AD PEPPER MEDIA INTERNATIONAL N.V., AMSTERDAM, THE NETHERLANDS

Annual Report 2010

CONTENTS

Total number of pages in this report: 40

1 MANAGING DIRECTORS' REPORT

The Managing Director's Report for the financial year 2010 has been included in the consolidated financial statements of ad pepper media International N.V. as published on the company's website (www.adpepper.com). The Managing Director's Report therein comprises pages 14 to 51 with the sections "Corporate Governance", "The share", "Business activities", "Economic development", "Risk report" and "Responsibility statement". Upon request, copies are also available at the Company's office in Nuremberg, Germany.

2 COMPANY FINANCIAL STATEMENTS OF AD PEPPER MEDIA INTERNATIONAL N.V., AMSTERDAM

2.1 COMPANY BALANCE SHEET

December 31, 2010
(Before proposed appropriation of profit / allocation of loss)
(in thousands of EUR)

	2010		2009	
A s s e t s				
Non-current assets				
Intangible assets [2.3.2.1]	450		706	
Equipment [2.3.2.2]	79		123	
Financial assets [2.3.2.3]	9.836		6.817	
Other financial assets [2.3.2.4]	8		108	
Marketable financial assets [2.3.2.5]	10.321		6.288	
Total non-current assets		20.694		14.042
Current assets				
Trade accounts receivable	4		1	
Group companies [2.3.2.6]	2.642		2.354	
Prepaid expenses and other current assets [2.3.2.7]	810		849	
Marketable securities [2.3.2.5]	1.400		1.400	
Cash and cash equivalents [2.3.2.8]	1.851		4.050	
Total current assets		6.707		8.654
Total assets		27.401		22.696

	2010		2009	
Shareholder's equity and liabilities				
Shareholder's equity				
Issued capital [2.3.2.9]	1.150		1.150	
Additional paid-in capital [2.3.2.9]	67.192		67.102	
Accumulated deficit [2.3.2.9]	(43.519)		(9.179)	
Legal reserve [2.3.2.9]	(1.344)		(3.533)	
Net income/(loss)	2.237		(34.307)	
		25.716		21.233
Non-current liabilities				
Provisions for deferred taxes		0		0
Total non-current liabilities		0		0
Current liabilities				
Other current liabilities [2.3.2.10]	1.565		783	
Accrued expenses	120		680	
Total current liabilities		1.685		1.463
Total shareholder's equity and liabilities		27.401		22.696

2.2 COMPANY INCOME STATEMENT

Year ended December 31, 2010
(in thousands of EUR)

	2010	2009
Income/(loss) from participations in group companies after taxes	1.237	(4.457)
Other income/(loss) after taxes	1.000	(29.850)
Net income/(loss)	2.237	(34.307)

2.3 NOTES TO THE COMPANY FINANCIAL STATEMENTS

2.3.1 General

Corporate information [1]

ad pepper media International N.V. (“ad pepper media”) is a limited liability company incorporated in the Netherlands, domiciled at Hogehilweg 15, 1101 CB Amsterdam, the Netherlands. The Head Office is domiciled at Frankenstraße 150C, 90461 Nuremberg, Germany. The company’s shares are publicly traded under WKN 940883 (ISIN NL0000238145) on the Prime Standard of the Frankfurt Stock Exchange. The business activities of ad pepper media International N.V. involve holding investments in other entities whose objective is to market advertising space on the internet, and providing services for the subsidiaries. Since its formation, ad pepper media has been geared towards acting flexibly to meet the requirements of a whole range of different markets as an international group.

ad pepper media is an international provider of interactive products and services for websites and advertisers. The company currently markets campaigns and websites in more than 50 countries and operates from 16 branches in eight European countries and the USA. ad pepper media uses state-of-the-art technology to link thousands of small, medium and large websites to a top-quality advertising network with global reach and an exact focus on its target group.

In addition to a regional, national and international marketing presence, website partners receive a large number of other important products and services such as ad serving, traffic analysis and performance optimization, provided by ad pepper media and its affiliated entities in a localized form.

The company financial statements for the year ended December 31, 2010 are authorized for issue through a resolution of the Management Board dated 17 March 2011.

In accordance with this resolution, the Annual General Meeting of Shareholders is requested to approve the company financial statements as well as the consolidated financial statements .

List of subsidiaries

Entity

Entity	Share 2010	Share 2009
ad pepper media GmbH, Nuremberg, Germany	100 %	100 %
ad pepper media Austria GesmbH, Salzburg, Austria	100 %	100 %
ad pepper media Benelux B.V., Amsterdam, the Netherlands	100 %	100 %
ad pepper media Sweden AB, Stockholm, Sweden	100 %	100 %
ad pepper media Denmark A/S, Copenhagen, Denmark	100 %	100 %
ad pepper media UK Ltd., London, United Kingdom	100 %	100 %
ad pepper media France S.A.R.L., Paris, France	100 %	100 %
ad pepper media Spain S.A., Madrid, Spain	100 %	100 %
ad pepper media USA LLC, New York, USA	100 %	100 %
ad pepper media Italy srl., Milan, Italy	100 %	100 %
Web Measurement Services B.V., Amsterdam, the Netherlands	100 %	100 %
Crystal Semantics Ltd., London, United Kingdom	100 %	100 %
Webgains Ltd., London, United Kingdom	100 %	100 %
ad pepper media Australia Ltd., Melbourne, Australia	100 %	100 %
ad pepper media SA, Küssnacht am Rigi, Switzerland	100 %	100 %
Globase International ApS, Copenhagen, Denmark	100 %	100 %
Emediate ApS, Copenhagen, Denmark	100 %	100 %
EMSEAS TEKNIK AB, Stockholm, Sweden	100 %	100 %
ad agents GmbH, Herrenberg, Germany	60 %	60 %

ad pepper media Austria GesmbH, ad pepper media Italy srl. and ad pepper media Australia Ltd. were in the process of liquidation on the balance sheet date.

Emediate ApS and Pentamind A/S were merged in the second quarter of 2010 with legal effect as of 1 January 2010.

Basis of preparation[2]

Unless stated otherwise, all amounts are in thousands of Euro.

The annual accounts as per Dutch law consist of the consolidated financial statements which have been issued separately and the company only financial statements which are now presented in this annual report.

The company financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code and in accordance with Dutch GAAP.

In conformity with article 402, Book 2 of the Netherlands Civil Code, a condensed statement of income is included in the ad pepper media International N.V. company accounts. These financial statements should therefore be read in conjunction with the consolidated financial statements of ad pepper media International N.V. (available on www.adpepper.com or at the Company's office in Nuremberg, Germany).

The accounting policies used are almost the same as those used in the consolidated financial statements of ad pepper media International N.V. in accordance with article 362-8 of Book 2 of the Netherlands Civil Code. Investments in subsidiaries are accounted for at net assets value in accordance determined on the basis of IFRS as applied consolidated financial statements of ad pepper media International N.V. For details on the (relevant) IFRS accounting policies applied in the consolidated financial statements refer to the next paragraph "Accounting policies".

Accounting policies

The accounting principles stated below comprise a summary of the accounting principles as disclosed in the consolidated 2010 financial statements of ad pepper media International N.V.

Significant accounting judgments, estimates and assumptions

Judgments
In the process of applying the group's accounting policies, management has to make judgments, which have a significant effect on the amounts recognized in the financial statements:

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Development Costs
Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. Further information is presented in the note on "Intangible assets".

Impairment of Goodwill
The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Estimating an amount for the recoverable amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further information is presented in the note on "Goodwill".

Deferred Tax Assets
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies. Further information is presented in the note on “Income taxes”.

Impairment of available-for-sale financial assets
The group classifies certain assets as available-for-sale and recognizes changes in their fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss. ad pepper media assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. As the debts instruments have considerably decreased in its fair value, ad pepper media has thoroughly assessed the need for impairment. In making this judgment, ad pepper media evaluates among other factors, the normal volatility in stock-market prices as well as the impact of a lack of liquidity in trading in prevailing market conditions. However, a debt instrument classified as available-for-sale is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the debt instrument and that the loss event has impact on the estimated future cash flows of the debt instruments. Evidence of impairment may include indications that the issuer of the debt instrument is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the issuer is facing bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears. Impairment deemed appropriate when there is convincing doubt about the creditability of the issuer or there is strong indications that the redemption of the debt instruments or the interest payments are at risk. Further information is presented in the note on “Current and non-current marketable securities”.

Summary of significant accounting policies

Foreign currency translation
The financial statements are presented in Euros, which is the company’s functional and presentation currency. Each entity in the group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

As at the reporting date, the assets and liabilities of those subsidiaries that have a functional currency other than the euro are translated into the presentation currency of ad pepper media International N.V. (the euro) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

Property, plant and equipment

Plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight line basis over the useful life of the assets. The estimated useful lives of the assets are between three and ten years.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Goodwill

Goodwill (acquired) is initially measured at cost being the excess of the cost of the acquisition over the group’s interest in the net fair value of the acquirer’s identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated, from the acquisition date, to each of the group’s cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

> represents the lowest level within the group at which the goodwill is monitored for internal management purposes; and

>is not larger than a segment based on either the group's primary or secondary reporting format determined in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortized goodwill is recognized in the income statement.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognized only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development.

During the period of development, the asset is tested for impairment annually. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses.

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future sales. During the period in which the asset is not yet in use, it is tested for impairment annually.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the fair value of the asset or cash-generating unit less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. The valuation model is based on a discounted cash flow method.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increased amount shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized on the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognized for goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses recognized for goodwill shall not be reversed in future periods. The group performs its annual impairment test of goodwill as at 31 December or earlier in the case of triggering events.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the settlement date, being the date on which the group clears the purchase or sale of a financial asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in profit or loss. The group assesses whether embedded derivatives are required to be separated from host contracts when the group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in the preceding category.

Available-for-sale financial assets, classified as current or non-current marketable securities depending on their maturity, are non-derivative financial assets that are designated as available-for-sale. They are recognized on initial measurement at fair value. After initial measurement, available-for-sale financial assets are measured at fair value, recognizing unrealized gains or losses directly in equity in the net unrealized gains reserve. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the income statement.

Fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Amortized cost

Loans and receivables are measured at amortized cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the recognition of impairment, the impairment loss previously recognized is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Available-for-sale financial investments
If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the group's own equity instruments.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. Shares in money market funds are also included in cash equivalents.

Interest bearing loans and borrowings
All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Provisions
Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Share-based payment transactions
Employees (including senior executives) of the group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

In situations in which some or all of the goods or services received by the entity as consideration for equity instruments cannot be specifically identified, they are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

Equity-settled transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using an appropriate pricing model, further details of which are given in subsequent notes.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

A voluntary waiver of the counterparties of granted stock options after the grant date is treated as a cancellation of the plan resulting in an accelerated vesting of the granted stock options.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Only operating lease agreements exist. Payments are recognized as an expense in the income statement on a straight line basis over the lease term.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other turnover taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

The company generates its revenues mainly by marketing internet advertising space. Advertising customers book units (Ad Impressions, Ad Clicks, Registrations, Mail send-outs, Transactions) via the company – these are supplied over a period defined by the customer. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price of the transaction is fixed and determinable, and recoverability is reasonably assured.

In cases in which the campaign starts before the balance sheet date and lasts beyond this date, revenue is deferred proportionately according to the units supplied or to the period, depending on the contract.

Revenue recognized leads to the recognition of unbilled receivables as long as an invoice is not send out to the client.

Interest income

Revenue is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable and deductible temporary differences, except:

> where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
>in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:
>where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
>in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value added tax
Revenues, expenses and assets are recognized net of the amount of value added tax except:

> where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

>receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.3.2 *Notes to the company balance sheet*

2.3.2.1 Intangible assets

The changes in the intangible assets are:

(in thousands of EUR)	Goodwill	Trademark	Software	Total
Book value at January 1, 2009	20.514	63	3.020	23.597
Additions	5	-	18	23
Impairments	(20.495)	-	(1.578)	(22.073)
Amortization	-	(47)	(794)	(841)
Book value at December 31, 2009	24	16	666	706
Purchase value	24	637	1.158	1.819
Accumulated Amortization	-	(621)	(492)	(1.113)
Book value at December 31, 2009	24	16	666	706
Additions	-	-	6	6
Amortization	-	(5)	(257)	(262)
Book value at December 31, 2010	24	11	415	450
Purchase value	24	637	1.164	1.825
Accumulated Amortization	-	(626)	(749)	(1.375)
Book value at December 31, 2010	24	11	415	450

2.3.2.2 Equipment

The changes in equipment (tangible fixed assets) are:

(in thousands of EUR)	**2010**	2009
Balance at January 1	123	236
Additions	26	3
Depreciation	(70)	(116)
Balance at December 31	79	123
Purchase value	434	409
Accumulated depreciation	(355)	(286)
Balance at December 31	79	123

2.3.2.3 Financial assets

The movements during the year are as follows:

	Subsidiary companies		Participating interests		
(in thousands of EUR)	Investments	Loans	Investments	Deferred tax assets	Total
Balance at December 31, 2008	3.273	5.748	1.843	-	10.864
Additions	-	3.819	-	-	3.819
Disposals	(1.385)	(677)	-	-	(2.062)
Impairments	-	-	(1.621)	-	(1.621)
Share of net profit	(4.291)	-	-	-	(4.291)
Investments in subsidiaries	3.508	(3.508)	-	-	-
Translations adjustments	108	-	-	-	108
Balance at December 31, 2009	1.213	5.382	222	-	6.817
Additions	-	-	400	-	400
Reversal of impairment	-	-	1.621	-	1.621
Conversion of loan	-	-	905	-	905
Revaluation	-	-	447	-	447
Disposals	(887)	(701)	-	-	(1.588)
Share of net profit	1.237	-	-	-	1.237
Investments in subsidiaries	2.767	(2.767)	-	-	-
Translations adjustments	(3)	-	-	-	(3)
Balance at December 31, 2010	4.327	1.914	3.595	-	9.836

The participating interests contain an amount of kEUR 3,172 related to the non-controlling interest in Brand Affinity Technologies Inc. The value of the non-controlling interest in Brand Affinity Technologies Inc. is mainly originating from the reversal of an impairment of a loan receivable, which has been converted into share capital during 2010, and the fair-value revaluation of kEUR 1,967 during 2010 of the investment of Brand Affinity Technologies Inc., which was fully impaired during 2009. The revaluations occurred in connection with third-round financing at Brand Affinity Technologies Inc. In this respect, the measurement of the non-controlling interest was changed to fair value measurement. As the investment is classified as an equity instrument available-for-sale, the reversal was recognized in other comprehensive income.

On 12 November 2008 ad pepper media also acquired a 10 percent share in Critical Niche for the amount of USD 0.25m (EUR 0.2m). Critical Niche was then renamed to SocialTyze. This participation (non-controlling) is carried at cost.

On August 2010 ad pepper media also acquired a 19.9 percent share in Videovalis GmbH for the amount of EUR 0.2m. This participation (non-controlling) is carried at cost.

2.3.2.4 Other Financial Assets

The Other financial assets comprise of long term loan receivables from employees.

2.3.2.5 Marketable financial assets

The marketable financial assets as of 31 December 2010 as in 2009 consist of available-for-sale securities and of securities at fair value through profit and loss.

Non-current securities have a remaining term of more than one year or if shorter then their disposal within one year is not planned.

As at 31 December all securities are non-current. Recognized as current in the balance sheet are only fixed-term deposits of kEUR 1,400 with a maturity of more than three months after purchase date (2009: fixed-term deposits of kEUR 1,400).

Available for sale securities
In the reporting year, available-for-sale securities were acquired for kEUR 5,161 (2009: kEUR 0) and sold for a total of kEUR 751 (2009: kEUR 129). The losses incurred in the financial year amount to kEUR 0 (2009: kEUR 780), including losses of kEUR 0 (2009: kEUR 780) from the release of other comprehensive income to profit or loss.

In the reporting period, unrealized gains of kEUR 225 (2009: kEUR 409) were recognized directly in other comprehensive income and loss. In 2010 no available-for-sale securities were impaired through the profit and loss statement (2009: kEUR 780).

The maturities of the available-for-sale securities as of the end of the period are as follows:

Fair value	31,12,2010 kEUR	31,12,2009 kEUR
Due within one year	1,883	591
Due between one and five years	4,016	1,455
Due in more than five years	2,625	2,377
Total	8,524	4,423

Fair value through profit and loss securities
In the reporting year, securities at fair value through profit and loss were acquired for kEUR 4,657 (2009: 3,427) and sold for a total of kEUR 4,725 (2009: 1,590). The unrealized revaluation losses incurred in the financial year amount to kEUR 0 (2009: kEUR 162).
ad pepper media has chosen the „fair value option“ for such securities as the securities acquired includes embedded derivates.

The maturities of the securities at fair value through profit and loss as of the end of the period are as follows:

Fair value	31,12,2010 kEUR	31,12,2009 kEUR
Due within one year	865	0
Due between one and five years	0	0
Due in more than five years	2,332	3,265
Total	3,197	3,265

2.3.2.6 Group companies

The receivables from group companies mature within one year.

2.3.2.7 Prepaid expenses and other current assets

(in thousands of EUR)	**2010**	2009
Other current assets	322	375
Prepaid expenses	488	474
	810	849

Other current assets are generally recognized at their nominal value.

2.3.2.8 Cash and cash equivalents

No restrictions to cash exist at balance sheet date.

2.3.2.9 Shareholder’s equity

Issued capital

No new shares in ad pepper media International N.V. were admitted for trading on the Frankfurt Stock Exchange in 2010 (2009: 210,292 shares in connection with the exercise of employee stock options in December 2009).

The issued capital of ad pepper media International N.V. comprises 23,000,000 (2009: 23,000,000) bearer shares each with a nominal value of EUR 0.05.

Additional paid-in capital
Proceeds from the issuance of shares increased the additional paid-in capital by the amount by which they exceeded the par value of the shares.

Treasury shares
Purchase of treasury shares
By shareholders resolution of 18 May 2010, ad pepper media was authorized to repurchase treasury stock of up to 50 percent of the issued capital within the next 18 months.
The company did not carry out any share repurchase program in 2010. Consequently, no shares were acquired (2009: 1,512,474 shares)..
As of 31 December 2010 the company held 1,953,792 treasury shares (2009: 2,267,792 treasury shares) at a nominal value of 0.05 EUR each which equals 8.49 percent (2009: 9.86 percent) of the share capital. According to a shareholders resolution those shares can be used for acquisitions or stock option plans.

The corresponding value of these shares, being kEUR 0 (2009: kEUR 1,687) has been deducted from the Accumulated deficit. The overall amount deducted from the Accumulated deficit reflecting the value of treasury shares is kEUR 3,333 (2009: kEUR 3,410).

Sale of treasury shares
In the reporting year, 259,000 treasury shares were sold at an exercise price of EUR 0.89 (2009: 9,708), 45,000 at a price of EUR 1.50 (2009: 0) and 10,000 at a price of EUR 0.915 (2009: 0) under the employee stock option plans.

A total of 314,000 treasury shares were sold in the reporting year (2009: 9,708).

Furthermore, exceptional cash settlements amounting to kEUR 340 for fully vested stock options occurred. This amount were posted as a deduction from equity within the item “own shares”.

Number of shares outstanding
The number of shares issued and outstanding as of 31 December 2010 totaled 21,046,792 (2009: 20,732,208). Each share has a nominal value of EUR 0.05.

Authorized unissued capital
The authorized unissued capital totals EUR 21,485.40 (2009: EUR 21,485.40) and comprises 429,708 shares (2009: 429,708 shares).

Legal reserve
This legal reserve for accumulated other comprehensive losses includes losses on available-for-sale securities of kEUR -1,939 (2009: kEUR -2,164), gains on available-for-sale equity instruments of kEUR 1,967 (2009: kEUR 0) and accumulated exchange losses of kEUR -1,372 (2009: kEUR –1,369) from the translation of the financial statements of foreign subsidiaries.

For movements in the shareholder's equity refer to the following table**:**

	Issued capital	Additional paid-in capital	Legal reserve for capitalised R&D costs	Accumulated deficit	Legal reserve for accumulated other comprehensive losses		Net income/ (loss)	Total
					Currency translation differences	Market valuation of available-for-sale financial instruments		
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Balance at 1 January 2009	**1.139**	**66.747**	**2.237**	**-9.738**	**-1.477**	**-3.353**	**0**	**55.555**
Currency translation differences	0	0	0	0	108	0	0	108
Changes legal reserve for capitalised R&D costs			-2.237	2.237	0	0	0	0
Unrealised gains/losses on securities	0	0	0	0	0	1.189	0	1.189
Total income and expense for the year recognised directly in equity	0	0	-2.237	2.237	108	1.189	0	1.297
Net income for the year	0	0	0	0	0	0	-34.307	-34.307
Total recognised income and expense for the year	0	0	-2.237	2.237	108	1.189	-34.307	-33.010
Stock-based compensation	0	179	0	0	0	0	0	179
Purchase of treasury shares	0	0	0	-1.687	0	0	0	-1.687
Sale of treasury shares	0	0	0	9	0	0	0	9
Increase in capital	11	176	0	0	0	0	0	187
Balance at 31 December 2009	**1.150**	**67.102**	**0**	**-9.179**	**-1.369**	**-2.164**	**-34.307**	**21.233**
Balance at 1 January 2010	**1.150**	**67.102**	**0**	**-9.179**	**-1.369**	**-2.164**	**-34.307**	**21.233**
Currency translation differences	0	0	0	0	-3	0	0	-3
Reversal of impairment and revaluation equity instruments	0	0	0	0	0	1.967	0	1.967
Unrealised gains/losses on securities	0	0	0	0	0	225	0	225
Total income and expense for the year recognised directly in equity	0	0	0	0	-3	2.192	0	2.189
Net income for the year	0	0	0	0	0	0	2.237	2.237
Total recognised income and expense for the year	0	0	0	0	-3	2.192	2.237	4.426
Allocation to Accumulated deficit	0	0	0	-34.307	0	0	34.307	0
Stock-based compensation	0	90	0	0	0	0	0	90
Purchase of treasury shares	0	0	0	-340	0	0	0	-340
Sale of treasury shares	0	0	0	307	0	0	0	307
Balance at 31 December 2010	**1.150**	**67.192**	**0**	**-43.519**	**-1.372**	**28**	**2.237**	**25.716**

2.3.2.10 Other current liabilities

The other current liabilities comprise mainly of bonus accruals.

2.3.2.11 Stock option program

By doubling the number of options and halving the exercise price all stock options programs mentioned below have been adjusted for the share split on 27 May 2009.

Prior to the company's IPO in 2000, the extraordinary general meeting of ad pepper media International N.V. adopted a pre-IPO stock option plan for all of the employees of the company or its subsidiaries at the time of the IPO. The options issued in 2000 under this plan may be exercised ten years after the IPO with no conditions imposed, or before this date in four equal tranches if the respective performance targets have been met (25 percent after the first year if the market price during this period exceeds EUR 9.775 on one occasion, 25 percent after two years if the market price during this period exceeds EUR 11.05 on one occasion, 25 percent after three years if the market price during this period exceeds EUR 11.90 on one occasion, 25 percent after four years if the market price during this period exceeds EUR 12.75 on one occasion). All options issued under the pre-IPO stock option plan expired on 09 October 2010.

At each of the annual general meetings on 26 April 2001, 25 April 2002, 5 May 2003, 7 May 2004, 2 May 2005, 12 May 2006, 30 April 2007 and 27 May 2008 the Management Board was authorized to repurchase up to 10 percent of the share capital as treasury shares within an 18-month period. By shareholders resolution of 19 May 2009 and 18 May 2010, the Management Board of ad pepper media was authorized to repurchase treasury stock of up to 50 percent of the issued capital within the next 18 months.

Options granted under the "Ongoing Stock Option Plan" are subject to the following provisions:

The options are granted to employees of the ad pepper media-group. Altogether 1,000,000 shares have been reserved for the "Ongoing Stock Option Plan". The subscription ratio is one share per option right. The subscription price is based on the average share price on the Xetra exchange during the first ten trading days of May 2001 for the 2001 plan, or the first ten trading days in January for subsequent plans.

Options can first be exercised when the share price has risen at least ten percent above the subscription price, but no sooner than one year after the option has been granted. Options may be exercised in whole or in part in the three-week period after publication of the company's quarterly reports. As a rule, the stock options granted do not expire. However, the options expire if an employee terminates his or her employment contract or if the company terminates the employment for good cause.

In January 2003, the “Ongoing Stock Option Plan” for executives was replaced by the “Executive Stock Option Plan”, the aim of which is to encourage executives to remain with the company. Under this plan, a nonrecurring issue of options was granted to executives; the exercise price for these options is also based on the average share price during the first ten trading days in January. Ten percent of the options may be exercised in each of the following ten years.

Pursuant to the resolution of the general meeting dated 2 May 2005, exercise of the executive stock options can in particular cases also be settled in cash at the request of ad pepper media.

In the years 2005 and 2006 option plans to tie employees in key positions (Executive SOP 2005 and Executive SOP 2006) to the company were issued. These options may be exercised over a period of four years at 25 percent each year. Similar to the other plans, the exercise prices for these options are based on the average share price during the first ten trading days before grant date. The option plans do not include an exercise hurdle, but can be exercised at the earliest one year after being granted.

No stock options were granted in 2007.

An employee equity-participation program involving 1,220,000 options was launched for executive employees on 15 May 2008 (Executive SOP 2008).
The valuation was carried out by simulation (Monte-Carlo method). 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 distorted the 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 0.282 and EUR 0.5145 per issued option. The maximum cost of the program over the entire period is EUR 0.5m.

An employee equity-participation program involving 280,000 options was launched for executive employees on 6 March 2009 (Executive SOP 2009).
The valuation was carried out by simulation (Monte-Carlo method). The volatility was calculated from the development of the ad pepper media International N.V. share price between 1 January 2003 and 28 February 2009. Earlier values would have distorted the 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 0.1925 and EUR 0.3085 per issued option. The maximum cost of the program over the entire period is EUR 0.1m.

The following table shows the changes in the options during the financial year 2010:

	2010 Number	2009 Number	Exercise price EUR
Options at the beginning of the fiscal year (Pre-IPO)	225,500	225,500	6.750
Options at the beginning of the fiscal year (Ongoing SOP 2001)	76,000	76,000	1.365
Options at the beginning of the fiscal year (Ongoing SOP 2002)	20,400	20,400	0.665
Options at the beginning of the fiscal year (Executive SOP 2003)	900,000	1,080,000	0.890
Options at the beginning of the fiscal year (Ongoing SOP 2003)	2,800	2,800	0.890
Options at the beginning of the fiscal year (Ongoing SOP 2004)	85,100	85,100	2.225
Options at the beginning of the fiscal year (Executive SOP 2005)	100,000	160,000	2.660
Options at the beginning of the fiscal year (Executive SOP 2006)	158,000	158,000	3.795
Options at the beginning of the fiscal year (Executive SOP 2008)	900,000	1,000,000	1.500
Options at the beginning of the fiscal year (Executive SOP 2009)	220,000	0	0.915
Options granted (Executive SOP 2009)	0	280,000	0.915
Options expired (Pre-IPO)	-225,500	0	6.750
Options cancelled (Ongoing SOP 2001)	-55,600	0	1.365
Options cancelled (Ongoing SOP 2002)	-18,800	0	0.665
Options cancelled (Ongoing SOP 2004)	-74,300	0	2.225
Options cancelled (Executive SOP 2005)	-80,000	0	2.660
Options cancelled (Executive SOP 2006)	-90,000	0	3.795
Options cancelled (Executive SOP 2008)	-40,000	0	1.500
Options cancelled (Executive SOP 2009)	-45,000	0	0.915
Options forfeited (Executive SOP 2005)	0	-60,000	2.660
Options forfeited (Executive SOP 2006)	0	0	3.795
Options forfeited (Executive SOP 2008)	-135,000	-100,000	1.500
Options forfeited (Executive SOP 2009)	-35,000	-60,000	0.915
Options exercised (Executive SOP 2003)	-359,000	-180,000	0.890
Options exercised (Executive SOP 2008)	-260,000	0	1.500
Options exercised (Executive SOP 2009)	-25,000	0	0.915
Options at the end of the fiscal year	1,244,600	2,685,000	0.665 to 6.750
Weighted exercise price in EUR	1.326	1.880	
Exercisable options as of 31 December	431,050	392,400	
Weighted exercise price in EUR	1.237	0.878	

The weighted exercise price of stock options exercised during 2010 is EUR 1.137 (2009: EUR 0.890).

The average share price during 2010 was EUR 1.63 (2009: EUR 1.12).

The personnel expenses recorded in the past financial year in connection with stock option programs granted on the basis of equity instruments amount to kEUR 90 (2009: kEUR 179).

The fair value of the stock options was calculated applying the Black-Scholes-Model, based on the following assumptions:

	Pre-IPO	Ongoing SOP 2001	Ongoing SOP 2002	Ongoing SOP 2003	Ongoing SOP 2004
Share price when granted, in EUR	6.75	1.30	0.65	0.89	2.22
Date of grant	31-05-00	18-05-01	15-01-02	15-01-03	16-01-04
Exercise price, in EUR	6.75	1.365	0.665	0.89	2.225
Risk-free interest rate, in percent	4.80	4.00	3.80	3.50	2.75
Estimated term, in years	7	4	1	1	1
Future dividend, in EUR	0	0	0	0	0
Estimated volatility, in percent	20	93	68	73	40

	Executive SOP 2003	Executive SOP 2005	Executive SOP 2006	Executive SOP 2008	Executive SOP 2009
Share price when granted, in EUR	0.89	2.50	3.80	1.40	0.85
Date of grant	15-01-03	15-04-05	16-01-06	15-05-08	06-03-09
Exercise price, in EUR	0.89	2.66	3.795	1.50	0.915
Risk-free interest rate, in percent	4.50	3.65	3.48	4.15	2.71
Estimated term, in years	10	4	4	10	7
Future dividend, in EUR	0	0	0	0.04 to 0.06	0.04 to 0.06
Estimated volatility, in percent	53	58	56	50	53.62

The development in the price of the ad pepper media share in the period from 1 January 2003 to 28 April 2006, 30 April 2008 respectively 28 February 2009 was used as a basis to determine volatility for the option plans issued in 2006, 2008 respectively 2009. Prior figures would have distorted the volatility figure.

2.3.2.12 Events after the balance sheet date

Up until the day of authorization for issuance no events took place which would have exerted substantial influence on the net assets, financial position or result of operations as per 31 December 2010.

2.3.2.13 Other financial obligations

Other financial obligations mainly result from rented offices and from leases for cars and office equipment. The expenses from lease agreements amounted to kEUR 56 in financial year 2010 (2009: kEUR 53). Rental expense amounted to kEUR 85 (2009: kEUR 96). The future minimum payment obligations resulting from the contracts in place as of 31 December 2010 are as follows:

Financial year (in thousands of EUR)	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**	**Total**
Office Rent	99	99	99	99	0	0	396
Car lease	42	26	1	0	0	0	69
Others	217	0	0	0	0		217
Total	**358**	**125**	**100**	**99**	**0**	**0**	**682**

2.3.3 Notes to the income statement

2.3.3.1 Employee information

At the end of the financial year the company employed 24 people (2009: 22).

Personnel expenses

(in thousands of EUR)	**2010**	2009
Wages and salaries	1.682	1.500
Stock option expenses	90	179
Social security costs	235	205
Voluntary employment expenses	4	1
	2.011	1.885

These costs are included in the cost of sales, selling expenses and general and administrative expenses. The average number of personnel employed during the year was:

	2010	2009
Production	8	6
Sales	4	2
Administration	12	14
	24	22

2.3.3.2 Remuneration of the Managing and Supervisory Directors

Remuneration (including pension costs) of current and former Managing and Supervisory Directors amounted to:

(in thousands of EUR)	**2010**	2009
Managing Directors	1.381	1.196
Supervisory Directors	0	0
	1.381	1.196

No other than the following board remuneration were charged to the company in the year under review, especially no long-term bonuses, pension payments or severance payments.

The bonus payments are subject to the attainment of an earnings before tax-goal which was reached in the year under review.

Remuneration of the management board 2010 (in EUR)		**Periodically paid**	**Annual bonus**	**Stock based**	**Total**
U. Schmidt	CEO	265.339	262.000	6.412	533.751
J. Körner	CFO	183.070	227.000	8.039	418.109
M.A. Carton	Director of the board	190.156	227.000	11.384	428.540
Total		638.565	716.000	25.835	1.380.400

Remuneration of the supervisory board 2010 (in EUR)					
		0	0	0	0

Loans of the management board 2010 (in EUR)		**Principal amount**	**Repayment**	**Outstanding amount**	**Interest rate p.a.**
U. Schmidt	CEO	n/a	n/a	n/a	n/a
J. Körner	CFO	n/a	n/a	n/a	n/a
M.A. Carton	Director of the board	300.000	-300.000	0	3,9%
Total		300.000	-300.000	0	

Remuneration of the management board 2009 (in EUR)		**Periodically paid**	**Annual bonus**	**Stock based**	**Total**
U. Schmidt	CEO	249.063	192.930	8.846	450.839
J. Körner	CFO	185.774	157.930	19.886	363.590
M.A. Carton	Director of the board	198.924	157.930	23.950	380.804
Total		633.761	508.790	52.682	1.195.233

Remuneration of the supervisory board 2009 (in EUR)					
		0	0	0	0

Loans of the management board 2009 (in EUR)		**Principal amount**	**Repayment**	**Outstanding amount**	**Interest rate p.a.**
U. Schmidt	CEO	n/a	n/a	n/a	n/a
J. Körner	CFO	n/a	n/a	n/a	n/a
M.A. Carton	Director of the board	300.000	-195.000	105.000	3,9%
Total		300.000	-195.000	105.000	

Article 383d of the Dutch Civil Code: Share-based remuneration

Number of stock options held

Management board 2010	**Pre-IPO**	**Ongoing SOP 2001**	**Exec SOP 2003**	**Exec SOP 2008**
U. Schmidt	0	20.000	260.000	0
J. Körner	0	0	0	80.000
M.A. Carton	0	0	108.000	75.000
Total	0	20.000	368.000	155.000

Supervisory board 2010	**Ongoing SOP 2001**	**Ongoing SOP 2002**	**Ongoing SOP 2003**	**Ongoing SOP 2004**
Total	0	0	0	0

Management board 2009	**Pre-IPO**	**Ongoing SOP 2001**	**Exec SOP 2003**	**Exec SOP 2008**
U. Schmidt	66.000	20.000	360.000	0
J. Körner	0	0	0	160.000
M.A. Carton	26.000	0	252.000	150.000
Total	92.000	20.000	612.000	310.000

Supervisory board 2009	**Ongoing SOP 2001**	**Ongoing SOP 2002**	**Ongoing SOP 2003**	**Ongoing SOP 2004**
Total	0	0	0	0

The principal conditions and other important data can be found in the following table.

	Pre-IPO	Ongoing SOP 2001	Executive SOP 2003	Executive SOP 2008
Share price when granted	6.75	1.30	0.89	1.40
Date of grant	31-05-00	18-05-01	15-01-03	15-05-08
Exercise price	6.75	1.365	0.89	1.50
Risk-free interest rate	4.80	4.00	4.50	4.15
Estimated term	7	4	10	10
Future dividend	0	0	0	0.04 to 0.06
Estimated volatility	20	93	53	50

The development in the price of the ad pepper media share in the period from 1 January 2003 to 28 April 2006, 30 April 2008 respectively 28 February 2009 was used as a basis to determine volatility for the option plans issued in 2006, 2008 respectively 2009. Prior figures would have distorted the volatility figure.

The options do not expire with exception of the Exec SOP 2008 which expires on 15 May 2018.

Movement in directors' holdings

Management board	**2010**		**2009**	
	Shares	**Options**	**Shares**	**Options**
U. Schmidt	1.005.524	280.000	1.005.524	446.000
J. Körner	0	80.000	0	160.000
M.A. Carton	19.082	183.000	268.178	428.000
Total	1.024.606	543.000	1.273.702	1.034.000

Supervisory board	**2010**		**2009**	
	Shares	**Options**	**Shares**	**Options**
Total	0	0	0	0

Associated companies	**2010**		**2009**	
	Shares	**Options**	**Shares**	**Options**
EMA B.V.	9.486.402	0	9.486.402	0
Euroserve Media GmbH	436.963	0	306.132	0
Viva Media Service GmbH	77.670	0	71.300	0
Grabacap ApS	772.000	0	848.000	0
Total	10.773.035	0	10.711.834	0

Mr. Schmidt is related party to Viva Media Service GmbH.
Mr. Oschmann is related party to EMA B.V. and Euroserve Media GmbH.
Mr. Andersen is related party to Grabacap ApS.

2.3.3.3 Audit fees

kEUR	Deloitte Accountants B.V. 2010	Deloitte Member firms 2010	Deloitte Total 2010	Deloitte Accountants B.V. 2009	Deloitte Member firms 2009	Deloitte Total 2009
Statutory audit of annual accounts	21	0	21	21	0	21
Other assurance services	13	149	162	13	149	162
Tax advisory services	0	0	0	0	0	0
Other assurance services	0	0	0	0	0	0
Total	**34**	**149**	**183**	**34**	**149**	**183**

Nuremberg, March 17, 2011

The Managing Board members are:

Ulrich Schmidt, Chief Executive Officer (CEO).

Jens Körner, Chief Financial Officer (CFO)

Michael A. Carton, Director of the Board

The Supervisory Board members are:

Michael Oschmann, Nuremberg, Germany, Managing director (Chairman)

Merrill Dean, Scottsdale, US, Managing director

Jan Andersen, Copenhagen, Denmark, Managing director

Dr. Frank Schlaberg, Munich, Germany, Managing Director Corporate Finance Advisory

3 OTHER INFORMATION

Appropriation of net result

According to Article 15 of the Company's articles of association, the annual meeting of shareholders determines the appropriation of the Company's net result for the year and the previous year.

The Managing Directors propose that the profit is allocated to the accumulated deficit.

Awaiting the adoption of this proposal the net result is presented separately on the balance sheet.

Independent auditor's report

To: the Supervisory Board and/or Shareholders of ad pepper media International N.V.

Report on the company financial statements
We have audited the accompanying company financial statements 2010 which are part of the financial statements of ad pepper media International N.V., Amsterdam, and comprise the company balance sheet as at December 31, 2010, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these company financial statements and for the preparation of the Managing Directors' Report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these company financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company financial statements, whether due to fraud or error.
In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of ad pepper media International N.V. as at December 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Managing Directors' Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Managing Directors' Report, to the extent we can assess, is consistent with the company financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, March 17, 2011

Deloitte Accountants B.V.

J. Penon

Focus on Performance

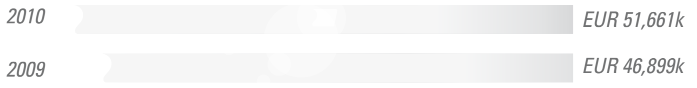
ANNUAL REPORT 2010

ad pepper
the e-advertising network

Overview of the main key figures

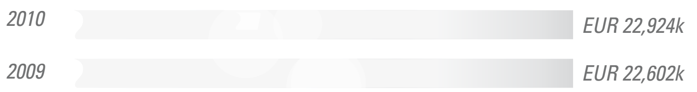
	2010	2009
Net sales (EUR million)	51.7	46.9
Gross margin (EUR million)	23.4	21.0
Gross margin (percent)	45.3	44.7
EBITDA (EUR million)	1.7	-29.8
EBIT (EUR million)	1.0	-32.0
EBT (EUR million)	3.1	-33.8
Net income / loss (EUR million)	2.5	-34.3
Earnings / loss per share (EUR)	0.11	-1.61
Balance sheet total (EUR million)	37.5	32.8
Equity (EUR million)	26.1	21.3
Equity ratio (percent)	69.5	65.0
Liquid funds*, (EUR million)	22.9	22.6
Number of employees (as of December 31)	250	239

Net sales



EBITDA

Liquid funds*



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

Agenda

The Managing Directors´ Report of ad pepper media International N.V. consists of pages 14 to 51.

Dear Shareholders,
Friends and Partners of our Company,

The ad pepper media Group underwent a successful turnaround in 2010 following the extensive restructuring and balance sheet clean-up measures the Company was obliged to take in 2009 in response to the far-reaching financial and economic crisis. Given our performance in the past financial year, one of the best in our company's history, we would like to take this Annual Report as an opportunity to provide you with answers to some key questions relevant to all parties with an interest in ad pepper media:

- How did ad pepper media manage to effect this turnaround?
- Where does ad pepper media stand today?
- What developments do we expect to see in future?

Organic growth and consistent cost management as key conditions for turnaround

We used the past financial year to introduce further extensive operating and structural measures, launch new products and focus the Group more consistently on its core competencies:

- At more than 12 percent, we generated a superb level of growth on a like-for-like basis, i.e. adjusted for the Italian business activities stopped in 2009. Key drivers of this growth were the Webgains (affiliate marketing) and (SEO/SEM) segments, which posted growth of 28 percent and 26 percent respectively. The ad pepper media segment, by far the largest in terms of sales, only reported slight growth. This was due in particular to developments in Denmark and France, which still fell short of expectations. ad pepper media USA, on the other hand, reported a very pleasing performance, posting a 228 percent growth spurt. The past financial year was nevertheless the best in the Company's history in terms of its overall (pro forma) sales performance.

- Within the framework of a permanent efficiency enhancement program, we managed to achieve substantial operating cost savings. Alongside the reduction in impairment and amortization of intangible assets, we were also able to cut our costs, especially in terms of personnel expenses. Not only that, thanks to significantly enhanced creditworthiness checks and trade accounts receivables management, we achieved a considerable year-on-year reduction in allowance for doubtful accounts.

ad pepper media today

The ad pepper media Group is now in a better position than ever before. With a liquidity cushion of around EUR 22.9 million, still not offset by any financial liabilities, and an equity ratio of around 69.5 percent, we are well positioned for the financial year ahead of us. In terms of our products, we acted early to focus on performance-based online marketing. Here, advertisers only pay for advertising on the internet once the desired results have been achieved. Clear double-digit growth rates in our Webgains (affiliate marketing) and ad agents (SEO/SEM) segments confirm that we have taken the right course. The success of our homegrown, patented and multiple award-winning iSense semantic targeting technology also played a key role in our turnaround, a development impressively documented by the rapid growth at our US subsidiary.

Still optimistic about the future

Even though the scale of the European and global economic recovery seems to vary widely from region to region, we still expect the macroeconomic backdrop to provide further positive momentum for the growth in the ad pepper media Group in the current financial year. What's more, we have done our homework in terms of our costs and have the right products on the market, although extensive investments will be required in employees and technology in the current year in order to maintain and extend our lead. In view of all these factors, we expect to generate double-digit sales growth in the financial year ahead as well.

This Annual Report will provide you with further information about our business performance and major events in the year under report, as well as about our expectations for the future.

As will be apparent to all of our readers, ad pepper media can look back on a successful year. We are equally confident that we will successfully master the current challenges. We will continue to make every effort to create sustainable value for our shareholders. It is to them that we owe our thanks for their loyalty and support.

Sincerely yours,

The Board of Directors
ad pepper media International N.V.
Amsterdam/Nuremberg, March 17, 2011

Ulrich Schmidt Jens Körner Michael A. Carton

Dear shareholders,

In the 2010 financial year, the Supervisory Board performed its duties pursuant to law and the Articles of Association. The Supervisory Board advised the Board of Directors on a regular basis. It monitored the Board of Directors in conducting business and was involved in decisions of key importance for the Company and the Group.

Comprehensively informed

In 2010, the Supervisory Board met for four ordinary meetings. In addition to the ordinary meetings, the Chairman and other members of the Supervisory Board maintained regular contact with the CEO and other members of the Board of Directors. None of the members of the Supervisory Board was absent from more than one meeting or telephone conference.
The Board of Directors kept the Supervisory Board informed on the implementation of the strategy for the year 2010 and beyond on an ongoing basis. Furthermore, the Supervisory Board approved the financial plan for 2010 and discussed (potential) take-overs and sales with the Board of Directors.
Subjects discussed included the annual and interim results, the stake in Videovalis GmbH, technology developments, organization of sales and marketing, investor relations, remuneration, as well as personnel. The Supervisory Board was informed about the general and financial risks of the business and the results of an evaluation of the internal risk management and control systems.

Pursuant to the provisions of the Dutch Corporate Governance Code, the work of the Supervisory Board and of the Board of Directors as well as the work of the individual members of both boards were discussed in the absence of the members of the Board of Directors.

On the basis of the Company's Articles of Association in their currently valid version, remuneration for the members of the Board of Directors is fixed by the shareholders' meeting following submission of proposals by the Supervisory Board to this effect. The Board of Director's remuneration is made up of a fixed and a variable component. The variable component includes annual success-based payments (bonus) as well as long-term incentives, such as stock options. The fixed remuneration component is regularly determined in January of each year with retroactive effect as of January 01 of the respective year. Increases in remuneration are generally orientated towards the inflation rate. The variable remuneration component is pegged to previously agreed and measurable targets which can be controlled. Budgeted, consolidated results of the following year are taken as targets. Members of the Board of Directors do not receive any guaranteed minimum bonus payments. Over the past five years, the bonus paid to the members of the Board of Directors totaled between 0 and 163 percent of the fixed pay. Variable bonuses are usually paid during the first quarter following publication of the consolidated profit for the year.

In 2000, ad pepper media introduced a long-term incentive model in the form of stock option plans for employees in key positions, including members of the Board of Directors. Stock options of the Company can be exercised if the price of the ad pepper media share exceeds certain, previously determined exercise thresholds, but not before the expiration of one year following issuance of the options. Tranches of option plans were granted to members of the Board of Directors in 2000, 2001, 2002, 2003 and 2008.

ad pepper media has no pension obligations to members of the Board of Directors.

The total sum and structure of remuneration for the members of the Board of Directors are designed to ensure that qualified executive staff can be recruited and kept. The remuneration structure, pension scheme payments and other financial obligations are designed to support the Company's medium to long-term interests. The remuneration policy is expected to remain largely unchanged in 2011.

Michael Oschmann (Chairman)

Members of the Supervisory Board

Michael Oschmann (1969; German national; male)
- Chairman of the Supervisory Board throughout the entire financial year up until and including December 31, 2010
- Businessman, CEO of Telefonbuchverlag Hans Müller GmbH & Co., Nuremberg
- Since January 10, 2000, member of the Supervisory Board, current term ending in 2013

Merrill Dean (1941; US national; male)
- Member of the Supervisory Board throughout the entire financial year up until and including December 31, 2010
- Management consultant, CEO Director Interfilm Inc.
- Since January 10, 2000, member of the Supervisory Board, current term ending in 2011

Jan Andersen (1967; Danish national; male)
- Member of the Supervisory Board throughout the entire financial year up until and including December 31, 2010
- Businessman, Managing Director of Grabacap ApS
- Since December 31, 1999, member of the Supervisory Board, current term ending 2014

Dr. Frank Schlaberg (1965; German national; male)
- Member of the Supervisory Board throughout the entire financial year up until and including December 31, 2010
- Managing Director of UniCredit Markets & Investment Banking
- Since May 27, 2008, member of the Supervisory Board, current term ending 2012

Remuneration of the Supervisory Board	2010 EUR	2009 EUR
Michael Oschmann	0	0
Merrill Dean	0	0
Jan Andersen	0	0
Dr. Frank Schlaberg	0	0

Further information concerning the independence of the members of the Supervisory Board as well as other details are contained in the Corporate Governance Report which forms part of this Annual Report.

Unqualified audit certificate for the Consolidated Annual Accounts

Auditors Deloitte Accountants B.V. audited the Consolidated Annual Accounts of ad pepper media International N.V. including the Directors' Report for the 2010 financial year and issued the unqualified audit certificate.
The Supervisory Board examined the Consolidated Annual Accounts and the Directors' Report as well as the auditor's report. Joint meetings were held with the auditor who presented key results of his audit and answered related questions. The Supervisory Board approved the result of the audit.

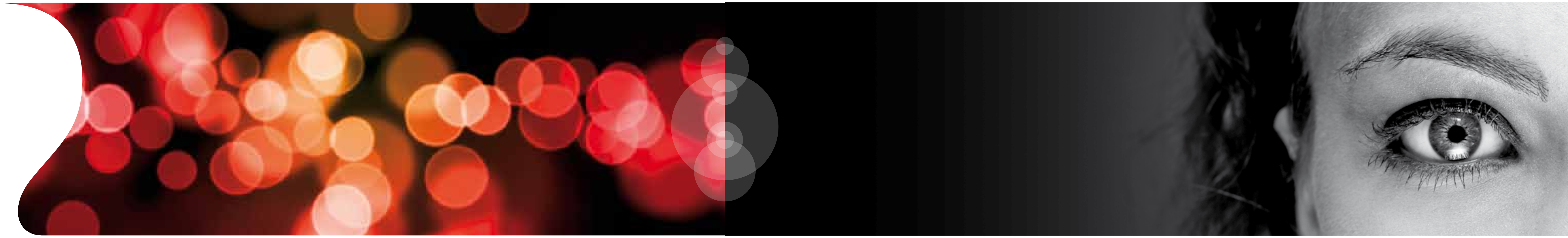
On March 17, 2011, the Supervisory Board approved the Annual Accounts for the year 2010 drawn up by the Board of Directors. The Annual Accounts for the 2010 financial year are thereby approved.

Corporate Governance

ad pepper media International N.V. is a company subject to Dutch law with subsidiaries in the Netherlands and abroad. All business activities were carried out in compliance with Dutch company and German capital market laws, in particular, the German Securities Trading Act (Wertpapierhandelsgesetz (WpHG)). The common shares are listed at the Frankfurt Stock Exchange for trading in the Prime Standard. The Supervisory Board feels committed to increasing shareholder value in the interest of all shareholders and has always been applying the most demanding standards for the Company's corporate governance principles. Although the Company according to its own guidelines generally applies the requirements laid down in the Dutch Corporate Governance Code, deviations may result from the legal requirements applicable to ad pepper media. In the "Corporate Governance" section, ad pepper media reports extensively on compliance with the Dutch Corporate Governance Code.

Thanks to the enormous and committed effort by the Board of Directors and all the staff of ad pepper media International N.V. and the companies in the individual European countries and the US, ad pepper media was able to master the challenges of the past financial year and is perfectly positioned again for the new financial year. All members of the Supervisory Board would like to express their very special thanks and recognition for the excellent work performed and the staff's extraordinary team spirit.

Nuremberg, March 17, 2011
On behalf of the Supervisory Board
Michael Oschmann, Chairman



Corporate Governance

Corporate Governance: „Comply or Explain“

Introduction

A new Dutch Corporate Governance Code Monitoring Committee has been installed on July 2, 2009 by the Minister of Finance, the Minister of Justice and the Minister of Economic Affairs. The Monitoring Committee's official terms of reference are to help ensure that the Dutch Corporate Governance Code is practicable and up to date and to monitor compliance by Dutch listed companies and institutional investors. On December 10, 2008 the first Monitoring Committee published its final monitoring report and the revised corporate governance code.

ad pepper media International N.V. took several measures for the application of the Dutch Corporate Governance Code (the "Code"), for instance:

- regulations for the Board of Directors;
- regulations for the Supervisory Board;
- a profile for the Supervisory Board;
- regulations concerning ownership of and transactions in securities by the Board of Directors or the Supervisory Board;
- an internal risk management and control system.

Except for the internal risk management and control system, copies of these documents are available on ad pepper media`s (the "Company") corporate website.

At the 2010 annual general meeting of shareholders, the corporate governance policy was discussed and the general meeting was requested to further improve the corporate governance structure and to vote for an amendment to the Company's articles of association, to further reflect the Company's compliance with the Code.

Each substantial change in the corporate governance structure of the Company and in the compliance of the Company with the Code was submitted to the general meeting of shareholders for discussion.

This chapter gives an outline of ad pepper media's corporate governance structure. Deviations from the Code are specifically discussed and explained herein.

Board of Directors

ad pepper media is managed by a Board of Directors which is responsible for the Company's aims, strategy and policy, and results (which is required to be initiated by the chief executive officer (the "CEO"). The Board of Directors is in charge of managing the day-to-day business and of the operational, tactical and strategic decisions of the Company. The responsibility for the management of the Company is vested in the Board of Directors as a whole.
ad pepper media's Board of Directors consists of one director A (the CEO) and two directors B.

The Board of Directors is responsible for complying with relevant legislation and regulations, for managing the risks associated with ad pepper media's activities and for it's financing.
The Board of Directors is required to report related developments to, and discuss the internal risk management and control system with the Company's Supervisory Board.

The Board of Directors is supervised by the Supervisory Board and provides the latter with all information the Supervisory Board needs to fulfill its own responsibilities. Major decisions of the Board of Directors require the approval of the Supervisory Board; these include decisions concerning (a) the operational and financial objectives of the Company, (b) the strategy designed to achieve the objectives, (c) if necessary, the parameters to be applied in relation to the strategy and (d) corporate social responsibility issues that are relevant to the Company. The Board of Directors laid down regulations for the Board of Directors about the division of duties within the Board of Directors and the procedure of the Board of Directors.

Members of the Board of Directors shall be appointed by the general meeting of shareholders from a binding nomination prepared by the Supervisory Board. Under the present articles of association of the Company the general meeting of shareholders may resolve that the list of candidates shall not be binding upon a resolution passed with an absolute majority of the votes cast representing more than one third of the issued capital. ad pepper media thus complies with provision IV.1.1 of the Code.

Under the present articles of association of the Company, members of the Board of Directors are appointed for an indefinite period of time. As of January 1, 2008, new members of the Board of Directors shall enter, if possible, into a five-year employment contract. This is not completely in line with provision II.1.1 of the Code.

Partly this can be explained by historical factors. The first members of the Board of Directors have been involved as founders of the Company and have a strong long lasting relationship with the Company. On the other hand it requires a lot of effort to attract qualified new members of the Board of Directors that wish to operate in the dynamic environment of the new economy with a high risk profile.

The Company will not establish any whistle blower guidelines. This is in deviation of provision II.1.7. of the Code. Due to the small size of the Company there are short lines of communication, the Board of Directors is highly involved in the day-to-day business and employees already have the possibility of reporting alleged irregularities of a general, operational and informal nature in the Company without jeopardizing their legal position. Furthermore, in 2007 a Code of Conduct, including business principles for our employees and rules of conduct, was adopted.

Due to the fact that ad pepper media`s major shareholder usually represents more than 90 percent of the capital present or represented at the General Meeting of Shareholders, ad pepper media decided to not comply with provision II.1.9 and IV.4.4 of the Code.

We believe that the regulation of determining the level and structure of the remuneration of the Board of Directors members is not applicable due to the current size of the Company.
ad pepper media thus does not comply with provisions II.2.1 through II.2.3, II.2.12 and II.2.13 of the Code.

We prefer not to apply provisions II.2.4, II.2.6, II.2.8 as well as II.2.10 and II.2.11, due to the fact – acknowledged by the Commission that drafted the Code – that existing contractual agreements between ad pepper media and individual members of the Board of Directors cannot be set aside at will.
In particular, the vesting period of options granted to members of the Board of Directors is two years and not three years. Also, the issue price of the options is fixed at the average trading closing price over a period of 10 days not 5 days.
Furthermore, the remuneration in the event of dismissal may exceed one year`s salary. In the case of a termination of a Board of Director`s member employment agreement without serious cause as defined by the applicable law, ad pepper media would remain obliged to compensate such Board member for the remaining term of his employment agreement. Finally, the Supervisory Board has neither power to adjust the variable remuneration component conditionally awarded in a previous financial year downwards nor can it recover from the Board of Directors any variable remuneration awarded on the basis of incorrect financial or other data.
When new members of the Board of Directors will be appointed in the future, the Code will be taken into consideration, but in order to be able to attract top talent in a global market, it will also depend on factors such as market practice, nationality, and existing employment agreements, to which extent the Company will comply in individual cases with these best practice provisions. The Company has not and will not publish immediately after conclusion the main elements of a contract with a member of the Board of Directors. All legally required information will be published in the annual report (provision II.2.14).

ad pepper media has no outstanding loans to any member of the Board of Directors other than to Mr Michael A. Carton for which loan agreements are at arm's length and approved by the Supervisory Board. ad pepper media has not provided any guarantees for the benefit of any member of the Board of Directors. ad pepper media thus does not fully comply with provision II.2.9 of the Code.

In 2009 the Board of Directors decided to modify the exercise price and the number of options of all stock option plans in order to reflect the increased number of shares in the course of the share split, effective May 27, 2009. ad pepper media thus is of the opinion, that it complies with provision II.2.7 of the Code.

A member of the Board of Directors is required to report immediately and to provide all relevant information to the chairman of the Supervisory Board and to the other members of the Board of Directors about any conflict of interest or a potential conflict of interest that may be of material significance to the Company and/or to him. Due to German privacy legislation this requirement is, in deviation of provision II.3.2. of the Code, restricted to members of the Board of Directors and does not see to information on any conflicts of interests concerning the spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree of the members of the Board of Directors. Decisions to enter into transactions under which a member of the Board of Directors would have any conflict of interest that are of material significance to the Company and/or the relevant member of the Board of Directors require the approval of the Supervisory Board.

A member of the Board of Directors shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company. All transactions in which there are conflicts of interest with a member of the Board of Directors shall be agreed on terms that are customary in the sector concerned.

Transactions during the financial year with a possible conflict of interest between the Company and a member of the Board of Directors are described in the annual report of the Company.
Mr Ulrich Schmidt holds a minority interest in Brand Affinity Technologies of around 1.2 percent of the Company's share capital. The Supervisory Board of ad pepper media International N.V. approved the transaction.

The representation authority of the Company, including with respect to the signing of documents, is vested in at least two Directors B or a Director B acting jointly with a director A. The CEO (who is a Director A) has discretion to exercise representation authority and sign documents in his individual capacity.

Supervisory Board

The Supervisory Board is charged with supervising the policies of the Board of Directors and the general course of affairs of the Company and the business connected with it, as well as assisting the Board of Directors by providing advice. The Supervisory Board evaluates the main organizational structure and the control mechanisms established under the management of the Board of Directors. It is involved in the discussions about the operational and financial objectives of the Company, the strategy designed to achieve the objectives and the parameters to be applied in relation to the strategy. The responsibility for proper performance of duties is vested in the Supervisory Board as a whole. The Supervisory Board members may adopt an independent stance vis-à-vis the Board of Directors.
In performing its duties the Supervisory Board acts in accordance with the interests of the Company and the business connected with it and, to that end, considers all appropriate interests associated with the Company. The Supervisory Board members perform their duties without mandate and independent of any interest in the business of the Company

Under the criteria of the Dutch Corporate Governance Code, three of four ad pepper media's Supervisory Board members qualify as independent. Mr Michael Oschmann, who is ad pepper media's Chairman of the Supervisory Board, is not independent as he is director of E.M.A. B.V., which is holding more than 10 percent of the Company's share capital. However, the Company wishes to keep open the possibility to offer a position at the Supervisory Board to persons who do not qualify as independent under the Code. This has to do with the present size of the Company. Therefore the Company may not at all times comply with provisions III.2.1 and III.2.2 of the Code.
The Supervisory Board is responsible for the quality of its own performance. The Supervisory Board has laid down the division of duties within the Supervisory Board and the procedure of the Supervisory Board in a set of regulations.
Members of the Supervisory Board are appointed by the general meeting of shareholders. The Supervisory Board shall consist of not less than three persons, such number to be determined by the general meeting of shareholders.
At present, ad pepper media's Supervisory Board has four members. The current articles of association of the Company restrict the maximum period for appointment of four years and provide that a supervisory director can be immediately reappointed.

In deviation of provision III.3.5 of the Code it will not be proposed to adopt the maximum of three four-year terms. The Company wishes to keep open the possibility that a Supervisory Board member continues his position due to his great knowledge of the business and high level of involvement. Already in 2005 the Supervisory Board prepared and adopted a profile of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the Supervisory Board members. The Supervisory Board will evaluate the profile annually. At least one member of the Supervisory Board shall be a financial expert.

The Supervisory Board shall conduct an annual review to identify any aspects with regard to which the Supervisory Board members require further training or education during their period of appointment.

In accordance with the Code it is the intention of the Supervisory Board that its members will not hold more than five memberships in Supervisory Boards of Dutch listed companies, including ad pepper media. In this connection a chairmanship counts twice.
At present no Supervisory Board member holds more than five such board memberships.

The Supervisory Board has not established a formal retirement scheme for the Supervisory Board. In light of the limited number of members of the Supervisory Board we consider it unnecessary to establish a retirement scheme and, thus, the Company does not comply with provision III.3.6 of the Code.

According to the provision III.4.1 of the Code, the Chairman of the Supervisory Board shall see to it that a.) the Supervisory Board members follow their induction and education or training programme, f.) the Supervisory Board elects a Vice-Chairman and g.) the Supervisory Board has proper contact with the Executive Board and the Works Council (or Central Works Council).

ad pepper media does not apply with provision III.4.1 a.) and f.) due to the size of the Company and the limited number of members of the Supervisory Board. In addition, the Company does not comply with provision III.4.1 g.) due to the structure of the Group.

The chairman of the Supervisory Board does not chair the general meeting of shareholders for the reason that the Supervisory Board is of the opinion that it is more appropriate to have the CEO to chair the general meeting of shareholders.
Due to the size of the Company the chairman of the Supervisory Board is not assisted in his role by a Company secretary.

Therefore, the Company does not comply with provision III.4.3 of the Code.
Since 2005 the Company's articles of association contain a provision pursuant to which the Supervisory Board may, if it deems it necessary, establish one or more committees, in which case it has to draw up a set of regulations for each committee.

The remuneration of the Supervisory Board members, if any, is not dependent on the Company's results. A Supervisory Board member may be granted shares and/or rights to shares by way of remuneration. The shares held by Supervisory Board members in the Company are long-term investments.
Any conflict of interest or apparent conflict of interest between the Company and Supervisory Board members shall be avoided. Transactions with a possible conflict of interest between ad pepper media and a member of the Supervisory Board are described in the annual report of the Company. Transactions under which Supervisory Board members would have conflicts of interest that are of material significance to the Company and/or to the relevant Supervisory Board are entered into at arm's length.

The Supervisory Board is responsible for deciding on how to resolve conflicts of interest between the Board of Directors members, Supervisory Board members, major shareholders and the external auditor on the one hand and the Company on the other.
The Board of Directors deems that the Company has complied with Best Practice Provisions III.6.1 to III.6.3 inclusive. No transactions have taken place in the financial year in which (potentially) conflicting interests of material substance related to Supervisory Board members have played a part. No transactions in the context of Best Practice Provision III.6.4 have taken place.

According to the provision IV.3.10 of the Code, the report of the General Meeting of Shareholders shall be made available, on request, to shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the report in the following three months. The report shall then be adopted in the manner provided for in the Articles of Association. A notarial record is made of the proceedings of the meeting, as provided for in the Articles of Association. The notarial record will be available no later than three months after the meeting and made available upon request. Therefore this best practice provision is not fully being complied with.

Pursuant to changes in the relevant Dutch legislation, the report shall be made available within a shorter period.

With reference to best practice provision IV.3.11, the Company confirms that it has no anti-takeover constructions, in the sense of constructions that are intended solely, or primarily, to block future hostile public offers for its shares. Nor does ad pepper media have any constructions whose specific purpose is to prevent a bidder, after acquiring 75 percent of the capital, from appointing or dismissing members of the Board and subsequently altering the Articles of Association. The acquisition through a public offer of a majority of the shares in a company does not under Dutch law preclude in all circumstances the continued right of the Board of the Company to exercise its powers.

The chairman of the Supervisory Board determines the agenda, chairs the Supervisory Board meetings, monitors the proper functioning of the Supervisory Board, arranges for the adequate provision of information to the members, ensures that there is sufficient time for making decisions, arranges for the induction and training program for the members, acts on behalf of the Supervisory Board as the main contact for the Board of Directors, initiates the evaluation of the functioning of the Supervisory Board and the Board of Directors and evaluates whether or not the Supervisory Board should install committees. In 2010 ad pepper media did not have committees as set out in Principle III.5 of the Code and thus did not fully comply with this provision. However, in the absence of an audit committee, the entire Supervisory Board forms the audit committee. ad pepper media does not have an internal auditor function of its own which the Company believes is justified given the size and complexity of its business and the duties and involvement of its external auditors. ad pepper media does, thus, not comply with provisions V.3.1 through V.3.3 of the Code.

Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences are being announced in advance on the Company's website. Due to their large number and overlap in information, however, some of the less important ones are not announced in advance, made accessible to everyone or put on our website. Also, due to the size of ad pepper media, meetings and presentations are not being made available in real time. The Company, thus, does not fully comply with provision IV.3.1 of the code.

ad pepper media has not formulated a policy on bilateral contacts with shareholders due to the small number of outstanding shareholders. The Company, thus, does not comply with provision IV.3.13 of the code.

Auditor

The external auditor is appointed by the general meeting of shareholders. The Supervisory Board can nominate a candidate for this appointment for which purpose the Board of Directors advises the Supervisory Board. The remuneration of the external auditor, and instructions to the external auditor, to provide non-audit services, shall be approved by the Supervisory Board, after consultation with the Board of Directors.

At least once every four years, the Supervisory Board shall conduct a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The main conclusions of this assessment shall be communicated to the general meeting of shareholders.
The Company does not have separate officers with the function of internal auditor, due to its size. The corporate controlling department covers also the function of internal audit issues. Controllers of the Company are required to operate under the responsibility of the Company's Board of Directors.

The external auditor is required to attend the meetings of the Supervisory Board at which the report of the auditor with respect to the audit of the annual accounts is discussed and at which the annual accounts are approved.

Internal risk management and control system

Based on our evaluation of the operation of our internal risk management and internal control systems, the Board of Directors is of the opinion that the internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies.

Also, the Board of Directors is of the opinion that there are no indications that the internal risk management and internal control systems have not operated properly in the year under review or will not operate properly in the current year. This evaluation and the current status have been discussed with the external auditor and the plenary Supervisory Board. As regards risks other than financial reporting risks, including operational/strategic and legislative/regulatory risks, reference is made to the most important risk factors inherent in our businesses and our objectives as listed in the "Risk Factors" section.

In view of the above the Board of Directors is of the opinion that it is in compliance with the requirements of provision II.1.4 of the Dutch Corporate Governance Code.

Article 10 Takeover Directive Decree (Besluit artikel 10 overnamerichtlijn)

Introduction

In accordance with article 10 of the Takeover Directive (Dertiende Richtlijn), companies with securities that are admitted to trading on a regulated market are obligated to disclose certain information in their annual report. This obligation has been implemented in Dutch law through Article 10 Takeover Directive Decree.
ad pepper media must disclose certain information that might be relevant for companies considering making a public offer with respect to ad pepper media. Please find below the information which ad pepper media is required to disclose including a corresponding explanatory report.

Capital structure

On December 31, 2010, the total number of ad pepper media shares carrying voting rights was 23,000,000 ordinary shares (including 1,953,792 shares held by the Company that may not be voted on at general meetings of shareholders). The Company only has ordinary shares.

Obligation of Shareholders to disclose holdings

Pursuant to the Financial Markets Supervision Act (Wet op het financieel toezicht) and the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen), the Financial Markets Authority has been notified about the following substantial shareholdings regarding ad pepper media International N.V.

Notifications in the financial year 2010 and 2011 (until March 17, 2011):

- March 8, 2010: Amiral Gestion S.A. voting rights amount to 4.898 percent (this corresponds to 1,126,517 voting rights).

Appointment and suspension of members of the Board of Directors

The members of the Board of Directors shall be appointed from a binding nomination made by the Supervisory Board. In case no binding nomination has been made the general meeting shall be free in its choice. The general meeting may, at all times, resolve that the list of candidates shall not be binding upon a resolution passed with an absolute majority of the votes cast representing more than one third of the issued capital. If at least an absolute majority of the valid votes cast supports the resolution to render the nomination non-binding, but the required quorum of one-third of the issued capital is not being represented, this resolution could however be taken in a second meeting to be convened in which the resolution can be taken with at least an absolute majority of the valid votes cast, without any quorum requirement. A member may be reappointed for a term of not more than five years at a time. The Supervisory Board appoints one of the members of the Board of Directors as Chairman of the Board of Directors.

The general meeting may at any time suspend or dismiss any member of the Board of Directors. The Supervisory Board shall have power to suspend each Member of the Board of Directors. It shall immediately notify the member of the Board of Directors concerned of his suspension by means of a written statement giving the reason for the suspension and it shall have the obligation to call a General Meeting, which shall either cancel the suspension or resolve upon dismissal of the suspended director.

Shareholders agreement on limitation of the exercise of voting rights

Each share issued by ad pepper media entitles its shareholder to one vote. There are no restrictions on voting rights. As far as known to ad pepper media, there is no agreement involving a shareholder of ad pepper media that could lead to a restriction of the transferability of shares or of voting rights on shares.

Appointment and suspension of members of the Supervisory Board

The general meeting appoints the Supervisory Directors and shall at all times be empowered to suspend or dismiss each and any Supervisory Director. The general meeting appoints, dismisses, suspends a member of the Supervisory Board by absolute majority. The Supervisory Board shall consist of not less than three members, including a Chairman, who will retire by rotation as laid down in writing by the Supervisory Board and, with due regard of the statutory provisions, may be reappointed, whereby the basic principle will be that as few Supervisory Directors as possible retire at the same time.

Amendment of the articles of association

The Articles of Association may only be amended by a resolution of the General Meeting at the proposal of the Board of Directors, made with the consent of the Supervisory Board.
If the Board of Directors has not made such a proposal any resolution to change the Articles of Association has to be taken with a majority of at least two-thirds of the validly cast votes.

Acquisition by the Company of shares in its own capital and issue of shares

On May 18, 2010 the general meeting of shareholders authorised the Board of Directors for a period of 18 months to repurchase shares in the Company's own share capital up to a maximum amount of 50 percent of the Company's issued share capital at that time. The consideration for the shares to be repurchased will be at least 80 percent of the (opening) stock price of the shares of the Company at the date of such repurchase and at the most 120 percent of such stock price. During 2010 ad pepper media has not bought back any shares.

Payments to employees on termination of employment in case of a public bid

There is no "change of control" clause in the Board of Director's existing employment contracts.

The share

The ad pepper media International N.V. share

Annual General Meeting

At the Annual General Meeting of ad pepper media International N.V. held in Amsterdam on May 18, 2010, all of the resolutions proposed in the agenda were adopted unanimously and without abstention.

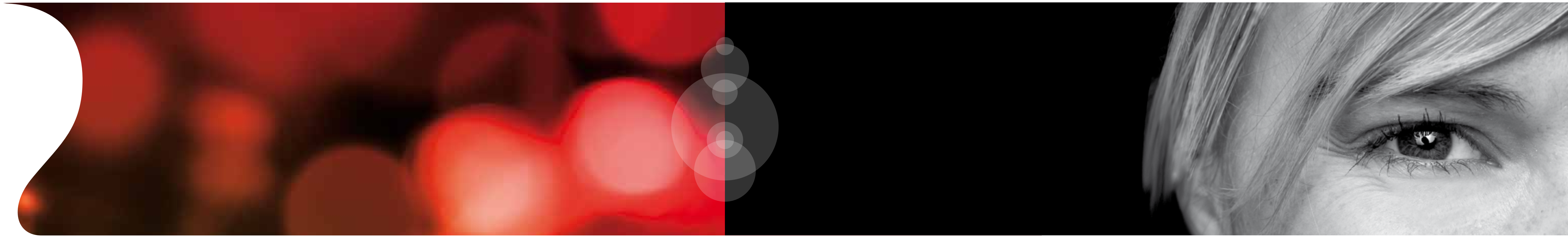
In all, 11,719,332 voting rights, or 56 percent of all voting rights, were represented at the Annual General Meeting. Alongside the presentation of the annual financial statements for the 2009 financial year, key agenda items also included the authorization to buy back treasury stock, the appointment of the external auditor and the Supervisory Board election. All the current members were reappointed.

Share price performance

	2010 EUR	*2009 EUR*
Market capitalization	*41.4m*	*26.9m*
Year end	*1.80*	*1.18*
Year high	*2.14*	*1.50*
Year low	*1.10*	*0.72*

ad pepper media's share price rose consistently throughout 2010, although the annual high of EUR 2.14 posted on October 4 was significantly undercut as the fourth quarter progressed.
The share closed the year at EUR 1.80 as of December 31, 2010, around 53 percent up on the closing price at the end of the previous year.
ad pepper media's market capitalization totaled EUR 41.4m at the end of 2010 and was thus only EUR 18.5m higher than the Company's liquid funds at that date. The Company has no financial liabilities.

Share price developments during the last 12 months of 2010 (Xetra)



Business activities

Internet as indispensable part of everyday life

Most people can hardly imagine life without the internet. Whether they use it for games, to chat, watch videos or listen to podcasts, to book holidays or transfer money, the internet has become an indispensable part of their everyday lives. As the European Media Landscape Report compiled by the European Interactive Advertising Association (EIAA) shows, more than half of all Europeans (54 percent) use the internet regularly, spending an average of around 12 hours a week online. Of those surveyed, 33 percent stated that they could no longer imagine life without the internet. These figures make clear how normal this medium has become in many areas of our lives – almost as normal as television, without which a further third of Europeans would not be able to manage.

According to the Hans Bredow Institute for Media Research in Hamburg, one of the main reasons for the internet boom is the fact that technical barriers have been lowered. It has become easier to publish all kinds of information, to process and filter this information together with others, and then to circulate it. The more possibilities on offers on the internet, the more time users spend on it – that is the basic formula. Not only that, the internet also unites several different media – television, radio and video, podcast and chat services are all available via PC or mobile telephone. The net has long overtaken television in terms of its importance for younger users. What's more, the internet has become an important instrument for people to organize their day-to-day lives. "Habitualization" is the term the specialists use to describe this development, which was also one of the findings of the most recent ARD/ZDF online study. This study also confirmed that online shopping, one of the most widespread net applications, is continuing to grow rapidly. The fact that consumers turn to the internet as a matter of course has also affected their shopping habits. Virtually all internet users in Germany (97.4 percent) have already informed themselves about products or services at least once on the internet. The most popular subjects for online research are books, holidays and last-minute travel, admissions tickets, hotels for holiday and business travel and music CDs. Online shoppers account for 86.0 percent of all internet users. It can basically be concluded that online research has become a fixed component in the orientation stage in the run-up to any purchase – irrespective of whether this then takes place online or offline.

Online advertising wins further market share and overtakes TV

While TV broadcasters and magazines continue to suffer from falling advertising revenues, branded companies have significantly boosted their spending on online marketing. This is one of the key findings of a survey carried out by the European Interactive Advertising Association (EIAA) among 500 marketing decision makers.

As well as ensuring that adverts actually reach the relevant target groups, online marketing planners always have to make sure that marketing budgets are put to sensible, effective use. Only this way can advertising budgets be justified. With online advertising that is possible, as its success can be clearly measured. That not only involves measuring the number of clicks leads (interested parties) and ultimately sales generated. The mere viewing of an advert, and thus its contribution towards raising brand awareness and advertising effectiveness, can also be measured at no great expense. That is the decisive advantage offered by online advertising compared with all other conventional advertising forms and media. It thus comes as no surprise that online advertising is hardly scaled back even in difficult economic periods. Quite the reverse – the climate of recession still prevalent in 2009 acted as a motor and catalyst alike. A trend already apparent for some time, namely advertisers migrating ever greater shares of their advertising budgets towards online solutions, intensified further in the past year as well.

It is worth mentioning here that, since last year, the UK has been the first country where more was spent on internet advertising than on television adverts. Experts expect online advertising spending to exceed TV advertising spending in the next five years as well. This expectation is also backed up by a study performed by Forrester Research, according to which the time US consumers spend watching television and online is now virtually identical, a development that will in all likelihood further accelerate the migration of advertising budgets. In Germany, one of Europe's core digital marketing markets, the online advertising market has recently also performed far more robustly than TV advertising, for example. Here as well, consistently more money was channeled into online advertising in the past year.

A seasoned marketer

Since 1999, ad pepper media has acted as an experienced, professional partner offering its customers individually tailored solutions in the area of online advertising.
Today, the Company has 16 offices in eight European countries and the USA and organizes campaigns for thousands of national and international advertising customers in a current total of more than 50 countries.
By covering the entire range of efficient marketing solutions, offering proprietary technology and high international placement power for multinational advertising campaigns, ad pepper media has successfully extended its head start over its competitors.

Media agencies, advertisers and websites are offered individual, efficient services covering virtually the whole spectrum of online advertising in the fields of display, performance, e-mail, affiliate and search engine marketing, as well as ad serving. Here, the Company's iLead and iSense products are unique in their respective market segments (lead acquisition and semantic targeting). Webgains is the fastest-growing affiliate network in Europe.

As a one-stop shop for advertisers, ad pepper media offers an all-round service from campaign management through to reporting – always on the basis of the best technology available. ad pepper media is permanently expanding its range of services within individual product areas and developing new services and solutions to guarantee consistently better results for customers and website partners. Not only that, the Company has more than a dozen efficient marketing tools that it is permanently expanding and adapting in line with market needs and its customers' wishes.

Performance marketing still in the fast lane

Performance-driven online advertising has been extremely successful for several years now and is very popular among advertisers. Lead acquisition and click campaigns were important factors in the past already and the sales generated with these types of campaign continue to rise at high growth rates. E-mail and the internet provide dialog marketing specialists with two instruments opening up unimagined possibilities in terms of dialog management to support advertising customers in generating new customers and retaining and intensifying existing business relationships.

Performance marketing generally pursues two different strategies. It allows advertisers to optimize, i.e. cut, their marketing expenses compared with traditional advertising media. This is because advertising budgets are put to more targeted use given that compensation is dependent on successful sales. On the other hand, it enables advertisers to achieve significant growth in sales with the products or services offered on the internet. If the adverts are visually appealing and, more importantly, if they appear in a relevant, i.e. context-based environment, the conversion rate can be influenced directly. Ideally, a simple click can thus be turned into an action or purchase. Here, online advertising offers a further decisive competitive advantage over traditional advertising, namely performance measurement. All advertising measures can be monitored and evaluated in real time in terms of their intended advertising effect and even changed where necessary while the campaign is still up and running.

Unique, award-winning semantic ad targeting technology

In "Sense Engine™", ad pepper media has the world's first technology capable of semantically analyzing a website's entire text, identifying the main topics referred to on the website and placing suitable advertising campaigns, all of which in a fraction of a second.
Using the iSense Display product, this system enables campaigns to be displayed in a context relevant to the website – irrespective of the individual format and medium. The ad server analyzes the content of each individual web page, identifies the semantic links and the main topics referred to and only places the advert in the desired topical context. Advertisers merely have to select their desired topical categories prior to the launch of the campaign.
ad pepper media offers around 3,500 categories as contexts within which successful advertising campaigns can be implemented. To optimize campaigns, these categories can be adapted to focus on those areas delivering the best performance even while the campaign is still running. What's more, the underlying database is permanently extended and updated by an international team of linguists, thus ensuring that the topical categories available for selection are always up-to-date.

A further product based on "Sense Engine™" is SiteScreen. Following semantic analysis, this identifies undesirable content and prevents adverts from being displayed on unsuitable websites. The topics capable of being blocked on individual websites include alcohol, smoking, drugs, file sharing, environmental catastrophes, erotica and pornography, violence, vulgar language, gambling, weapons, and extremism. This way, SiteScreen protects advertisers from having their campaigns placed in environments with content potentially harmful to their brands, and from the resultant consequences.

The "Sense Engine™" technology is the result of 10 years of research and development led by Prof. Dr. David Crystal, one of the world's leading linguists. It has been developed with the aim of building up a successful, permanent lead over existing targeting systems, in turn creating a crucial competitive advantage.

Webgains – one of the fastest-growing affiliate networks in Europe

Affiliate marketing has become an established overall strategy for sales and marketing processes at suppliers and partners. Key requirements for achieving relevant sales with an affiliate program are the right strategy, professional partners, and good management of the relations with the partner network.

Our Webgains affiliate network is one of the most dynamic platforms on this market. Around 2,500 advertisers (merchants) and around 130,000 affiliates (websites) in the UK, France, Germany, the Netherlands, Sweden, Denmark, Ireland, Spain and the USA have already been convinced of the merits of Webgains as one of the leading affiliate networks.

Maximum range combined with success-based payment makes affiliate marketing very attractive for all participants. Using Webgains as the technology platform, merchants make advertising formats (banners, text links, etc.) available on the websites of website operators (affiliates). These formats can be used to advertise the merchants' products and services and, when successful, result in a purchase, subscription or similar transaction. This means that in a strict sense Webgains is an e-commerce platform and, in our opinion, one of the most efficient on the market because the technical platform is persistently upgraded, in line with customer demands, on the one hand, and is also supplemented by a service offering which is regarded as exemplary by the entire industry, on the other.

Achieving large ranges quickly with e-mail marketing

The main goals of e-mail marketing are to achieve large ranges quickly and effectively, or to send an advertising message to specific target groups without too much dispersion loss. Successful campaigns select their target groups very precisely in advance. The quality of the addresses depends on several factors. First of all, the databases must be identified which store thousands of email addresses with the address holders' permission.
In Germany alone, more than 40 million addresses are registered where permission has been granted to receive e-mail advertising (permission addresses).
However, the quality of the individual data differs significantly and varies according to supplier. The more transparent the permission to receive advertising, the more successful the e-mail campaign. Anybody who consciously decides to receive advertising expects to receive post and will also read it. Another important factor is mailing frequency: After all, anybody who actively decides to receive advertising information per e-mail does not want to be inundated with it.

ad pepper media is one of the leading service providers in this field. As a full-service provider, the Company's "mailpepper" experts offer all services related to e-mailing: from consultancy to the creative preparation of an advertising medium, right through to selecting the ideal mailing channel. The use of innovative technologies provides advertisers with the ultimate in transparency, delivering comprehensive results and analysis – of course in compliance with the laws in force in the respective countries. Prices for permission e-mail addresses depend on the supplier, the type of soliciting and the respective target group. The more detailed the requirement profile (sex, age, interests, etc.), the higher the costs which are billed in so-called CPM´s – i.e. price per thousand contacts. E-mail addresses without the related user profiles, so-called rest addresses, naturally cost less. Irrespective of whether a broad image campaign is being planned or selected recipients are to be reached, ad pepper media can ensure reliable and smooth delivery in just a few hours. We can offer our customers access to 72 million exclusive e-mail profiles, depending on whether you wish to implement your campaign on a national or international level.

Professional search engine marketing

Although sales with search engine marketing and search engine optimization have yet to reach the level of classical advertising, they are indeed one of drivers behind the growth of Internet advertising.
With the acquisition of ad agents GmbH, in which we have held a 60 percent share since April 2007, we are successfully represented in this market segment and are also focusing increasingly on foreign customers, such as Neckermann in Germany and Switzerland, BON'A'PARTE in the Netherlands, Sweden, Denmark, Switzerland and Germany, as well as Elegance in France. Trigema, RUNNERS POINT and Condor are further examples of well-known customers of ad agents. All of these customers now have an established e-commerce strategy and sell goods and services via their websites or web shops. ad agents, a specialist agency for search engine marketing, search engine optimization and performance marketing, helps its customers to transform their web presence into a more efficient selling tool. This is achieved by improving range in combination with the best possible increase in advertising effectiveness.

The strategies developed by ad agents on the basis of quality and security provide customers with sustainability in terms of clicks and sales and are supplemented by detailed reporting.

Independent, powerful ad serving

Emediate is the market leader in Scandinavia and its customers include top companies, such as dagbladet.no, one of Norway's biggest online daily newspapers, or the international online marketing network hi-media.
Following AOL's takeover of Emediate competitor AdTech and the takeover of DoubleClick by Google, ad pepper media is one of the few players on the market to boast independent and powerful ad serving and is hence even more attractive for our customers.
Agencies, advertisers and websites will now increasingly avail of services and products from Emediate in order to implement with an independent partner a reliable and scalable software solution to efficiently plan, steer and analyze their campaigns.

Sales and marketing

For ad pepper media as a customer-focused service provider, sales and marketing represent a core task and ultimately form part of its normal day-to-day business. New customer acquisition is mostly performed on a decentralized basis, i.e. new customers are acquired by sales teams at our 16 offices.
Multinational blue chip companies, on the other hand, are acquired by our international sales team and by implementing trial projects, usually in more than one country, which result in large-scale campaigns if successful. Further key aspects of ad pepper media's sales activities include maintaining existing customer relationships and acquiring new customers at trade fairs and similar events.
Last year, for example, ad pepper media was at "dmexco" in Cologne, Germany's most important online marketing fair and one that attracts great international attendance. Not only that, ad pepper media USA also participated very successfully in the "iMedia Agency Summits" in Austin/Texas and Scottsdale/Arizona. We were also represented at "ad:tech" in New York and San Francisco, the leading fairs for interactive marketing in the USA. ad pepper media was also present at the "ad:tech" fair in London. What's more, we were also assisted at numerous fairs and events by Prof. Dr. David Crystal, who appeared as a keynote speaker and played an active role in promoting our iSense targeting technology.

Over and above this, ad pepper media was represented with its Webgains network at "a4uexpo London" in London in autumn 2010 and at "a4uexpo Europe" in Munich in May 2010. Moreover, our affiliates network was active at further events relevant to the sector, such as the Dutch "Affiliate Day" in Amsterdam and the "affiliate tactixx" event held in parallel with the Internet World fair.

Economic development

Economic environment and products

Macroeconomic framework

ad pepper media operated in a very favorable overall macroeconomic climate in 2010. According to estimates compiled by the International Monetary Fund (IMF), global growth may have slowed somewhat following the robust developments seen in the first half of the past year in particular, but the upward trend nevertheless remains intact, especially in emerging and developing economies. China, for example, grew by around 10 percent according to IMF figures. For the USA, the IMF expects the growth of 2.6 percent in the past year to be followed by further growth of 2.3 percent in the current year.

Based on forecasts issued by the German Institute for Economic Research (DIW), the German economy is thought to have grown by 3.6 percent in 2010. Growth of around 2.2 percent is expected in 2011. According to the IMF, Germany is therefore set to act as the key growth driver for the entire euro area once again in the current year. The IMF has forecast 1.5 percent growth in economic output in the euro area in 2011, with great fluctuations between individual regions. For Greece, a highly indebted member state, for example, the IMF has forecast a 4.0 percent downturn in GDP this year. Economic output in Spain and Ireland is expected to rise slightly in 2011.

Trends and development in the online advertising market in 2011

While the online advertising market already showed very pleasing developments in 2010, we believe that it will benefit from further strong growth in 2011 and further increase its share of the overall market. The trend towards technologization in the field of online marketing is set to intensify further. The aim here is to reduce the so-called gross/net gap in online advertising spending. Ultimately, this means that greater attention will be paid to quality and to actually reaching the relevant target groups without any significant dispersion losses. By working with our patented iSense targeting technology, we already offer a unique instrument for precisely controlling online campaigns in the desired environments. The process of technologization will also accelerate in the field of affiliate marketing, as no medium harbors efficiency potential comparable to that offered by the internet, whose so-called reverse channel capability opens up completely new possibilities for precise control. This is the approach taken when retargeting and optimizing sales at the e-shops operated by merchants within our Webgains affiliate program.

Furthermore, the trend towards establishing virtual marketplaces is also set to intensify in the current year. Demand side platforms (DSPs) are one example of this kind of marketplace. DSPs are independent service providers that pool coverage for agencies and customers under one surface, thus optimizing procurement prices for customers and also simplifying the relevant entries and reporting. In this, DSPs do not themselves offer advertising surfaces, but rather enable users to automatically compare prices at various online advertising marketers and marketplaces, to reach a booking decision and to take part in real-time auctions of stocks (real-time bidding). ad pepper media has met the requirements to be linked to all relevant platforms. The Company has set itself apart from its competitors by offering its iSense technology, which enables advertisers to place their adverts in precisely defined surroundings or to exclude specified topic areas (SiteScreen).

Structure of the ad pepper media Group

The ad pepper media Group is one of the leading independent marketing networks in the field of online advertising.

ad pepper media International N.V., based in Amsterdam, Netherlands, is the central management and holding company for the companies in the ad pepper media Group. With 16 offices in eight European countries and the USA, ad pepper media handles campaigns for thousands of national and international advertising customers in a current total of more than 50 countries worldwide. Our online advertising activities are centered around three business divisions: ad pepper media, Webgains and ad agents.

ad pepper media

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

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

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

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

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

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

Webgains

is Europe's fastest-growing network of affiliates, with offices in the UK, France, Germany, the Netherlands, the USA, Spain, Sweden and Denmark.
What makes affiliate marketing so attractive for all participants is the way it facilitates wide coverage via a large number of websites while offering performance-related compensation. Affiliate marketing is a commission-based advertising model where website operators (affiliates) drive internet traffic to the sites of advertisers (merchants) and receive a percentage of the sales generated there in return.

It is not only the service Webgains offers that is so convincing – in the past two years it has also taken the lead by offering innovative technological features, such as iSense SiteSeeker, Voucher Management Tool, Page Peel and mobile tracking, on its platform.

ad agents

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

Presentation of the earnings position

Sales development

ad pepper media's Group (the "Group") sales rose to EUR 51,661k in the 2010 financial year, equivalent to growth of 10.2 percent on the previous year (2009: EUR 46,899k). On a like-for-like basis, i.e. including the activities now discontinued at ad pepper media Italy srl., sales even rose by around 12.3 percent. This growth was mainly driven by the Webgains segment, where external sales rose by 28.2 percent from EUR 12,713k to EUR 16,299k, and the ad agents segment, which boosted its sales by 25.6 percent from EUR 5,390k to EUR 6,771k. The ad pepper media segment reported like-for-like growth of 2 percent, thus falling short both of the other segments and of our own expectations. This development was mainly attributable to local markets such as Denmark and France, which are nevertheless expected to witness a turnaround in the current year. All in all, however, the 2010 financial year was the best in the Company's history (on a like-for-like basis). The quarterly breakdown of sales is also correspondingly positive, with new records being set in terms of the level of sales generated in each of the second, third and final quarters of 2010. Sales in the last quarter alone grew year-on-year by EUR 2,145k, or 17.3 percent (once again on a like-for-like basis).

Gross margin

The gross margin amounted to 45.3 percent in the past financial year (2009: 44.7 percent). In absolute figures, the Group's gross profit rose by EUR 2,434k to EUR 23,413k (2009: EUR 20,979k). The development in the margin shows that ad pepper media managed to achieve disproportionate margin growth compared with sales in the 2010 financial year. The level of margin rose year-on-year, significantly so in some cases, in each of the second, third and final quarters. The gross margin generated in the fourth quarter of 2010 alone was EUR 1,068k up on the previous year's period, corresponding to a 19.6 percent increase. For the year as a whole, the gross margin rose by 11.6 percent, and by 13.8 percent on a like-for-like basis, i.e. including the activities now discontinued at ad pepper media Italy srl.

Development in operating expenses

Operating expenses reduced sharply in the period under report, falling by 57.7 percent, or EUR 30,525k, to EUR 22,405k. Key factors driving this development on the one hand included a reduction in personnel expenses due to the discontinuation of activities in Italy. Here, a provision of EUR 865k had been stated for reorganization measures in 2009.
On the other hand, no impairment losses were recognized in the past year, whereas the 2009 financial year had still been affected by a high volume of impairments of intangible assets acquired within the framework of company acquisitions. For goodwill alone, impairment tests performed in accordance with IAS 36 led to the recognition of impairment losses of EUR 20,795k in 2009. Not only that, a total of EUR 1,171k was recognized for depreciation in connection with purchase price allocations (PPA) in 2009.
Since the 2008 financial year, the Group has not developed or capitalized any self-developed software. The amount previously recognized for self-developed software was impaired in full in 2009. Accordingly, no expenses were incurred for impairments of self-developed software in the past financial year (2009: EUR 1,559k). This year-on-year reduction in the cost base was accompanied by significantly lower volume of bad debt allowances, including write-off of receivables, which amounted to EUR 11k in the 2010 financial year (2009: EUR 1,683k).

EBIT and net income

The ad pepper media Group generated earnings before interest and taxes (EBIT) of EUR 1,008k in the past financial year (2009: EUR -31,951k). What is particularly pleasing is that we managed to post positive EBIT in each quarter, with 50 percent of full-year EBIT being generated in the final quarter of 2010 alone. These figures underline the high degree of seasonality characterizing ad pepper media's business performance.
At EUR 2,502k, the net income for the period was also clearly positive (2009: EUR -34,322k), a development due in no small part to a superb net financial result of EUR 2,047k (2009: EUR -1,819k). This latter figure benefited in turn from a write-back of EUR 735k in connection with a loan written down in the previous year.

Presentation of the financial position

Cash flow

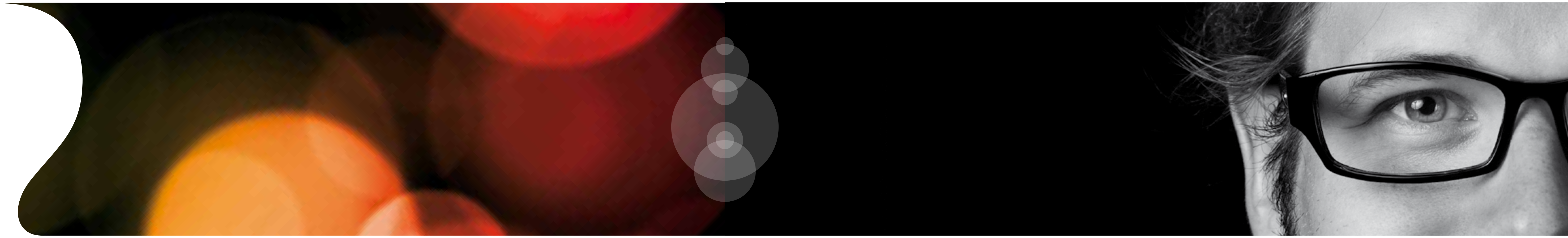
Notwithstanding the Group's strong growth despite further investments in new products and markets, we nevertheless managed to conclude the 2010 financial year with a positive cash flow from operating activities. This amounted to EUR +12k, as against EUR +260k in the 2009 financial year.

The net cash flow from investing activities amounted to EUR -3,768k in the past financial year (2009: EUR 8,900k), while the cash flow from financing activities amounted to EUR 73k, as against EUR -1,425k in the 2009 financial year.

Balance sheet structure

Total assets grew significantly, rising by EUR 4,706k to EUR 37,510k (December 31, 2009: EUR 32,804k). On the asset side, trade receivables showed a particularly marked increase due to the Group's growth, rising by EUR 1,640k to EUR 8,030k. The net profit recognized and the revaluation of available-for-sale financial instruments for the period under report led to a significant increase in the Group's equity. The equity ratio amounted to a superb 69.5 percent as of December 31, 2010 (December 31, 2009: 65.0 percent).

The ad pepper media Group was internally financed as of the balance sheet date. Its cash and cash equivalents, including securities measured at fair value and fixed deposits with terms of more than three months, amounted to EUR 22,924k at the end of December 2010 (December 31, 2009: EUR 22,602k). The Group has no non-current liabilities to banks.



Risk report

Foreword

The German law on „Control and Transparency in Business" (KonTraG) as well as the Dutch Corporate Governance Code lay down the central rules and obligations regarding risk management and control systems. In compliance with these regulations in force in Germany and the Netherlands, ad pepper media operates a comprehensive and adequate risk management system. This requires that the Board of Directors ensures that the Company complies with all applicable laws and regulations, and reports to the Supervisory Board regularly on the internal risk management and control systems. The risk management system of ad pepper media identifies significant risks which could have implications for the Company. These risks are quantified and evaluated with a view to potential effects. Finally, suitable measures are identified in order to counteract the risks in question. Significant risks to which the Company may be exposed are enumerated below.

Legal risks

Data and privacy protection

Websites usually install small files with non-personal (or "anonymous") information, also called "cookies", on the browser of an Internet user. Cookies usually collect non-personal information about users in order to enable websites to better supply website users with contents specifically adapted to their particular needs. The Internet user's browser software forwards the cookie information to the website. We currently use cookies in order to track the traffic of Internet users on the websites of our advertising customers and to monitor and prevent fraud in our networks. Most of the latest Internet browsers enable Internet users to change their browser settings in order to prevent the storage of cookies on their hard disk. Internet users can also remove cookies from their hard disk at any time. Some Internet commentators and privacy supporters have proposed a limitation of or even ban on the use of cookies. Some countries have passed laws which control the use of cookie technology. The effectiveness of our technology can be limited by reducing or restricting the use of cookies. If the use or effect of cookies were to be limited, we would have to switch to other technologies in order to collect geographic or behavior-related information. Although such technologies exist, they are far less effective than cookies. Furthermore, we would have to develop or buy new technologies in order to prevent fraud in our networks. Replacing cookies could become time-consuming and require considerable investment. It is conceivable that their development could turn out to be economically pointless or it may not be possible to implement them early enough in order to prevent the loss of customers or advertising space.

Due to the use of cookie technology or a comparable technology to collect information about Internet use behavior, we may become involved in lawsuits or investigations in future. Furthermore, many jurisdictions contain detailed provisions concerning both the collection of personal data and the use of such data for direct marketing campaigns. Although we abide by the applicable laws in the different jurisdictions, we are unable to rule out that changes in legislation may have significant repercussions on our business models and revenues.

Any litigation or any governmental action against us could become costly and time-consuming or compel us to change our business practice and divert management's attention from other business fields.

Intellectual property rights

Our patents, trademarks, business secrets, copyrights and other intellectual property rights constitute important assets for us. Various events beyond our control constitute a potential risk for our intellectual property rights. The same applies to our products and services. Effective protection of intellectual property may not be available in every country where our products and services are distributed or offered via the Internet. Furthermore, the efforts which we have made to protect our property rights may be insufficient or ineffective. Any significant impairment of our intellectual property rights can adversely affect our business or our competitiveness. Furthermore, the protection of our intellectual property rights is costly and time-consuming. Any increase in the non-permitted use of our intellectual property can lead to increased administrative costs and work and adversely affect our results. Although it is our aim to obtain patent protection for our innovations, it is conceivable that we may not be able to adequately protect some of these innovations. Moreover, in view of the at times considerable costs of patent protection, we may refrain from protecting certain innovations which could prove to be important at a later point in time. It is also possible that the range of patent protection turns out to be insufficient or that a previously granted patent is deemed to be invalid or non-enforceable. Furthermore, as our company grows, there is a growing probability that lawsuits related to intellectual property issues will be filed against us. Our products, services and technologies may fail to fulfill the demands of third parties, and irrespective of the validity of the claim, it may be time-consuming and costly to ward off such claims both in or out of court. Furthermore, in the event that claims against us are successfully upheld, it may happen that we may have to pay at times significant damages or discontinue services or practices which could prove to be violations of third party rights. It may also happen that we will have to obtain a license in order to continue our existing business operations which could also involve at times considerable additional costs.

Market risks

Competition from other advertising networks, providers of search engines, and traditional advertising media

Our offering for advertisers and web publishers on the Internet covers products and services where pricing is based on Cost Per Action (CPA), Cost Per Lead (CPL), Cost Per Thousand Impressions (CPM) or Cost Per Click (CPC) systems. Every field of our business is exposed to strong competition, above all, from other advertising and affiliate networks offering similar online services and products. Besides online marketing networks and companies specializing in affiliate marketing, we compete with search engine providers, such as Google and Yahoo! as well as large ad serving platforms. Apart from this, we also compete with traditional advertising channels, such as direct marketing, TV, radio, cable and print media which are all striving to win a share in the total advertising budget for themselves. Many existing and potential advertisers have competitive advantages over our company due, for instance, to a longer company history, a higher degree of popularity, a larger customer base, better access to much-frequented websites and at times significantly larger resources in terms of finance, equipment, sales and marketing. These companies use their experience and resources against us in different ways, for instance, by pursuing a more active M&A strategy, investing more in research and development, or competing more aggressively for advertising customers and websites.
If our competitors succeed in offering similar or better services or more relevant advertising, this could lead to a significant loss of websites and hence adversely affect our revenues.

Strong competition / pressure on margins and revenue growth

The advertising markets on the Internet are characterized by quick technological change, the establishment of new industry standards, regular launch of new products and services, and quickly changing customer requirements. The introduction of new products and services based on innovative technologies and the resultant establishment of new industry standards could mean that our existing products and services become obsolete and impossible to sell, thus forcing us to make unforeseen and unplanned investments. Insufficient flexibility to cope with these changes can have adverse effects on our revenue, finance, and asset position.

We expect that our sales growth will decline over the course of time as a result of the basic effect and the increase in competition. We also expect increasing pressure on our operative margins as a consequence of stronger competition and generally increasing expenditure in other areas of our business. Furthermore, the margin could fall as a result of our company having to pay a higher share of our advertising revenue to our website partners within our website portfolio and/or affiliate network.

Financial risks

Low profitability

We are exposed to risks that could prevent us from generating net profits even in the future.
These risks depend on several factors, including our ability to:
- maintain and expand our existing advertising space on websites of publishers, owners of e-mail lists and newsletter publishers
- maintain and increase the number of advertising customers who use our products and services
- increase the number of our products and services offered
- adjust to changes in needs and habits of online advertising customers, also with a view to the technology demanded by the market
- respond to challenges which result from the large and growing number of competitors in the industry
- adapt to legal or regulatory changes with a view to the Internet in as far as these concern use, advertising and trade
- achieve sales targets for partners with whom we have agreed to minimum guarantees
- generate revenue from services in which we have invested significant time and resources, such as Webgains, motigo, Emediate and iSense
- give priority to long-term goals over short-term results, when necessary
- adapt to technological changes with regard to programs designed to suppress Internet advertising
- adapt to changes in the competition environment
- achieve sufficient profitability and reputation in the market on the basis of our investment in new technologies and the related products/services

Should we fail to successfully handle these risks and uncertainties, this could trigger some very negative consequences for our revenue, asset, and finance position.

Risks of our M&A strategy

Part of our company's growth results from mergers and acquisitions and we will continue to consider acquisitions even in future. Every acquisition can have material consequences for our revenue and finance position. Furthermore, the integration of an acquired business or technology can cause unforeseen operational problems, expenditure, and risks.

Areas in which we may be faced with risks in this context include:
- implementation or modification of controls, processes and strategies of the business acquired
- the diversion of management attention from other business matters
- overvaluation of the business acquired
- acceptance of the acquired business's products and services by our customers
- cultural problems in conjunction with the integration of the acquired business's staff into our group
- continuation of employment of staff of the companies which we acquire
- integration of the accounting, management, information systems, of the human resources administration and other administration systems of every business acquired

The integration of businesses, products, and workforce acquired can constitute a considerable burden on management and our internal resources. Acquisitions of foreign companies, in particular, are subject to further risks in addition to those discussed earlier. These include risks in conjunction with the integration of companies with different cultures and languages, exchange rate risks and other country-specific economic, political and legal risks.

In view of the number of acquisitions which we have completed in past years, the different customers and technological functionalities of the products and service offerings acquired, future acquisitions may pose significantly bigger challenges than our previous acquisitions with a view to products, sales, marketing, customer support, research and development, buildings, information systems, accounting, human resources and other integration aspects, and may delay or threaten the complete integration of the businesses acquired.

Minimum payments to certain members of the advertising network

We are obliged under certain agreements to effect guaranteed minimum payments of revenue shares to the members of our network without the possibility to terminate these obligations.
Under these agreements, we undertake to effect such minimum payments to the members of our network for an agreed term. It is difficult to forecast with certainty those sales which we, for our part, will generate within the scope of these agreements with guaranteed sums, and our revenues occasionally remain below the guaranteed minimum payment of revenue shares.

Currency risks

Since ad pepper media conducts a significant share of its business outside the eurozone, exchange rate fluctuations can have a significant impact on result. Currency risks from financial instruments exist in conjunction with accounts receivable, accounts payable, as well as cash and cash equivalents in a currency other than the functional currency of a company. The currency risk from financial instruments is relevant for ad pepper media especially for the US dollar and the British pound.

Tax risks

Our future income tax payments can be adversely affected by future, lower than expected profits in jurisdictions with lower tax rates and higher than expected profits in jurisdictions with higher tax rates. If the valuation of our latent tax receivables and payables changes, or if tax laws, regulations, accounting standards or their interpretation change, this could also mean additional tax expenditure.
Our tax liability forecast can be examined by the responsible tax authorities at any time. Any negative outcome of such an examination can have an adverse effect on our finance, revenue, and asset situation. Furthermore, the determination of the amount of our tax provisions and other tax liabilities world-wide is a very complex process, and many transactions and calculations exist where the determination of the final amount of tax to be paid is uncertain. Although we consider our estimates to be realistic, the actual tax result can differ from the amounts shown in our financial statements and significantly influence our financial results in the period or period(s) to which such tax assessment applies.

New accounting standards

The International Accounting Standards Board (IASB) or other organizations may from time to time publish new and revised directives, interpretations and other guidelines which can influence the International Financial Reporting Standards (IFRS). As a result, it may happen that an accounting rule is adopted for which no rules previously existed, or that an accounting rule is declared to be generally valid which was previously open for interpretation. It is also conceivable that the acceptability of a valid method be revoked in favor of a completely new one.
Such changes concerning IFRS can have a significant impact on our finance, revenue, and asset position.

Liquidity and cash-flow risks

All of the Company's liquid funds and short-term marketable securities are essentially managed by finance institutes. Based on the development of our business, the liquidity of ad pepper media International N.V. can at present be considered to be secure and, despite future investment in new companies and the only slightly positive operative cash-flow, sufficient to meet all future payment obligations. Liquid funds are expected to decline further because further investments will be necessary in the future. Furthermore, the Company is dependent upon its customers' payment discipline. Our receivables are typically unsecured and result from sales which are for the by far largest part generated with customers based in Europe. The Company checks its customers' creditworthiness on an ongoing basis and has made provisions for potential cases of default.

Technologies and IT-risks

Risks due to new technologies

It is conceivable that technologies will be developed which block or suppress the display of our advertising on the Internet. Most of our revenues are generated in such a manner that advertising customers pay for their advertising appearing on websites. Technologies designed to block or suppress Internet advertising could hence have an adverse effect on our operating results.

Fast technological change

The market for Internet advertising is characterized by fast technological change, developing industry standards, frequent introduction of new products and services, as well as changing customer behavior. The introduction of new products and services and the emergence of new industry standards can render existing products and services obsolete and impossible to sell, or require unexpected investment in new technology. Our success will depend on our ability to adapt to fast technological changes, to improve existing solutions, and to develop and launch a host of new solutions in order to meet with our customers' and partners' continuously changing demands. Advertising customers, for instance, are increasingly demanding online advertising networks and advertising that goes beyond pure stills, integrating "rich media", such as audio and video, interactivity and methods for more accurately targeted consumer contacts. Our systems do not support all types of advertising formats. Furthermore, certain publishers within our network do not accept all of the advertising formats offered by us.

Moreover, a further increase in the number of fast and powerful Internet accesses can generate new products and services which only become possible with increasing bandwidth. If we fail to successfully adapt to such developments, there is a risk that we could lose customers and/or parts of the advertising space marketed by us. We buy most of the software used at our company and we plan to continue buying technologies from third suppliers even in future. We are unable to definitely say that such technologies will continue to be available in future either at all or at commercially reasonable terms. We can also encounter problems which delay or prevent the successful design, development, introduction or marketing of new solutions. Any solution or improvements newly developed by us will have to fulfill the requirements of our present customers and prospective clients, and there is a risk that these will not meet with the acceptance hoped for on the market. If we fail to keep pace with technological developments and the launch of new industry standards at a reasonable cost, there is a risk that our expenditure will increase and that we will lose customers and advertising spaces.

IT architecture / infrastructure

In order to be successful, the infrastructure of our networks must be efficient and reliable. The higher the user frequency and the complexity of our products and services, the more CPU performance will we need. We have invested heavily in acquiring and leasing data centers, equipment and updating our technology and the infrastructure of our network in order to cope with growing traffic and launch new products and services, and we expect to continue doing so. These investments are costly and complex and can lead to efficiency losses or downtime. If we fail to expand successfully or if efficiency losses or downtime occur, the quality of our products and services as well as customer satisfaction could suffer. This could damage our reputation and result in a loss of existing and potential customers, advertising clients and members of our network. Cost increases, a lower frequency of use on the part of our partners in the advertising network, failure to adapt to new technologies or changed business requirements could adversely affect our revenue and finance power. We additionally resort to IT suppliers, including data centers and broadband providers. Any disturbance in network access or collocation services by these providers or their inability to process the current or larger data volumes could seriously damage our business.
Furthermore, financial or other difficulties on the part of our providers could have an adverse impact on our business. We have witnessed interruptions and delays of the described services and of the availability of IT infrastructure and expect these in the future too. Faults, interruptions or delays in conjunction with these technologies and information services could harm our relations with users, adversely affect our brand, and expose us to liability risks.
Finally, our systems are extremely dependent upon power supply. In the case of major power outage, we would have to resort to emergency power units. It may happen that such emergency power units do not work correctly and that fuel is insufficient in the case of a major power outage. This could lead to an interruption of our business activity.

Internet access

Our products and services are dependent upon our users having access to the Internet on the one hand and also require sometimes substantial bandwidth. This access is at present made available by companies which have important and growing influence on the market for broadband and Internet access, such as telephone companies, cable companies and mobile communication providers. Some of these providers could start adopting measures to interrupt or impair user access to certain products, or they could increase the costs of user access to such products by limiting or forbidding the use of their infrastructure for our offerings, or they could charge us or our users higher fees.

This could lead to a loss of members in our advertising network as well as advertising customers and ultimately to increasing costs, and it could impair our ability to win new users and advertising customers and thereby adversely affect our revenues and our growth.

Interruption of IT and communication systems

The availability of our products and services is dependent upon the uninterrupted operation of our IT and communication systems. Any damage to or failure of our systems could interrupt our services and this could reduce our revenues and profits and damage our brand. Our systems could be damaged by flood, fire, power outage, telecommunication failure, computer viruses, terrorist attack, attack preventing computers from accessing services, and other forms of attack on our systems. Our data centers could become the target of intrusion, sabotage or willful vandalism or they could be affected by faults occurring as a result of financial difficulties on the part of operators of data centers. Not all our systems are fully redundant and our recovery plans after natural disasters, if any, cannot consider all conceivable cases. Natural disasters of this kind or the decision on the part of operators for financial reasons to close down a facility used by us without reasonable notice and/or other unexpected problems at our data centers could lead to long-lasting disturbances of our services.

Increasing use of PC-independent services

The number of people accessing the Internet using devices other than a PC, including mobile phones, PDAs and email assistants as well as TV receivers, has grown dramatically in recent years.
The still low definition and functionality and the limited memory of such devices make using our products and services on these devices more difficult. However, if we do not succeed in the future to win a relevant number of users of alternative devices and to win the loyalty of these users for our products and services, or if we are too slow in developing products and technologies which are compatible with communication devices other than PCs, we will miss out on an important part of an ever-more important share of the market for online services.

Risks in conjunction with ownership of our share

Share price fluctuations

The price of our share has been subject to at times considerable fluctuations since its first-time listing and will continue to be volatile even in the future. The share price can be highly volatile in response to several influence factors some of which are beyond our control.
These factors include:
- fluctuation of our quarterly results or of the results of our competitors
- announcements of takeovers, new products, important contracts, business relations or capital provision
- recommendations by security analysts or changed profit expectations
- publication of profits which do not correspond to the expectations of analysts; this risk can be considerable because as part of our investor relations strategy we do not communicate any profit outlook
- number of shares outstanding
- share sales by us or our shareholders
- short selling, hedging or other derivative transactions with shares

Furthermore, the stock market in general and the market for technology companies in particular have witnessed extreme share price and trading volume fluctuations which were often unrelated to the operative performance of these companies or which were disproportionate. These general market and industry factors can seriously damage the price of our share irrespective of our actual development. In the past, lawsuits have been filed against such companies after times of high price fluctuations of the overall market and of individual shares.

In the event that such lawsuits are filed against us, this could lead to significant costs and distract management time and resources.

No dividend payments

We have neither resolved nor paid cash dividends on our ordinary shares. We are currently planning to retain future profits and do not expect to pay dividends within the foreseeable future.

Limited influence of shareholders

Each share entitles its holder to one vote. As of December 31, 2010, EMA B.V., one of the Company's founding shareholders, owned shares representing around 41 percent of the share capital and corresponding to around 81 percent of the voting rights represented at the last Annual General Meeting. For the foreseeable future, EMA B.V. will therefore continue to have significant influence on the management and on all matters requiring approval by the shareholders, including the election of board members, important company transactions, such as mergers or the sale of the Company as a whole or in parts.

This concentration of control limits our shareholders' ability to influence company matters. In view of this, we can implement measures that our shareholders do not deem expedient. This in turn may have a lasting negative impact on our share price.

Overall assessment of risks

Compared to the previous year, the risk environment of ad pepper media did not change significantly during the period under review. The assessment of the overall risk situation is the result of the consolidated analysis of all major individual risks.
From today's perspective, no risks are foreseeable which, even in conjunction with other risks, could threaten the continued existence of ad pepper media.

Opportunities and outlook

Fundamental growth trends remain intact in the online marketing segment. Internet penetration rates continue to rise worldwide, and are being accompanied by equally dynamic growth in average lengths of time spent on the internet. Online advertising is assuming an increasingly prominent role compared with traditional advertising, and especially compared with print, radio and TV advertising. Macroeconomic developments are expected to lend further support. Even though the relevant data show highly heterogeneous developments in terms of regional economic recoveries, overall macroeconomic developments can nevertheless be expected to provide momentum for the ad pepper media Group's business.

Furthermore, in line with the efficiency enhancement program introduced at the end of 2009 we managed to cut our costs significantly in the past financial year. Even though we expect to see a slight rise in (personnel) expenses once again in the medium term due to ongoing tough competition in the market, we are in no doubt that cost management represented one of the key success factors in the turnaround we achieved in 2010.
We aim to generate significantly disproportionate growth compared with the overall market in our Webgains (affiliate marketing) and ad agents (SEO/SEM) segments. From a current perspective, there are numerous indications that we will succeed in this once again in 2011. Should we manage to generate significant sales growth in the ad pepper media segment as well, then we should be able to exceed the consolidated growth posted by the Group for the past financial year, possibly even by a significant margin. This will depend in particular on developments in Denmark and France, both of which reported unsatisfactory results in the past year.

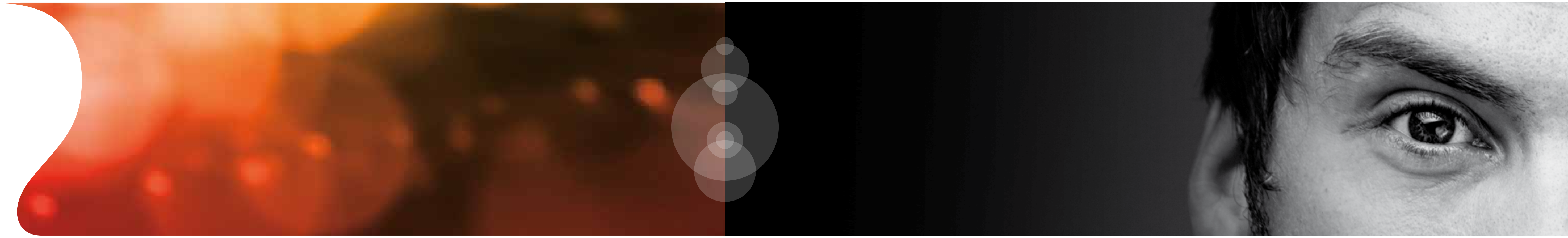
Responsibility statement

Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles (IFRS) as adopted by the European Union (EU), the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

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

Ulrich Schmidt Jens Körner Michael A. Carton



Annual consolidated financial statements

Consolidated income statement (IFRS)

	Note	2010 EUR 000s	2009 EUR 000s
Revenues		**51,661**	**46,899**
Cost of sales	[7]	-28,248	-25,920
Gross profit		**23,413**	**20,979**
Selling and marketing expenses	[8]	-15,405	-16,301
General and administrative expenses	[9]	-9,118	-10,477
Other operating income	[10]	3,277	1,210
Other operating expenses	[11]	-1,159	-3,481
Impairment of goodwill and other intangible assets	[11a]	0	-23,881
Earnings / loss before interest and taxes		**1,008**	**-31,951**
Financial income	[13]	1,363	1,592
Financial expenses	[13]	-51	-275
Reversal of/impairment of securities and other financial assets	[13]	735	-3,136
Earnings / loss before taxes		**3,055**	**-33,770**
Income taxes	[14]	-553	-552
Net income / loss		**2,502**	**-34,322**
attributable to shareholders of the parent company		2,237	-34,307
attributable to minority interest		265	-15
Basic earnings per share on net income for the year attributable to shareholders of the parent company	[15]	0.11	-1.61
Diluted earnings per share on net income for the year attributable to shareholders of the parent company	[15]	0.11	-1.61
Weighted average number of shares outstanding (basic)	[15]	**20,915,860**	**21,348,732**
Weighted average number of shares outstanding (diluted)	[15]	**21,255,406**	**21,348,732**

Consolidated statements of income and expense recognized in equity (IFRS)

	2010 EUR 000s	2009 EUR 000s
Net income / loss	**2,502**	**-34,322**
Currency translation differences	-3	108
Revaluation of available-for-sale securities	225	1,189
Revaluation of available-for-sale investments	1,967	0
Income tax recognized directly in equity	0	0
Total income and expense recognized directly in equity, net of tax	**2,189**	**1,297**
Total income and expense recognized in equity	**4,691**	**-33,025**
attributable to minority interest	265	-15
attributable to shareholders of ad pepper media International N.V.	4,426	-33,010

Disclosures on total income and expense recognized directly in equity

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

Q1-Q4 2010	before income taxes	income taxes	after income taxes
Currency translation differences (incl. minority interest)	-3	0	-3
Revaluation of available-for-sale securities	225	0	225
Revaluation of available-for-sale investments	1,967	0	1,967
Total income and expense recognized directly in equity	**2,189**	**0**	**2,189**

Q1-Q4 2009	before income taxes	income taxes	after income taxes
Currency translation differences (incl. minority interest)	108	0	108
Revaluation of available-for-sale securities	1,189	0	1,189
Total income and expense recognized directly in equity	**1,297**	**0**	**1,297**

Consolidated balance sheet (IFRS)

Assets	Note	December 31, 2010 EUR 000s	December 31, 2009 EUR 000s
Non-current assets			
Goodwill	[16]	24	24
Intangible assets	[17]	457	816
Property, plant and equipment	[18]	445	563
Securities at fair value through profit and loss	[19]	3,197	3,265
Securities available-for-sale	[19]	8,524	4,423
Other financial assets	[20]	4,106	727
Deferred tax assets	[14]	113	308
Total non-current assets		**16,866**	**10,126**
Current assets			
Securities and deposits with maturity over three months	[21]	1,400	1,400
Trade receivables	[22]	8,030	6,390
Income tax receivables	[23]	675	607
Prepaid expenses and other current assets	[24]	446	463
Other financial assets		290	304
Cash and cash equivalents	[25]	9,803	13,514
Total current assets		**20,644**	**22,678**
Total assets		**37,510**	**32,804**

Equity and liabilities	Note	December 31, 2010 EUR 000s	December 31, 2009 EUR 000s
Equity attributable to shareholders of the parent company			
Issued capital*	[26]	1,150	1,150
Additional paid-in capital	[27]	67,192	67,102
Treasury shares	[28]	-3,443	-3,410
Accumulated deficit		-37,839	-40,076
Accumulated other comprehensive losses	[30]	-1,344	-3,533
Total		**25,716**	**21,233**
Minority interest	[31]	370	105
Total equity		**26,086**	**21,338**
Non-current liabilities			
Deferred tax liabilities	[14]	0	21
Total non-current liabilities		**0**	**21**
Current liabilities			
Trade payables	[32]	6,437	6,619
Other current liabilities		1,081	749
Other financial liabilities	[33]	3,274	3,693
Income tax liabilities		632	384
Total current liabilities		**11,424**	**11,445**
Total liabilities		**11,424**	**11,466**
Total equity and liabilities		**37,510**	**32,804**

* The Issued Capital consists of shares with a nominal value of EUR 0.05 each. The authorized capital amounts to 23,429,708 shares, of which 23,000,000 are issued and 21,046,208 shares were floating at December 31, 2010 (31 December 2009: 20,732,708).

Consolidated statement of cash flows (IFRS)

	Note	2010 EUR 000s	2009 EUR 000s
Net income / loss		**2,502**	**-34,322**
Adjustments to reconcile net income for the year to net cash flow used in/provided by operating activities:			
Depreciation and amortization	[6]	712	2,195
Gain/loss on sale of fixed assets		45	0
Share-based compensation	[39]	90	179
Gain/loss on sale of securities	[19], [21]	-522	-580
Other financial income and financial expenses	[13]	-1,526	-741
Income taxes	[14]	553	552
Other non-cash expenses and income		11	29,607
Gross cash flow		**1,865**	**-3,110**
Change in trade receivables	[22]	-1,571	2,364
Change in other assets		-275	354
Change in trade payables	[32]	-253	-778
Change in other liabilities		-218	138
Income taxes received		333	732
Income taxes paid		-414	-378
Interest received		545	938
Net cash flow from operating activities		**12**	**260**

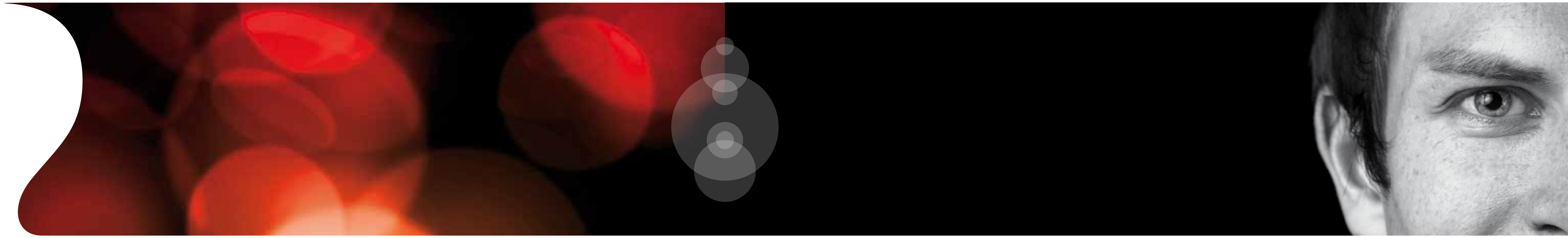
	Note	2010 EUR 000s	2009 EUR 000s
Additions to intangible assets and property, plant and equipment	[17], [18]	-266	-502
Proceeds from sale of intangible assets and property, plant and equipment		9	0
Proceeds from sale of shares in associates and other investments	[12], [24]	0	1,200
Purchase of shares in associates and other investments		-399	0
Loans granted		0	-751
Proceeds from sale/maturity of securities and maturity of fixed-term deposits	[19], [21]	5,998	16,566
Purchase of securities	[19], [21]	-9,110	-7,613
Net cash flow from investing activities		**-3,768**	**8,900**
Increase in capital	[26], [27]	0	187
Sale of treasury shares	[28]	308	9
Purchase of treasury shares	[28]	-340	-1,687
Repayment of loans granted	[20]	105	66
Net cash flow from financing activities		**73**	**-1,425**
Effect of exchange rates on cash and cash equivalents		-28	-54
Cash-effective decrease/increase in cash and cash equivalents		-3,711	7,681
Cash and cash equivalents at beginning of period		**13,514**	**5,833**
Cash and cash equivalents at end of period		**9,803**	**13,514**

Annual consolidated financial statements

Consolidated statement of changes in equity (IFRS)

	Note	Balance at January 1, 2009	Total income and expense recognized in equity	Share-based payment	Purchase of treasury share	Issuance of shares	Balance at December 31, 2009
Issued capital	[26]						
Number of shares		22,789,708				210,292	23,000,000
Issued capital (EUR 000s)		1,139				11	1,150
Additional paid-in capital	[27]						
for employee stock option plans (EUR 000s)		2,080		179			2,259
from contributions of shareholders of ad pepper media International N.V. (EUR 000s)		64,667				176	64,843
Treasury shares	[28]						
Number of shares		765,026			1,512,474	-9,708	2,267,792
Treasury shares at cost (EUR 000s)		-1,732			-1,687	9	-3,410
Accumulated deficit (EUR 000s)		**-5,769**	**-34,307**				**-40,076**
Accumulated other comprehensive income	[30]						
Currency translation differences (EUR 000s)		-1,477	108				-1,369
Revaluation available-for-sale securities (EUR 000s)		-3,353	1,189				-2,164
Revaluation available-for-sale investments (EUR 000s)							
Equity attributable to shareholders of ad pepper media International N.V. (EUR 000s)		**55,555**	**-33,010**	**179**	**-1,687**	**196**	**21,233**
Minority interest (EUR 000s)	[31]	120	-15				105
Total equity (EUR 000s)		**55,675**	**-33,025**	**179**	**-1,687**	**196**	**21,338**

	Note	Balance at January 1, 2010	Total income and expense recognized in equity	Share-based payment	Exceptional cash-settlement of SOPs	Issuance of shares	Balance at December 31, 2010
Issued capital	[26]						
Number of shares		23,000,000					23,000,000
Issued capital (EUR 000s)		1,150					1,150
Additional paid-in capital	[27]						
for employee stock option plans (EUR 000s)		2,259		90			2,349
from contributions of shareholders of ad pepper media International N.V. (EUR 000s)		64,843					64,843
Treasury shares	[28]						
Number of shares		2,267,792				-314,000	1,953,792
Treasury shares at cost (EUR 000s)		-3,410			-340	307	-3,443
Accumulated deficit (EUR 000s)		**-40,076**	**2,237**				**-37,839**
Accumulated other comprehensive income	[30]						
Currency translation differences (EUR 000s)		-1,369	-3				-1,372
Revaluation available-for-sale securities (EUR 000s)		-2,164	225				-1,939
Revaluation available-for-sale investments (EUR 000s)		0	1,967				1,967
Equity attributable to shareholders of ad pepper media International N.V. (EUR 000s)		**21,233**	**4,426**	**90**	**-340**	**307**	**25,716**
Minority interest (EUR 000s)	[31]	105	265				370
Total equity (EUR 000s)		**21,338**	**4,691**	**90**	**-340**	**307**	**26,086**



Notes to the consolidated financial statements

Corporate information [1]

The consolidated financial statements of ad pepper media International N.V. (the "Company") for the year ended December 31, 2010 were authorized for issue by the Board of Directors on March 17, 2011. ad pepper media International N.V. is a limited liability company incorporated in the Netherlands, domiciled at Hogehilweg 15, 1101 CB Amsterdam, the Netherlands. The Head Office is domiciled at Frankenstraße 150C, 90461 Nuremberg, Germany. The Company's shares are publicly traded under WKN 940883 (ISIN NL0000238145) on the Prime Standard of the Frankfurt Stock Exchange. The business activities of ad pepper media International N.V. involve holding investments in other entities whose objective is to market advertising space on the internet, and providing services for the subsidiaries. Since its formation, ad pepper media has been geared towards acting flexibly to meet the requirements of a whole range of different markets as an international Group.

ad pepper media is an international provider of interactive products and services for websites and advertisers. The Company currently markets campaigns and websites in more than 50 countries and operates from 16 branches in eight European countries and the USA. ad pepper media uses state-of-the-art technology to link thousands of small, medium and large websites to a top-quality advertising network with global reach and an exact focus on its target group.

In addition to a regional, national and international marketing presence, website partners receive a large number of other important products and services such as ad serving, traffic analysis and performance optimization, provided by ad pepper media and its affiliated entities in a localized form.

Accounting principles [2]

The annual accounts as per Dutch law consist of the company only financial statements which have been issued separately and the consolidated financial statements which are now presented in this annual report.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments that have been measured at fair value through other comprehensive income and for investments designated as at fair value through profit and loss. The consolidated financial statements are presented in euro. All values are rounded to the nearest thousand euro (EUR k) or million euro (EUR m) except when indicated otherwise.
In conformity with article 402, Book 2 of the Netherlands Civil Code, a condensed Statement of income is included in the ad pepper media International N.V. company accounts. These financial statements should therefore be read in conjunction with the consolidated financial statements presented herein.

Statement of compliance

The consolidated financial statements of ad pepper media International N.V. and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).
The company financial statements of ad pepper media International N.V. have been prepared in accordance with Dutch law.

Basis of consolidation

The consolidated financial statements comprise the financial statements of ad pepper media International N.V. and its subsidiaries as at December 31 each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full.
Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.
All business combinations are accounted for under the acquisition method. In accordance with this method, the purchase price has been allocated to the fair value of the interest held in the net assets of the consolidated subsidiaries at the time of acquisition. In doing so, all identifiable assets, liabilities and contingent liabilities are recognized at fair value and measured accordingly in the consolidated balance sheet. Following adjustments to the fair values of assets acquired and liabilities assumed, any resulting positive difference is capitalized in the balance sheet as goodwill. Situations in which the fair value of net assets is greater than the purchase price paid result in a negative difference.

In the event that such difference remains following reassessment of the allocation of the purchase price or determining the fair value of acquired assets, liabilities and contingent liabilities, this is recognized as income immediately. The proportion of assets, liabilities and contingent liabilities of the subsidiary applicable to minority interest is also recognized at fair value.

Goodwill is however reported only to the extent that it applies to the Group and is not extrapolated to minority interest.

Consolidated group

The entities included in consolidation are as follows:

Entity	*Share in percent*
ad pepper media GmbH, Nuremberg, Germany	*100*
ad pepper media Austria GesmbH, Salzburg, Austria	*100*
ad pepper media Benelux B.V., Amsterdam, the Netherlands	*100*
ad pepper media Sweden AB, Stockholm, Sweden	*100*
ad pepper media Denmark A/S, Copenhagen, Denmark	*100*
ad pepper media UK Ltd, London, United Kingdom	*100*
ad pepper media France S.A.R.L., Paris, France	*100*
ad pepper media Spain S.A., Madrid, Spain	*100*
ad pepper media USA LLC, New York, USA	*100*
ad pepper media Italy srl., Milan, Italy	*100*
Web Measurement Services B.V., Amsterdam, the Netherlands	*100*
Crystal Semantics Ltd, London, United Kingdom	*100*
Webgains Ltd, London, United Kingdom	*100*
ad pepper media Australia Ltd, Melbourne, Australia	*100*
ad pepper media SA, Küssnacht am Rigi, Switzerland	*100*
Globase International ApS, Copenhagen, Denmark	*100*
Emediate ApS, Copenhagen, Denmark	*100*
EMSEAS TEKNIK AB, Stockholm, Sweden	*100*
ad agents GmbH, Herrenberg, Germany	*60*

Changes in consolidated group

ad pepper media Austria GesmbH, ad pepper media Italy srl. and ad pepper media Australia Ltd were in the process of liquidation at the balance sheet date.
Emediate ApS and Pentamind A/S were merged in the second quarter of 2010 with legal effect as of January 1, 2010.

Changes in accounting policies and estimates

The accounting policies and estimates adopted are fundamentally consistent with those of the previous financial year.

New standards

Changes in accounting principles result from adoption of the following new and amended standards:

IAS 27 "Consolidated and Separate Financial Statements"
The revised IAS 27 was published in January 2008. The amendments that have been made shall be applied for the first time for financial years beginning on or after July 1, 2009. The amendments result from the joint project between the IASB and the FASB on the revision of the accounting regulations applicable to business combinations. The amendments relate primarily to accounting for non-controlling interests (formerly minority interests), which will participate in future in full in the losses of the group, and transactions that result in the loss of control over a subsidiary, the effects of which shall be recognized in profit or loss. The effects of disposals of interests that do not result in the loss of control shall, however, be recognized in equity. The transitional regulations, which fundamentally foresee the retrospective application of the amendments, provide for the prospective application of the above-mentioned matters. No changes ensure for assets and liabilities that result from such transactions before the first time application of the new Standard. Based on the prevailing situation IFRS 3 revised has no impact on the consolidated financial accounts.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" (revised 2008)
In November 2008 the IASB has released a restructured version of IFRS 1 "First-time Adoption of International Financial Reporting Standards". IFRS 1 was first issued in June 2003, and since then it has been amended frequently. As a result, the IFRS became more complex and less clear. In 2007, therefore, the Board proposed, as part of its annual improvements project, to change IFRS 1 to make it easier for the reader to understand and to design it to better accommodate future changes. The new version of IFRS 1 just issued retains the substance of the previous version, but within a changed structure.
It replaces the previous version and is effective for entities applying IFRSs for the first time for annual periods beginning on or after July 1, 2009. IFRS 1 is not applicable to ad pepper media.

IFRS 3 "Business Combinations"
The revised IFRS 3 was published in January 2008 and becomes effective for financial years beginning on or after July 1, 2009. The Standard was comprehensively revised in conjunction with the IASB/FASB convergence project. The main changes comprise in particular the introduction of an option for the measurement of non-controlling interests between the recording of the identifiable net assets ("partial goodwill method") and the full goodwill method, under which the full goodwill of the acquired entity, also including the portion attributable to the minority interest, shall be recognized. Furthermore, special mention should be made of the revaluation of existing interests, recognizing gains or losses in profit or loss, when control is obtained for the first time (business combinations achieved in stages), the mandatory reflection of consideration that is linked to the occurrence of future events at the acquisition date and the recognition of transaction costs. The transitional regulations provide for the prospective application of the new Standard.
No changes ensue for assets and liabilities that result from business combinations before the first-time application of the new Standard.
Based on the prevailing situation IFRS 3 revised has no impact on the consolidated financial accounts.

IFRIC 12 "Service concession arrangements"
IFRIC 12 is limited to accounting for arrangements whereby a government contracts for the supply of public services (such as roads or hospitals) to private operators from the perspective of the licensee. IFRIC 12 shall be applied for annual periods beginning on or after March 29, 2009. This interpretation is not relevant for the business of the ad pepper media Group.

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 July 3, 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 after December 31, 2009.
IFRIC 15 is not applicable to the ad pepper media Group's business activities.

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 July 3, 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 after June 30, 2009. IFRIC 16 currently has no impact on the ad pepper media Group's accounting.

IFRIC 17 "Distribution of Non-cash Assets to Owners"
The International Financial Reporting Interpretations Committee has issued IFRIC 17 "Distribution of Non-cash Assets to Owners" in November 2008. IFRIC 17 "Distribution of Non-cash Assets to Owners" clarifies that:

- a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity.
- an entity should measure the dividend payable at the fair value of the net assets to be distributed.
- an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.
- an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 17:

- applies to pro rata distributions of non-cash assets except for common control transactions.
- is to be applied prospectively.
- is effective for annual periods beginning on or after July 1, 2009.

Based on the prevailing situation IFRIC 17 has no impact on the consolidated financial accounts.

IFRIC 18 "Transfers of Assets from Customers"
The IASB has published IFRIC 18 "Transfers of Assets from Customers" in January 2009. This Interpretation is of particular relevance for the utility sector as it clarifies the accounting for agreements where an entity receives an item of PP&E (or cash to construct such an item) from a customer and this equipment in turn is used to connect a customer to the network or to provide ongoing access to supply of goods/services.

The Interpretation clarifies:

- When the definition of an asset is met
- Recognition and measurement of the asset
- Identification of separately identifiable services
- Recognition of revenue
- Accounting for cash transfers from customers

The Interpretation is effective prospectively for transfers occurring on or after 1 July, 2009. Based on the prevailing situation IFRIC 18 has no impact on the consolidated financial accounts.

Amendments to IAS 39
The International Accounting Standards Board (IASB) published amendments to IAS 39 "Financial Instruments: Recognition and Measurement" on July 31, 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 under lying 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 July 1, 2009. These amendments currently have no impact on the ad pepper media Group's accounting.

Improvements to IFRSs 2007-2009

In the Official Journal of the European Union of March 24, 2010 (53rd year, L 77), Commission Regulation (EU) No. 243/2010 for the adoption of the annual "Improvements to IFRSs" published in April 2009 by the IASB was published and entered into force on the third day following that of its publication in the Official Journal of the European Union.

The "Improvements to IFRSs" aim to streamline and clarify the international accounting standards. The majority of amendments are clarifications or corrections of existing IFRSs or amendments consequential to changes previously made to IFRSs. Amendments to IFRS 8, IAS 17, IAS 36 and IAS 39 involve changes to the existing requirements or additional guidance on the implementation of those requirements. Companies are required to apply the "Improvements to IFRSs 2007-2009", at the latest, as from the commencement of their first financial year starting after December 31, 2009.

The improvement to IFRS 8 means that in this and in future statements, ad pepper media will not provide any details concerning segment assets because segments assets are not regularly reported to the Company's chief operating decision makers.

Amendments to IFRS 2 "Share-based payment"

In the Official Journal of the European Union of March 24, 2010 (53rd year, L 77), Commission Regulation (EU) No. 244/2010 for the adoption of the amendments to IFRS 2 "Share-based payment" published on June 18, 2009 by the IASB was announced and entered into force on the third day following that of its publication in the Official Journal of the European Union. The amendment clarifies the balance-sheet method for share based payment where a supplier of goods or services is paid in cash and another company of the group is obliged to settle in cash (cash-settled share-based payments by a group company). The amendments to IFRS 2 must be applied, at the latest, as from the commencement of the first financial year starting after December 31, 2009. This has no effect on the consolidated accounts of ad pepper media.

Amendments to IFRS 1 "First-time adoption of IFRSs"

In the Official Journal of the European Union of June 24, 2010 (53rd year, L 157), Commission Regulation (EU) No. 550/2010 for the adoption of the changes to IFRS 1 "First-time adoption of IFRSs" published on July 23, 2009 by the IASB was announced and entered into force on the third day following that of its publication in the Official Journal of the European Union. The amendments concern the retrospective application of IFRSs in special situations and shall ensure that companies do not suffer unreasonably high costs when transforming their financial reporting to IFRS. In detail the amendments grant exemption, to businesses in extractive industries which have under national accounting principles recognized exploration and development costs in the development or production phase in a single geographic region summarized in costs centers, from a complete retrospective application of IFRSs onto the oil and gas assets concerned hereof, as well as businesses with existing obligations from lease contracts from a new assessment of these contracts in regard of their classification under IFRIC 4 "Determining whether an arrangement contains a lease", if already on a prior balance sheet date an assessment was conducted under national accounting principles which are comparable to the rules of IFRIC 4. The amendments to IFRS 1 must be applied, at the latest, as from the commencement of the first financial year starting after December 31, 2009. This has no effect on the consolidated accounts of ad pepper media.

IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN COMMUNITY WHICH ARE NOT YET TO BE ADOPTED:

Amendments to IAS 32 for rights issues in foreign currencies

The International Accounting Standards Board (IASB) issued on October 8, 2009 an amendment to IAS 32 "Financial Instruments: Presentation". The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. Entities are required to apply the amendment for annual periods beginning on or after February 1, 2010, but earlier application is permitted.

Based on the prevailing situation the amendments to IAS 32 have no impact on the consolidated financial accounts.

Amendments to IFRS 1 and IFRS 7

In the Official Journal of the European Union of July 1, 2010 (53rd year, L 166), Commission Regulation (EU) No. 574/2010 for the adoption of the changes to Amendment to IFRS 1 "Limited Exemption from Comparative" IFRS 7 "Disclosure for First-time Adopters and Amendment" to IFRS 7 "Financial Instruments: Disclosures" published on January 28, 2010 by the IASB was announced and entered into force on the third day following that of its publication in the Official Journal of the European Union.

The amendment to IFRS 1 now also enables businesses which are first time adopters of IFRS to opt for exemption from the comparative disclosures of valuations at fair value and for the liquidity risk. IFRS 7 foresees these exemptions in cases where the comparative period ends before December 31, 2009.

The amendments to IFRS 1 and IFRS 7 must be applied, at the latest, as from the commencement of the first financial year starting after June 30, 2010. This has no effect on the consolidated accounts of ad pepper media.

Improvements to IFRSs 2008-2010

The European Union has published the Commission Regulation (EC) No 149/2011 endorsing the annual improvements to IFRSs 2008-2010 published by the International Accounting Standards Board (IASB) on May 6, 2010. Besides the changes proposed by the exposure draft of "Improvements to IFRSs 2008-2010" from August 2009 also included are changes to IFRS 1 "First-time adoption of IFRSs". This change was included in the exposure draft issued in July 2009 on Rate-regulated Activities. By summarizing the changes in one document the effects of adaption shall be reduced. The changes relate to:

- IFRS 1 "First-time adoption of IFRSs"
- IFRS 3 "Business combinations"
- IFRS 7 "Financial instruments: Disclosures"
- IAS 1 "Presentation of financial statements"
- IAS 27 "Consolidated and Separate Financial Statements"
- IAS 34 "Interim Financial Reporting"
- IFRIC 13 "Customer Loyalty Programs"

If not stated otherwise all changes are effective for reporting periods beginning on or after January 1, 2011. Earlier adoption is permitted. ad pepper media does not expect material effects on its consolidated financial statements.

IAS 24 (2009) and amendments to IFRS 8

The following Commission Regulations were announced in the Official Journal of the European Union dated July 20, 2010 (53rd year, L 186) and took effect three days following publication: Commission Regulation (EC) No. 632/2010 concerning the adoption of the revised version of IAS 24 "Related party disclosures" published by the International Accounting Standards Board (IASB) on November 4, 2009 and concerning the adoption of the consequential modifications to IFRS 8 "Operating segments". The revised version of IAS 24 is intended to clarify the definition of closely related companies and individuals and to exempt companies closely related to public authorities from specific disclosures on transactions performed with related parties.

The amendments to IFRS 8 relate to consequential modifications resulting from the adoption of IAS 24 in terms of disclosure obligations in the case of major government customers. The revised version of IAS 24 and the amendments to IFRS 8 require application at the latest at the beginning of the first financial year starting after December 31, 2010.

This will not have any material implications for the consolidated financial statements of ad pepper media.

Amendments to IFRIC 14

The following Commission Regulations were announced in the Official Journal of the European Union dated July 20, 2010 (53rd year, L 186) and took effect three days following publication: Commission Regulation (EC) No. 633/2010 concerning the adoption of the amendments to IFRIC 14 "The limit on a defined benefit asset, minimum funding requirements and their interaction" published by the IASB on November 15, 2009.

The amendments to IFRIC 14 are relevant in the rare cases in which a company is subject to minimum funding requirements and pays advance contributions in order to meet such requirements. The revised version of the amendments to IFRIC 14 require application at the latest at the beginning of the first financial year starting after December 31, 2010.

This will not have any material implications for the consolidated financial statements of ad pepper media.

IFRIC 19 and amendments to IFRS 1

The following Commission Regulation was announced in the Official Journal of the European Union dated July 24, 2010 (53rd year, L 193) and took effect three days following publication: Commission Regulation (EC) No. 662/2010 concerning the adoption of IFRIC 19 "Extinguishing financial liabilities with equity instruments" published by the International Financial Reporting Interpretations Committee (IFRIC) on November 26, 2009 and the adoption of consequential modifications to IFRS 1 "First-time adoption of IFRSs". IFRIC 19 sets out the IFRS requirements in cases where a company extinguishes a financial liability in part or in total by issuing shares or other equity instruments.

The interpretation clarifies that

- the equity instruments issued to a creditor to extinguish a financial liability form part of the "consideration paid" as defined in IAS 39.41;
- the relevant equity instruments must be measured at fair value. Where this cannot be reliably determined, the equity instruments must be measured at the fair value of the liability thereby extinguished;
- the differential amount between the carrying amount of the financial liability to be retired and the first-time recognition of the equity instruments issued must be recognized in the income statement.

IFRIC 19 and the consequential modifications to IFRS 1 require mandatory application from the beginning of the first financial year starting after June 30, 2010. Earlier application is permitted. This will not have any material implications for the consolidated financial statements of ad pepper media.

IFRS AND IFRIC INTERPRETATIONS IN FORCE BUT NOT YET ENDORSED BY THE EUROPEAN COMMUNITY:

IFRS 9 "Financial Instruments"

On November 12, 2009, the IASB issued IFRS 9 "Financial Instruments" as the first step in its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets. Those requirements must be applied starting January 1, 2013, with earlier adoption permitted including for 2009. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting. In October 2009 the IASB completed the first of the project by publishing requirements for classifying and measuring financial liabilities. It is expected that by the end of second quarter 2011. IFRS 9 will be a complete replacement for IAS 39 - mandatory for 2013 and optional in earlier years.

IFRS 9 in its current form would exert material impact on ad pepper media's consolidated accounts:

The securities classified as "available for sale" do not show only basic loan features. Thus, the amount of EUR 1,939k (2009: EUR 2,164k) recognized in the balance sheet caption "Accumulated other comprehensive losses" would need to be recycled through the profit and loss statement as "Financial expenses".

Furthermore, ad pepper media has chosen the equity instrument cost exemption of IAS 39 in case of not reliable measurement. IFRS 9 in its current form removes this exemption and prescribes measurement at fair value either through other comprehensive income or through profit and loss.

Amendments to IFRS 7

The International Accounting Standards Board (IASB) published amendments to IFRS 7 "Financial instruments: disclosures" on October 7, 2010. These amendments largely standardize the relevant disclosure obligations under International Financial Reporting Standards (IFRS) and US Generally Accepted Accounting Principles (US-GAAP). The amendments to IFRS 7 involve extended disclosure obligations upon the assignment of financial assets and are intended to provide readers of the financial statements with a better understanding of the implications of the risks remaining at the company. Companies must make mandatory application of the amendments in financial years beginning on or after July 1, 2011. Premature application is possible. Comparative disclosures may be omitted in the first year of application. This will not have any material implications for the consolidated financial statements of ad pepper media.

Amendments to IFRS 1

The International Accounting Standards Board (IASB) has issued on December 20, 2010 two narrow amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards (IFRSs)". The amendments confirm proposals that were published as separate exposure drafts for public comment in August and September.

The first amendment replaces references to a fixed date of 'January 1, 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

The amendments to IFRS 1 are set out in Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters and are effective from July 1, 2011. Earlier application is permitted.

This will not have any implications for the consolidated financial statements of ad pepper media.

Amendments to IAS 12

The International Accounting Standards Board (IASB) has issued on December 20, 2010 amendments to IAS 12 "Income Taxes". The amendments, set out in Deferred Tax: Recovery of Underlying Assets, result from proposals published for public comment in an exposure draft in September. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will normally be through sale.

As a result of the amendments, SIC-21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn. This will not have any material implications for the consolidated financial statements of ad pepper media.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS:

In the application of the Group's accounting policies, which are described below in note [3], the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

A) Judgments

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Impairment of available-for-sale financial assets

ad pepper media assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

As the debt instruments have considerably decreased in its fair value, ad pepper media has thoroughly assessed the need for impairment. In making this judgment, ad pepper media evaluates among other factors, the normal volatility in stock-market prices as well as the impact of a lack of liquidity in trading in prevailing market conditions. However, a debt instrument classified as available-for-sale is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the debt instrument and that the loss event has impact on the estimated future cash flows of the debt instruments. Evidence of impairment may include indications that the issuer of the debt instrument is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the issuer is facing bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears. Impairment is deemed appropriate when there is convincing doubt about the creditability of the issuer or there is strong indications that the redemption of the debt instruments or the interest payments are at risk.

B) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of intangible assets

As described above, the Group reviews the estimated useful lives of intangible assets at the end of each annual reporting period. The directors determined in 2009 that the useful lives of customer databases is one year.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Estimating an amount for the recoverable amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further information is presented in the note on "Goodwill".

Impairment of other financial assets

ad pepper media assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. In 2009, a non-controlling interest in Brand Affinity Technologies Inc. in form of an unquoted equity instrument was impaired as the business is still not profitable and budget forecasts were repeatedly and continuously not met. Based on the assumption that no short-term turnaround will occur impairment losses of EUR 1,621k have been recognized at December 31, 2009.

In August 2010 Brand Affinity Technologies Inc., received a third round financing from external investors. Accordingly, the investment was increased and revaluated with the fair value from this market transaction.

Further information is presented in the note on "Other financial assets".

Valuation of other financial assets

A non-controlling interest in form of an equity instrument could not be reliably measured is thus recognized at cost (EUR 194k) and not revalued with its fair value in accordance with IAS 39.

The business continues to progress in a very satisfactory manner, and business development has reconfirmed the directors' previous estimates of anticipated revenues. However, the business is still at an early stage and uncertainty in forecasts still high. This situation will be closely monitored, and adjustments made in future periods if future business development indicates that valuation at fair value would be appropriate.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies. Further information is presented in the note on "Income taxes".

The financial effects on non-current other financial assets and deferred tax assets from changes in assumptions and estimates cannot be determined in a practicable way. However, ad pepper media cannot exclude the possibility that the carrying amount of these items changes materially within the next financial year.

Summary of significant accounting policies [3]

Foreign currency translation

The consolidated financial statements are presented in Euro, which is the company's functional and presentation currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to other comprehensive income until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

As at the reporting date, the assets and liabilities of those subsidiaries that have a functional currency other than the Euro are translated into the presentation currency of ad pepper media International N.V. (the Euro) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the income statement.

The significant foreign currency exchange rates have developed as follows:

Foreign currency per 1 EUR	Closing rate 31-12-10	Closing rate 31-12-09	Average rate 2010	Average rate 2009
US dollar	1.3362	1.4406	1.3113	1.4252
British pound	0.8608	0.8881	0.8573	0.8938
Swedish krone	8.966	10.252	9.5795	10.6776
Danish krone	7.4535	7.4418	7.448	7.4464

Property, plant and equipment

Plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.
Depreciation is calculated on a straight line basis over the useful life of the assets. The estimated useful lives of the assets are between three and ten years. An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Business combinations and goodwill

Business combinations are accounted for applying the purchase method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the group at which the goodwill is monitored for internal management purposes; and is not larger than a segment based on either the group's primary or secondary reporting format determined in accordance with IFRS 8 "Operating Segments".
- Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.
- Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortized goodwill is recognized in the income statement.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition.
Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.
The useful lives of intangible assets are finite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.
The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development. During the period of development, the asset is tested for impairment annually. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future sales. During the period in which the asset is not yet in use, it is tested for impairment annually.
Gains or losses arising from derecognizing of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the fair value of the asset or cash-generating unit less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. The valuation model is based on a discounted cash flow method.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increased amount shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized on the asset in prior years.
Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognized for goodwill are not reversed for subsequent increases in its recoverable amount.

Goodwill
Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.
Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses recognized for goodwill shall not be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December. For more detailed information please refer to Note [16].

Impairment of financial assets

Investments and other financial assets
Financial assets within the scope of IAS 39 are classified as at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.
The group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.
All regular way purchases and sales of financial assets are recognized on the settlement date, being the date on which the group clears the purchase or sale of a financial asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.
Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in profit or loss.
The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial investments
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in the preceding category.
Available-for-sale financial assets, classified as current or non-current marketable securities depending on their maturity, are non-derivative financial assets that are designated as available-for-sale. They are recognized on initial measurement at fair value. After initial measurement, available-for-sale financial assets are measured at fair value, recognizing unrealized gains or losses directly in other comprehensive income. When the investment is disposed of, the cumulative gain or loss previously recorded in other comprehensive income is recognized in the income statement.

Fair value
The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models. If the fair value of an unquoted equity instrument cannot be measured reliably it is carried at cost.

Amortized cost
Loans and receivables are measured at amortized cost. This is computed using the effective interest method less any allowance for impairment.
The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss. If the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the recognition of impairment, the impairment loss previously recognized is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.
In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Available-for-sale financial investments
If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from other comprehensive income to the income statement.
Reversals in respect of equity instruments classified as available-for-sale are not recognized in the income statement.
Reversals of impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. Shares in money market funds are also included in cash equivalents.
For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest bearing loans and borrowings
All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Share-based payment transactions
Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").
In situations in which some or all of the goods or services received by the entity as consideration for equity instruments cannot be specifically identified, they are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using an appropriate pricing model, further details of which are given in subsequent notes.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

A voluntary waiver of the counterparties of granted stock options after the grant date is treated as a cancellation of the plan resulting in an accelerated vesting of the granted stock options.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are provided in Note [15]).

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Only operating lease agreements exist. Payments are recognized as an expense in the income statement on a straight line basis over the lease term.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other turnover taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

The company generates its revenues mainly by marketing internet advertising space. Advertising customers book units (Ad Impressions, Ad Clicks, Registrations, Mail send-outs, Transactions) via the company – these are supplied over a period defined by the customer. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price of the transaction is fixed and determinable, and recoverability is reasonably assured.

In cases in which the campaign starts before the balance sheet date and lasts beyond this date, revenue is deferred proportionately according to the units supplied or to the period, depending on the contract.

Revenue recognized leads to the recognition of unbilled receivables as long as an invoice is not send out to the client.

Interest income

Revenue is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date. Current income tax relating to items recognized directly in other comprehensive income is recognized in other comprehensive income and not in the income statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except: Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except: Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized directly in other comprehensive income is recognized in other comprehensive income and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax except: Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables that are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Earnings per share

Earnings per share is determined pursuant to IAS 33 "Earnings per Share". Basic earnings per share is the consolidated net income divided by the weighted average number of shares of ordinary shares outstanding. Diluted earnings per share is the consolidated net income divided by the total of the weighted average number of shares of ordinary shares outstanding and all dilutive effects of potential ordinary shares.

Cash flow statement

The cash flow statement according to IAS 7 "Cash Flows Statements" is classified by operating, investing and financing activities.

Business combinations [4]

No business combinations occurred in the financial year 2010 as in 2009.

Segment reporting [5]

IFRS 8 supersedes IAS 14 "Segment reporting" and converges the standards of the IASB with the requirements of the Statement of Financial Accounting Standards (SFAS) 131. The IFRS requires an entity to report financial and descriptive information about its reportable segments.

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity, on which separate financial information is available, that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. Financial information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is focused on the category of service delivered.
Hence, the group is disclosing segment information for the operating segments "ad pepper media" (Lead, Mail, Banner, Ad serving), "Webgains" (Affiliate-Marketing) and "ad agents" (SEO/SEM) as well as the non-operating segment "Admin" (Administration). The accounting policies of the reportable segments are the same as the Group's accounting policies described in note [2]. Segment profit represents the EBIT respectively EBITDA earned by each segment without any differences to IFRS. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The basis of accounting for inter-segment transactions is the "dealing at arm's length"-principle.

Financial year 2010	ad pepper media	Webgains	ad agents	Admin	Consolidation	Group
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
Total revenues	28,859	16,497	6,777	1,399	-1,871	51,661
thereof external	28,568	16,299	6,771	23	0	51,661
thereof intersegment	291	198	6	1,376	-1,871	0
Expenses and other income	-26,968	-16,858	-5,864	-2,390	1,427	-50,653
thereof amortization and depreciation	-325	-21	-36	-332	2	-712
thereof other non-cash expenses	-410	-301	-	-155	-2	-868
EBITDA	2,216	-340	949	-659	-446	1,720
EBIT	1,891	-361	913	-991	-444	1,008
Financial income	83	1	3	1,337	-61	1,363
Financial expenses	-63	-2	-7	-40	61	-51
Reversal of impairments	0	0	0	735	0	735
Income taxes						-553
Net income for the year						2,502

Financial year 2009	ad pepper media	Webgains	ad agents	Admin	Consolidation	Group
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
Total revenues	29,244	13,078	5,404	2,041	-2,868	46,899
thereof external	28,781	12,713	5,390	15	0	46,899
thereof intersegment	463	365	14	2,026	-2,868	0
Expenses and other income	-51,126	-17,725	-5,436	-6,601	2,038	-78,850
thereof amortization and depreciation	-1,056	-224	-21	-895	1	-2,195
thereof other non-cash expenses*	-20,972	-4,440	-82	-1,662	0	-27,156
EBITDA	-20,925	-4,423	-11	-3,665	-831	-29,756
EBIT	-21,882	-4,647	-32	-4,560	-830	-31,951
Financial income	125	0	3	1,631	-167	1,592
Financial expenses	-123	-6	-1	-312	167	-275
Impairments	0	0	0	-3,136	0	-3,136
Income taxes						-552
Net income for the year						-34,322

* includes one-off effects, mainly from impairments to the amount of EUR 25,070k. An amount of EUR 19,763k relates to the segment "ad pepper media", of EUR 4,271k to the segment "Webgains" and of EUR 1,036k to the segment "Admin".

Geographical information

The Group operates in four principal geographical areas – The Netherlands (country of domicile), Germany, Scandinavia and United Kingdom.
The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below whereby non-current assets are excluding financial instruments and deferred tax assets.

	Revenue from external customers		Non-current assets	
	Year ended 31-12-10	Year ended 31-12-09	31-12-10	31-12-09
	EUR 000s	EUR 000s	EUR 000s	EUR 000s
The Netherlands	3,344	3,152	23	24
Germany	15,761	14,460	654	905
Scandinavia	6,948	7,773	161	339
United Kingdom	13,276	11,867	64	96
Other	12,332	9,647	24	39
Total	**51,661**	**46,899**	**926**	**1,403**

Disclosure information according to IFRS 8.34 is not relevant as there is no dependency on major customers within the ad pepper media Group.

Notes to the income statement [6]

The revenues of ad pepper media are derived from the rendering of online-marketing services; e.g. display, affiliate, SEM/SEO and ad serving-solutions.

The income statement has been prepared using the function of expense method. The expenses contain personnel expenses of EUR 18,196k (2009: EUR 18,697k) as well as depreciation and amortization of EUR 712k (2009: EUR 2,195k).
The personnel expenses include the employer's share to state pension schemes amounting to EUR 616k (2009: EUR 919k) which have to be disclosed as employer's contribution to a defined contribution plan.

Cost of sales [7]

Cost of sales mainly comprises expenses for internet advertising space and for server technology used, including the associated personnel costs.

Selling and marketing expenses [8]

This item comprises all costs associated with attracting customers and orders. Advertising costs of EUR 565k (2009: EUR 610k) were expensed in 2010.

General and administrative expenses [9]

This item includes costs of EUR 0k (2009: EUR 531k) in connection with the sale of investments in dMarc Broadcasting Inc. and Falk eSolutions.

Other operating income [10]

This item primarily includes foreign exchange gains of EUR 1,209k (2009: EUR 436k) as well as income from the release of accrued liabilities and write-off of payables from prior years.

Other operating expenses [11]

This item includes foreign exchange losses of EUR 928k (2009: EUR 259k) and expenses in the bad debt allowances as well as write-off of receivables totaling EUR 11k (2009: EUR 1,683k).

Impairment of goodwill and other intangible assets [11a]

ad pepper media International N.V. reviews goodwill and other intangible assets as soon as there is an indication of impairment and for goodwill latest annually at year-end.
The impairment testing was carried out in accordance to the methodology described in note [16] and resulted in allocable impairment losses of EUR 0k (2009: EUR 23,525k). Consequently, goodwill impairment losses amounted to EUR 0k (2009: EUR 20,795k).

In 2010 there were also no impairment losses allocated to intangible assets from purchase price allocations (2009: EUR 2,730k). Furthermore, impairment losses allocated to self-developed software amounted to EUR 0k as well (2009: EUR 1,559k).

Gain on sale of shares in associates and other investments [12]

During the financial year 2010, no gains were recognized (2009: nil).

Financial income, net [13]

The amount for the past business year includes net interest of EUR 628k (2009: EUR 903k) and realized gross gains of EUR 562k (2009: EUR 689k) from the trade of securities. In addition, an amount of EUR 735k is attributable to the reversal of an impairment loss on a loan recognized in 2009. This occurred in connection with third-round financing at Brand Affinity Technologies Inc.

Fees for the trade of securities amounted to EUR 40k (2009: EUR 109k) while unrealized revaluation gains of securities at fair value through profit and loss amounted to EUR 162k (2009: losses of EUR 162k). Interest income on financial assets that are at fair value though profit or loss amounts to EUR 325k (2009: EUR 103k). Interest income on financial assets that are not at fair value though profit or loss calculated using the effective interest method amounts to EUR 303k (2009: EUR 800k), because no premiums or discounts have to be allocated. Interest expense on financial liabilities that are not at fair value though profit or loss amounts to EUR 0k (2009: EUR 0k).

Income taxes [14]

Income taxes break down	2010	2009
	EUR 000s	EUR 000s
Current income tax	-379	-476
Deferred tax	-174	-76
Total	**-553**	**-552**

The current income taxes reported relate to the taxes paid or payable by individual local entities. The calculation of the deferred taxes was based on the country-specific tax rates.

Due to the existing unused tax losses, deferred tax assets of EUR 11,967k (2009: EUR 13,256k) were calculated on the basis of the unused tax losses of EUR 39,499k (2009: EUR 44,144k).

Deferred tax assets from unused tax losses were recorded to the extent that it is probable that future taxable profit is available against which they can be utilized within a foreseeable planning period. Thus, an amount of deferred tax assets of EUR 68k (2009: EUR 317k) has been recognized for the tax loss carry forwards. The majority of the available tax loss carry forwards is non-expiring. In addition to the unused tax losses, the following significant deferred tax assets and liabilities result from temporary differences.

Deferred tax liabilities	*2010 EUR 000s*	*2009 EUR 000s*
Software	*0*	*21*
Securities	*123*	*25*
Total	***123***	***46***

Deferred tax assets	*2010 EUR 000s*	*2009 EUR 000s*
Tax losses brought forward	*68*	*317*
Other	*168*	*16*
Total	***236***	***333***

Changes in deferred tax liabilities on temporary differences recognized in profit or loss amount to EUR 77k (2009: EUR 542k). The change in deferred tax assets on temporary differences is recognized in profit or loss.

Deferred tax assets and liabilities are netted if the company has the legally enforceable right to set off current tax assets against current tax liabilities and if they relate to the same tax authorities and the same taxable entity. As a result, deferred tax assets of EUR 113k (2009: EUR 308k) and deferred tax liabilities of EUR 0k (2009: EUR 21k) were recognized in the balance sheet.

Deferred tax assets of EUR 0k (2009: EUR 292k) on tax losses are recognized for companies with a history of losses.

No deferred tax liabilities were recognized as of December 31, 2010 (2009: nil) for taxes on non-distributed profits of subsidiaries, because the Group has decided that the profits of its subsidiaries that have not been distributed will not be distributed in the foreseeable future. If deferred taxes were to be recognized for these temporary differences, only the source tax rates applicable in each case, where appropriate taking into account the German tax of 5 percent of the distributed dividends, would have to be applied for the computation. The calculation of these deferred taxes, which have been ignored, would be associated with unreasonable cost and effort.

ad pepper media International N.V. has its tax domicile in Germany. The reconciliation between expected income tax expense and actual income tax expense based on the German statutory tax rate (combined corporate income tax and trade tax on income) of 31.47 percent (2009: 31.47 percent) is as follows:

	2010 EUR 000s	*2009 EUR 000s*
Expected income tax	*-961*	*10,623*
Foreign tax rate differential	*24*	*-240*
Effect from tax-free gains	*678*	*0*
Prior year income tax	*6*	*-86*
Deferred tax expense due to change in tax rates	*0*	*-15*
Increase of allowance on deferred tax assets	*-255*	*-6,384*
Non-deductible stock option expenses	*-28*	*-56*
Non-tax-deductible expenses and other	*-16*	*-4,394*
Actual tax expense	***-553***	***-552***

The increase of allowances on deferred tax assets includes EUR 76k (2009: EUR 740k) on deferred tax assets reported in prior years.

Earnings per share [15]

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the converon of all the dilutive potential ordinary shares into ordinary shares.

The income and share data used in the computations of basic and diluted earnings per share are as follows:

	2010 EUR 000s	*2009 EUR 000s*
Net income attributable to shareholders of the parent company	*2,237*	*-34,307*
Number of shares at the beginning of the period	*20,732,208*	*22,024,682*
Number of shares at the end of the period	*21,046,208*	*20,732,208*
Weighted average number of shares outstanding (basic)	*20,915,860*	*21,348,732*
Basic earnings per share in EUR	*0.11*	*-1.61*
Weighted average number of shares outstanding (diluted)	*21,255,406*	*21,348,732*
Diluted earnings per share in EUR	*0.11*	*-1.61*

The weighted average number of shares outstanding in 2010 was calculated on a daily basis. In 2010, the options granted resulted in dilution of an average of 339,546 shares (2009: nil shares).

No new shares in ad pepper media International N.V. were admitted for trading on the Frankfurt Stock Exchange in 2010 (2009: 210,292 shares).

In 2010 the Company has not carried out a share repurchase program. Consequently, no shares were acquired in 2010 (2009: 1,512,474 shares at an average price of EUR 1.12).

A total of 314,000 treasury shares (2009: 9,708 shares) were sold in connection with the exercise of employee stock options.

NON-CURRENT ASSETS

Goodwill [16]

Goodwill is monitored on operating segment-level. In accordance with the provisions of IAS 36, goodwill was tested annually for impairment in the fourth quarter (2009: third quarter) on the basis of future cash flows. The recoverable amount of each cash-generating unit (CGU), which is identical to the operating segments under IFRS 8, was determined on the basis of the calculation of a fair value less costs to sell using cash flow forecasts based on the financial plans for the next five financial years. Individual growth rates were defined for each operating segment considering average growth rates of peer group.

The discount rate (weighted average cost of capital) used for the cash flow forecast is 7.04 percent (2009: discount rates between 7.55 percent and 10.50 percent). Cash flows after the five-year forecast period were calculated without using a constant growth rate, as it is not currently possible to calculate a long-term average growth rate for this young industry.

Total goodwill at the end of the financial year amounted to EUR 24k (2009: EUR 24k). Goodwill at cost was EUR 22.4m (2009: EUR 22.4m) whereas accumulated impairment losses amounted to EUR 22.4m (2009: EUR 22.4m). As at December 31, 2010 the goodwill is allocated in full to the CGU ad agents.

The underlying assumptions for the CGU were as follows:

Cash generating units 2010	*Goodwill in EUR 000s*	*Discount rate in percent*	*CAGR in percent*
ad agents	*24*	*7.04*	*12.7*

Cash generating units 2009	*Goodwill in EUR 000s*	*Discount rate in percent*	*CAGR in percent*
ad pepper media	*17,011*	*7.55*	*0.0*
ad agents	*24*	*7.55*	*7.1*
Webgains	*3,779*	*10.50*	*9.0*

This resulted in an allocable impairment loss of EUR 0k (2009: EUR 23,525k). Hereof, in 2009 goodwill impairment losses of EUR 17,016k related to the segment "ad pepper media" and of EUR 3,779k to the segment "Webgains".
In 2009, additional impairment losses of EUR 2,730k were allocated to intangible assets. Hereof, in 2009 impairment losses of EUR 1,407k related to the segment "ad pepper media", of EUR 475k to the segment "Webgains" and of EUR 848k to the segment "Admin".
Further details about changes in goodwill are disclosed under "Business Combinations" and "Changes in consolidated group" to the extent such events have occurred.
The development of intangible assets including goodwill is presented in the consolidated fixed assets schedule.

Sensitivity to changes in assumptions

With regard to the assessment of the recoverable amount of the CGU ad agents, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the unit to materially exceed its recoverable amounts.

Intangible assets [17]

The intangible assets break down as follows:

Software

In regard to software expenses there were no material research and development expenses but expenses for software maintenance.
In 2010 as in 2009, no software IT solutions were developed in-house for the company's own use and thus none were capitalized. Amortization and impairments of solutions developed in-house for the company's own use amounts to EUR 0k (2009: EUR 2,237k), and the carrying amount at December 31, 2010 to EUR 0k including exchange rate differences.
Software is amortized over a useful life of three to five years.

There was no software not yet in use as of December 31, 2010 and hence no testing for impairment.

Brands and customer bases

The most material items included are as follows:
In April 2003, the "Regio Ad" brand was acquired for EUR 48k, including incidental acquisition costs. The amortization period is ten years. The residual carrying amount as of 31 December 2010 is EUR 11k (2009: EUR 16k).

Property, plant and equipment [18]

The development of property, plant and equipment including cost and accumulated depreciation is presented in the development of consolidated fixed assets.

Historical cost

Financial year 2009	Balance at January 1, 2009 EUR 000s	Additions EUR 000s	Disposals EUR 000s	Exchange differences EUR 000s	Balance at December 31, 2009 EUR 000s
Goodwill	**22,448**	**5**	**22,429**	**0**	**24**
Intangible assets					
Software	8,493	43	6,954	138	1,720
Brands and customer bases	4,478	271	4,090	-21	637
Total	**12,971**	**314**	**11,044**	**117**	**2,357**
Property, plant and equipment					
Other equipment, operational and office equipment	1,791	183	232	55	1,797
Total	**37,210**	**502**	**33,705**	**172**	**4,178**

Accumulated depreciation / amortization / impairment / **Book value**

Financial year 2009	Balance at January 1, 2009 EUR 000s	Depreciation/ Amortization EUR 000s	Impairment EUR 000s	Disposals EUR 000s	Exchange differences EUR 000s	Balance at December 31, 2009 EUR 000s	Book value: Financial year December 31, 2009 EUR 000s	Book value: Previous year December 31, 2008 EUR 000s
Goodwill	**1,634**	**0**	**20,795**	**22,429**	**0**	**0**	**24**	**20,814**
Intangible assets								
Software	4,351	739	2,730	6,954	54	920	800	4,142
Brands and customer bases	3,362	1,007	356	4,090	-14	621	16	1,116
Total	**7,713**	**1,746**	**3,086**	**11,044**	**40**	**1,541**	**816**	**5,258**
Property, plant and equipment								
Other equipment, operational and office equipment	972	449	0	232	45	1,234	563	819
Total	**10,319**	**2,195**	**23,881**	**33,705**	**85**	**2,775**	**1,403**	**26,891**

Historical cost

Financial year 2010	Balance at January 1, 2010 EUR 000s	Additions EUR 000s	Disposals EUR 000s	Exchange differences EUR 000s	Balance at December 31, 2010 EUR 000s
Goodwill	**24**	**0**	**0**	**0**	**24**
Intangible assets					
Software	1,720	28	169	1	1,580
Brands and customer bases	637	0	0	0	637
Total	**2,357**	**28**	**169**	**1**	**2,217**
Property, plant and equipment					
Other equipment, operational and office equipment	1,797	238	193	33	1,875
Total	**4,178**	**266**	**362**	**34**	**4,116**

Accumulated depreciation / amortization / impairment / **Book value**

Financial year 2010	Balance at January 1, 2010 EUR 000s	Depreciation/ Amortization EUR 000s	Impairment EUR 000s	Disposals EUR 000s	Exchange differences EUR 000s	Balance at December 31, 2010 EUR 000s	Book value: Financial year December 31, 2010 EUR 000s	Book value: Previous year December 31, 2009 EUR 000s
Goodwill	**0**	**0**	**0**	**0**	**0**	**0**	**24**	**24**
Intangible assets								
Software	920	382	0	168	0	1,134	446	800
Brands and customer bases	621	5	0	0	0	626	11	16
Total	**1,541**	**387**	**0**	**168**	**0**	**1,760**	**457**	**816**
Property, plant and equipment								
Other equipment, operational and office equipment	1,234	325	0	140	11	1,430	445	563
Total	**2,775**	**712**	**0**	**308**	**11**	**3,190**	**926**	**1,403**

Non-current and current securities [19, 21]

As at December 31 all securities are non-current. Recognized as current in the balance sheet are only fixed-term deposits of EUR 1,400k with a maturity of more than three months after purchase date (2009: fixed-term deposits of EUR 1,400k).

The securities as of December 31, 2010 as in 2009 consist of available-for-sale securities and of securities at fair value through profit and loss.
Non-current securities have a remaining term of more than one year for which a disposal within one year is not planned/or if shorter then their disposal within one year is not planned.

Available-for-sale securities

In the reporting year, available-for-sale securities were acquired for EUR 5,161k (2009: EUR 0k) and sold for a total of EUR 751k (2009: EUR 129k). The losses incurred in the financial year amount to EUR 0k (2009: EUR 780k), including losses of EUR 0k (2009: EUR 780k) from the release of other comprehensive income to profit or loss.

In the reporting period, unrealized gains of EUR 225k (2009: EUR 409k) were recognized in other comprehensive income and loss. In 2010 no available-for-sale securities were impaired through the profit and loss statement (2009: EUR 780k).
The maturities of the available-for-sale securities as of the end of the period are as follows:

Fair value	31-12-10 EUR 000s	31-12-09 EUR 000s
Due within one year	1,883	591
Due between one and five years	4,016	1,455
Due in more than five years	2,625	2,377
Total	**8,524**	**4,423**

Securities at fair value through profit and loss

In the reporting year, securities at fair value through profit and loss were acquired for EUR 4,657k (2009: EUR 3,427k) and sold for a total of EUR 4,725k (2009: EUR 1,590k). The unrealized revaluation losses incurred in the financial year amount to EUR 0k (2009: EUR 162k).

IAS 39.AG33A states that when an entity becomes a party to a hybrid (combined) instrument that contains one or more embedded derivatives, paragraph 11 requires the entity to identify any such embedded derivative, assess whether it is required to be separated from the host contract and, for those that are required to be separated, measure the derivatives at fair value at initial recognition and subsequently. These requirements can be more complex, or result in less reliable measures, than measuring the entire instrument at fair value through profit or loss. For that reason this Standard permits the entire instrument to be designated as at fair value through profit or loss.
ad pepper media has chosen this "fair value option" for such securities as the securities acquired includes embedded derivates.

The maturities of the securities at fair value through profit and loss as of the end of the period are as follows:

Fair value	31-12-10 EUR 000s	31-12-09 EUR 000s
Due within one year	865	0
Due between one and five years	0	0
Due in more than five years	2,332	3,265
Total	**3,197**	**3,265**

Other financial assets [20]

This item contains rent and similar deposits, carried at their nominal amount of EUR 521k (2009: EUR 421k) and an amount of EUR 3,172k related to the non-controlling interest in Brand Affinity Technologies Inc. The value of the non controlling interest in Brand Affinity Technologies Inc. is mainly originating from the reversal of an impairment of a loan receivable, which has been converted into share capital during 2010, and the fair-value revaluation of EUR 1,967k during 2010 of the investment of Brand Affinity Technologies Inc., which was fully impaired during 2009. The revaluations occurred in connection with third-round financing at Brand Affinity Technologies Inc. In this respect, the measurement of the non-controlling interest was changed to fair value measurement. As the investment is classified as an equity instrument available-for-sale, the reversal was recognized in other comprehensive income.

CURRENT ASSETS

Trade receivables [22]

Trade receivables are recognized at their nominal value less valuation allowances. The valuation allowances as of December 31, 2010 amount to EUR 735k (2009: EUR 1,335k). The allowances are calculated on the basis of all information available to the company and include all probable bad debts on receivables as of December 31, 2010.

Income tax receivables [23]

The item includes capital gains tax of EUR 467k (2009: EUR 438k) paid in advance, which is to be reimbursed by the tax authorities, as well as prepaid income taxes.

Prepaid expenses and other current assets [24]

Other current assets are generally recognized at their nominal value. In addition to payments in advance and prepaid expenses, this item also includes value added tax receivables of EUR 84k (2009: EUR 108k).

Cash and cash equivalents [25]

The item includes bank balances, cash in hand, day-today investments in money market funds whose amortized cost corresponds with their market value as well as fixed-term deposits with an original maturity of up to three months.
For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at banks and on hand of EUR 9,803k (2009: EUR 13,514k).

EQUITY

Issued capital [26]

No new shares in ad pepper media International N.V. were admitted for trading on the Frankfurt Stock Exchange in 2010 (2009: 210,292 shares).

The issued capital of ad pepper media International N.V. comprises 23,000,000 (2009: 23,000,000) bearer shares each with a nominal value of EUR 0.05.

Additional paid-in capital [27]

Proceeds from the issuance of shares increased the additional paid-in capital by the amount by which they exceeded the par value of the shares.

Treasury shares [28]

Purchase of treasury shares

By shareholders resolution of May 18, 2010, ad pepper media was authorized to repurchase treasury stock of up to 50 percent of the issued capital within the next 18 months.
The company did not carry out any share repurchase program in 2010. Consequently, no shares were acquired (2009: 1,512,474 shares).
As of December 31, 2010 the company held 1,953,792 treasury shares (2009: 2,267,792 treasury shares) at a nominal value of 0.05 EUR each which equals 8.49 percent (2009: 9.86 percent) of the share capital. According to a shareholders resolution those shares can be used for acquisitions or stock option plans.

Sale of treasury shares

In the reporting year, 259,000 treasury shares were sold at a price of EUR 0.89 (2009: 9,708), 45,000 at a price of EUR 1.50 (2009: 0) and 10,000 at a price of EUR 0.915 (2009: 0) under the employee stock option plans.

A total of 314,000 treasury shares were sold in the reporting year (2009: 9,708).

Furthermore, exceptional cash settlements amounting to EUR 340k for fully vested stock options occurred. This amount were posted as a deduction from equity within the item "own shares".

Number of shares outstanding

The number of shares issued and outstanding as of December 31, 2010 totaled 21,046,208 (2009: 20,732,208). Each share has a nominal value of EUR 0.05.

Authorized unissued capital [29]

The authorized unissued capital totals EUR 21,485.40 (2009: EUR 21,485.40) and comprises 429,708 shares (2009: 429,708 shares).

Accumulated other comprehensive losses [30]

Accumulated other comprehensive losses include losses on available-for-sale securities of EUR -1,939k (2009: EUR -2,164k), taking into account deferred taxes of EUR 0k (2009: EUR 0k), and accumulated exchange differences of EUR -1,372k (2009: EUR -1,369k) from the translation of the financial statements of foreign subsidiaries. As described in note [20] the increase of EUR 1,967k in the fair value of the non-controlling interest in Brand Affinity Technologies, Inc. was recognized in other comprehensive income as this investment is a available-for-sale equity instrument.

Minority interest [31]

The minority interest results from the acquisition of 60 percent of the shares in ad agents GmbH.
Hence the result for the period of ad agents GmbH is allocated proportionately to the minority interest.

CURRENT LIABILITIES

Trade payables [32]

Trade payables are recognized at the settlement amount. This item also includes accrued liabilities for outstanding invoices.

Other financial liabilities [33]

This balance sheet item mainly comprises liabilities for bonuses and commissions, and employee flexi time credits.

Related party disclosures [34]

Persons in key positions in the Group

All related party transactions are undertaken on an arms-length basis at market prices. Please refer with regard to other business relationships with this group of persons to Note [40].

The following directors' dealings (§15a WpHG) were reported to ad pepper media until authorization for publication of this report:

- Date of Transaction: March 1, 2011
  Issuer: ad pepper media International N.V.
  Person subject to registration: Grabacap ApS
  Transaction subject to registration: sale of 40,000 shares
  with a price of 1.7960 EUR/share
  Total volume: 71,840 EUR (stock exchange: Xetra)

- Date of Transaction: February 24, 2011
  Issuer: ad pepper media International N.V.
  Person subject to registration: Michael A. Carton
  (Member of managing body)
  Transaction subject to registration: purchase of 73,500 shares
  with a price of 1.20122 EUR/share
  Total volume: 88,290 EUR (stock exchange: OTC)

- Date of Transaction: January 31, 2011
  Issuer: ad pepper media International N.V.
  Person subject to registration: Merrill Clark Dean
  (Member of the Supervisory Board)
  Transaction subject to registration: purchase of 8,000 shares
  with a price of 2.3899 USD/share
  Total volume: 19,119.20 USD (stock exchange: OTC)

- Date of Transaction: November 26, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Euroserve Media GmbH
  (Michael Oschmann, Member of the Supervisory Board)
  Transaction subject to registration: purchase of 30,831 shares
  with a price of 1.57 EUR/share
  Total volume: 48,404.67 EUR (stock exchange: OTC)

- Date of Transaction: November 26, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Viva Media Service GmbH
  (Ulrich Schmidt, Member of the Board)
  Transaction subject to registration: purchase of 6,370 shares
  with a price of 1.54986 EUR/share
  Total volume: 9,872.61 EUR (stock exchange: Xetra, Frankfurt)

- Date of Transaction: November 2, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Michael A. Carton
  (Member of managing body)
  Transaction subject to registration: sale of 20,000 shares
  with a price of 1.8320 EUR/share
  Total volume: 36,639.53 EUR (stock exchange: Xetra, Frankfurt)

- Date of Transaction: October 29, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Michael A. Carton
  (Member of managing body)
  Transaction subject to registration: sale of 43,357 shares
  with a price of 1.9015 EUR/share
  Total volume: 82,444.64 EUR (stock exchange: Xetra, Frankfurt)

- Date of Transaction: October 27, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Michael A. Carton
  (Member of managing body)
  Transaction subject to registration: sale of 14,900 shares
  with a price of 1.90 EUR/share
  Total volume: 28,310 EUR (stock exchange: Xetra, Frankfurt)

- Date of Transaction: October 25, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Michael A. Carton
  (Member of managing body)
  Transaction subject to registration: sale of 7,250 shares
  with a price of 1.9010 EUR/share
  Total volume: 13,782.30 EUR (stock exchange: Xetra, Frankfurt)

- Date of Transaction: October 22, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Michael A. Carton
  (Member of managing body)
  Transaction subject to registration: sale of 221,415 shares
  with a price of 1.9369 EUR/share
  Total volume: 428,854.91 EUR (stock exchange: Xetra, Frankfurt)

- Date of Transaction: October 20, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Michael A. Carton
  (Member of managing body)
  Transaction subject to registration: sale of 2,950 shares
  with a price of 1.97 EUR/share
  Total volume: 5,811.50 EUR (stock exchange: Xetra, Frankfurt)

- Date of Transaction: October 18, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Michael A. Carton
  (Member of managing body)
  Transaction subject to registration: sale of 3,224 shares
  with a price of 2.03 EUR/share
  Total volume: 6,544.72 EUR (stock exchange: Xetra, Frankfurt)

- Date of Transaction: September 14, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Grabacap ApS
  Transaction subject to registration: sale of 36,000 shares
  with a price of 1.60 EUR/share
  Total volume: 57,600 EUR (stock exchange: OTC)

- Date of Transaction: September 14, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Euro Serve Media GmbH
  Transaction subject to registration: purchase of 100,000 shares
  with a price of 1.60 EUR/share
  Total volume: 160,000 EUR (stock exchange: OTC)

- Date of Transaction: July 2, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Grabacap ApS
  Transaction subject to registration: sale of 40,000 shares
  with a price of 1.55 EUR/share
  Total volume: 62,000 EUR (stock exchange: OTC)

- Date of Transaction: March 24, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Michael A. Carton
  (Member of managing body)
  Transaction subject to registration: purchase of 144,000 shares
  with a price of 0.89 EUR/share
  Total volume: 128,160 EUR (stock exchange: OTC)

- Date of Transaction: March 16, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Michael A. Carton
  (Member of managing body)
  Transaction subject to registration: sale of 38,039 shares
  with a price of 1.485 EUR/share
  Total volume: 56,495,22 EUR (stock exchange: Xetra, Frankfurt)

- Date of Transaction: March 15, 2010
  Issuer: ad pepper media International N.V.
  Person subject to registration: Michael A. Carton
  (Member of managing body)
  Transaction subject to registration: sale of 41,961 shares
  with a price of 1.46 EUR/share
  Total volume: 61,242,28 EUR (stock exchange: Xetra, Frankfurt)

The terms and conditions of related party transactions are compliant to the "dealing-at-arm's-length"-principle.

Litigation and claims [35]

Neither the ultimate parent nor any of its subsidiaries are involved in any material litigation with third parties.

Other financial obligations [36]

Other financial obligations mainly result from rented offices and from leases for cars and office equipment. The expenses from lease agreements amounted to EUR 139k in financial year 2010 (2009: EUR 178k). Rental expense amounted to EUR 1,115k (2009: EUR 1,194k). The future minimum payment obligations resulting from the contracts in place as of December 31, 2010 are as follows:

Financial year	2011	2012	2013	2014	2015	There-after	Total
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
Office rent	869	688	534	243	53	0	2,387
Car leases	87	40	7	0	0	0	134
Others	248	0	0	0	0	0	248
Total	**1,204**	**728**	**541**	**243**	**53**	**0**	**2,769**

Seasonal influences [37]

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

Additional cash flow information [38]

The following information is provided to supplement the statement of cash flows: "Other non-cash expenses and income" mainly comprise accrued interest income and expenses for allocation to and income from the release of valuation allowances on trade receivables, and expenses from writing down receivables.
The item in the cash flow statement for re-/purchase of treasury shares includes stock options exercised that were settled in cash by ad pepper media International N.V. as well as buy-backs of treasury shares settled in cash.

Stock option programs [39]

By doubling the number of options and halving the exercise price all stock options programs mentioned below have been adjusted for the share split on May 27, 2009.
Prior to the company's IPO in 2000, the extraordinary general meeting of ad pepper media International N.V. adopted a pre-IPO stock option plan for all of the employees of the company or its subsidiaries at the time of the IPO. The options issued in 2000 under this plan may be exercised ten years after the IPO with no conditions imposed, or before this date in four equal tranches if the respective performance targets have been met (25 percent after the first year if the market price during this period exceeds EUR 9.775 on one occasion, 25 percent after two years if the market price during this period exceeds EUR 11.05 on one occasion, 25 percent after three years if the market price during this period exceeds EUR 11.90 on one occasion, 25 percent after four years if the market price during this period exceeds EUR 12.75 on one occasion). All options issued under the pre-IPO stock option plan expired on October 9, 2010.
At each of the annual general meetings on April 26, 2001, April 25, 2002, May 5, 2003, May 7, 2004, May 2, 2005, May 12, 2006, April 30, 2007 and May 27, 2008 the Board of Directors was authorized to repurchase up to 10 percent of the share capital as treasury shares within an 18-month period. By shareholders resolution of May 19, 2009 and May 18, 2010, the Board of Directors of ad pepper media was authorized to repurchase treasury stock of up to 50 percent of the issued capital within the next 18 months.

Options granted under the "Ongoing Stock Option Plan" are subject to the following provisions:
The options are granted to employees of the ad pepper media-group. Altogether 1,000,000 shares have been reserved for the "Ongoing Stock Option Plan". The subscription ratio is one share per option right. The subscription price is based on the average share price on the Xetra exchange during the first ten trading days of May 2001 for the 2001 plan, or the first ten trading days in January for subsequent plans.
Options can first be exercised when the share price has risen at least 10 percent above the subscription price, but no sooner than one year after the option has been granted. Options may be exercised in whole or in part in the three-week period after publication of the company's quarterly reports. As a rule, the stock options granted do not expire. However, the options expire if an employee terminates his or her employment contract or if the company terminates the employment for good cause.

In January 2003, the "Ongoing Stock Option Plan" for executives was replaced by the "Executive Stock Option Plan", the aim of which is to encourage executives to remain with the company. Under this plan, a nonrecurring issue of options was granted to executives; the exercise price for these options is also based on the average share price during the first ten trading days in January. 10 percent of the options may be exercised in each of the following ten years.

Pursuant to the resolution of the general meeting dated May 2, 2005, exercise of the executive stock options can in particular cases also be settled in cash at the request of ad pepper media.

In the years 2005 and 2006 option plans ("Executive SOP 2005 and "Executive SOP 2006") to tie employees in key positions to the company were issued. These options may be exercised over a period of four years at 25 percent each year. Similar to the other plans, the exercise prices for these options are based on the average share price during the first ten trading days before grant date. The option plans do not include an exercise hurdle, but can be exercised at the earliest one year after being granted.

No stock options were granted in 2007.

An employee equity-participation program involving 1,220,000 options was launched for executive employees on May 15, 2008 ("Executive SOP 2008").
The valuation was carried out by simulation (Monte-Carlo method). The volatility was calculated from the development of the ad pepper media International N.V. share price between January 1, 2003 and April 30, 2008. Earlier values would have distorted the 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 0.282 and EUR 0.5145 per issued option. The maximum cost of the program over the entire period is EUR 0.5m.

An employee equity-participation program involving 280,000 options was launched for executive employees on March 6, 2009 ("Executive SOP 2009").
The valuation was carried out by simulation (Monte-Carlo method). The volatility was calculated from the development of the ad pepper media International N.V. share price between January 1, 2003 and February 28, 2009. Earlier values would have distorted the 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 0.1925 and EUR 0.3085 per issued option. The maximum cost of the program over the entire period is EUR 0.1m.

The fair value of the stock options was calculated applying the Black-Scholes-Model, based on the following assumptions:

	Pre-IPO	Ongoing SOP 2001	Ongoing SOP 2002	Ongoing SOP 2003	Ongoing SOP 2004
Share price when granted, in EUR	6.75	1.30	0.65	0.89	2.22
Date of grant	31-05-00	18-05-01	15-01-02	15-01-03	16-01-04
Exercise price, in EUR	6.75	1.365	0.665	0.89	2.225
Risk-free interest rate, in percent	4.80	4.00	3.80	3.50	2.75
Estimated term, in years	7	4	1	1	1
Future dividend, in EUR	0	0	0	0	0
Estimated volatility, in percent	20	93	68	73	40

	Executive SOP 2003	Executive SOP 2005	Executive SOP 2006	Executive SOP 2008	Executive SOP 2009
Share price when granted, in EUR	0.89	2.50	3.80	1.40	0.85
Date of grant	15-01-03	15-04-05	16-01-06	15-05-08	06-03-09
Exercise price, in EUR	0.89	2.66	3.795	1.50	0.915
Risk-free interest rate, in percent	4.50	3.65	3.48	4.15	2.71
Estimated term, in years	10	4	4	10	7
Future dividend, in EUR	0	0	0	0.04 to 0.06	0.04 to 0.06
Estimated volatility, in percent	53	58	56	50	53.62

The development in the price of the ad pepper media share in the period from January 1, 2003 to April 28, 2006, April 30, 2008 respectively February 28, 2009 was used as a basis to determine volatility for the option plans issued in 2006, 2008 respectively 2009. Prior figures would have distorted the volatility figure.

The average share price during 2010 was EUR 1.63 (2009: EUR 1.12).

The personnel expenses recorded in the past financial year in connection with stock option programs granted on the basis of equity instruments amount to EUR 90k (2009: EUR 179k).

The following table shows the changes in the options during the financial year 2010:

	2010	2009	Exercise price
	Number	Number	EUR
Options at the beginning of the fiscal year (Pre-IPO)	225,500	225,500	6.750
Options at the beginning of the fiscal year (Ongoing SOP 2001)	76,000	76,000	1.365
Options at the beginning of the fiscal year (Ongoing SOP 2002)	20,400	20,400	0.665
Options at the beginning of the fiscal year (Executive SOP 2003)	900,000	1,080,000	0.890
Options at the beginning of the fiscal year (Ongoing SOP 2003)	2,800	2,800	0.890
Options at the beginning of the fiscal year (Ongoing SOP 2004)	85,100	85,100	2.225
Options at the beginning of the fiscal year (Executive SOP 2005)	100,000	160,000	2.660
Options at the beginning of the fiscal year (Executive SOP 2006)	158,000	158,000	3.795
Options at the beginning of the fiscal year (Executive SOP 2008)	900,000	1,000,000	1.500
Options at the beginning of the fiscal year (Executive SOP 2009)	220,000	0	0.915
Options granted (Executive SOP 2009)	0	280,000	0.915
Options cancelled (Pre-IPO)	-225,500	0	6.750
Options cancelled (Ongoing SOP 2001)	-55,600	0	1.365
Options cancelled (Ongoing SOP 2002)	-18,800	0	0.665
Options cancelled (Ongoing SOP 2004)	-74,300	0	2.225
Options cancelled (Executive SOP 2005)	-80,000	0	2.660
Options cancelled (Executive SOP 2006)	-90,000	0	3.795
Options cancelled (Executive SOP 2008)	-40,000	0	1.500
Options cancelled (Executive SOP 2009)	-45,000	0	0.915
Options forfeited (Executive SOP 2005)	0	-60,000	2.660
Options forfeited (Executive SOP 2008)	-135,000	-100,000	1.500
Options forfeited (Executive SOP 2009)	-35,000	-60,000	0.915
Options exercised (Executive SOP 2003)	-359,000	-180,000	0.890
Options exercised (Executive SOP 2008)	-260,000	0	1.500
Options exercised (Executive SOP 2009)	-25,000	0	0.915
Options at the end of the fiscal year	**1,244,600**	**2,687,800**	**0.665 to 6.750**
Weighted exercise price in EUR	1.326	1.880	
Exercisable options as of 31 December	431,050	392,400	
Weighted exercise price in EUR	1.237	0.878	

The weighted exercise price of stock options exercised during 2010 is EUR 1.137 (2009: EUR 0.890).

Total remuneration of management in key positions [40]

	31-12-10 EUR 000s	31-12-09 EUR 000s
Short-term employee benefits	1,340	1,116
Post-employment benefits (pensions and medical supply)	15	27
Share-based payments	26	53
Total remuneration of the Board of Directors	**1,381**	**1,196**

Options to purchase shares of the company held by the members of the Board of Directors have the following expiration dates and exercise prices:

	Expiration	Exercise price in EUR	31-12-10 Number	31-12-09 Number
2001	-	1.365	20,000	20,000
2003	-	0.890	368,000	612,000
2008	15-05-18	1.500	155,000	310,000

Events after the balance sheet date [41]

Up until the day of authorization for issuance no events took place which would have exerted substantial influence on the net assets, financial position or result of operations as per December 31, 2010.

Financial instruments [42]

The classes of financial instruments within the meaning of IFRS 7.6 are defined in accordance with the categories of financial instruments in IAS 39. A distinction is accordingly made between financial instruments that are measured at amortized cost or at cost and those measured at fair value.

1. Capital risk management

The Group manages its capital with the aim of optimizing the income from investments in business entities by optimizing the debt equity ratio and maximizing its shareholder value by maintaining a high credit standing rating and a good equity ratio. At the same time, it is ensured that group entities can operate under the going concern assumption.
The capital structure of the Group consists of liabilities, whereby these do not include any new borrowings, cash and cash equivalents, available-for-sale securities, and the equity attributable to the parent company's shareholders. This consists of issued shares in circulation, the capital reserve, retained earnings brought forward and other equity captions.

Net indebtedness
The Group manages its capital structure and makes adjustments to this, taking into account changes in the general economic environment.
In order to maintain or adjust the capital structure, the Group can make dividend payments or pay back capital to the shareholders, issue new shares or buy back its own shares.
No changes in the objectives, guidelines and procedures were made as at December 31, 2010 compared to December 31, 2009. Negative net indebtedness means that the Company is debt-free.

Net indebtedness at the end of the year was as follows:

	31-12-10 EUR 000s	31-12-09 EUR 000s
Current and non-current financial liabilities	9,711	10,312
Cash and cash equivalents	-9,803	-13,514
Securities and fixed-term deposits	-13,121	-9,088
Net liabilities	**-13,213**	**-12,290**
Equity per balance sheet including minority interest	26,086	21,338
Net indebtedness, in percent	**-51**	**-58**

2. Significant accounting policies

IAS 39.AG33A states that when an entity becomes a party to a hybrid (combined) instrument that contains one or more embedded derivatives, paragraph 11 requires the entity to identify any such embedded derivative, assess whether it is required to be separated from the host contract and, for those that are required to be separated, measure the derivatives at fair value at initial recognition and subsequently. These requirements can be more complex, or result in less reliable measures, than measuring the entire instrument at fair value through profit or loss. For that reason this Standard permits the entire instrument to be designated as at fair value through profit or loss. Please refer to section [19,21] on non-current securities at fair value through profit and loss.
The Group has not transferred any financial assets in such a way that the assets would not have had to be derecognized.

The Group has not provided a part of its securities as collateral. The Group does not hold any collateral for credit facilities.

Detailed information on the main accounting policies applied, including the recognition criteria, the measurement bases and the bases for the recognition of income and expenses, are presented separately for each category of financial assets, financial liabilities and equity instruments in Section [3].

3. Categories of financial instruments

Carrying amount per category of financial instruments

Financial assets	31-12-10 EUR 000s	31-12-09 EUR 000s
At fair value through profit and loss		
Held for trading	0	0
Designated as at fair value through profit or loss	3,197	3,265
Held-to-maturity financial investments	0	0
Loans and receivables (including cash and cash equivalents)	20,062	22,141
Available-for-sale financial assets	12,091	4,617
Total	**35,350**	**30,023**

Financial liabilities	31-12-10 EUR 000s	31-12-09 EUR 000s
At fair value through profit and loss		
Held for trading	0	0
Designated as at fair value through profit or loss	0	0
Other financial liabilities measured at amortized cost	9,711	10,312
Total	**9,711**	**10,312**

The carrying amount for all categories of financial instruments represents the fair value, because they are either current financial instruments or a fair value measurement is carried out (in the case of available-for-sale financial assets or assets designated as at fair value through profit or loss).

The respective fair value is determined by referring to quoted market prices in active markets (Level 1).
No significant concentrations of credit risks existed on loans and receivables as of the reporting date.
The reported carrying amount reflects the maximum credit risk of the Group for such loans and receivables.

There have been no (accumulated) changes in the fair value due to changes in the credit risk during the reporting period. Credit derivates to hedge loans and receivables designated as at fair value through profit or loss have not existed and do not exist. Two unquoted equity instruments are not measured with their fair value as there is no active market and the businesses are in a early stage. Hence, uncertainty about the development and valuation parameters is high and a reliable measurement of the fair value is not possible. Thus, those financial assets are carried at cost.
In accordance with IAS 39.66 these assets are categorized as available-for-sale with a book value of EUR 395k (2009: EUR 194k).

Net gains and losses per category of financial instruments (IFRS 7.20 (a))

Financial assets	31-12-10 EUR 000s	31-12-09 EUR 000s
At fair value through profit and loss		
Held for trading	0	0
Designated as at fair value through profit or loss	162	-162
Held-to-maturity financial investments	0	0
Loans and receivables (including cash and cash equivalents)	0	0
Available-for-sale financial assets		
through profit and loss	522	-200
through other comprehensive income	2,192	1,189
Total	**2,876**	**827**

Financial liabilities	31-12-10 EUR 000s	31-12-09 EUR 000s
At fair value through profit and loss		
Held for trading	0	0
Designated as at fair value through profit or loss	0	0
Other financial liabilities measured at amortized cost	0	0
Total	**0**	**0**

Interest income and expenses per category of financial instruments (IFRS 7.20 (b))

Financial assets	31-12-10 EUR 000s	31-12-09 EUR 000s
At fair value through profit and loss		
Held for trading	0	0
Designated as at fair value through profit or loss	325	103
Not at fair value through profit and loss	303	808
Total	**628**	**903**

Financial liabilities	31-12-10 EUR 000s	31-12-09 EUR 000s
Not at fair value through profit and loss	0	0

Impairment expenses per class of financial assets (IFRS 7.20 (e))

Financial assets	31-12-10 EUR 000s	31-12-09 EUR 000s
At fair value	0	780
At cost	0	1,621
At amortized cost	0	1,794
Total	**0**	**4,195**

4. Objectives of financial risk managements

The main financial liabilities used by the Group comprise trade payables. The primary purpose of these financial liabilities is to finance the Group's business activities. The Group has available various financial assets, such as trade receivables, cash and short-term deposits, which result directly from its business activities, as well as available-for-sale securities. Group management monitors and manages the financial risks of the Group. These risks include the market risk (including exchange rate risks, interest rate-induced fair value risks and price risks), the credit risk, the liquidity risk and interest rate induced cash flow risks. In addition, management decides on the utilization of derivative and non-derivative financial transactions and the deposit of surplus liquidity. The Group does not enter into any contracts with or deal in financial instruments, including derivative financial instruments, for speculative purposes.

5. Market risk

The Group's activities expose it primarily to financial risks from changes in exchange rates (see 6. below) and interest rates (see 7. below). Market risk positions are determined by means of a sensitivity analysis.
No changes occurred either in the market risk expositions of the Group or in the nature and means of risk management and assessment.

6. Exchange rate risk management

Certain transactions in the Group are denominated in foreign currency. Risks from fluctuations in exchange rates can result from these. The carrying amounts of the monetary assets and liabilities of the Group denominated in foreign currencies are as follows:

Financial assets	31-12-10 EUR 000s	31-12-09 EUR 000s
US dollar	1,218	753
British pound	3,679	4,101
Swedish krone	408	406
Danish krone	2,142	3,013
Total	**7,447**	**8,273**

Financial liabilities	31-12-10 EUR 000s	31-12-09 EUR 000s
US dollar	494	242
British pound	2,073	1,894
Swedish krone	180	310
Danish krone	1,244	1,353
Total	**3,991**	**3,799**

Foreign currency sensitivity analysis
Because the exchange rate of the Danish krone scarcely fluctuates in relation to the EUR, the Group is primarily exposed to the exchange rate risk from the currencies USD and GBP. The following table shows the sensitivity from the point of view of the Group of a 10 percent rise or fall in the euro compared with the respective foreign currency. The 10 percent shift represents management's assessment with regard to a reasonable possible change in the exchange rate. The sensitivity analysis only includes outstanding monetary positions denominated in foreign currency and adjusts their translation at the end of the period to a 10 percent change in the exchange rates. A negative figure below indicates a decrease in the annual earnings and equity if the euro strengthens by 10 percent compared with the respective currency. If the euro falls by 10 percent compared with the respective currency, this will have a similar influence in the opposite direction on the annual earnings and equity; the figure below would then be positive.

	Effect of USD 31-12-10	Effect of USD 31-12-09	Effect of GBP 31-12-10	Effect of GBP 31-12-09	Total 31-12-10	Total 31-12-09
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
Net income for the year	-37	-28	41	11	4	-17
Equity	-288	0	0	0	-288	0

The exchange rate risk sensitivity with effect on net income of the Group decreased during the past accounting period due to the reduction of business denominated in GBP and USD. The main reason for the increase of the exchange rate risk sensitivity with effect on equity is that the non-controlling interest in Brand Affinity Technologies Inc. in denominated in USD. Being an available-for-sale instrument exchange rate effects on its valuation are recognized in other comprehensive income.

7. Interest rate risk management

The Group is exposed to interest rate risks, because the Group parent company invests funds at fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate relationship between floating and fixed investments of funds.
The interest rate risk on financial assets and financial liabilities is discussed in detail in the section on control of the liquidity risk.

Interest rate sensitivity analysis
The sensitivity analyses described below were determined on the basis of the interest rate risk exposure on non-derivative financial instruments at the balance sheet date. For investments of funds at floating interest rates, the analysis is prepared on the assumption that the funds invested at the balance sheet date were invested throughout the year. An increase or decrease in the interest rate by 50 basis points is assumed for the interest rate risk. This represents management's assessment with regard to a justified, possible change in the level of interest rates.
If the interest rate had been 50 basis points higher (lower) and all other variable had remained constant: The net income for the year ended December 31, 2010 would have decreased/increased by EUR 130k/EUR 144k (2009: decreased/increased by EUR 155k/EUR 171k). This is due to interest rate risks from investments at floating rates and to the change in the fair value of securities at fair value through profit and loss and the equity of the Group would have decreased/increased by EUR 23k/EUR 10k (2009: decreased/increased by EUR 127k/EUR 130k).

This is due to changes in the fair value of available-for-sale financial assets.

The interest rate sensitivity of the Group decreased during the past reporting period, though higher investments of which the interest rates relate to the steepness of the interest rate curve. Those investments have been significantly reduced at the beginning of 2011 while realizing small gains.

8. Credit risk management

Credit risk is the risk of a loss for the Group if a contractual party does not comply with its contractual obligations. Business relationships are only entered into with creditworthy contractual parties, and, as appropriate, obtaining collateral, to reduce the risk of a loss through the non-fulfillment of obligations. The Group only enters into business relationships with entities that are rated with or better than "investment grade". This information is provided by independent rating agencies. If such information is not available, the Group makes use of other available financial information and its own trading records, in order to evaluate its major customers. The risk exposure of the Group and the credit ratings are continuously monitored.

Trade receivables exist with a large number of customers spread over various sectors and geographical territories. Continuous credit assessments are carried out with regard to the financial condition of the receivables. The Group is not exposed to any significant credit risks relating to a single contractual party or a group of contractual parties with similar characteristics. The Group defines contractual parties as those with similar characteristics if they are related parties. The concentration of credit risk from customer relationships did not exceed 3 percent of the financial gross asset values at any time during the reporting period. The credit risk on liquid funds securities which are not impaired is low because the contractual parties are banks and their subsidiaries, with good to excellent credit ratings on issuance date.

The carrying amount of the financial assets included in the consolidated financial statements less any impairment losses represents the Group's maximum credit risk. Any collateral possibly held is ignored.

An account for specific allowances is only maintained for the class of "loans and receivables" for the trade receivables and loans granted that are included therein.

The reconciliation of changes required by IFRS 7.16 is as follows:

	31-12-10	31-12-09
	EUR 000s	EUR 000s
Specific allowances		
Balance at beginning of year	2,271	895
Allowances in the period		
Additions	66	1,764
Reversals	-1,439	-195
Consumption	26	-193
Balance at end of period	***924***	***2,271***

The analysis of overdue but unimpaired gross financial assets for the relevant class of "loans and receivables" in the form of trade receivables is as follows:

	Total	Not overdue	Up to 120 days overdue but not yet impaired
	EUR 000s	EUR 000s	EUR 000s
2010	8,000	4,613	3,387
2009	6,301	2,714	3,587

The total shown above does not include unbilled receivables of EUR 0k (2009: EUR 0k).

The analysis of impaired financial assets for the relevant class of "loans and receivables" shows that allowances were set up on a gross receivables amount of EUR 1,188k (2009: EUR 2,406k). In 2010 as in 2009, a bad debt allowance on trade receivables applied with 50 percent after 120 days overdue, 75 percent after 240 days overdue and 100 percent after one year overdue.

9. Liquidity risk management

The Group monitors the risk of a shortage of liquidity on a continuous basis with the help of a liquidity planning tool. This tool takes into account the maturities of the financial investments and the financial assets (e.g. receivables, other financial assets) and the expected cash flows from operating activities.

The Group's aim is to maintain a balance between the continuous coverage of the funding requirement and the necessity for flexibility.
The maturities of the financial liabilities of the Group as at December 31, 2010 are presented below. The information is based on contractual, undiscounted payments.

Financial liabilities 31-12-10	*< 1 mo.*	*> 1 mo. < 3 mo.*	*3 mo. to 1 year*	*Total*
	EUR 000s	*EUR 000s*	*EUR 000s*	*EUR 000s*
Trade payables	*5,956*	*481*	*0*	*6,437*
Other financial liabilities measured at amortized cost	*1,022*	*1,614*	*638*	*3,274*
Total	***6,978***	***2,095***	***638***	***9,711***

Financial liabilities 31-12-09	*< 1 mo.*	*> 1 mo. < 3 mo.*	*3 mo. to 1 year*	*Total*
	EUR 000s	*EUR 000s*	*EUR 000s*	*EUR 000s*
Trade payables	*6,327*	*292*	*0*	*6,619*
Other financial liabilities measured at amortized cost	*2,186*	*869*	*638*	*3,693*
Total	***8,513***	***1,161***	***638***	***10,312***

Amsterdam/Nuremberg, March 17, 2011

The Board of Directors of ad pepper media International N.V. comprised the following members in the financial year 2010:

Ulrich Schmidt, CEO (Chairman)
Nuremberg, Germany

Jens Körner, CFO
Nuremberg, Germany

Michael A. Carton, Director of the Board
London, United Kingdom

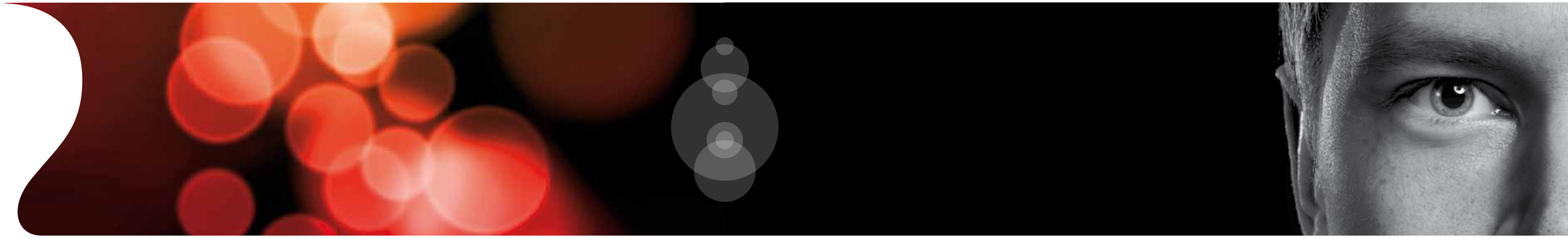
The Supervisory Board of ad pepper media International N.V. in fiscal year 2010 consisted of:

Michael Oschmann, (Chairman)
Nuremberg, Germany
Managing Director

Dr. Frank Schlaberg
Munich, Germany
Managing Director

Jan Andersen
Copenhagen, Denmark
Managing Director

Merrill Dean
Scottsdale, USA
Managing Director



Independent auditor's report

Independent auditor's report

To: the Supervisory Board and/or Shareholders of ad pepper media International N.V.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements 2010 which are part of the financial statements of ad pepper media International N.V., Amsterdam, and comprise of the consolidated balance sheet as at December 31, 2010, consolidated income statement, consolidated statements of income and expense recognized in equity, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Managing Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.
In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

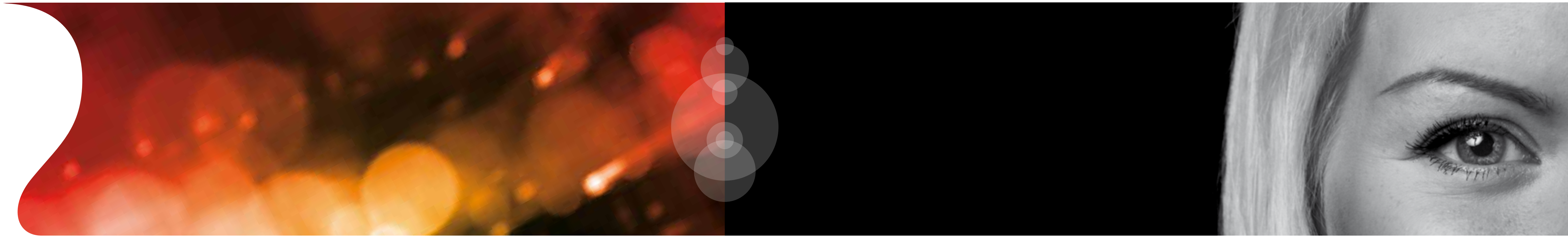
Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of ad pepper media International N.V. as at December 31, 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Managing Directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Managing Directors' report, to the extent we can assess, is consistent with the consolidated financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, March 17, 2011
Deloitte Accountants B.V.
already signed: J. Penon



Additional information

Glossary

Ad
Abbreviation for advertising banners ("ad" is an English abbreviation for "advertisement").

Ad impression
Standard unit adopted by DMMV, GWA, VDZ, BDZV and VPRT industry associations at the end of 1998 as the binding unit to be used in future for measuring the performance of advertising media. In contrast to page impressions, this standard measures the number of times an advertising banner itself, rather than the page on which it is positioned is actually viewed.

Ad server
A central server that delivers banners to the website's advertising space independently of the web server for the site. Ad servers enable efficient banner management and uniform campaign management across different websites.

Advertiser
Used primarily by offerers from the USA, the word "advertiser" is synonymous with "merchant". Via the affiliate system, dealers make available the products and services that they offer online.
Dealers allow linked distributing partners to market the merchandise via their websites. For each mediated sale, the dealer pays a predetermined commission based on a percentage of the sale's volume.

Affiliate
A distributing participant in the partner program who is linked in his websites, newsletter or AdWords campaign in order to profit from the commissions (advertising medium).

Affiliate marketing
Online distribution channel and special discipline within performance marketing. Success-based payments are made via partner programs for all services mediated by affiliates. Affiliate network Providers of technological and/or other services who take over tracking and invoicing on behalf of affiliates and merchants. Also frequently known as "affiliate platform."

Banner
Ads displayed on a website. The commonest data formats until now are image files in GIF or JPEG format. Innovative banner types (see "Rich media") are gaining in importance, however. Banners contain hyperlinks to the advertiser's website.

Banner burnout
Describes the decline in a banner's advertising effectiveness, especially when expressed in falling click-through rates.

Click-through
A click on an advert hyperlink (e.g. a banner) that leads to the advertiser's website.

Click-through rate
Ratio of click-throughs to ad impressions or ad views. Important benchmark for the efficiency of online advertising. However, clickthrough rate does not take into account other key criteria for advertising effectiveness, such as awareness, image, communicative performance and likeability.

Cookie
A small text file which a website can automatically place in the memory of the computer of a user who visited that website, thus enabling the website to subsequently identify the user. Sales and leads are assigned to the affiliates via cookies.

Cost per click (CPC)
Billing unit for online advertising. What is billed is the number of click-throughs, i.e. how often users click on a banner and are taken to the advertiser's website.

Cost per lead (CPL)
Fee per dataset. Also known as "PPL" (pay per lead).

Cost per objective (CPO)
Billing unit for online advertising that depends on whether the advertiser has achieved certain targets (generating address material - cost per lead, sales - cost per sale).

Cost per thousand impressions (CPM)
Billing unit for online advertising, analogous to the Thousand-Contacts-Price (TCP). What is billed is the number of viewing contacts with a banner (see "Ad impression").

Demand Side Platform
A Demand Side Platform (DSP) is a computer-based technological platform which allows brands and agencies to buy or negotiate data cost directly, but flow through a common integration. A DSP allows for transparent automated media buying across multiple sources using unified targeting, data, optimization and reporting.

Frequency
Refers to how often a user is supposed to see a particular banner. One of the potential targeting criteria for countering banner burnout.

Interstitial
Ad loaded in between two websites.

Lead
A mediated dataset, e.g. the postal address of a person, his email address, or both.

Merchant
The advertiser and the operator of the partner program.

One-stop shopping
Centralized handling of worldwide advertising campaigns by a marketer. Booking, guidance and invoicing occur via an interface.

Page impression
Number of viewing contacts with a particular HTML page that could potentially carry ads within an online offering. Unlike "hits", the respective page is counted as a separate unit, regardless of how many different elements it contains (graphics, etc.). See also "Page view".

Page view
Outdated parameter for determining the coverage of an online offering. Provides information of little relevance compared to page impressions, because each frame in a particular online page generates a page view. Sites loaded from cache are not counted.

Real Time Bidding (RTB)
Within advertising a technology also allows for Real Time Bidding (RTB) where Online publishers auction off their ad inventory at an individual impression level and in real time. This has led to a rise in specialist network optimizer known as ad exchanges. Real-time bidding lets advertisers target audiences by individual impressions, and publishers receive higher yields for impressions.

Performance marketing
Measures to acquire customers and encourage their loyalty, with the goal of generating quantifiable responses and/or transactions.

Publisher
Another term for "affiliate".

Rate card
The media data for a website, detailing booking options, access figures and prices.

Rich media
Refers to a variety of technologies, such as Emblaze, Enliven, InterVu and Java, for creating innovative banner types. The efficiency of a banner is considerably enhanced by rich media due to the greater scope for creativity and the integration of interactive components.

Run of network (RON)
By booking several websites, the coverage of a campaign is increased.
State-of-the-art ad serving technologies enable specific target groups to be targeted.

Run of site (ROS)
Campaign booking for a website, without specific sections of it being selected.

Search engine marketing (SEM)
The combination of SEO with paid search marketing through PPC, paid inclusion or paid appearance.

Search engine optimization (SEO)
The process of making a web site search-engine-friendly to improve ranking in search results.

Site promotion
Advertising for websites on other websites, or in classical media.

Sponsoring
Alternative advertising option in addition to banner placement. Websites are linked exclusively to an advertiser's messages and display the latter's logo.

Targeting
Target-group-oriented use of advertising banners and other forms of advertising in the Internet. Users are assigned to a particular target group after they have responded by indicating a special area of interest at a website, after they have gone into the Internet with a particular browser, or after they have logged in from a particular country of origin.

Tracking
An ongoing technical process to record and document the success of specific affiliates and merchants. Well-functioning tracking is a precondition for the successful operation of a partner program.

Traffic
Number of users visiting a website. There are various ways of measuring this parameter.

Video advertsing
Video advertising accompanying video content distributed via the internet to be streamed or downloaded onto compatible devices such as computers. Video advertising can be placed before (pre-roll), during (mid-roll) and after (post-roll) video content.

Addresses

ad pepper media subsidiaries operate in the following countries:

ad pepper media International N.V.:
Frankenstraße 150 C (FrankenCampus)
D-90461 Nuremberg
phone: +49 911 929057-0
fax: +49 911 929057-157
info(at)adpepper.com

Hogehilweg 15
NL-1101 CB Amsterdam
phone: +31 20 311 3850
fax: +31 20 363 0916
info(at)adpepper.com

Austria:
Operated by: ad pepper media GmbH
Perchtinger Str. 5
D-81379 Munich
phone: +49 (0) 89 7201369-0
fax: +49 (0) 89 7201369-33
munich(at)adpepper.com

Switzerland:
ad pepper media SA
Hauptplatz 8
CH-6403 Küssnacht am Rigi
phone: +41 (0) 41 8502286
fax: +41 (0) 41 8502289
infoch(at)adpepper.com

BeNeLux:
ad pepper media BeNeLux B.V.
Hogehilweg 15
NL-1101 CB Amsterdam
phone: +31 20 311 3850
fax: +31 20 363 0916
benelux(at)adpepper.com

Denmark:
ad pepper media Denmark A/S
Emdrupvej 28 B
DK-2100 Copenhagen
phone: +45 7020 83 88
fax: +45 7020 83 87
denmark(at)adpepper.com

Globase Solutions A/S:
Emdrupvej 28 B
DK-2100 Copenhagen
phone: +45 7027 43 06
info(at)globase.com

Emediate ApS
Emdrupvej 28 B
DK-2100 Copenhagen
phone: +45 7020 91 95
fax: +45 7020 91 96
info(at)emediate.dk

France:
ad pepper media France S.A.R.L.
92 rue de Richelieu
F-75002 Paris
phone: +33 1 58 56 29 29
fax: +33 1 58 56 29 28
salesfr(at)adpepper.com

Germany:
ad agents GmbH
Office Herrenberg:
Am Joachimsberg 10-12
D-71083 Herrenberg
phone: +49 (0) 7032 89585-00
fax: +49 (0) 7032 89585-69
info(at)ad-agents.com

Office Würzburg:
Veitshöchheimerstrasse 20
D-97080 Würzburg
phone: +49 (0) 931 4526 5134
fax: +49 (0) 931 4526 5141
info(at)ad-agents.com

ad pepper media GmbH
Office Nuremberg:
Frankenstraße 150 C
FrankenCampus
D-90461 Nuremberg
phone: +49 (0) 911 929057-0
fax: +49 (0) 911 929057-157
nuremberg(at)adpepper.com

Office Düsseldorf:
Liesegangstr. 16
D-40211 Düsseldorf
phone: +49 (0) 211 542248-80
fax: +49 (0) 211 542248-89
dusseldorf(at)adpepper.com

Office Munich:
Perchtinger Str. 5
D-81379 Munich
phone: +49 (0) 89 7201369-0
fax: +49 (0) 89 7201369-33
munich(at)adpepper.com

Office Hamburg:
Schanzenstraße 36
D-20357 Hamburg
phone: +49 (0) 40 413535-35
fax: +49 (0) 40 413535-39
hamburg(at)adpepper.com

Norway:
Operated by: ad pepper media Denmark A/S
Emdrupvej 28 B
DK-2100 Copenhagen
phone: +45 7020 83 88
fax: +45 7020 83 87
denmark(at)adpepper.com

Spain:
ad pepper media Spain S.A.
C/Infanta Maria Teresa 4, L-4
ES-28016 Madrid
phone: +34 914 177 450
fax: +34 914 177 456
madrid(at)adpepper.com

Sweden:
ad pepper media Sweden AB
Riddargatan 23 ög
S-11457 Stockholm
phone: +46 8 562 604 00
fax: +46 8 611 98 22
stockholm(at)adpepper.com

UK:
ad pepper media UK Ltd
3rd Floor, Buchanan House
30 Holborn
UK-London, EC1N 2HS
phone: +44 (0) 207 269 1200
fax: +44 (0) 207 269 1201
london(at)adpepper.com

Webgains Ltd
3rd Floor, Buchanan House
30 Holborn
UK-London, EC1N 2HS
phone: +44 (0) 207 269 1230
fax: +44 (0) 207 269 1249
info(at)webgains.com

Crystal Semantics Ltd
3rd Floor, Buchanan House
30 Holborn
UK-London, EC1N 2HS
phone: +44 (0) 207 269 1200
fax: +44 (0) 207 269 1201
info(at)crystalsemantics.com

US:
Office New York
ad pepper media USA, LLC.
108 West 39th Street, Suite 1000
New York, NY 10018
phone: +1 212 686 1000
fax: +1 212 686 6897
salesusa(at)adpepper.com

Office Santa Monica
ad pepper media USA, LLC.
1119 Colorado Ave
Santa Monica, CA 90401
phone: +1 310 486 6228
salesusa(at)adpepper.com

Company calendar

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

Annual report 2010	*March 31, 2011*
Quarterly report I / 2011	*May 11, 2011*
General Meeting of Shareholders' (Amsterdam, The Netherlands)	*May 17, 2011*
Quarterly report II / 2011	*August 9, 2011*
Quarterly report III / 2011	*November 9, 2011*
Analysts´ conference: German Equity Forum (Frankfurt / Main)	*November 2011*

Contact

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

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

E-Mail: ir@adpepper.com
www.adpepper.com

Publisher's notes

Responsible:
ad pepper media International N.V.
Frankenstraße 150C
FrankenCampus
D-90461 Nuremberg, Germany

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

E-Mail: info@adpepper.com
www.adpepper.com

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

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

Executive management:
Ulrich Schmidt, CEO
Jens Körner, CFO
Michael Carton, Director of the Board

Disclaimer

We will gladly send you our 2010 Annual Report as well as the interim financial reports for 2010 in German or English.
These reports are also published as PDF files at
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ad pepper media International N.V.
Hogehilweg 15
NL-1101 CB Amsterdam