 2,271 carried out in conjunction with the acquisition of Emediate ApS in January 2007.

Cash and cash equivalents as well as available-for-sale securities rose by kEUR 7,604 to kEUR 25,154 during the first six months of 2008.

### **Net assets**

The balance sheet sum rose in total by kEUR 4,199 to kEUR 73,046 (31 December 2007: kEUR 68,847).

Non-current assets increased in particular due to the investment of EUR 1.6m in Brand Affinity Technologies Inc. On the contrary non-current securities decreased (kEUR 5,051 per end of June 2008 after kEUR 5,521 on a comparable basis as at 31 December 2007) as well as intangible assets which amounted to kEUR 6,726 as per end of June 2008 after kEUR 9,155 as per end of December 2007 because of an impairment of EUR 1.5m.

Current assets rose to kEUR 20,103 (31 December 2007: kEUR 15,419) primarily due to the increase in cash and cash equivalents as well as securities. Trade receivables, on the other hand, decreased to kEUR 11,234 during the first six months of 2008 (31 December 2007: kEUR 12,847).

Total equity increased slightly to kEUR 60,658 (31 December 2007: kEUR 56,466).

The equity ratio as per 30 June 2008 totals 83.0 percent (31 December 2007: 82.0 percent).

As per the balance-sheet date, the ad pepper media-group is financed from its own resources. There are no long-term liabilities to banks.

### ***Report on opportunities and risks***

Compared to 31 December 2007, there have been no significant changes in the opportunity and risk situation of ad pepper media International N.V. We therefore refer to the presentation in the Management Report for fiscal 2007.

### ***Forecast report***

In light of the reorganization measures and extraordinary depreciation carried out in the period under review, we expect the costs basis to be much lower in the second half of the year. On the other hand, it will be necessary to improve the growth rates and gross margins in some of our core markets further. This will be the focus of the coming six months. In this context, further cost reduction measures cannot be ruled out should we fail to reach our own profitability expectations by the end of the year.

Irrespective of this, our company organization and workflows are continuously being optimized in order to identify and eliminate inefficiency and friction losses. In the medium term, we are confident that we will be able to make considerable progress in terms of both cost development and sales and margin development.

In the short term, we do, however, expect to record an operative loss for the coming third, and traditionally weak (summer)-quarter before we can start out with a positive approach into the last fourth quarter which has often proven to be the strongest quarter.

### ***Follow-up report***

No events relevant for reporting took place after the date of completion of this mid-year report.

### ***The share***

In the period under review, the ad pepper media share varied within a small bandwidth around EUR 3.0 and was hence disappointing despite some very positive business news.

The share reached its lowest level on 25 February 2008 at EUR 2.34 whilst the highest price in the first six months was reached on 30 April 2008 with EUR 3.70.

At the end of June, market capitalization totaled around EUR 33.0m and was hence approx. EUR 8.0m above our cash and cash equivalents (EUR 25.15m). There was also only a slightly positive response to the share buyback program announced on 11 June 2008.



## CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Consolidated Income Statement (IFRS)

	Q2 / 2008 kEUR	Q2 / 2007 kEUR	1. HY 2008 kEUR	1. HY 2007 kEUR
<b>Revenues</b>	<b>13,465</b>	<b>12,659</b>	<b>26,497</b>	<b>24,007</b>
Cost of sales	-7,757	-6,397	-15,091	-11,809
<b>Gross profit</b>	<b>5,708</b>	<b>6,261</b>	<b>11,406</b>	<b>12,198</b>
Selling and marketing expenses	-6,007	-3,848	-10,052	-7,105
General and administrative expenses	-3,471	-2,823	-6,001	-5,374
Other operating income	495	109	680	66
Other operating expenses	-1,301	-87	-2,058	-103
Gain of sales of shares in associates and other investments	8,564	593	9,621	1,969
<b>Earnings before interest and taxes</b>	<b>3,988</b>	<b>205</b>	<b>3,597</b>	<b>1,651</b>
Financial income	459	164	648	353
Financial expenses	-4	-2	-10	-9
<b>Earnings before taxes</b>	<b>4,442</b>	<b>367</b>	<b>4,235</b>	<b>1,995</b>
Income taxes	423	-278	424	-385
<b>Net income for the year</b>	<b>4,865</b>	<b>89</b>	<b>4,659</b>	<b>1,610</b>
attributable to shareholders of the parent company	4,810	32	4,604	1,553
attributable to minority interest	55	57	55	57
Basic earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.43	0.00	0.41	0.14
Diluted earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	0.42	0.00	0.40	0.14
	Q2 / 2008 Share	Q2 / 2007 Share	1. HY 2008 Share	1. HY 2007 Share
<b>Weighted average number of shares outstanding (basic)</b>	<b>11,200,791</b>	<b>11,126,408</b>	<b>11,201,375</b>	<b>10,762,482</b>
<b>Weighted average number of shares outstanding (diluted)</b>	<b>11,571,671</b>	<b>11,807,838</b>	<b>11,513,618</b>	<b>11,480,321</b>

**Consolidated Balance Sheet (IFRS)**

<b>Assets</b>	<b>30 June 2008 kEUR</b>	<b>31 December 2007 kEUR</b>
<b>Non-current assets</b>		
Goodwill	20,774	20,665
Intangible assets	6,726	9,155
Property, plant and equipment	988	1,100
Securities	5,051	2,131
Other financial assets	2,301	772
Deferred tax assets	3,107	2,979
<b>Total non-current assets</b>	<b>38,947</b>	<b>36,802</b>
<b>Current assets</b>		
Securities	5,398	3,390
Trade receivables	11,234	12,847
Income tax receivables	1,394	1,151
Prepaid expenses and other current assets	888	738
Other financial assets	480	1,890
Cash and cash equivalents	14,705	12,029
<b>Total current assets</b>	<b>34,099</b>	<b>32,045</b>
<b>Total assets</b>	<b>73,046</b>	<b>68,847</b>

**Consolidated Balance Sheet (IFRS)**

<b>Equity and liabilities</b>	<b>30 June 2008 kEUR</b>	<b>31 December 2007 kEUR</b>
<b>Equity attributable to shareholders of the parent company</b>		
Issued capital	1,139	1,139
Additional paid-in capital	66,436	66,319
Treasury shares	-1,304	-1,269
Accumulated deficit	-3,785	-8,389
Accumulated other comprehensive losses	-2,216	-1,511
<b>Total</b>	<b>60,270</b>	<b>56,289</b>
Minority interest	388	177
<b>Total equity</b>	<b>60,658</b>	<b>56,466</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	429	907
<b>Total non-current liabilities</b>	<b>429</b>	<b>907</b>
<b>Current liabilities</b>		
Trade payables	7,119	7,212
Other current liabilities	902	792
Other financial liabilities	3,576	3,102
Income tax liabilities	362	368
<b>Total current liabilities</b>	<b>11,959</b>	<b>11,474</b>
<b>Total liabilities</b>	<b>12,388</b>	<b>12,381</b>
<b>Total equity and liabilities</b>	<b>73,046</b>	<b>68,847</b>

## Statement of Cash Flows (IFRS)

	1. HY 2008 kEUR	1. HY 2007 kEUR
<b>Net income for the period</b>	<b>4,659</b>	<b>1,610</b>
<b>Adjustments to reconcile net income for the year to net cash flow from operating activities</b>		
Depreciation and amortization	3,227	1,078
Gain on sale of fixed assets	0	-19
Gain on sale of securities	-203	0
Share-based compensation	117	353
Other financial income and financial expenses	-444	-344
Income tax earnings	-424	385
Gain on sale of shares in associates and other investments	-9,621	-1,969
Other non-cash expenses and income	1,216	86
<b>Gross cash flow</b>	<b>-1,473</b>	<b>1,180</b>
Change in trade receivables	564	-2,380
Change in other assets	74	900
Income taxes paid	-274	0
Interest received	580	274
Change in trade payables	-202	-1,382
Interest paid	-10	-9
Change in other liabilities	584	-1,032
<b>Net cash flow from operating activities</b>	<b>-157</b>	<b>-2,449</b>

## Statement of Cash Flows (IFRS)

	1. HY 2008 kEUR	1. HY 2007 kEUR
Additions to intangible assets and property, plant and equipment	-686	-2,053
Proceeds from sale of intangible assets and property, plant and equipment	0	23
Proceeds from sale of shares in associates and other investments	10,845	1,376
Security deposits / proceeds from repayment of security deposits	0	-79
Acquisition of other investments	-1,621	0
Acquisition of subsidiaries, net of cash acquired	0	-5,644
Proceeds from sale of securities	203	0
Purchase of securities	-5,684	0
<b>Net cash flow from investing activities</b>	<b>3,057</b>	<b>-6,377</b>
Increase in capital	0	2,271
Sale of treasury shares	0	53
Purchase of treasury shares	-35	-1,161
Repayment of loans granted	99	12
<b>Net cash flow from financing activities</b>	<b>64</b>	<b>1,175</b>
Effect of exchange rates on cash and cash equivalents	-288	-26
Cash-effective decrease / increase in cash and cash equivalents	2,964	-7,651
<b>Cash and cash equivalents at beginning of year</b>	<b>12,029</b>	<b>14,380</b>
<b>Cash and cash equivalents at end of period</b>	<b>14,705</b>	<b>6,703</b>

## Consolidated Statement of Changes in Equity

	Equity attributable to shareholders of the parent company				Accumulated other comprehensive losses			Minority interest	Total
	Issued capital kEUR	Additional paid-in capital kEUR	Treasury shares kEUR	Accumulated deficit kEUR	Currency translation differences kEUR	Market valuation of „a-f-s“ sec.* kEUR	Other kEUR		
<b>Balance at 1 January 2007</b>	<b>1,115</b>	<b>61,860</b>	<b>-340</b>	<b>-10,944</b>	<b>-140</b>	<b>-698</b>		<b>50,853</b>	
Currency translation differences					-14			-14	
Unrealized gains / losses on securities						-226		-226	
<b>Total income and expense for the year recognized directly in equity</b>					<b>-14</b>	<b>-226</b>		<b>-240</b>	
Net income for the year				1,553				1,553	
<b>Total recognized income and expense for the year</b>				<b>1,553</b>	<b>-14</b>	<b>-226</b>		<b>1,313</b>	
Stock-based compensation		353						353	
Increase in capital	21	2,250						2,271	
Purchase of treasury shares			-1,160					-1,160	
Issuance of treasury shares		1,748	302					2,050	
Acquired minority interest							202	202	
<b>Balance at 30 June 2007</b>	<b>1,136</b>	<b>66,211</b>	<b>-1,198</b>	<b>-9,391</b>	<b>-154</b>	<b>-924</b>	<b>202</b>	<b>55,882</b>	
<b>Balance at 1 January 2008</b>	<b>1,139</b>	<b>66,319</b>	<b>-1,269</b>	<b>-8,389</b>	<b>-111</b>	<b>-1,400</b>	<b>177</b>	<b>56,466</b>	
Currency translation differences					-289			-289	
Unrealized gains / losses on securities						-341		-341	
<b>Total income and expense for the year recognized directly in equity</b>					<b>-289</b>	<b>-341</b>		<b>-630</b>	
Net income for the year				4,604			55	4,659	
<b>Total recognized income and expense for the year</b>				<b>4,694</b>	<b>-289</b>	<b>-341</b>	<b>55</b>	<b>4,029</b>	
Stock-based compensation		117						117	
Purchase of treasury shares			-35					-35	
Sold minority interest							-106	156	
Other							31	31	
<b>Balance at 30 June 2008</b>	<b>1,139</b>	<b>66,436</b>	<b>-1,304</b>	<b>-3,785</b>	<b>-400</b>	<b>-1,741</b>	<b>388</b>	<b>60,658</b>	

\* „available-for-sale“ securities

## **Notes to the consolidated interim financial statements**

### **1. Basis for the preparation of the half year financial statements**

These condensed consolidated financial statements of ad pepper media International N.V. were prepared in EUR in accordance with the provisions International Financial Reporting Standards (IFRS) valid on the closing date. The comparative figures from the previous year were determined according to the same principles and adjusted where necessary. The quarterly financial statements meet the requirements of IAS 34.

The condensed consolidated financial statements do not include all the explanations and items of information prescribed for the end-of-year financial statements and should therefore be read together with the consolidated financial statements for the year ended 31 December 2007.

All subsidiaries are included in the consolidated interim financial statements. The following change have taken place in the consolidated group compared to the consolidated financial statements for the year ended 31 December 2007: a minority share of ten percent in the subsidiary ad pepper media Denmark A/S was sold to its managing director with the aim of encouraging long-term employee loyalty. ad pepper media Denmark A/S holds the shares in Globase International ApS and Pentamind A/S, so that, here too, ten percent of the shares in these subsidiaries are now indirectly allocable to minorities. On the basis of IFRS 3 (revised) this transaction was accounted of for according to the so-called entity-method; as a transaction with a shareholder the effects are directly recognized in equity without affecting goodwill.

The present consolidated interim financial statements for the six months ended 30 June 2008 were released for publication by the Board of Management on 5 August 2008.

### **2. Accounting and valuation methods**

The accounting and valuation methods applied to these quarterly financial statements do not differ materially from the principles used in drawing up the annual financial statements for the year ended 31 December 2007.

The securities posted under short-term assets on 31 December 2007 and 31 March 2008 are posted under long-term assets as per 30 June 2008. The reason for this is the relinquishment of the intention to sell on receiving the milestone payment for the shares in dMarc Broadcasting Inc. amounting to EUR 8.6m.

The short-term securities as per 30 June 2008 consist entirely of a federal bond which was acquired in late June and sold at a small profit in early July 2008. Accrued interest amounting to EUR 0.3m paid in connection with the purchase was posted under other short-term financial assets as per 30 June 2008.

The following standards and interpretations – which do not yet apply to these condensed interim financial statements – have been published since the date of release of the annual financial statements for the year ended 31 December 2007.

### Improvements to IFRSs

The International Accounting Standards Board (IASB) published the Improvements to IFRSs on 22 May 2008, amending a number of International Financial Reporting Standards (IFRSs) under the first Annual Improvements Project. The final amendments are the result of the discussions held up to now with the aim of adapting the wording of individual IFRS to clarify the existing regulations. In addition, amendments were made that will affect accounting, valuation or assessment.

The standards affected are listed in the IASB's press release together with a brief description of each amendment. Contrary to the initial draft, amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards are no longer included. They are to be published in a separate document. Unless separately regulated in the respective standard, the amendments are to be applied to fiscal years commencing on or after 1 January 2009.

The expected improvements in IAS 36, IAS 38 and IAS 39 could result in changes to the ad pepper media-group's accounting and valuation methods. A final assessment of the effects is not possible at this stage.

### IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements

On 22 May 2008 the International Accounting Standards Board (IASB) published amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements. The amendments are summarized in a document entitled „Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate“, and also include changes to IAS 18, IAS 21 and IAS 36. The amendments make it possible for companies, when using the International Financial Reporting Standards (IFRS) for the first time in their IFRS separate financial statements, to calculate either the current market value or the book value according to the previously used national accounting rules when determining

the purchase cost of a holding. This rule applies to jointly controlled, associate and subsidiary companies.

This amendment took into account reservations that, when the IFRS are applied for the first time, in some cases the retroactive determination of the purchase cost according to IAS 27 is only possible at a disproportionately high cost or requires a disproportionate amount of work. The amendments also removed from IAS 27 the obligation to reduce purchase costs when distributing revenue reserves formed before the acquisition of the shares. Dividends from jointly controlled entities, associates companies and subsidiaries must in future be recorded in the Profit and Loss Account regardless of whether the money distributed stems from profits made before the acquisition date or not. An „impairment test“ is to be carried out if the profit distributed in a year exceeds the total profits for this year.

The amendments apply to fiscal years beginning on or after 1 January 2009. The amendments made to IFRS 1 and IAS 27 currently have no impact on the ad pepper media-group's accounting.

### IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The International Financial Reporting Interpretations Committee (IFRIC) published IFRIC 16 Hedges of a Net Investment in a Foreign Operation on 3 July 2008. The objective of the interpretation is to clarify two issues relating to two standards – IAS 21 The Effects of Changes in Foreign Exchange Rates and IAS 39 Financial Instruments: Recognition and Measurement – in connection with posting hedges of foreign-currency risks within a company and its foreign operations. IFRIC 16 clarifies what is to be considered a risk in the hedge of a net investment in a foreign operation and where within the group the instrument for hedging this risk may be held. The interpretation is to be applied to fiscal years beginning on or after 1 October 2008. IFRIC 16 currently has no impact on the ad pepper media-group's accounting.



### **IFRIC 15 Agreements for the Construction of Real Estate**

The International Financial Reporting Interpretations Committee (IFRIC) published IFRIC 15 Agreements for the Construction of Real Estate on 3 July 2008. The interpretation aims to achieve uniform accounting by businesses that develop land and, in this capacity, sell units such as residential units or houses „off plan“, i.e. before construction is completed. IFRIC 15 defines criteria according to which accounting must follow either IAS 11 Construction Contracts or IAS 18 Revenue. The interpretation applies to fiscal years beginning on or after 1 January 2009.

IFRIC 15 is not applicable to the ad pepper media-group's business activities.

### **Amendments to IAS 39**

The International Accounting Standards Board (IASB) published amendments to IAS 39 Financial Instruments: Recognition and Measurement on 31 July 2008. The amendments are summarized in a document entitled „Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement“. The point of departure is the existing regulations under which a company can incorporate the entire underlying transaction – or part of it, or certain risks of it – into a hedge. In order to simplify the application of the unchanged fundamental principles, additions were made to the application principles in the areas of designating inflation risks as an underlying transaction and designating a unilateral risk in an underlying transaction (e.g. with an option as the hedge). Regarding the designation of inflation risks as the underlying transaction, it is clarified that this risk cannot on principle be designated as a hedged risk. If, however, the inflation component is made up of contractually fixed parts of a financial instrument's cash flows, inflation may be hedged.

A unilateral risk is when a company exclusively designates changes in the cash flows or in the current market value of an underlying transaction above or below a fixed price or another variable.

The addition clarifies that only the intrinsic value of the option – but not the full value of the option consisting of intrinsic value and current market value – can be designated. If the full value of the option were designated as the hedging instrument for an unilateral risk of a future transaction, this would represent hedge ineffectiveness, since only the hedging instrument contains a component of current market value.

The amendments are applicable to fiscal years beginning on or after 1 July 2009. Earlier application is permitted. The amendments have not yet been incorporated into European law.

These amendments currently have no impact on the ad pepper media-group's accounting.

### **3. Notes to the Interim Financial Statements**

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

Due to business developments there was an impairment to a residual book value of zero of intangible assets with a definite useful economic life in the context of the acquisitions of mediasquares GmbH and Crystal Reference Ltd. Thereof the Central Europe segment accounted for EUR 0.4m, the Western Europe segment for EUR 1.1m. The total amount of kEUR 1,506 is included in the consolidated income statement under „Selling and marketing expenses“.

The increase in goodwill shown on the balance sheet of kEUR 109 is a result of the release of an escrow account that was set up for the acquisition of Webgains Ltd.

## CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. Segment reporting

There are no significant differences between ad pepper media's various products and services in terms of risk and rate of return. Internal financial reporting and the management structure are mainly geared towards geographical regions. Accordingly, primary reporting is based on the segments summarized below:

- Central Europe comprises Germany, the Netherlands and Slovakia
- Northern Europe comprises Denmark and Sweden
- Western Europe comprises UK, France, Spain and Italy
- Others comprise the US, Australia and Switzerland

<b>1. HY 2008</b>	<b>Central Europe kEUR</b>	<b>Northern Europe kEUR</b>	<b>Western Europe kEUR</b>	<b>Others kEUR</b>	<b>Consolidation kEUR</b>	<b>Group kEUR</b>
<b>Total revenues</b>	<b>10,812</b>	<b>5,167</b>	<b>9,484</b>	<b>1,946</b>	<b>-912</b>	<b>26,497</b>
<i>thereof external</i>	10,202	5,087	9,264	1,944	0	26,497
<i>thereof intercompany</i>	610	80	220	2	-912	0
<b>Expenses and other income</b>	<b>3,433</b>	<b>5,563</b>	<b>12,746</b>	<b>2,196</b>	<b>-1,038</b>	<b>22,900</b>
<b>EBIT</b>	<b>7,379</b>	<b>-137</b>	<b>-3,262</b>	<b>-250</b>	<b>126</b>	<b>3,597</b>
<b>Financial result</b>						<b>638</b>
<b>Income taxes</b>						<b>424</b>
<b>Consolidated result</b>						<b>4,659</b>
<b>1. HY 2007</b>	<b>Central Europe kEUR</b>	<b>Northern Europe kEUR</b>	<b>Western Europe kEUR</b>	<b>Others kEUR</b>	<b>Consolidation kEUR</b>	<b>Group kEUR</b>
<b>Total revenues</b>	<b>10,155</b>	<b>4,769</b>	<b>8,507</b>	<b>1,919</b>	<b>-1,343</b>	<b>24,007</b>
<i>thereof external</i>	9,453	4,602	8,035	1,917	0	24,007
<i>thereof intercompany</i>	702	167	472	2	-1,343	0
<b>Expenses and other income</b>	<b>7,874</b>	<b>5,170</b>	<b>8,948</b>	<b>1,964</b>	<b>-1,600</b>	<b>22,356</b>
<b>EBIT</b>	<b>2,281</b>	<b>-401</b>	<b>-441</b>	<b>-45</b>	<b>257</b>	<b>1,651</b>
<b>Financial result</b>						<b>344</b>
<b>Income taxes</b>						<b>-385</b>
<b>Consolidated result</b>						<b>1,610</b>

## 5. Treasury shares

The Board of Management of ad pepper media International N.V. has decided to make use of the authorization granted by the Annual General Meeting held on 27 May 2008 to acquire up to 5 percent of the share capital via the stock market. To this purpose, on 11 June 2008 it announced a share buy-back program limited in time until November 2009. The shares purchased in this context will be used solely to serve employee stock-option programs. On the closing date 30 June 2008 the company held 204,201 treasury shares, each with a nominal value of EUR 0.10, representing 1.79 percent of the share capital.

## 6. 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 4th quarter, revenue and thus operating profit generally higher in the second half of the year. Irrespective of the more adverse economic climate at present, this is also expected for the second half of 2008.

## 7. Events after the balance sheet date

Up until the day of release for publication, no events took place which exerted substantial influence on the net assets, financial position and result of operations as per 30 June 2008.

## 8. Shares and share-based compensation

As per 30 June 2008 a total of 1,707,050 options had been issued under option programs. The subscription ratio is one share per option right.

The subscription price is between EUR 1.33 and EUR 13.50. An employee equity-participation program involving 610,000 options was launched for executive employees on 15 May 2008. The valuation was carried out by simulation (Monte-Carlo method). It was based on the following assumptions:

	<i>Executive SOP 2008</i>
<i>Share price at time of granting (EUR)</i>	2.80
<i>Date of granting</i>	15 May 2008
<i>Exercise price (EUR)</i>	3.00
<i>Risk-free interest rate (%)</i>	4.15
<i>Term (years)</i>	10
<i>Future dividend p.a. (EUR)</i>	0.08 to 0.12
<i>Expected volatility (%)</i>	50

The volatility was calculated from the development of the ad pepper media International N.V. share price between 1 January 2003 and 30 April 2008. Earlier values would have led to a false estimate of volatility.

One quarter of the option rights can be exercised one year after they were granted at the earliest, another quarter another year after they were granted, and so on. The fair values of the individual tranches at the time of granting are between EUR 0.564 and EUR 1.029 per issued option. The maximum cost of the program over the entire period is EUR 0.5m.

## CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The following table shows the number of shares and subscription rights held (directly and indirectly) by members of the Board of Directors, the Supervisory Board and employees:

	<i>Shares as of 30.06.2008</i>	<i>Options as of 30.06.2009</i>
<b>Board of Directors</b>		
<i>Ulrich Schmidt</i>	<i>502,762</i>	<i>223,000</i>
<i>Michael A. Carton</i>	<i>123,703</i>	<i>214,000</i>
<i>Niels Nüssler</i>	<i>38,113</i>	<i>263,000</i>
<i>Jens Körner</i>	<i>0</i>	<i>80,000</i>
<b>Supervisory Board</b>		
<i>Michael Oschmann</i>	<i>0</i>	<i>0</i>
<i>Dr. Frank Schlaberg</i>	<i>0</i>	<i>0</i>
<i>Jan Andersen</i>	<i>0</i>	<i>0</i>
<i>Merrill Dean</i>	<i>0</i>	<i>0</i>
<b>Controlled companies</b>		
<i>EMA B.V.</i>	<i>4,743,201</i>	<i>0</i>
<i>Viva Media Beteiligungsgesellschaft</i>	<i>35,650</i>	<i>0</i>
<i>Euroserve</i>	<i>79,566</i>	<i>0</i>
<i>Grabacap ApS</i>	<i>424,000</i>	<i>0</i>
<b>Employees</b>		<b>927,750</b>

As Director's Dealing the following transaction which is subject to § 15a WphG was brought to our attention on 3 April 2008:

Purchase of 50,000 shares at EUR 3.30 (Volume: EUR 165,000)

Stock exchange: Frankfurt

Director: Michael A. Carton

Date: 2 April 2008

### 9. Number of employees

At the end of the 2nd quarter 2008, the ad pepper media group employed 251 members of staff (30 June 2007: 249 employees).

### 10. Report on major transactions with related companies and persons

Transactions with related companies and persons did not change significantly compared to 2007.

Within the Executive SOP 2008 75,000 resp. 80,000 options were granted to two members of the board of directors, Michael A. Carton and Jens Körner, described under the terms in paragraph 8.

Nuremberg, 5 August 2008

  
 Ulrich Schmidt    Jens Körner    Niels Nüssler    Michael A. Carton

### ***Declaration by legal representatives***

We hereby declare to the best of our knowledge that, in accordance with the applicable accounting principles governing interim reporting, the consolidated interim financial statements present a true and fair view of the group's net assets, financial position and results of operations, that the consolidated interim management report presents a true and fair view of the course of business, including the business results and the group's situation, and that the main opportunities and risks of the group's likely development during the rest of the fiscal year are described.

Nuremberg, 5 August 2008

ad pepper media International N.V.

  
Ulrich Schmidt   Jens Körner   Niels Nüssler   Michael A. Carton

### ***Company calendar***

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

<i>Analysts' conference, German Equity Forum, Frankfurt am Main</i>	<i>11 November 2008</i>
<i>9-month-report 2008</i>	<i>28 November 2008</i>
<i>Annual report 2008</i>	<i>14 April 2009</i>

### Contact data

Jens Körner (CFO)/ Thomas Gahlert  
ad pepper media International N.V.  
Frankenstraße 150C  
FrankenCampus  
D-90461 Nuremberg

Phone: +49 (0) 911 929057-0  
Fax: +49 (0) 911 929057-157

E-mail: [ir@adpepper.com](mailto:ir@adpepper.com)  
[www.adpepper.com](http://www.adpepper.com)

### Publisher's notes

Published by  
ad pepper media International N.V.  
Frankenstraße 150C  
FrankenCampus  
D-90461 Nürnberg

Phone: +49 (0) 911 929057-0  
Fax: +49 (0) 911 929057-157

E-mail: [ir@adpepper.com](mailto:ir@adpepper.com)  
[www.adpepper.com](http://www.adpepper.com)

Joint stock company (N.V.)  
Headquarter: Amsterdam, The Netherlands  
Nuremberg office

Prime Standard, Frankfurt Stock Exchange  
ISIN: NL0000238145  
HRA Nürnberg 17591  
VAT-ID No.: DE 210757424

Executive management:  
Ulrich Schmidt, Chairman  
Jens Körner, Finance  
Niels Nüssler, Sales  
Michael Carton, Director of the Board

---

We will gladly send you our 2007 Annual Report as well as the interim financial reports for 2008 in German or English.

These reports are also published as PDF files at [www.adpepper.com](http://www.adpepper.com) under Investor Relations/Annual reports and Presentations.

---

***ad pepper media International N.V.***  
***Hogehilweg 15***  
***NL - 1101 CB Amsterdam***

***ad  pepper***

***[www.adpepper.com](http://www.adpepper.com)***