ad pepper

The e-Advertising Network

Unaudited condensed interim consolidated financial report as of September 30th, 2007

Overview over the main key figures

	Q3/2007 KEUR	Q3/2006 KEUR	Change	Q1-Q3/2007 KEUR	Q1-Q3/2006 KEUR	Change
Net sales	12,014	10,015	20 %	36,021	30,188	19 %
Gross margin	5,305	4,941	7 %	17,503	14,808	18 %
EBITDA	1,895	791	144 %	4,623	8,421	-45 %
EBIT	1,161	399	191 %	2,812	7,163	-61 %
Profit for the period	1,130	611	85 %	2,683	7,077	-62 %

				30.09.2007 KEUR	31.12.2006 KEUR	
Liquid resources*				15,694	22,678	
Equity				56,774	50,853	
Total assets				69,483	66,130	

	Q3/2007 EUR	Q3/2006 EUR		Q1-Q3/2007 EUR	Q1-Q3/2006 EUR	
Earnings per share (basic)	0.10	0.06		0.24	0.66	

				30.09.2007	30.09.2006	
Employees				254	197	

* Including short term liquidable non-current securities

Dear shareholder,

ad pepper media International N.V. has increased its turnover in the first nine months of the year by 19.3 per cent from 30,188 KEUR to 36,021 KEUR. In the traditionally weaker 3rd quarter, the company even achieved 20 per cent growth over the same period of the previous year. The encouraging growth in turnover is attributed to both our affiliate platform Webgains and positive development of our core business in Western and Northern Europe. The most recent acquisitions Emediate (ad serving) and ad agents (SEO/SEM) have also continued to develop positively. Our complete advertising inventory will have been changed to our proprietary Emediate ad serving technology by the end of the 4th quarter, which will result in corresponding cost synergies. Also promising in this connection are the inquiries from indirect customers, who are increasingly looking for innovative and independent ad server solutions in the course of Google's takeover of DoubleClick.

The 3rd quarter EBIT have been decisively positively influenced by another milestone payment in connection with the sale of the minority holding in dMarc Broadcasting. A total amount of 4,289 KEUR was booked as profit from the disposal of this holding in the third quarter. A cost and efficiency optimization programme implemented in the third quarter, in the course of which we had to dismiss some 25 employees, had a short-term negative impact, however. The personnel adjustment measures mainly affected Germany; here we were able to realize extensive synergies in the course of merging mediasquares and ad pepper media Germany through optimization of process flows and elimination of overlapping and will profit from a joint market presence in the future. Another focus of cost optimization was Australia, where we have decided to close our branch. The reason for this measure is our decision to concentrate our efforts more on the European core market and the USA in future. Overall, the third quarter was burdened with a one-off effect of round 1.5 million EUR, so that EBIT for the first nine months are a total of 2,812 KEUR, following 7,163 KEUR for the same period of the previous year. It must be taken into consideration here that the previous year's figures were also influenced positively by one-off payments of altogether 7,811 KEUR in connection with the disposal of holdings.

With the successfully executed and completed cost optimization programme, whose positive effects will become fully visible in the coming quarter, ad pepper media International N.V. has created the conditions for more growth and an even more focused orientation towards the essential growth fields. Besides the USA, the most important European regional markets are Germany and Great Britain, followed by BeNeLux, Scandinavia, France, Spain and Italy. On the product side, we will concentrate mainly on the strongest growth segments of the online advertising market, i.e. performance, affiliate and e-mail marketing and naturally our iSense semantic targeting technology, which we successfully presented for the first time in Germany at this year's OMD (Online Marketing Düsseldorf).

With this clear orientation, innovative products and another outstanding balance sheet structure, we are therefore very optimistic about profiting to an above-average extent from the continuing rapid growth of the online market in both the last quarter of this year, which is traditionally one of the best quarters of the year for turnover, and in the coming business year.

We would like to thank you as shareholders for the confidence you have shown in us, which we will continue to justify.

The Board of Directors
ad pepper media International N.V.

Ulrich Schmidt   Jens Körner   Niels Nüssler   Michael A. Carton

1. Business activity and markets

1.1. Business activity

ad pepper media International N.V. is one of the leading independent international online marketers and implements customized digital solutions for successful online advertising in the product groups of branding, performance marketing, e-mail marketing, affiliate marketing, ad serving and search for media agencies, advertisers and website operators.

The company has the whole bandwidth of efficient marketing solutions available, its own technical systems and a high capacity for international placement, which enables cross-border advertising campaigns to be implemented. ad pepper media with 19 branches in twelve European countries and the USA handles campaigns for thousands of national and international advertising customers in currently more than 50 countries worldwide.

Agencies and advertisers receive a comprehensive full service from campaign management to reporting – always on the basis of the best available technology. ad pepper media is continuously expanding its spectrum of services within the individual product segments and developing new services and solutions to enable it to offer constantly improved results for both customers and website partners.

As in classic advertising, the success of online branding campaigns depends on the target group accuracy of the placement. In this connection, the environment of an advertising message is of vital importance, i.e. the advertiser wants to and must know in which context his brand is placed and promoted and in which contexts it is definitely not to be placed. Today’s contextual or behavioural targeting technologies therefore already try to do justice to these needs of the advertisers and to optimize the manual selection of placements through the use of automation.

A solution to this problem was provided by ad pepper media when it presented its iSense semantic targeting technology in September at ad:tech in London and for the first time in the core German market at OMD in Düsseldorf. In contrast to conventional contextual targeting, this method does not search for keywords on a web page, which often led to less than optimum advertising results in the past. On the contrary, it analyses the entire visible text of a page in fractions of a second, registers the key topic or topics and places the appropriate campaigns. The decisive keyword here is relevance, as Internet users only feel addressed by Internet advertising if the advertising matches the content of the web page they have activated. If required, iSense also prevents placing advertising on web pages concerned with alcohol, drugs, tobacco, sex, nakedness, guns or extreme political or religious views. Placing advertising in the environment of gambling and peer-to-peer can also be excluded, for example, to avoid advertising a music label in the setting of a positive article on peer-to-peer music file sharing services – or naturally also specifically selected if this is the aim of the campaign.

ad pepper media also used OMD to launch the German sales activities for the ad serving provider Emediate acquired at the beginning of the year. After virtually complete migration in all countries of the ad pepper network, the independent and powerful ad management and ad serving solutions are now also available for agencies, portals and websites on one of the leading markets for online marketing. In the branding segment, the basis of connected pages and the range of the network have been further improved and mediasquares as marketer of premium websites has been set up on a broader geographical basis. In the affiliate marketing segment, the priority in the reporting period was on further expansion of business in Germany and BeNeLux. We achieved strong growth in both markets.

1.2. Markets

The online advertising market is growing. Advertisers increasingly follow their target groups into the network. The experts from JupiterResearch forecast 18 per cent growth to 5.9 billion EUR for Europe in 2007. The volume is to more than double within the next five years. The main share of this comes from Great Britain, Germany and France, for which the researchers from Forrester Research forecast extremely strong growth. The market experts estimate that online marketing with search engines, screen and e-mail advertising will account for altogether some 18 per cent of the total media budget in five years time.

It is also forecast that the rapid growth of online advertising in the USA will have overtaken the print advertising segment by 2011. At least, these are the current forecasts for the US market from Veronis Suhler Stevenson (VSS). According to the VSS study, the online advertising segment is to grow by 21 per cent a year and reach a volume of 62 billion dollars by 2011.

The most dynamic growth figures are still attributed to search engine marketing and the affiliate market. Strongly rising figures for online purchases and the growing number of trading companies that are recognizing and increasingly professionally developing this sales channel ensure that these subsegments of online advertising will also enjoy great importance in the future. With the acquisition of the affiliate platform Webgains last year and a majority holding in ad agents GmbH – a highly specialized agency for search engine marketing – in April this year, ad pepper media is not only sharing the growth of both segments, but is also strengthening its overall position as full-service supplier.

Classic online advertising will also continue to grow. The instruments for planning, tracking, reporting and optimizing campaigns are becoming more and more powerful. The direct measurability of the Internet medium, low wastage, a high degree of personalization and improved customer retention through interactivity are further major advantages of online advertising over conventional advertising in media such as TV, radio and print. Online campaigns can be planned with increasing accuracy. In addition to click rates, extensive data on target groups and ranges is meanwhile available for many web pages. This increasingly attracts the advertisers onto the Internet and makes online advertising an essential part of the marketing mix for a growing number of advertisers. With the interest gained through lead campaigns, the advertiser also receives the opportunity of advertising online directly dependent on success. A form of advertising that cannot be implemented in this way "offline".

From all these viewpoints, ad pepper media is excellently positioned for above-average long-term participation in this dynamic growth.

2. The share

The performance of the ad pepper media share in the reporting period has not developed to the extent the company had wished. The share was quoted at 6.44 EUR at the beginning of the quarter. The downward trend observed since the beginning of the year thus continued in the 3rd quarter. The all-time low in the reporting period was 3.90 EUR (22 August 2007), which marked a new annual low. In view of a share price of 11.30 EUR at the beginning of the year, the performance of the share remains unsatisfactory despite partly very positive news from the company. At a closing rate of 4.25 EUR on 28 September 2007, the market capitalization at the end of the quarter was some 48.3 million EUR.

3. Asset and financial position

ad pepper media grew dynamically again in the 3rd quarter and continued the positive trend of the first six months. Compared with the same period of the previous year, ad pepper media produced some 19.3 per cent more turnover to reach 36,021 KEUR (Q1-Q3 2006: 30,188 KEUR). Despite the traditionally weak turnover months of July and August, turnover in the 3rd quarter with 12,014 KEUR and 20 per cent growth over Q3 2006 was one of the highest quarterly turnover figures since the company was founded (Q3 2006: 10,015 KEUR). The gross margin of 48.6 per cent in the first nine months (Q1-Q3 2006: 49 per cent) was again maintained at a high level and rose from 14,808 KEUR in the first nine months of 2006 to 17,503 KEUR.

Earnings Before Interest and Taxes (EBIT) have been decisively influenced by another milestone payment in the 3rd quarter in connection with the sale of the minority holding in dMarc Broadcasting. Following the booking of 1,969 KEUR on 30 June 2007 as profit from the disposal of holdings, this amount increased again in the course of the 3rd quarter by 4,208 KEUR to reach 6,177 KEUR. This was opposed by one-off expenses in connection with a cost and efficiency optimization programme, which burdened the 3rd quarter. These amount to a total of some 1.5 million EUR and contain mainly reserves for outstanding payments relating to personnel adjustments. EBIT for the first nine months of this year amount to 2,812 KEUR (Q1-Q3 2006: 7,163 KEUR). EBIT for the 3rd quarter are 1,161 KEUR (Q3 2006: 399 KEUR). Earnings before tax (EBT) for the first nine months of 2007 are 3,226 KEUR after 7,651 KEUR for the same period of the previous year, but the previous year was positively influenced by one-off effects amounting to 7,811 KEUR.

Overall, the operated result corresponded to the Board's expectations, especially as further investments have been made in segments 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 key growth markets of Europe are running as scheduled, although – as already announced in the first quarterly report this year – we expect distinctly more contributions to turnover and results in the second half of the year.

The balance sheet structure is still marked by a comparatively very large equity capital of 56,774 KEUR following 50,853 KEUR as at 31 December 2006. The increase of this item results mainly from the cash capital increase of 2,278 KEUR from the issue of 209,854 new ad pepper media shares in the course of the acquisition of Emediate in January. The equity ratio as at 30 September 2007 is thus 81.7 per cent for a balance sheet total of 69,483 KEUR (31 December 2006: 76.9 per cent). The ad pepper Group is financed from its own resources on the balance sheet date. There are no long-term bank liabilities.

On the assets side of the balance sheet, the company value increased to 20,653 KEUR after 16,066 KEUR as at 31 December 2006. The reason for this is again mainly the acquisition of Emediate at the beginning of the year, in the course of which its company value of 3,601 KEUR was purchased and a last milestone payment of 949 KEUR made to the former partners of mediasquares GmbH. Receivables from sales and services dropped due to optimization of our working capital management by 131 KEUR to 11,060 KEUR compared with the end of 2006. The drop over the half-year account for 2007 is as much as 2,503 KEUR.

The liquid assets including short-term realizable funds have increased compared with the 2nd quarter from 14,774 KEUR to 15,695 KEUR (31 December 2006: 22,678 KEUR). The main reasons for this are payments in connection with sales of holdings and the effects of improved working capital management.

4. Employees

ad pepper media has a worldwide workforce of 254 permanent employees as at 30 September 2007. This is 6 more than the previous quarter (prior to personnel adjustment measures). Altogether 42 additional employees have been recruited since the start of the year. ad pepper also intends to recruit additional qualified personnel in important growth regions and for key products and technologies in the coming quarters.

5. Report on risks and opportunities

No significant changes have occurred in the prospect and risk situation of ad pepper media International N.V. compared with 31 December 2006 and 30 June 2007. In this respect, we refer to the description in the review of operations for the business year 2006 and the half-year financial report for 2007.

6. Outlook

We are present in the online advertising market with all essential products and services and in important growth regions. The integration and bundling of these products to form tailor-made solutions for our customers makes us unique. This in conjunction with the cost optimization measures decided and successfully implemented in the 3rd quarter and another distinctly more comfortable equity capital and liquidity position makes us confident that we can continue to profit strongly from the dynamic growth of the online advertising market.

Consolidated statements of operations (IFRS)

	Q3/2007 EUR	Q3/2006 EUR	Q1-Q3/2007 EUR	Q1-Q3/2006 EUR
Net sales	12,014,169	10,015,219	36,021,304	30,188,398
Cost of sales	-6,709,264	-5,074,144	-18,518,248	-15,380,368
Gross profit	**5,304,905**	**4,941,075**	**17,503,056**	**14,808,030**
Selling and marketing expenses	-4,040,376	-3,117,436	-11,145,698	-8,183,815
General and administrative expenses	-3,600,220	-1,407,783	-8,973,856	-6,752,768
Other operating income	70,683	151,652	136,387	445,875
Other operating expense	-781,160	-168,983	-884,312	-1,000,424
Earnings from sale of shares in affiliated companies and of other investments	4,207,657	0	6,176,744	7,846,082
Earnings before interest and tax	**1,161,489**	**398,525**	**2,812,321**	**7,162,980**
Financial gains	70,267	215,525	414,016	488,102
Income before income taxes	**1,231,756**	**614,050**	**3,226,337**	**7,651,082**
Income taxes	-137,688	-2,719	-522,753	-573,585
Earnings before minority interest expense	**1,094,068**	**611,331**	**2,703,584**	**7,077,497**
Minority interest expense	35,655	0	-20,937	0
Consolidated net gain	**1,129,723**	**611,331**	**2,682,647**	**7,077,497**
Earnings per share (basic)	0.10	0.06	0.24	0.66
Earnings per share (deluted)	0.10	0.05	0.23	0.59

	Q3/2007 shares	Q3/2006 shares	Q1-Q3/2007 shares	Q1-Q3/2006 shares
Weighted average shares outstanding (basic)	11,172,328	10,867,785	11,141,979	10,798,053
Weighted average shares outstanding (deluted)	11,731,766	12,060,814	11,840,554	11,937,071

Consolidated balance sheets (IFRS)

	30 September 2007 EUR	31 December 2006 EUR
Assets		
Noncurrent assets		
Goodwill	20,653,452	16,066,134
Intangible assets	9,011,452	7,174,216
Equipment	1,480,023	885,026
Marketable securities	2,154,000	4,360,000
Other financial assets	796,575	726,804
Deferred tax assets	4,402,518	4,746,613
Noncurrent assets, total	**38,498,019**	**33,958,793**
Current assets		
Marketable securities	3,780,000	3,937,800
Trade accounts receivable	11,059,764	11,190,794
Income tax receivables	734,655	661,815
Prepaid expenses and other current assets	5,650,857	2,000,799
Cash and cash equivalents	9,760,084	14,380,214
Current assets, total	**30,985,360**	**32,171,422**
Assets, total	**69,483,379**	**66,130,215**
Liabilities and shareholders‘ equity		
Shareholders‘ equity		
Share capital	1,136,485	1,115,500
Additional paid-in capital	66,280,328	61,859,464
Treasury stock	-1,268,704	-340,352
Accumulated deficit	-8,261,613	-10,944,260
Accumulated other comprehensive loss	-1,279,508	-837,451
Equity of the shareholders of the parent company	56,606,988	50,852,901
Minority interest	166,662	0
Shareholders‘ equity, total	**56,773,650**	**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	3,443,305	5,003,251
Other current liabilities	1,589,982	3,425,440
Income tax liabilities	478,145	378,458
Accrued expenses	5,817,177	5,648,626
Current liabilities, total	**11,328,610**	**14,455,775**
Liabilities, total	**12,709,729**	**15,277,314**
Liabilities and shareholders‘ equity, total	**69,483,379**	**66,130,215**

Statement of cash flows (IFRS)

	Q1-Q3/2007 EUR	Q1-Q3/2006 EUR
Net gain	**2,682,647**	**7,077,497**
Adjustments to reconcile net gain/ loss to cash provided by/ used in operating activities		
Depreciation and amortization	1,811,406	1,258,233
Gain/ loss on sale of equipment	-19,386	-60,601
Stock option expenses	449,531	200,017
Interest income and expenses	-414,016	-488,102
Income tax expense	522,753	573,585
Income from sale of investments	-6,176,744	-7,811,082
Other non-cash income and expenses	706,301	382,878
Gross-cash-flow	**-437,508**	**1,132,425**
Increase in trade accounts receivable	-400,981	-463,286
Increase in prepaid expenses and other assets	1,065,347	55,397
Income taxes paid	-72,753	-116,573
Interest income received	271,254	312,660
Increase in trade accounts payable	-2,042,946	-1,912,932
Interest expenses paid	-10,591	-14,491
Increase/ decrease in accrued expenses and other liabilities	199,504	2,477,403
Net cash used in/ provided by operating activities	**-1,428,674**	**1,470,603**
Capital expenditures for intangible assets and equipment	-2,703,373	-1,313,846
Proceeds from sale of intangible assets and equipment	59,120	101,879
Proceeds from sale of shares in affiliated companies and of other investements	2,147,499	12,459,703
Security payments/ proceeds from repayment security deposits	-89,771	21,827
Repayment of restricted cash	0	650,000
Acquisition of subsidiary, net of cash acquired	-1,056,475	-2,341,627
Cash paid for acquisition of shares in consolidated companies	-4,587,318	-5,056,917
Sales of marketable securities	1,960,040	3,100,500
Purchase of marketable securities	0	-1,990,440
Net cash used in/ provided by investing activities	**-4,270,278**	**5,631,079**
Sale of treasury stock	53,296	482,625
Proceeds from capital increase	2,243,738	0
Purchases treasury stock	-1,230,790	-402,000
Repayment of loan liabilities	0	-152,311
Repayment of granted loans	20,000	360,000
Net cash used in/ provided by financing activities	**1,086,244**	**288,314**
Effect of exchange rate changes on cash and cash equivalents	-7,422	-71,820
Changes in cash and cash equivalents	-4,620,130	7,318,176
Cash and cash equivalents at beginning of year	**14,380,214**	**7,027,645**
Cash and cash equivalents at end of period	**9,760,084**	**14,345,821**

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			745,624					745,624
Net gain for the period				7,077,497				7,077,497
Stock based compensation		200,017						200,017
Differences from currency conversion					-72,015			-72,015
Unrealized gain/ loss on securities						-372,996		-372,996
Comprehensive income/ loss, total								**6,832,503**
Balance at 30.09.2006	**1,115,500**	**60,142,280**	**324,046**	**-9,179,621**	**-78,916**	**-804,364**	**0**	**51,518,925**
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			-1,230,791					-1,230,791
Issuance of treasury shares		1,748,579	302,439					2,051,018
Capital increase	20,985	2,222,754						2,243,739
Net gain for the period				2,682,647			20,937	2,703,584
Acquired minority interest							145,725	145,725
Stock based compensation		449,531						449,531
Differences from currency conversion					-38,297			-38,297
Unrealized gain/ loss on securities						-403,760		-403,760
Comprehensive income/ loss, total								**2,711,058**
Balance at 30.09.2007	**1,136,485**	**66,280,328**	**-1,268,704**	**-8,261,613**	**-177,951**	**-1,101,557**	**166,662**	**56,773,650**

Notes to the consolidated interim financial statements as of September 30th, 2007

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

The current interim financial report for 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 Euros.

The comparative figures of previous periods were determined and adjusted accordingly. The interim financial reports meet the requirements of IAS34.

They do not include all of the information 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 nine-month period ended 30 September 2007, of ad pepper media International N.V. were authorized by the Management Board for issue on 26 November 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.

3. Business combinations

On January 31 January 2007 ad pepper media announced its 100 per cent takeover of Emediate ApS. The Scandinavian ad serving 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 remark-ably speed up Emediate's growth. In addition, we will use the tech-nology 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-pubishers.

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 by capital increase. On the basis of a share 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 314,924 EUR to the consolidated income.

Revenue of the entity amounted to 1,214,839 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.

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	
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	
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**	
Purchase price, total	**4,832**	

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

ad agents GmbH
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 per cent 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 52,342 EUR to the consolidated income. Revenue of the entity amounted to 1,958,128 EUR. Assuming that the acquisition had been effective at beginning of the reporting period the proforma revenues would have been 36,895,468 EUR and the proforma net income 2,706,442 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 interests	50
Liabilities, total	**586**
Net assets	**75**
Capital increase after minority shares	**144**
Goodwill	**24**
Purchase price, total	**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 including Germany, Netherlands and Slovakia
- Northern Europe including Denmark and Sweden
- Western Europe including Great Britain, France, Spain and Italy
- Other including USA, Australia, Switzerland (in 2006 only USA)

Sales

Sales Q3/2007 in KEUR	**Central Europe**	**Northern Europe**	**Western Europe**	**Other**	**Consolidation**	**Group total**
External sales	5,086	2,106	3,896	926		12,014
Intersegment sales	169	62	213	2	-446	0
Sales, total	**5,255**	**2,168**	**4,109**	**928**	**-446**	**12,014**
Sales Q3/2006 in KEUR	**Central Europe**	**Northern Europe**	**Western Europe**	**Other**	**Consolidation**	**Group total**
External sales	4,430	1,460	3,371	754		10,015
Intersegment sales	685	101	141	-1	-926	0
Sales, total	**5,115**	**1,561**	**3,512**	**753**	**-926**	**10,015**

Sales Q1-Q3/2007 in KEUR	**Central Europe**	**Northern Europe**	**Western Europe**	**Other**	**Consolidation**	**Group total**
External sales	14,539	6,708	11,931	2,843		36,021
Intersegment sales	871	230	685	4	-1.790	0
Sales, total	**15,410**	**6,938**	**12,616**	**2,847**	**-1.790**	**36,021**
Sales Q1-Q3/2006 in KEUR						
External sales	12,850	4,570	10,442	2,326		30,188
Intersegment sales	1,746	283	428	-25	-2,432	0
Sales, total	**14,596**	**4,853**	**10,870**	**2,301**	**-2,432**	**30,188**

Net gain/ loss in KEUR	**Central Europe**	**Northern Europe**	**Western Europe**	**Other**	**Consolidation**	**Group total**
Q3/2007	3,030	-339	-1,400	-161		1,130
Q3/2006	731	-308	-95	166	117	611
Q1-Q3/2007	5,729	-809	-2,032	-205		2,683
Q1-Q3/2006	7,233	-695	67	290	182	7,077

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 per cent of its share capital within 18 months of this resolution via the stock exchange, i.e. until 30 October 2008. Until 30 September 2007 a total of 192,896 own shares with a nominal value of 0.10 EUR each were held by the company, which corresponds to 1.70 per cent 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 nine 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 4.45 EUR have been used 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 interims financial report the company had no subsequent adjusting.

7. Stock options and shareholdings

As of 30 September 2007, a total of 1,365,050 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 are in a range of 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 30.09.2007	Options as of 30.09.2007
Members of the Managing Board		
Ulrich Schmidt	502,762	253,000
Michael A. Carton	73,703	139,000
Niels Nüssler	38,113	263,000
Jens Körner	0	0
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	5,560	0
Euroserve	21,780	0
Grabacap AS	424,000	0
Employees		708,800

8. Number of employees

At the end of the 3rd quarter 2007, ad pepper media engaged 254 employees (30 September 2006: 197 employees).

9. Related party disclosures

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

Company calendar

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

Annual Report: 31 March 2008

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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Publisher's notes

Published by
ad pepper media International N.V.
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Ust-ID-Nr.: DE 210757424

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

Graphics and realization: curt Media GmbH

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