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

Annual Report 2013

CONTENTS

1 REPORT OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

The Report of the Board of Directors and the Supervisory Board for the financial year 2013 has been included in the annual report 2013 of ad pepper media International N.V. as published on the company's website (www.adpepper.com). The Report of the Board of Directors and the Supervisory Board therein comprises 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, 2013
(Before proposed appropriation of the current year result)
(in thousands of EUR)

	2013		2012	
A s s e t s				
Non-current assets				
Intangible assets [2.3.2.1]	181		62	
Tangible assets [2.3.2.2]	75		84	
Financial assets [2.3.2.3]	6.918		9.629	
Other financial assets [2.3.2.4]	1.113		525	
Marketable financial assets [2.3.2.5]	8.816		3.162	
Total non-current assets		17.103		14.417
Current assets				
Trade accounts receivable	6		11	
Group companies [2.3.2.6]	1.894		2.348	
Prepaid expenses and other current assets [2.3.2.7]	341		579	
Cash and cash equivalents [2.3.2.8]	7.919		4.778	
Total current assets		10.160		7.718
Total assets		27.263		21.179

	2013		2012	
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]	66.254		66.203	
Accumulated deficit [2.3.2.9]	(49.035)		(43.762)	
Legal reserve [2.3.2.9]	1.002		(138)	
Net result for the year	4.968		(5.273)	
		24.339		18.180
Provisions				
Subsidiaries and Loans [2.3.2.3]	1.278		682	
		1.278		682
Current liabilities				
Other current liabilities [2.3.2.10]	1.122		1.836	
Accrued expenses	524		481	
Total current liabilities		1.646		2.317
Total shareholder's equity and liabilities		27.263		21.179

2.2 COMPANY INCOME STATEMENT

Year ended December 31, 2013
(in thousands of EUR)

	2013	2012
Loss from participations in group companies after taxes	(922)	(1.974)
Other gain / (loss) after taxes	5.890	(3.299)
Net result for the year	4.968	(5.273)

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 Prins Bernhardplein 200, 1097JB 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 10 branches in six 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, 2013 are authorized for issue through a resolution of the Management Board dated March 14, 2014.

Group structure

Entity	**Share 2013**	**Share 2012**
ad pepper media GmbH, Nuremberg, Germany	100 %	100 %
ad pepper media Benelux B.V., Amsterdam, the Netherlands	100 %	100 %
ad pepper media Sweden AB, Stockholm, Sweden	0 %	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 %
Web Measurement Services B.V., Amsterdam, the Netherlands	0 %	100 %
Crystal Semantics Ltd., London, United Kingdom	0 %	100 %
Webgains Ltd., London, United Kingdom	100 %	100 %
ad pepper media SA, Küssnacht am Rigi, Switzerland	0 %	100 %
Globase International ApS, Copenhagen, Denmark	100 %	100 %
Emediate ApS, Copenhagen, Denmark	0 %	100 %
EMSEAS TEKNIK AB, Stockholm, Sweden	0 %	100 %
ad agents GmbH, Herrenberg, Germany	60 %	60 %

ad pepper media SA and Web Measurement Services B.V. have been liquidated in 2013.

Emediate ApS opened Emediate Norway NUF, a branch office in Oslo, Norway, on February 14, 2013. ad pepper media Sweden AB was merged with EMSEAS TEKNIK AB as of September 9, 2013.

ad pepper media international N.V. has sold its 100 percent stake in Emediate ApS, Copenhagen, effective November 1, 2013 to Cxense AS, Oslo. The sale also included its branch offices in Norway and Sweden, Emediate Norway NUF and EMSEAS TEKNIK AB.

In addition, ad pepper media International N.V. disposed its 100 percent stake in Crystal Semantics Ltd. effective December 1, 2013 to WPP Group Ltd.

ad pepper media International N.V. sold its 20 percent stake in Socialtyze and its 49.5 percent stake in Videovalis GmbH in 2013.

Basis of preparation and Accounting Policies

Based on the requirements of the Dutch Civil Code, a full set of annual report comprise of the Reports of Directors and the Supervisory Board, consolidated financial statements, company only financial statements and other information. This report includes the company only financial statements and other information, Reports of Directors and the Supervisory Board and the consolidated financial statements are included in a separate report issued on March 14, 2014. For a better understanding of the financial position and the results of the company, this report should be read in conjunction with the consolidated financial statements.

The Company Financial Statements have been prepared in accordance with the statutory provisions of Part 9, Book2 of the Netherlands Civil Code. The Company Financial Statements should be read in conjunction with the consolidated financial statements, which are prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union with the exceptions of the following accounting policy on the valuations of the investments in subsidiaries which is aloud by Part 9, Book 2 of the Netherlands Civil Code:

Investments in subsidiaries are measured at net asset value. The Company calculates the net asset value using the values included in the consolidated financial statements. The net asset value of the subsidiaries comprises the cost, excluding goodwill for subsidiaries directly owned by the Company, plus the share in the income and losses, less the dividends received. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements. The Company's investment in shares of the income and losses of the subsidiaries after acquisition are recognized in the income statement and its shares of the income and losses included in the retained earnings are recognized in the retained earnings/accumulated losses. The cumulative post acquisition movements are adjusted against the carrying values of the investments in subsidiaries. The carrying values of the investment in subsidiaries for investments with a negative net assets value are first adjusted to nil, remainder negative values are deducted from any loans receivables from the related subsidiary (if any), provisions are formed by the Company only if the Company has the firm intention to settle the liabilities of the subsidiary and that the criteria to form a provision are met (e.g. constructive and legal obligation). The company's share of profit or loss is recognized in the income statement, and its share of its other comprehensive income is recognized in equity.

The Company Financial Statements are presented in Euro, which is the Company ´s functional currency. The amounts are in thousands of Euros (rounded to the nearest thousand), unless otherwise stated. There have been no changes to the accounting policies of the company

As the financial data of ad pepper media International N.V. are included in the consolidated financial statements, the income statement of the ad pepper media International N.V. is presented in condensed form as allowed by section 402 of Book 2 of the Netherlands Civil Code.

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. 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.

Investments in subsidiaries are measured at net asset value. The Company calculates the net asset value using the values included in the consolidated financial statements. The net asset value of the subsidiaries comprises the cost, excluding goodwill for subsidiaries directly owned by the Company, plus the share in the income and losses, less the dividends received. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements. The Company's investment in shares of the income and losses of the subsidiaries after acquisition are recognised in the income statement and its shares of the income and losses included in the retained earnings are recognised in the retained earnings/accumulated losses. The cumulative post acquisition movements are adjusted against the carrying values of the investments in subsidiaries. The carrying values of the investment in subsidiaries for investments with a negative net assets value are first adjusted to nil, remainder negative values are deducted from any loans receivables from the related subsidiary (if any), provisions are formed by the Company only if the Company has the firm intention to settle the liabilities of the subsidiary and that the criteria to form a provision are met (e.g. constructive and legal obligation).
The company's share of profit or loss is recognised in the income statement, and its share of its other comprehensive income is recognised in equity.

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.

Upon initial recognition the receivables are recorded at the fair value and subsequently valued at their amortized cost. The fair value and amortized cost equal the face value. Provisions deemed necessary for doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables."

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.
In cases in which the campaign starts before the balance sheet date and lasts beyond this date, revenue is deferred proportionately to the extend of the stage of completion of the transaction at the end of the reporting period and the costs incurred for and cost to complete the transaction can be measured reliable.

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, 2012	24	6	221	251
Additions	-	-	19	19
Amortization	-	(5)	(203)	(208)
Book value at December 31, 2012	24	1	37	62
Purchase value	24	637	1.199	1.841
Accumulated Amortization	-	(636)	(1.162)	(1.798)
Book value at December 31, 2012	24	1	37	62
Additions	-	-	121	121
Amortization	-	(1)	(1)	(2)
Book value at December 31, 2013	24	0	157	181
Purchase value	24	637	1.321	1.982
Accumulated Amortization	-	(637)	(1.164)	(1.801)
Book value at December 31, 2013	24	0	157	181

The amortization percentages used for intangible assets vary from 10% to 33,3%.

2.3.2.2 Tangible assets

The changes in equipment (tangible fixed assets) are:

(in thousands of EUR)	**2013**	2012
Balance at January 1	84	91
Additions	40	39
Depreciation	(49)	(46)
Balance at December 31	75	84
Purchase value	564	543
Accumulated depreciation	(489)	(459)
Balance at December 31	75	84

The amortization percentages used for tangible assets vary from 12,5% to 33,3%.

2.3.2.3 Financial assets

(in thousands of EUR)	31.12.2013	31.12.2012
Subsidiaries at net asset value	1.632	3.712
Provisions for subsidiaries and loans	(1.278)	(682)
	354	3.030

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, 2011	2.192	2.256	6.146	-	10.594
Additions	-		3	-	3
Revaluation	-	-	(105)	-	(105)
Impairment-	-	-	(1.082)		(1.082)
Disposals	(1.930)	(656)	-	-	(2.586)
Share of net profit	(1.974)	-	-	-	(1.974)
Investments in subsidiaries	4.757	(645)	-	-	4.112
Translations adjustments	(15)	-	-	-	(15)
Balance at December 31, 2012	3.030	955	4.962	-	8.947
Additions	-	-	-	-	-
Revaluation	-	-	(199)	-	(199)
Impairment-	-	-	-	-	-
Disposals	(2.478)	(218)	(214)	-	(2910)
Share of net profit	(922)	-	-	-	(922)
Investments in subsidiaries	746	-	-	-	746
Translations adjustments	(22)	-	-	-	(22)
Balance at December 31, 2013	354	737	4.549	-	5.640

An amount of EUR 4.503k (2012: EUR 4.947k) relates to the non-controlling participating interests in Brand Affinity Technologies Inc. with EUR 4.503k (2012: EUR 4.702k), SocialTyze LLC with zero (2012: EUR 0), Videovalis GmbH with zero (2012: EUR 214k) and React2Media zero (2012: 31). The non-controlling interests in Socialtyze LLC, Videovalis GmbH and React2Media have been disposed in the financial year 2013.

In 2011, the value of the non-controlling interest in Brand Affinity Technologies Inc. was increased by EUR 1.442k in connection with a fourth-round financing at Brand Affinity Technologies Inc. As the investment is classified as an equity instrument available-for-sale, the reversal was recognized in other comprehensive income. Additionally, ad pepper media International N.V. participated in this financing round with an investment of USD 250k/EUR 193k.

2.3.2.4 Other Financial Assets

The other financial assets comprise of an escrow account totaling to EUR 929k, which have been set in conjunction with the sale of ad pepper media International N.V.'s interest in Emediate ApS, Copenhagen and a bridge loan granted to Brand Affinity Technologies Inc. amounting to EUR 184k at an interest rate of 8 percent.

2.3.2.5 Marketable financial assets

The marketable financial assets as of December 31, 2013 consist of available-for-sale securities and of securities at fair value through profit and loss (2012: available-for-sale securities).

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 December 31 all securities are non-current. No fixed-term deposits with a maturity of more than three months after purchase date have been recognized as current in the balance sheet.

Available-for-sale securities
In the reporting year, available-for-sale securities were acquired for EUR 3.872k (2012: EUR 813k) and sold for a total of EUR 2.789k (2012: EUR 3.250k).

In the reporting period, unrealized gains of EUR 969k (2012: losses of EUR 1.246k) were recognized in other comprehensive income and loss, and realized gains of EUR 112k included in profit and loss.

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

Fair value	**31.12.2013**	**31.12.2012**
	kEUR	kEUR
Due within one year	5.326*	3.162*
Due between one and five years	0	0
Due in more than five years	0	0
Total	5.326	3.162

*the amount refers to two perpetual bonds which are callable on a (semi-)annual basis.

Fair value through profit and loss securities
In the reporting year, securities at fair value through profit and loss were acquired for EUR 15.769k (2012: EUR 3.155k) and sold/cash for a total of EUR 12.653k (2012: EUR 6.049k).

The unrealized revaluation gains incurred in the financial year amount to EUR 114k (2012: unrealized revaluation loss of EUR 240k) with realized gains of EUR 260k.

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

Fair value	**31.12.2013**	**31.12.2012**
	kEUR	kEUR
Due within one year	3.490	0
Due between one and five years	0	0
Due in more than five years	0	0
Total	3.490	0

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)	**2013**	2012
Other current assets	196	470
Prepaid expenses	145	109
	341	579

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 2013 (2012: no new shares).

The issued capital of ad pepper media International N.V. comprises 23.000.000 (2012: 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' resolutions of May 15, 2012 and May 14, 2013 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 2013. Consequently, no shares were acquired (2012: 0 shares).

As of December 31, 2013 the company held 1.759.292 treasury shares (2012: 1.759.292 treasury shares) at a nominal value of 0,05 EUR each which equals 7,65 percent (2012: 7,65 percent) of the share capital. According to a shareholders resolution those shares can be used for acquisitions or stock option plans.

The overall amount deducted from the accumulated deficit reflecting the value of treasury shares is EUR 3.270k (2012: EUR 3.270k).

Number of shares outstanding

The number of shares issued and outstanding as of December 31, 2013 totaled 21.240.708 (2012: 21.240.708). Each share has a nominal value of EUR 0,05.

Authorized unissued capital
The authorized unissued capital totals EUR 21.485,40 (2012: EUR 21.485,40) and comprises 429.708 shares (2012: 429.708 shares).

Legal reserve
This legal reserve for accumulated other comprehensive losses includes losses on available-for-sale securities of EUR –1.168k (2012: EUR -2.028k), gains on available-for-sale equity instruments of EUR 3.079k (2012: EUR 3.304k) and accumulated exchange losses of EUR 909k (2012: EUR –1.384k) 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	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**
Balance at 1 January 2012	**1.150**	**66.193**	**-41.120**	**-1.369**	**105**	**-2.642**	**22.317**
Currency translation differences	0	0	0	-15	0	0	-15
Revaluation equity instruments	0	0	0	0	-105	0	-105
Unrealised gains/losses on securities	0	0	0	0	1.246	0	1.246
Total income and expense for the year recognised directly in equity	0	0	0	-15	1.141	0	1.126
Net income for the year	0	0	0	0	0	-5.273	-5.273
Total recognised income and expense for the year	0	0	0	-15	1.141	-5.273	-4.147
Allocation to Accumulated deficit	0	0	-2.642	0	0	2.642	0
Stock-based compensation	0	10	0	0	0	0	10
Purchase of treasury shares	0	0	0	0	0	0	0
Sale of treasury shares	0	0	0	0	0	0	0
Balance at 31 December 2012	**1.150**	**66.203**	**-43.762**	**-1.384**	**1.246**	**-5.273**	**18.180**
Balance at 1 January 2013	**1.150**	**66.203**	**-43.762**	**-1.384**	**1.246**	**-5.273**	**18.180**
Currency translation differences	0	0	0	475		0	475
Revaluation equity instruments	0	0	0		-195	0	-195
Unrealised gains/losses on securities	0	0	0		860	0	860
Total income and expense for the year recognised directly in equity	0	0	0	475	665	0	1.140
Net income for the year	0	0	0	0	0	4.968	4.968
Total recognised income and expense for the year	0	0	0	475	665	4.968	6.108
Allocation to Accumulated deficit	0	0	-5.273	0	0	5.273	0
Stock-based compensation	0	51	0	0	0	0	51
Purchase of treasury shares	0	0	0	0	0	0	0
Sale of treasury shares	0	0	0	0	0	0	0
Balance at 31 December 2013	**1.150**	**66.254**	**-49.035**	**-909**	**1.911**	**4.968**	**24.339**

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 May 27, 2009. 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.

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 510.000 options was launched for the members of Board of Directors on August 20, 2013. 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 September 3, 2007 and August 20, 2013. One third of the option rights can be exercised one year after they were granted at the earliest, another third another year after they were granted, and so on. The fair values of the individual tranches at the time of granting are between EUR 0,237 and EUR 0,325 per issued option. The maximum cost of the program over the entire period is EUR 145k.

Furthermore an employee equity-participation program involving 490.000 options was launched for executive employees on August 20, 2013. 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 September 3, 2007 and August 20, 2013. 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 0,237 and EUR 0,350 per issued option. The maximum cost of the program over the entire period is EUR 147k.

The following table shows the changes in the options during the financial year 2013:

	2013	2012	
	Number of Shares	Number of Shares	Exercise price EUR
Options at the beginning of the fiscal year (Ongoing SOP 2001)	20.400	20.400	1,365
Options at the beginning of the fiscal year (Ongoing SOP 2002)	1.600	1.600	0,665
Options at the beginning of the fiscal year (Executive SOP 2003)	404.000	404.000	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)	6.400	10.800	2,225
Options at the beginning of the fiscal year (Executive SOP 2005)	20.000	20.000	2,660
Options at the beginning of the fiscal year (Executive SOP 2006)	50.000	60.000	3,795
Options at the beginning of the fiscal year (Executive SOP 2008)	297.500	327.500	1,500

Options at the beginning of the fiscal year (Executive SOP 2009)	0	60.000	0,915
Options granted (Executive SOP 2013 BoD)	510.000	0	0,800
Options granted (Executive SOP 2013 MD)	490.000	0	0,800
Options cancelled (Ongoing SOP 2004)	0	-4.400	2,225
Options cancelled (Executive SOP 2005)	-20.000		2,666
Options cancelled (Executive SOP 2006)	0	-10.000	3,795
Options cancelled (Executive SOP 2008)	-60.000	-30.000	1,500
Options cancelled (Executive SOP 2009)	0	-60.000	0,915
Options forfeited (Ongoing SOP 2001)	-400	0	1,365
Options forfeited (Ongoing SOP 2002)	-1.200	0	0,665
Options forfeited (Ongoing SOP 2003)	-2.000	0	0,890
Options forfeited (Ongoing SOP 2004)	-3.200	0	2,225
Options forfeited (Executive SOP 2003)	-72.000	0	0,890
Options forfeited (Executive SOP 2006)	-40.000	0	3,795
Options forfeited (Executive SOP 2008)	-100.000	0	1,500
Options at the end of the fiscal year	1.503.900	802.700	0,665-3,795
Weighted exercise price in EUR	0,914	1,363	
Exercisable options as of 31 December	333,200	1,600	
Weighted exercise price in EUR	0,890	0,665	

No weighted exercise price of stock options exercised during 2013 is available as no options were exercised (2012: EUR 0). The average share price during 2013 was EUR 0,91 (2012: EUR 1,06). Most of the stock option programs do not have an expiration date. Hence, it is not possible to calculate a weighted average remaining contractual life.

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 51k (2012: EUR 10k).

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

	Ongoing SOP 2001	Ongoing SOP 2002	Ongoing SOP 2003	Ongoing SOP 2004
Share price when granted, in EUR	1,30	0,65	0,89	2,22
Date of grant	18.05.01	15.01.02	15.01.03	16.01.04
Exercise price, in EUR	1,365	0,665	0,89	2,225
Risk-free interest rate, in percent	4,00	3,80	3,50	2,75
Estimated term, in years	4	1	1	1
Future dividend, in EUR	0	0	0	0
Estimated volatility, in percent	93	68	73	40

	Executive SOP 2003	Executive SOP 2005	Executive SOP 2006	Executive SOP 2008	Executive SOP 2013 (BoD)	Executive SOP 2013 (MD)
Share price when granted, in EUR	0,89	2,50	3,80	1,40	0,80	0,80
Date of grant	15.01.03	15.04.05	16.01.06	15.05.08	20.08.13	20.08.13
Exercise price, in EUR	0,89	2,66	3,795	1,50	0,80	0,80
Risk-free interest rate, in percent	4,50	3,65	3,48	4,15	1,10	1,10
Estimated term, in years	10	4	4	10	7	7
Future dividend, in EUR	0	0	0	0,04 to 0,06	0,04 to 0,06	0.04 to 0.06
Estimated volatility, in percent	53	58	56	50	64,41	64,41

2.3.2.12 Events after the balance sheet date

Up until the day of authorization for issuance the following event took place which would have exerted substantial influence on the net assets, financial position or result of operations as per December 31, 2013:

Subject to approval by the General Meeting of Shareholders of ad pepper media Spain SA, Madrid, and registration with the Commercial Register, ad pepper media International N.V. sold, effective January 31, 2014 a non-controlling interest of 35 % of the fully consolidated entity ad pepper media Spain SA to its Managing Director.

2.3.2.13 Contingent liabilities

Contingent liabilities mainly result from rented offices and from leases for cars and office equipment. The expenses from lease agreements amounted to EUR 48k in financial year 2013 (2012: EUR 48k). Rental expense amounted to EUR 83k (2012: EUR 83k). The future minimum payment obligations resulting from the contracts in place as of 31 December 2013 are as follows:

Financial Year	**2014**	**2015**	**2016**	**2017**	**2018**	**Thereafter**	**Total**
(in thousands of EUR)							
Office Rent	83	0	0	0	0	0	**83**
Car Lease	21	17	8	1	0	0	**47**
Other	250	0	0	0	0	0	**250**
Total	**354**	**17**	**8**	**1**	**0**	**0**	**380**

2.3.3 Notes to the income statement

2.3.3.1 Employee information

At the end of the financial year the company employed 19 people (2012: 18).

Personnel expenses

(in thousands of EUR)	**2013**	2012
Wages and salaries	2.072	3.473
Stock option expenses	51	10
Social security costs	198	215
Voluntary employment expenses	12	6
	2.333	3.704

These costs are included in the cost of sales, selling expenses and general and administrative expenses. Pension costs included in social security costs amount to EUR 78k (2012: EUR 77k). The average number of personnel employed during the year was:

	2013	2012
Business Development/IT	3	4
Marketing	1	2
Administration	15	12
	19	18

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)	**2013**	2012
Managing Directors	816	2.907
Supervisory Directors	0	0
	816	2.907

No other than the following board remuneration were charged to the company in the year under review, especially no long-term bonuses and pension payments. The bonus payments are subject to the attainment of earnings before tax-goal which was reached in the year under review. Remuneration of managing and supervisory directors also includes remuneration on behalf of the subsidiaries.

Remuneration of the management board 2013 (in EUR)		**Periodically paid**	**Annual bonus**	**Termination benefits**	**Stock based**	**Total**
U. Handel	CEO (from march 20th, 2013)	187.742	187.171	0	16.361	391.274
J. Körner	CFO	204.300	233.040	0	11.453	448.793
Total		392.042	420.211	0	27.814	840.067

Loans, guarantees, advances of the management board 2013 (in EUR)		**Principal amount**	**Repayment**	**Outstanding amount**	**Interest rate p.a.**
U. Handel	CEO (from march 20th, 2013)	n/a	n/a	n/a	n/a
J. Körner	CFO	n/a	n/a	n/a	n/a
Total					

Remuneration of the management board 2012 (in EUR)		**Periodically paid**	**Annual bonus**	**Termination benefits**	**Stock based**	**Total**
U. Schmidt	CEO	196.281	0	1.860.000	2.258	2.058.539
J. Körner	CFO	199.643	75.000	0	322	274.965
M.A. Carton	Director	196.940	0	375.450	1.656	574.046
Total		592.863	75.000	2.235.450	4.236	2.907.549

Loans, guarantees, advances of the management board 2012 (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	n/a	n/a	n/a	n/a
Total					

Article 383d of the Dutch Civil Code: Share-based remuneration
Number of stock options held

Management board 2013	**Exec SOP 2013 (BoD)**
U. Handel (since March 20, 2013)	300.000
J. Körner	210.000
Total	510.000

Management board 2012	**Ongoing SOP 2001**	**Exec SOP 2003**	**Exec SOP 2008**
U. Schmidt - until October 16, 2012	20.000	260.000	0
J. Körner	0	0	0
M.A. Carton - until October 16, 2012	0	72.000	37.500
Total	20.000	332.000	37.500

Supervisory Board compensation (in EUR)	**2013**	**2012**
Michael Oschmann	6.000	0
Thomas Bauer (since March 20, 2013)	4.691	0
Eun-Kyung Park (since March 20, 2013)	4.691	0
Stephan Roppel (since March 20, 2013)	4.691	0
Dr. Ulrike Handel (until March 19, 2013)	0	0

The members of the supervisory board do not hold any stock options or shares.

The principal conditions and other important data can be found in the tables under section 2.3.2.11 .

Movement in directors' holdings

Management board	**2013**		**2012**	
	Shares	**Options**	**Shares**	**Options**
Dr. U. Handel (since March 20, 2013)	0	310.000	0	0
J. Körner	0	200.000	0	0
M.A. Carton (until October 16, 2012)	-	-	Not known	109.500
U. Schmidt (until October 16, 2012)	-	-	Not known	280.000
Total	0	510.000	0	389.500

Supervisory board	**2013**		**2012**	
	Shares	**Options**	**Shares**	**Options**
M. Oschmann	0	0	0	0
T.Bauer (since March 20, 2013)	0	0	0	0
Eun-Kyung Park (since March 20, 2013)	0	0	0	0
Dr. Stephan Roppel (since March 20, 2013)	0	0	0	0
Dr. U. Handel (until March 19, 2013)	0	0	0	0
M. Dean (until October 11, 2012)	0	0	0	0
Dr. F. Schlaberg (until August 20, 2012)	0	0	0	0
Total	0	0	0	0

Associated companies	**2013**		**2012**	
	Shares	**Options**	**Shares**	**Options**
EMA B.V.	9.486.402	0	9.486.402	0
Euroserve Media GmbH	436.963	0	436.963	0
Axxion S.A.	1.163.501	0	Not known	0
Total	11.086.866	0	9.923.365	0

2.3.3.3 Audit fees

kEUR	PwC Accountants N.V. 2013	PwC Member firms 2013	PwC Total 2013	Deloitte Accountants B.V. 2012	Deloitte Member firms 2012	Deloitte Total 2012
Statutory audit of annual accounts	40	0	40	21	0	21
Other assurance services	0	119	119	13	149	162
Tax advisory services	0	0	0	0	0	0
Other assurance services	0	0	0	0	0	0
Total	**40**	**119**	**149**	**34**	**149**	**183**

Signing of the financial statements

Nuremberg, March 14, 2014

The Managing Board members are:

Dr. Ulrike Handel, Chief Executive Officer (CEO)
Jens Körner, Chief Financial Officer (CFO)

The Supervisory Board members are:

Michael Oschmann, Nuremberg, Germany, Managing director (Chairman)
Thomas Bauer (since March 20, 2013)
Eun-Kyung Park (since March 20, 2013)
Dr. Stephan Roppel (since March 20, 2013)
Dr. Ulrike Handel, Hamburg, Germany (until March 19, 2013)

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.

Appropriation of result for the financial year 2012

The annual report 2012 was adopted in the general meeting of shareholders held on May 14, 2013. The general meeting of shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

Proposed appropriation of result for the financial year 2013

The board of directors proposes, with the approval of the supervisory board, that the result for the financial year 2013 amounting to EUR 4.968k should transferred to reserves with-out payment of dividend.

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

Subsequent events

Subject to approval by the General Meeting of Shareholders of ad pepper media Spain SA, Madrid, and registration with the Commercial Register, ad pepper media International N.V. sold, effective January 31, 2014 a non-controlling interest of 35 % of the fully consolidated entity ad pepper media Spain SA to its Managing Director.

Independent auditor's report

To: the general meeting of shareholders of ad pepper media International N.V.

Report on the company financial statements

We have audited the accompanying company financial statements 2013 which are part of the annual report of ad pepper media International N.V., Amsterdam, and comprise the company balance sheet as at 31 December 2013, 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 management board 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 31 December 2013, 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 Director's 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 management board 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.

Utrecht, 14 March 2014

PricewaterhouseCoopers Accountants N.V.

J.W. Middelweerd RA

ANNUAL REPORT 2013 / ENCOUNTERS

ad pepper
the e-advertising network

Consolidated sales

2013 **EUR 49,627k**

2012 EUR 55,022k

EBITDA

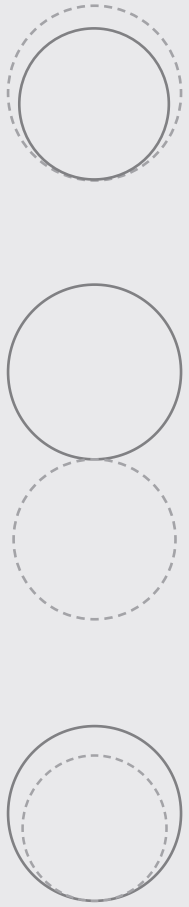
2013 **EUR 4,964k**

2012 EUR -4,165k

Liquid funds

2013 **EUR 21,702k**

2012 EUR 15,749k



	2013	2012
Consolidated sales (EUR k)	49,627	55,022
Gross profit (EUR k)	20,701	23,137
Gross margin (percent)	41.7	42.1
EBITDA (EUR k)	4,964	-4,165
EBIT (EUR k)	4,690	-4,631
EBT (EUR k)	5,293	-4,733
Net earnings/loss (EUR k)	5,097	-5,114
Earnings/loss per share (basic, EUR)	0.23	-0.25
Total assets (EUR k)	36,262	32,117
Shareholders' equity (EUR k)	24,575	18,445
Equity ratio (percent)	67.8	57.4
Liquid funds* (EUR k)	21,702	15,749
Number of employees (as of December 31)	228	259

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

2013/ ENCOUNTERS

ad pepper media brings people closer together – partners and users, advertisers and publishers. Digital advancements permeate our lives and open up unprecedented ways to communicate, interact and collaborate. Our company offers a comprehensive set of opportunities for profitable partnership. And more: ad pepper media is your place for innovative technology, digital marketing excellence and passionate online advertising. In short: the perfect place for people to meet.

Content

The Management Report prepared by the Board of Directors of ad pepper media International N.V. comprises Pages 20 to 65.

01/ LETTER FROM THE BOARD OF DIRECTORS

Dear shareholders, friends and partners of our company,

We are delighted to look back with you on what was overall a successful 2013 financial year. For us, it was characterized by focusing more closely on our core business fields. This process was accompanied by sales of minority shareholdings and disposals of non-strategic business fields. These disposals had a substantial positive impact on our results.

Let us begin, however, by looking at our operating performance for the financial year. Our sales reduced by 9.8 percent. This was due a substantial downturn in sales in the ad pepper media and ad agents segments. While this reduction was intentional in the latter case and resulted from a targeted conversion in the business model, the decline in sales in the former case was due to weak performances in country markets, especially in the UK and Spain. What's more, we decided in mid-2013 to discontinue our operative business in the Netherlands. Furthermore, the deconsolidation of our Emediate subsidiary, which was sold with economic effect as of November 1, also led to a corresponding reduction in sales. The Webgains segment on the other hand once again acted as a key sales driver, reporting growth of 13.4 percent. Last year was yet again the best financial year at Webgains since the company's foundation in 2005.

The ad pepper media Group's gross profit also declined in the period under report. In percentage terms, this was more or less in line with the reduction in sales. On a consolidated basis, the downturn amounted to 10.5 percent. Here too, the ad pepper media segment was responsible for this development. The key factors also involved a combination of the effects already referred to above (weak performances at the two country companies in the UK and Spain, closure of the operative business in the Netherlands and the sale of our Emediate subsidiary). By contrast, the ad agents segment achieved a slight increase of 4.8 percent in its gross profit, while the Webgains segment reported stagnating gross profit growth.

One of the most successful financial years in the company's history thanks to sales of shareholdings

Operating expenses reduced substantially. This was mainly due to sales of shareholdings, which had an overall impact of EUR 8,653k. Over and above this, we generated extensive cost savings, particularly in the ad pepper media segment and in our administration, thus enabling the Group to report one of the most successful financial years in its history. All key profitability figures are positive. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 4,964k, including EUR 8,653k from sales of shareholdings.

Our liquid funds were significantly higher at the end of 2013 than at the beginning of the reporting period. This was due to our strategic repositioning, which involved disposing of our wholly-owned subsidiaries Emediate ApS and Crystal Semantics Ltd. As a result, our holdings of cash and cash equivalents rose overall to EUR 21,702k. The company can thus report a liquidity cushion of more than EUR 20 million once again for the first time since 2010. At the same time, there are still no liabilities to third parties. The equity ratio rose further in the period under report and now amounts to a comfortable 67.8 percent. These pleasing key figures will lend us the operative flexibility needed to press ahead with the steps necessary to reposition the ad pepper media group in the current financial year as well.

With this Annual Report, we would like to offer you further insights into the ad pepper media Group's figures and, given the financial year now behind us, to answer some of the key questions important to anyone within an interest in ad pepper media.

Cautiously optimistic about the financial year ahead

If leading economic research institutes are to be believed, then the macroeconomic climate is expected to show pleasing developments in 2014, and that not just in Germany. We can therefore expect to see positive momentum for our business in the current financial year. The same applies for growth in the online advertising sector, which is also set to continue in the year ahead. You can find out more about our business performance, major events in the year under report, and our expectations for the future in this Annual Report. A brief glance at the financial figures nevertheless already reveals that the ad pepper Group can look back on a further year of transformation. In future, the focus will lie more on data-driven business models and less on proprietary technology developments, which involved substantial investments and costs in the past. Against this backdrop, the sales of Emediate and Crystal are a consistent step in the right direction, as we have laid a foundation to start the financial year ahead on a leaner, more focused note and to optimally exploit our opportunities in the online advertising market. In the interests of our shareholders, we will continue to make every effort to generate sustainable added value. We would like to thank our shareholders for their loyalty and would be delighted if they would join us in our commitment to ad pepper media in future as well.

Yours faithfully,

Dr. Ulrike Handel   Jens Körner

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

Amsterdam/Nuremberg, March 14, 2014

02/ REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

In the 2013 financial year, the Supervisory Board performed its duties pursuant to the law and the Articles of Association. It advised the Board of Directors on a regular basis, monitored the Board of Directors in its management of the business, and was involved in decisions of key importance for the company and the Group.

Comprehensively informed

The Supervisory Board held five meetings in 2013. In addition to the scheduled meetings, the Chairman and other members of the Supervisory Board maintained regular contact with the Chairman and other members of the Board of Directors. None of the Supervisory Board members was absent from more than one meeting or telephone conference. The Board of Directors kept the Supervisory Board informed of the status of the discussions surrounding the development in and implementation of the strategy for 2013 and beyond. The Supervisory Board approved the financial plan for 2013 and discussed (potential) takeovers and disposals with the Board of Directors. Topics discussed included annual and interim results, the disposal of the shareholdings in Videovalis GmbH, Crystal Semantics Ltd, and Emediate ApS, and the associated strategic realignment of the entire ad pepper media Group, the reorganization of local country companies and the closure of our operative company in the Netherlands, technological developments, the organization of sales and marketing activities, investor relations, compensation, and human resources. The Supervisory Board was informed about the general and financial risks of the business and the findings of an assessment of the internal risk management and control systems. Consistent with the requirements 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, the compensation paid to members of the Board of Directors is determined by the Annual General Meeting following submission of corresponding proposals by the Supervisory Board. Board of Directors compensation consists of fixed and variable components. Variable compensation consists of annual performance-based payments (bonus), as well as of long-term incentives such as stock options. The fixed compensation component is regularly determined in January of each year with retrospective effect as of January 1 of the respective year. The variable compensation component is pegged to previously agreed and measurable targets which can be controlled. The consolidated earnings budgeted for the following year are taken as the target. Members of the Board of Directors do not receive any guaranteed minimum bonus payments. In the past five years, the bonus paid to members of the Board of Directors ranged between 11 percent and 124 percent of their annual fixed salaries. Variable bonuses are usually paid during the first quarter following publication of the consolidated annual results. 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. Company stock options become exercisable once ad pepper media's share price exceeds specified exercise hurdles determined in advance, but not before the expiry of one year following issue of the options. Option plan tranches were issued to members of the Board of Directors in 2000, 2001, 2002, 2003, 2008 and 2013. ad pepper media has no pension obligations towards members of the Board of Directors.

The total sum and structure of Board of Directors compensation are designed to enable the company to attract and retain suitably qualified executives. The compensation structure, pension scheme payments, and other financial obligations are designed to promote the company's medium to long-term interests. Compensation policy is expected to remain largely unchanged in 2014.

Composition of Supervisory Board

- Michael Oschmann (born 1969; German citizen; male)
  Supervisory Board member throughout the entire financial year up to and including December 31, 2013
  Graduate in business administration, Managing Director of Telefonbuchverlag Hans Müller GmbH & Co., Nuremberg Supervisory Board member since January 10, 2000; appointed until 2017
- Thomas Bauer (born 1963; German citizen; male)
  Supervisory Board member from March 20 up to and including December 31, 2013
  Managing Director of Thomas Bauer GmbH, Nuremberg
  Supervisory Board member since March 20, 2013; appointed until Annual General Meeting 2015
- Eun-Kyung Park (born 1978; German citizen; female)
  Supervisory Board member from March 20 up to and including December 31, 2013
  Managing Director of sixx GmbH, Unterföhring
  Supervisory Board member since March 20, 2013; appointed until Annual General Meeting 2017
- Stephan Roppel (born 1964; German citizen; male)
  Supervisory Board member from March 20 up to and including December 31, 2013
  Director of Direct Platform Tchibo GmbH, Hamburg
  Supervisory Board member since March 20, 2013; appointed until Annual General Meeting 2016

Supervisory Board compensation	2013 EUR	2012 EUR
Michael Oschmann	6,000	0
Thomas Bauer (since March 20, 2013)	4,691	0
Eun-Kyung Park (since March 20, 2013)	4,691	0
Stephan Roppel (since March 20, 2013)	4,691	0
Dr. Ulrike Handel (until March 19, 2013)*	0	0

We support a well-balanced mix of women and men to its Board of Management and Supervisory Board. New Dutch legislation, effective per January 1, 2013, requires companies to pursue a policy of having at least 30 percent of the seats on the Board of Management and the Supervisory Board held by women and at least 30 percent of the seats held by men. We believe we are making good progress in implementing this policy. With the appointment of Ulrike Handel as member of the Management Board and CEO will bring the Management Board`s gender diversity within the targeted criteria. Also, Eun-Kyung Park has been appointed as member of the Supervisory Board. In this context we note that there may be various other pragmatic reasons – such as the other relevant selection criteria and the availability of suitable candidates within ad pepper – that could play a complicating role in fully achieving the gender targets in the short term. We may therefore, also in the future, not fully comply with the gender diversity rule as proposed by Dutch legislation.

Further extensive information concerning the independence of the Supervisory Board members and other details can be found in the Corporate Governance Report forming part of this Annual Report.

** An extraordinary shareholders' meeting was held on March 20, 2013. At this meeting, Dr. Ulrike Handel was appointed as Chairman of the Board of Directors and as Chief Executive Officer (CEO) of ad pepper media International N.V. Until this date, Dr. Handel had been a Supervisory Board member since May 2012.*

Unqualified audit opinion for consolidated financial statements

The auditor PricewaterhouseCoopers Accountants N.V. audited the consolidated financial statements of ad pepper media International N.V., including the management report, for the 2013 financial year and issued an unqualified audit opinion.

The consolidated financial statements, management report, and auditor's report were available to the Supervisory Board for its own review. Joint meetings were held with the auditors, who presented the key findings of their audit and answered related questions. The Supervisory Board acknowledged and approved the findings of the audit.

On March 14, 2014, the Supervisory Board approved the annual financial statements prepared by the Board of Directors for the 2013 financial year. The annual financial statements for the 2013 financial year are thus adopted.

Corporate Governance

ad pepper media International N.V. is a company under Dutch law with subsidiaries in various countries. All business activities are performed in accordance with Dutch company law and German capital market law, in particular the German Securities Trading Act (WpHG). Common shares are admitted for trading in the Prime Standard at the Frankfurt Stock Exchange. The Supervisory Board is committed to increasing shareholder value in the interests of all shareholders and has always set the highest standards for the company's corporate governance principles. Although, consistent with its proprietary guidelines, the company basically applies the requirements laid down in the Dutch Corporate Governance Code, deviations may nevertheless result on account of the legal requirements applicable to ad pepper media. In the "Corporate Governance" section of this Annual Report, ad pepper media reports in detail on compliance with the Dutch Corporate Governance Code.

Thanks to the dedicated efforts of the Board of Directors and all employees at ad pepper media International N.V., ad pepper media managed to master the challenges arising in the past financial year and sees itself as being well positioned for the requirements of the new financial year. For this, all members of the Supervisory Board would like to express their very special thanks and recognition for the excellent work performed by staff, and for their extraordinary team spirit.

Nuremberg, March 14, 2014

For the Supervisory Board

Michael Oschmann, Supervisory Board Chairman

03/ CORPORATE GOVERNANCE

Corporate Governance: "Comply or Explain"

Introduction

A new Dutch Corporate Governance Code Monitoring Committee was installed on July 12, 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 with the Code on the part of Dutch listed companies and institutional investors.

In past years, ad pepper media International N.V. already introduced extensive measures to implement the Dutch Corporate Governance Code (the "Code"), for instance:

- Code of Procedure for the Board of Directors
- Code of Procedure for the Supervisory Board
- a profile for the Supervisory Board
- regulations concerning ownership of and transactions in securities by members of the Management and Supervisory Boards
- an internal risk management and control system.

Apart from the internal risk management and control system, copies of these documents are available on ad pepper media's company website.

The corporate governance guidelines were most recently discussed at the 2011 Annual General Meeting. The Annual General Meeting was requested to further improve the corporate governance structure and to vote for an amendment to the company's Articles of Association intended to account for the company's future compliance with the Code. Each substantial change in the corporate governance structure by ad pepper media and in the company's compliance with the Code was submitted to the Annual General Meeting for discussion.

This chapter provides an overview 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 (a process in which the Chief Executive Officer – CEO – plays a key role). The Board of Directors is responsible for managing the day-to-day business and for the company's operational, tactical and strategic decisions. Responsibility for managing the company is vested in the Board of Directors as a whole.

Until March 19, 2013, ad pepper media's Board of Directors consisted of one "A Director" (the CFO). Since March 20, 2013, the company's Board of Directors has consisted of two "A Directors" (CEO and CFO). The Board of Directors is responsible for compliance with the relevant legislation and requirements, for managing the risks associated with ad pepper media's business activities and for the company's financing.

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 company's operational and financial objectives, (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 has self-imposed requirements governing the allocation of duties within the Board of Directors and the procedures to be adopted by the Board of Directors.

Following binding nomination by the Supervisory Board, members of the Board of Directors are elected by the Annual General Meeting. Under the company's present Articles of Association, the Annual General Meeting may resolve that the list of candidates presented shall not be binding by way of a resolution adopted 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.

Provision II.1.1 stipulates that members of the Board of Directors should be appointed for a maximum period of four years. Whereas the management board contract concluded with Dr. Handel has a three-year term, the term of the management board contract concluded with Mr. Körner amounts to five years. These contracts are therefore not fully compliant with Provision II.1.1 of the Code.

The company has no plans to establish any "whistleblower" guidelines governing the reporting of misconduct by company employees. This is in deviation to Provision II.1.7 of the Code. Given the company's small size, 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 suspected irregularities at the company on a general, operational and informal level without jeopardizing their legal position. Furthermore, a Code of Conduct, setting out business principles for our employees and rules of conduct, was adopted in 2007. 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 Annual General Meeting, ad pepper media decided to take no account of Provisions II.1.9 and IV.4.4 of the Code.

We believe that the regulation of determining the level and structure of Board of Directors compensation 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 one and not three years. Furthermore, the compensation paid in the event of dismissal may exceed one year's salary. In the event of a Board of Directors member employment being terminated without serious cause as defined by the applicable law, ad pepper media would remain obliged to compensate such member for the remaining term of his employment agreement. Finally, based on existing contracts the Supervisory Board has neither the power to adjust the variable compensation 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. Due consideration will be given to the Code upon the appointment of new members of the Board of Directors in future. To be able to attract top talent in a global market, however, it will also depend on factors such as market practice, nationality, and existing employment agreements. In this respect, the company will endeavor to comply in individual cases with these best practice provisions.

The company has not and will not publish any information about key details of existing contracts with members of the Board of Directors (Provision II.2.14). This Annual Report nevertheless meets all of the relevant legal disclosure obligations.

ad pepper media has no outstanding loans to any member of the Board of Directors. ad pepper media has not provided any guarantees for the benefit of any member of the Board of Directors. ad pepper media thus complies with Provision II.2.9 of the Code. In 2009, the Board of Directors decided to modify the exercise modalities and the number of options of all stock option plans in order to reflect the increased number of shares following the share split effective as of May 27, 2009. ad pepper media thus believes that it complies with Provision II.2.7 of the Code. Members of the Board of Directors are required to report immediately and to provide all relevant information to the Supervisory Board Chairman and to 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 the respective member. Due to German data protection law, this requirement is, in deviation of Provision II.3.2 of the Code, restricted to members of the Board of Directors and does not provide for the disclosure of 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 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 discussions or decisions involving a matter or transaction in relation to which he or she has a conflict of interest with the company. All transactions involving any conflict of interest with a member of the Board of Directors have to be agreed on terms customary to the sector concerned. There have been no such related party transactions during the year. Transactions involving a potential conflict of interest between the company and a member of its Board of Directors are described in the financial statements in the company's Annual Report for the given year.

The CEO and CFO (each of which is an "A Director") have powers to represent the company. Both persons have discretion to exercise powers of representation and signing powers.

Supervisory Board

The Supervisory Board is charged with supervising the strategies of the Board of Directors and the general course of affairs of the company and the business transactions involved, as well as assisting the Board of Directors in an advisory capacity. The Supervisory Board evaluates the main organizational structures and control mechanisms established under the management of the Board of Directors. It is involved in the discussions about the company's operational and financial objectives, the strategy designed to achieve the targeted objectives and respective parameters. Responsibility for correctly performing these duties is vested in the Supervisory Board as a whole. The Supervisory Board 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 its related business and, to that end, considers all appropriate interests associated with the company. The Supervisory Board members perform their duties independently of instruction and independently of any interests in the company's business.

Under the criteria set out in the Dutch Corporate Governance Code, three of the four current members of ad pepper media's Supervisory Board count as independent. Michael Oschmann, Supervisory Board Chairman of ad pepper media, is not counted as independent in this respect as he is Managing Director of EMA Electronic Media Advertising International B.V. This company holds more than 10 percent of the company's share capital. The company wishes to retain the option of offering Supervisory Board positions to persons not deemed independent under the Code definition. This is consistent with company's current size. The company may therefore not always comply with Provisions III.2.1 and III.2.2 of the Code. The Supervisory Board is itself responsible for the quality of its own performance. In a set of regulations, the Supervisory Board has laid down the allocation of duties within the Supervisory Board and the Code of Procedure for the Supervisory Board's activities. Supervisory Board members are appointed by the Annual General Meeting. The number of Supervisory Board members is determined by the Annual General Meeting. Since the extraordinary shareholders' meeting held on March 20, 2013, the Supervisory Board has comprised its current total of four members. The company's current Articles of Association restrict the period of appointment to a maximum of four years and allow the immediate reappointment of Supervisory Board members.

Deviating from Provision III.3.5 of the Code, it is not proposed to introduce a maximum limit of three four-year terms. The company wishes to retain the possibility of Supervisory Board members continuing in their positions on account of their experience, specialist expertise and commitment. In 2005 already, the Supervisory Board prepared and adopted a profile laying down its size and composition, taking particular account of ad pepper media's business model, its activities and the desired experience and specialist expertise of Supervisory Board members. The Supervisory Board subjects this profile to an annual review. The present profile has been adopted by the Supervisory Board on January 30, 2013. At least one member of the Supervisory Board should be a financial expert. Furthermore, the Supervisory Board conducts an annual review to identify any aspects with regard to which one or several Supervisory Board members may require further training during their period of appointment. Under Provision III.1.7 of the Code, Supervisory Board members should perform their self assessment. During the year Supervisory Board members performed assessment of their capabilities and skills and planned to perform a detailed self assessment in 2014.

Consistent with the Code, it is the intention of the Supervisory Board that its members should not simultaneously hold more than five positions on Supervisory Boards of Dutch listed companies, including ad pepper media. In this regard, chairmanship counts twice. At present no Supervisory Board member holds more than five Supervisory Board positions. The Supervisory Board has not established any formal procedure for the departure of Supervisory Board members. Given the limited number of Supervisory Board members, the company does not deem it necessary to establish formal procedures governing the departure of Supervisory Board members. In this respect, the company deviates from Provision III.3.6 of the Code.

Under Provision III.4.1 of the Code, the Supervisory Board Chairman is responsible for ensuring that a.) Supervisory Board members take part in their induction and training programs, f.) the Supervisory Board elects a Vice-Chairman and g.) the Supervisory Board has the contact desired with the Board of Directors and, where appropriate, with the Works Council (or Central Works Council).

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

The Annual General Meeting is not chaired by the Supervisory Board Chairman, as the Supervisory Board is of the opinion that it is more appropriate to have the CEO chair the meeting.

The Supervisory Board Chairman is assisted by a company secretary. In this respect, the company complies with Provision III.4.3 of the Code.

Since 2005, the company's Articles of Association have contained a provision under 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.

Compensation paid to Supervisory Board members is not dependent on the company's results. Supervisory Board members may be granted shares and/or rights to shares by way of compensation. The shares held by Supervisory Board members in the company represent long-term investments.

Any conflict of interest, whether apparent or actual, between the company and Supervisory Board members must be avoided. Any transactions involving a potential conflict of interest between ad pepper media and a member of the Supervisory Board are disclosed in the company's Annual Report. Any transactions by which Supervisory Board members would have conflicts of interest that are of material significance to the company and/or to the respective Supervisory Board member are entered into at arm's length. The Supervisory Board is responsible for deciding on how to resolve conflicts of interest between members of the Board of Directors, Supervisory Board members, major shareholders and the external auditor on the one hand and the company on the other. The Board of Directors believes that the company has complied with the "best practice" Provisions III.6.1 to III.6.3. No transactions occurred in the financial year in which (potentially) conflicting interests of material substance relating to Supervisory Board members played a part. No transactions of the kind referred to in the "best practice" Provision III.6.4 were executed.

Consistent with Provision IV.3.10 of the Code, the report on the Annual General Meeting must be made available, on request, to shareholders no later than three months after the end of the meeting. Shareholders subsequently have the opportunity to react to the report in the following three months. The report is then 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, upon request, no later than three months after the meeting. This "best practice" provision is thus not complied with in full. Following adjustments to Dutch stock corporation legislation, the report should be made available within a shorter deadline.

In respect of "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. ad pepper media also does not have any constructions whose specific purpose is to prevent a bidder, after acquiring 75 percent of the capital in the company, from appointing or dismissing members of the Board of Directors subsequently amending the Articles of Association. Under Dutch law, the acquisition through a public offer of a majority of the shares in a company does not directly preclude the ongoing right of the Board of Directors to exercise its rights and adopt resolutions.

The Supervisory Board Chairman determines the agenda, chairs Supervisory Board meetings, and monitors the proper functioning of the Supervisory Board.

The Supervisory Board Chairman is also responsible for ensuring the adequate provision of information to Supervisory Board members, ensuring that there is sufficient time for making decisions, and arranging for the induction and training program for Supervisory Board members. The Supervisory Board Chairman also 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 decides whether or not the Supervisory Board should install committees. In 2013, ad pepper media did not have committees pursuant to Provision III.5 of the Code, and thus did not fully comply with this provision. In the absence of an audit committee, however, the entire Supervisory Board performs the duties of the audit committee.

Given the size and complexity of its business model and the close involvement of the external auditors, ad pepper media does not have an internal auditor function of its own. ad pepper media thus does not comply with Provisions V.3.1 through V.3.3 of the Code.

Analyst conferences, presentations to analysts, presentations to private and institutional investors and press conferences are announced, generally in advance, on the company's website. Due to the large number of events, and the resultant overlap in information, some of the less important events are not announced in advance, made generally accessible, or published on our website. Given the size of ad pepper media, meetings and presentations are not communicated in real time. The company thus does not fully comply with Provision IV.3.1 of the Code.

Due to the small number of shareholders, ad pepper media has not formulated a policy on bilateral contacts with shareholders. The company thus does not comply with Provision IV.3.13 of the Code.

Auditor

The external auditor is appointed by the Annual General Meeting. The Supervisory Board can nominate a candidate for this appointment, for which purpose the Board of Directors advises the Supervisory Board. The compensation of the external auditor and any commissioning of the external auditor to provide non-audit services must be approved by the Supervisory Board following consultation with the Board of Directors. The Supervisory Board must at least once every four years conduct a thorough assessment of the external auditor's work at the various entities and in the different capacities in which it acts. The main conclusions of this assessment are communicated to the Annual General Meeting. In view of its size, ad pepper media does not employ any internal auditors. The controlling department assumes the function of internal auditor. Controlling department employees are directly responsible to the company's Board of Directors.

The external auditor is required to attend the Supervisory Board meetings at which the auditor's report on its 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 design and operating effectiveness of our internal risk management and internal control system, 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.

Furthermore, the Board of Directors is of the opinion that the internal risk management and internal control system regarding financial reporting risks worked properly in the year under report.

This evaluation and the current status have been discussed with the external auditor and the Supervisory Board. In respect of risks other than financial reporting risks, including operational/strategic, financial and legislative/regulatory risks, reference is made to the most important risks inherent in our business and our objectives. These are listed in the "Risk Factors" section.

In view of the above information, the Board of Directors is of the opinion that the company complies with the requirements of Provision II.1.4 and II.1.5 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 obliged to disclose certain information in their annual reports. 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. The information which ad pepper media is required to disclose, including a corresponding explanatory report, is presented below.

Capital structure

On December 31, 2013, ad pepper media had a total of 23,000,000 ordinary shares with voting rights (including 1,759,292 shares held by the company and not entitled to voting rights at Annual General Meetings). The company only has ordinary shares.

Obligation of shareholders to disclose share ownership

The financial services supervisory authority has been notified of the following major shareholdings in respect of ad pepper media International N.V. in accordance with the Financial Market Supervision Act (Wet op het financieel toezicht) and the ordinance to disclose major shareholdings and capital investments in institutions issuing securities (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen): We were informed on March 6, 2013 that the voting rights in ad pepper media International N.V. held by Axxion S.A. exceeded the 5 percent threshold on March 5, 2013 and on that day amounted to 5.0587 percent (corresponding to 1,163,501 voting rights).

Appointment and dismissal of members of the Board of Directors

The members of the Board of Directors are appointed on the basis of binding nomination made by the Supervisory Board. Where no binding nominations have been made, the Annual General Meeting is free in its selection. The Annual General Meeting may at any time resolve that the list of candidates is not binding by adopting 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 represented, then this resolution may nevertheless be adopted at a second meeting to be convened. At such meeting, the resolution may then be adopted with at least an absolute majority of the valid votes cast, but without any quorum requirement. A member may only be reappointed for a term not exceeding 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 Annual General Meeting may at any time suspend or dismiss any member of the Board of Directors. The Supervisory Board is entitled to suspend each member of the Board of Directors, and is obliged to notify the respective member of the Board of Directors in writing and without delay of his suspension, stating the reasons for such move. Furthermore, the Supervisory Board is then obliged to convene a General Meeting to pass resolution either on lifting the suspension of the respective member of the Board of Directors or on his dismissal.

Shareholders' agreement on limitations on exercising of voting rights

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

Appointment and suspension of Supervisory Board members

The Annual General Meeting appoints Supervisory Board members and is entitled at any time to suspend or dismiss any Supervisory Board member. The appointment, dismissal or suspension of a Supervisory Board member is decided by the Annual General Meeting by way of an absolute majority of votes cast. The Supervisory Board consists of no fewer than three members, including a Chairman, who will retire by rotation as laid down in writing by the Supervisory Board and may be reappointed in line with the respective legal requirements. In principle, the lowest possible number of Supervisory Board members should retire from the Board at the same time.

Amendments to Articles of Association

The Articles of Association may only be amended by a resolution of the Annual General Meeting in response to a proposal submitted by the Board of Directors with the approval of the Supervisory Board. Where the Board of Directors has not submitted any such proposal, any resolution to amend the Articles of Association may only be adopted with a majority of at least two-thirds of the votes validly cast.

Buyback of treasury stock by the company

On May 14, 2013, the Annual General Meeting authorized the Board of Directors for a period of 18 months to buy back treasury stock shares up to a maximum amount of 50 percent of the share capital outstanding at that time. The purchase price per share must amount to no less than 80 percent and no more than 120 percent of the opening share price on the date of the respective buyback. ad pepper media did not buy back any shares during the 2013 financial year.

Payments to employees on termination of employment in connection with a public takeover bid

In the event of a change of control, there is the option of extraordinary termination for Jens Körner 12 months after the change of control takes effect. In the event of extraordinary termination of his contract, Jens Körner is entitled to receive payment of compensation amounting to his respective annual target income through to the end of the contractually agreed term, amounting to a minimum of 150 percent of his current annual target income. A change of control in this respect arises when a shareholder gains control over the company as defined by § 29 of the German Securities Acquisition and Takeover Act (WpÜG), i.e. acquires at least 30 percent of the voting rights in ad pepper media International N.V.

04/ THE SHARE

The share of ad pepper media International N.V.

Annual General Meeting

All of the resolutions proposed in the agenda were adopted at the Annual General Meeting of ad pepper media International N.V. held in Amsterdam on May 14, 2013. All agenda items were adopted unanimously and without abstentions. In all, 9,923,365 voting rights, or 46.72 percent of all shares with voting rights were represented at the Annual General Meeting.

Alongside the presentation of the annual financial statements for the 2012 financial year, key agenda items also included the authorization to buy back treasury stock and the election of a new auditor.

Share price performance

	2013	2012
	EUR	EUR
Market capitalization	26.2m	18.9m
Year-end	1.14	0.82
Annual high	1.21	1.53
Annual low	0.79	0.82

ad pepper media's share price fluctuated consistently below the EUR 1.00 mark during the second and third quarters. The share price reached its annual low at EUR 0.79 in August. At the beginning of the fourth quarter, the share broke through the EUR 1.00 mark and closed at EUR 1.14 at the end of the year.

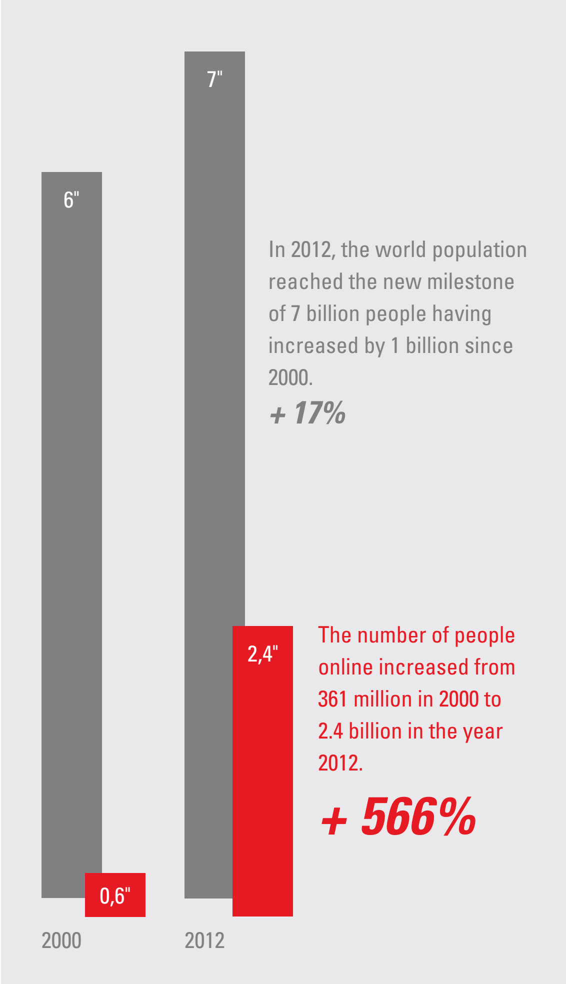
Share price performance in past 12 months (Xetra)

05/ BUSINESS ACTIVITIES

Online becoming ever more important

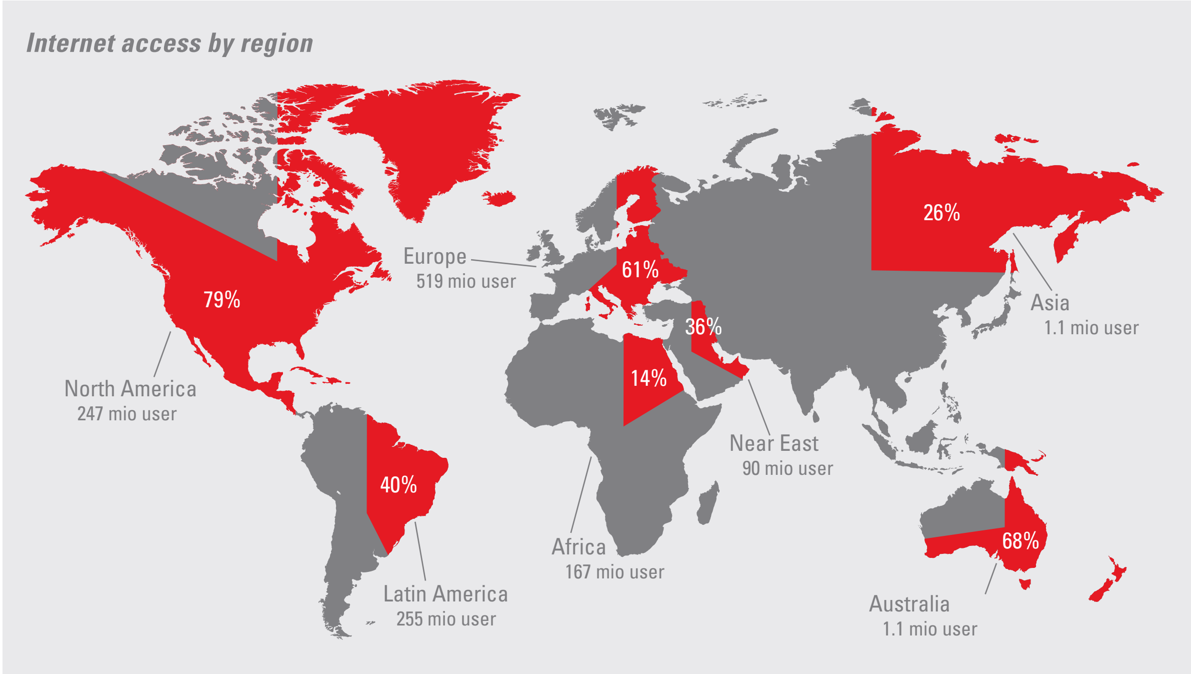
The digital world is characterized by ever faster processing and access times, radically expanded storage capacities, and consistent progress in interconnecting end appliances. Technology is advancing in leaps and bounds. This process is taking place so quickly that the future is becoming ever more tangible. What still seemed far away just yesterday is today's reality. In the early days of the internet, we still had to "go online", as the traditional PC was the gateway to the expanses of the World Wide Web. Today, we are seeing the first signs of a world in which we are permanently "on", as large numbers of different appliances – and particularly the cellphone which we have to have with us at all times – connect us up to the internet. The internet is omnipresent – it can no longer be switched on or off, but rather surrounds us permanently.

These developments are also apparent in recently published figures. Internet World Stats, for example, has published statistics on global internet use that show that one third of the world's population is now online. Internet use has thus grown astronomically over the past ten to twelve years. While the global population only grew by 17 percent (from 6 billion in 2000 to over 7 billion in 2012), the number of internet users worldwide has rocketed by more than 566 percent. Today, one third of the world's population – more than 2.4 billion people – is online. Most of this increase is attributable to the world's growth regions. In regions such as North America and Europe, the majority of the population already has internet access. Growth potential here is correspondingly low. In Asia and Africa, home to a majority of the global population, by contrast, the internet is experiencing a boom. Even though only 26 percent of the population in Asia has internet access, this nevertheless corresponds to 1.1 billion people. It goes without saying that these figures will continue to spiral upwards as internet availability spreads further.



One third of the world's population is online. The biggest growth is registered in developing countries.

Source: Internet World Stats – www.internetworldstats.com/stats.htm



Source: Internet World Stats – www.internetworldstats.com/stats.htm

The figures for Europe also back up this forecast. An analysis of internet use in Europe published by comScore, Inc. shows that in June 2012 a total of 397.2 million people were online for an average of 25.9 hours per user. This data covers internet use across 49 European markets. Analysis of individual European countries shows that Germany, for example, had almost 51.8 million online users. This figure has thus almost trebled over the past 12 years (2000: approx. 18.4 million). Russia, which came first in the statistics, had 58.8 million users. Russia and Germany were followed by France (43.2 million), the UK (37.6 million) and Italy (28.6 million). According to the Markt-Media-Studie internet facts 2013 study for the month of September, sending and receiving private e-mails was still the most important application for nearly all online users (86.5 percent), closely followed by research in search engines and web catalogues (85.6 percent), weather information (73.1 percent) and online shopping (71.5 percent). Information about global news, already used by two out of every three users, followed in 5th position. What's more, the internet combines various media – television, radio and video, podcasts and chats are available via PC or cellphone. The study "Mobile Internet Use: Development Spurt for Digital Society" carried out by Initiative D21 and Huawei Technologies shows that the share of people in Germany using the internet via mobile end appliances grew year-on-year by 13 percentage points to 40 percent. More than half of stationary internet users (53 percent) already go online from mobile devices as well. This corresponds to growth of 18 percentage points.

The trend away from channel-based and towards user-focused online marketing is set to continue in 2014 as well. Together with solutions allowing data-driven real-time management of online advertising, multichannel and cross-device tracking technologies mean that users are seeing increasingly individual, relevant adverts.

In the long term, the online and offline, branding and performance campaigns will no longer be able to be broken down and considered or designed separately. After all, the measures only achieve their maximum impact when they are perfectly orchestrated.

The future lies in online marketing: digital will be the new online

Online adverts are popping up on ever more screens. In 2014, the marketing industry will further accelerate its move towards data-driven, automated online marketing. The ongoing process of digitalization at companies and in consumers' patterns of media consumption is eroding the boundaries between online, mobile and TVs with internet and network capabilities in favor of digital applications. This strong growth is due to the fact that advertisers increasingly view online applications as a medium for brand development, for the rapid transmission of videos, and for new opportunities of addressing target groups more precisely. Innovative advertising formats on mobile end devices (e.g. moving image) and refined targeting options are the most important drivers of this positive trend. The benefits are obvious – users feel less disturbed, with rising levels of engagement and conversions. Not only that, marketing managers can put their budgets to more efficient use.

The internet enables advertising to be tailored to individual customers more personally than ever before. What's more, the faster companies manage to process historic and current data of all kinds – from demography, product preferences via social media conversations through to purchasing histories and psychographics – and to derive patterns of future behavior on this basis, the higher their chances are of successfully interacting with customers. The influence exerted by technology on customer experience is growing enormously, and is set to rise further. On the one hand, there is the key topic of "segmentation of online marketing". Individual components and areas of expertise are becoming ever more finely tuned and sophisticated. On the other hand, there is the overarching topic of "integration". The online marketing discipline has to integrate further aspects, technologies and tools and become easily manageable and comprehensible for company marketing decision makers.

International digital marketer with 14 years of experience

Since 1999, ad pepper media has acted as an experienced, professional partner offering its customers individually tailored solutions in all areas of online advertising. Today, the company has 10 companies in six 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 still successfully distinguishes itself from its competitors. Media agencies, advertisers and websites are offered individual and efficient services covering virtually the whole spectrum of online advertising in the fields of display, performance, e-mail, affiliate marketing as well as search engine marketing. 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.

Precisely targeted lead generation

Lead generation is a very important factor within online marketing. ad pepper media generates specific product leads in unique quality across all media channels.

To generate leads, ad pepper media works with its leading iLead product, which uses the range potential offered by the company's own networks to transform advertising contacts into data about customers who have consented to taking part in further dialog. Depending on the campaign in question, iLead supplies up-to-date, correct, complete and detailed address data – so-called leads. iLead operates on the basis of customer consent and is based on a performance-driven invoicing model. This means that the advertising customer only pays for the leads generated, thus benefiting from lower lead generation costs than would be the case with comparable offline direct marketing – and that with clearly measurable advertising spend performance. The leads generated online undergo several automatic and manual quality filters and are provided to customers in "treated" form. By continually enhancing its alarm, control and filter levels specifically applied to online lead generation, ad pepper media is further extending its claim to quality leadership in the online lead generation market.

To date, ad pepper media has performed more than 20,000 lead campaigns and has over 13 years of experience and unique expertise in the field of lead generation.

Achieving large ranges quickly with e-mail marketing

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 mail 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.

By working with all available means, ad pepper media ensures that personalized, relevant content is offered to the right customer base segment. 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 the shortest possible time.

Precise context placement using semantic ad targeting technology

With "Sense Engine™" offered by Crystal Semantics, ad pepper media uses a unique technology enabling advertisers to account for semantics when placing their online adverts.

By working with semantic technology, iSense is capable of precisely addressing target groups via relevant contexts. This process is referred to as semantic targeting and functions as follows: the technology scans and analyses the entire text of an individual webpage in fractions of a second. It identifies the semantic context and the main topics referred to on each webpage and ensures that adverts are only placed in the desired topical environments. This system enables campaign adverts to be displayed in contexts relevant to the website – irrespective of the individual format and medium. 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. The technology also enables undesirable content harmful to the brand to be identified and prevents adverts from being displayed on unsuitable web pages. 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, the system protects advertisers from having their campaigns placed in environments with content potentially harmful to their brands and from the resultant consequences.

Webgains – one of Europe's leading international affiliate networks

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 2,000 advertisers (merchants) and around 180,000 affiliates (websites) in the UK, France, Germany, the Netherlands, Sweden, Denmark, Ireland, Spain, and the USA have already been convinced of the merits as one of the leading affiliate networks.

What makes affiliate marketing so attractive for all participants is its achievement of maximum range combined with success-based payment. Using Webgains as the technology platform, merchants make advertising formats (banners, text links, etc.) available on affiliates' websites. These formats are used to advertise the merchants' products and services and, when successful, result in a purchase, subscription or similar transaction. Strictly speaking, Webgains is thus an e-commerce platform and, in our opinion, one of the most efficient on the market. This is because the technical platform is not only permanently upgraded in line with customer demands but is also supplemented by a service offering which is regarded as exemplary by the entire industry.

Professional search engine marketing

Ever more transactions and purchases are being handled via the internet. Web store visibility within search results, accompanied by rising numbers of visitors to stores, thus plays a crucial role for advertisers. One of the most successful instruments is search engine marketing, which is becoming one of the fastest-growing areas of the online advertising sector.

Social media, local marketing and mobile range – these are among the most promising business fields within search engine marketing. Alongside these search contexts, traditional searches for products, images and videos still play a significant role.

With the acquisition of ad agents GmbH, a company in which ad pepper media has held a 60 percent stake since April 2007, we are successfully represented in this market segment. This company's customer base includes companies such as buch.de, ERGO Group, Peter Hahn, Conleys, Seeberger and Euronics, all of which have established e-commerce strategies and sell their goods and services via their websites or web stores. ad agents GmbH is a highly specialized company, one that supports its customers in all areas of performance marketing and implements and monitors their respective campaigns. With its individual concepts and strategies, ad agents offers its customers tailored solutions aimed at turning their internet presences into more efficient sales instruments.

Sales and Marketing

Our sales department acts as a competent partner for online advertisers, while our marketing department focuses on the needs of media planners and advertisers. Our marketing employees initiate innovation processes and implement the findings of market research and surveillance. Sales and marketing are among ad pepper media's core tasks. Most new customers are acquired on a decentralized basis, i.e. via sales teams at our 10 companies. Our unique global position enables us to offer all-round advice to global blue-chip players via our international sales teams, while cross-border trial projects enable us to acquire such companies as customers. The great technological complexity of many of our products makes it all the more important to offer technical advice and communicate expertise. In our campaign management and product management activities, we offer in-depth knowledge both of product features and of customized product application. We thus advise our customers from the selection of the products to be deployed through to the optimization of their campaign processes.

The close contact between our employees and our customers is an important source for innovations enabling us to develop new applications for efficient performance marketing. We develop our marketing strategy on international and on regional level. We then implement the measures thereby derived on local level.

To acquire customers, we rely on traditional media advertising and extensive public relations measures. Above all, we reach our customers via our sales organization by maintaining customer relationships, offering individual advice, product demonstrations and workshops, and attending specialist fairs. Our strong, internationally established brands play a key role in underpinning our services portfolio.

06/ ECONOMIC DEVELOPMENTS

Economic Climate and Products

Macroeconomic framework

WORLD/EUROPE/GERMANY

In a study published in November 2013, the Organisation for Economic Co-operation and Development (OECD) forecasted a slight improvement in key macroeconomic figures. Accordingly, growth across all 34 OECD states is expected to amount to 2.3 percent in 2014. By 2015, this should even rise 2.7 percent. For the US market, the OECD has forecast growth of 2.9 percent, followed by 3.4 percent in 2015.

The World Bank is even more optimistic about developments, forecasting 3.2 percent growth in global GDP in 2014. According to the World Bank, these improved growth prospects are mainly attributable to the industrialized economies, which in previous years were still suffering from the implications of the financial and economic crisis. Savings programs and political uncertainty now played a less severe role. For the first time in five years, there were indications that a sustainable recovery had begun in the wealthier economies. According to the forecasts, GDP growth in these countries would rise from 1.3 percent to 2.4 percent between 2013 and 2016.

For Germany, the Munich-based ifo Institut expects to see growth of 1.9 percent in 2014. This would be around five times the level of growth achieved in the previous year (approx. 0.4 percent).

The IWF also sees signs of an improvement in the situation in the euro area. Following marginally negative growth of 0.4 percent forecast for 2013, the Spanish and Greek economies are expected to recover slightly. Accordingly, the euro area economy is set to return to growth, albeit of just 1.0 percent, in 2014.

ONLINE ADVERTISING MARKET

The importance of the internet as an advertising medium is growing in parallel with internet user totals. This development is also confirmed by the recently published 6th AdEx-Benchmark study compiled by IAB Europe, according to which the European online segment posted a strong performance in 2012, with persistently high advertising growth of 11.5 percent (2011: 15.3 percent), and that despite the volatile economic situation. All in all, the European online advertising market generated sales of EUR 24.3 billion. One quarter of all advertising spending is now channeled into the internet. This means that the internet is now the second-strongest advertising medium worldwide and that it has relegated daily newspapers to third position in terms of the scope of advertising expenditure. Television still retains its top position among the various media channels when it comes to advertising budgets.

Observable international trends continue to point upwards. The prestigious company Magnaglobal has forecast that almost USD 118 billion will be spent on internet advertising in 2016. According to a recent forecast by the ZenithOptimedia media agency group, online advertising will grow by an average of 15 percent a year to 2015 and will account for 66 percent of overall growth in worldwide net advertising investments. The strongest growth drivers here are online videos, social media and mobile.

Online advertising in Germany is also maintaining its growth trajectory. According to the latest analysis by the Circle of Online Marketers (OVK), online advertising spending passed the EUR 7 billion for the first time in 2013. Overall, gross advertising volumes across all online advertising segments are estimated at EUR 7.23 billion, equivalent to growth of twelve percent compared with the previous year. Of this total, EUR 4.23 billion is attributable to traditional online advertising, EUR 2.56 billion to search term marketing and EUR 440 million to affiliate networks.

Furthermore the IDC report "Real-Time Bidding in the United States and Worldwide 2010-2017" published last year quantified the spending on real-time bidding processes in Germany this year at USD 157 million. This corresponds to 12 percent of the total volume of display advertising and represents year-on-year growth of 82 percent. In the previous year, USD 86 million was spent on display advertising via real-time bidding, equivalent to around 7 percent of the total volume of display advertising. For 2017, the IDC has forecast growth to USD 631 million for expenditure on display adverts placed in Germany via real-time advertising.

Trends and developments in the online advertising market in 2014

We are convinced that brand communication via online advertising is set to boost its share of the overall advertising market in the coming years. Digital advertising will thus act as the key innovation driver yet again in 2014 – and that not only for the advertising industry as a whole, but also for all media. Irrespective of this, the technologization of the online marketing business is continuing and numerous technological innovations will help shape the sector this year as well.

The trend towards the establishment of virtual marketplaces is continuing apace. Display advertising is thus receiving a new technical infrastructure in the form of advertising platforms to which marketers connect their sites. Agencies connect themselves with supplier platforms via so-called trading desks and proprietary procurement platforms. This way, it should be possible to reach each placement or each individual user on the internet via a single interface. Demand side platforms (DSPs) are one example here. DSPs are independent service providers that pool coverage for agencies and customers under one surface. The aim here is to optimize procurement prices for customers and also to simplify 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).

Structure of the ad pepper media Group

The ad pepper media Group is one of the leading independent marketing networks and providers of forward-looking sector technologies 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 10 companies and offices in six European countries and the USA, ad pepper media handles campaigns for thousands of national and international advertising customers in a current total of more than 50 countries worldwide. Our online advertising activities are centered on three business divisions: ad pepper media, Webgains and ad agents.

The ad pepper media Group is one of the leading independent marketing networks and providers of forward-looking sector technologies in the field of online advertising.

ad pepper media

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

iSense provides advertisers and publishers with a revolutionary semantic targeting technology enabling them to place their adverts in a targeted manner and in relevant topical surroundings for each website. The technology offers advertisers maximum security for their brand, as the placement of adverts in harmful topical 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 a fast and 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.

Webgains

Webgains, one of the leading international affiliate networks, offers efficient solutions in all areas of affiliate management. In this, the network works with state-of-the-art technology and offers first-class support to merchants and affiliates. Webgains has local experts in the UK, Germany, France, the Netherlands, Spain, Denmark, Italy and the USA and successfully implements international and regional affiliate programs for many of its customers.

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 (publishers, affiliates) drive internet traffic to the sites of advertisers (retailers, merchants) and receive a percentage of the sales generated there in return. It is not only the superb service Webgains offers that is so convincing – in recent years it has also taken the lead by offering innovative technological features, such as Voucher Management Tool, multiple data feeds 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 Earnings Position

Sales performance und gross margin

ad pepper media's sales fell to EUR 49,627k in the 2013 financial year (2012: EUR 55,022k), equivalent to a 9.8 percent reduction compared with the previous year. This development was due in particular to the performance of the ad pepper media segment, which fell short of expectations. The year-on-year reduction in sales here amounted to EUR 4,539k, or 20.9 percent (2012: EUR 21,684k). The main reasons for this downturn include the weak performances of the businesses in the UK and Spain, the closure of our operations in the Netherlands, and the sale of our Emediate ApS subsidiary as of November 1, 2013.

The ad agents segment also reported lower sales. The year-on-year reduction here amounted to EUR 3,861k, or 35.6 percent (2012: EUR 10,845k). This development was due to the fact that ad agents managed to persuade most of its customers to settle pure media sales in the SEO and SEM fields directly with Google, as a result of which in the overwhelming majority of cases ad agents now only invoices its actual management service. The reduction in sales was thus consciously accepted and forms part of a targeted change to the business model. As a result, gross profit also increased by EUR 178k, or 4.8 percent (2012: EUR 3,698k).

Unlike the two aforementioned segments, the Webgains segment posted substantial sales growth of EUR 3,005k, or 13.4 percent (2012: EUR 22,493k), with sales volumes exceeding the EUR 25 million mark for the first time. The past financial year was thus the most successful since Webgains Ltd. was founded in 2005. The key driver was once again the home market in the UK where, thanks to a superb final quarter, the company generated year-on-year sales growth of 25.8 percent. This is reflected in the margin at the Webgains segment, which amounted to EUR 6,306k, as against EUR 6,305k in the previous year.

The gross profit generated across all segments also declined by 10.5 percent, or EUR 20,701k (2012: EUR 23,137k). The reduction in gross profit was thus largely consistent with the reduction in sales at the ad pepper media Group. The gross profit growth generated in the Webgains and ad agents segments was insufficient to offset the decline in the ad pepper media segment. This was mainly due to the factors already referred to above, namely the weak performance of the British and Spanish businesses, the closure of the operative business in the Netherlands, and the sale of our Emediate subsidiary as of November 1, 2013.

Development in operating expenses

Operating expenses on ad pepper media Group level showed a significant year-on-year reduction in the period under report, falling by 11.2 percent, or EUR 3,104k, to EUR 24,664k (2012: EUR 27,768k). It must be noted here, that the operative business discontinued from the middle of the year in the Netherlands still contributed operating expenses of EUR 770k to the Group's earnings. Further operating expenses included one-off items incurred for bonus payments and M&A advisor fees in connection with the sale of shareholdings (EUR 1,384k) and expenses of EUR 396k incurred upon the deconsolidation of Crystal Semantics Ltd. On the other hand, the reduction in provisions at the Webgains segment led to one-off income of EUR 357k.

EBIT, EBITDA and EBT

Earnings before interest and taxes (EBIT) amounted to EUR 4,690k in the past financial year (2012: EUR -4,631k). Earnings before interest, taxes, depreciation and amortization (EBITDA) for the past financial year amounted to EUR 4,964k (2012: EUR -4,165k). Earnings before taxes (EBT) totaled EUR 5,293k in 2013 (2012: EUR -4,733k). At EUR 5,097k, net income for the period was also clearly positive (2012: EUR -5,114k). The ad pepper media Group can therefore report its most successful financial year since 2006.

The key driver of the profitability seen in the past financial year was the sale of shareholdings, which contributed EUR 8,653k.

Presentation of Financial and Net Asset Position

Cash flow

The cash flow from operating activities amounted to EUR -4,633k in the past year, compared with EUR -1,509k in the 2012 financial year.

The net cash flow from investing activities amounted to EUR 4,615k in the past financial year (2012: EUR 4,622k). The cash flow from financing activities amounted to EUR -158k, as against EUR -289k in the 2012 financial year.

Balance sheet structure

Total assets increased by EUR 4,145k to EUR 36,262k (December 31, 2012: EUR 32,117k). On the asset side, trade receivables, for example, showed a slight decline, reducing overall by EUR 1,282k to EUR 7,071k (December 31, 2012: EUR 8,353k). Among other factors, this development reflected the deconsolidation of Emediate ApS. The sale of shareholdings, however, led to a substantial increase in liquid funds, consisting of cash and cash equivalents and securities by EUR 5,953k to EUR 21,702k.

On the equity and liabilities side of the balance sheet, the positive net income for the period led equity to show a corresponding increase of EUR 6,130k to EUR 24,575k (December 31, 2012: EUR 18,445k). The equity ratio amounted to a superb 67.8 percent as of December 31, 2013 (December 31, 2012: 57.4 percent). With EUR 7,962k "Trade payables" remained on the same level as at the end of the previous year (December 31, 2012: EUR 8,073k) while "other financial liabilities" decreased by EUR 1,465k to EUR 2,869k (December 31, 2012: EUR 4,334k).

The ad pepper media Group was equity financed as of the balance sheet date. Its liquid funds amounted to EUR 21,702k at the end of December 2013 (December 31, 2012: EUR 15,749k). The company still has no non-current liabilities to banks.

07/ RISK REPORT

Foreword

The German Corporate Sector Supervision and Transparency Act and the Dutch Corporate Governance Code lay down key requirements and obligations regarding risk management and control systems. In line with these requirements applicable in Germany and the Netherlands, ad pepper media operates a comprehensive and adequate risk management system. The regulations require the Board of Directors to ensure that the company complies with all applicable laws and requirements, and to report to the Supervisory Board regularly on the internal risk management and control systems. The risk management system at ad pepper media identifies significant risks which could have implications for the company. These risks are quantified and evaluated in terms of their potential implications. Finally, suitable measures are identified in order to counteract the risks in question. Significant risks to which the company may be exposed are presented below:

Legal risks

DATA AND PRIVACY PROTECTION

Websites usually install small files with non-personal (or "anonymous") information, generally referred to as "cookies", on internet users' browsers. 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 to prevent the storage of cookies on their hard disks. Internet users can also remove cookies from their hard disks 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. Any reduction or restriction in the use of cookies may limit the effectiveness of our technology. 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. The use of cookie technology or a comparable technology to collect information about internet usage patterns may lead to 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 cannot rule out the possibility 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 attention away 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 we 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 scope of patent protection could turn 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 whether in or out of court. Furthermore, in the event that claims against us are successfully upheld, it may be 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 be that we have to obtain a license to continue our existing business operations; this may also involve considerable additional costs.

Personnel risks

Highly qualified employees and management staff form the basis of any company's long-term economic success. Retaining employees at the company on a long-term basis is a factor of the utmost importance for the ad pepper Group, as is attracting new, highly qualified employees. Any departure from the company of large numbers of these employees over a short period and subsequent inability to find adequate replacements may inhibit the company's business performance. Specifically, the company cannot guarantee that it will be able to retain key top performers in the event of any further intensification in the competition for highly qualified employees, especially in the IT and internet sectors.

Market risks

COMPETITION FROM OTHER ADVERTISING NETWORKS, SEARCH ENGINE PROVIDERS 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, mainly 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 exchanges, i.e. marketplaces in which advertising space is auctioned in real time by analogy with other market exchanges. 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 of the total advertising budget for themselves. Many existing and potential advertisers have competitive advantages over our company due, for instance, to longer company histories, higher public awareness levels, larger customer bases, 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 more active M&A strategies, 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

Online advertising markets are characterized by rapid technological change, the establishment of new industry standards, regular launches of new products and services, and rapidly 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 unsellable, thus forcing us to make unforeseen and unplanned investments. Insufficient flexibility to adapt to these changes can have adverse effects on our revenue, finance, and asset position.

We expect our sales growth to decline over the course of time as a result of base effects and increasingly tough competition. We also expect growing pressure on our operative margins as a result of increasingly tough 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 in the future as well. These risks depend on several factors, including our ability to:

- maintain and expand our existing advertising space on websites of publishers and affiliates, 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 technologies in demand on the market
- respond to challenges resulting from the large and growing number of competitors in the industry
- adapt to legal or regulatory changes with a view to the internet as far as these concern use, advertising and trade
- achieve sales targets for partners with whom we have agreed minimum guarantees
- generate revenue from services in which we have invested significant time and resources
- 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 competitive environment
- achieve sufficient profitability and reputation in the market on the basis of our investments in new technologies and the related products/services.

Should we fail to successfully handle these risks and uncertainties, this could have significantly adverse consequences for our revenue, asset, and finance position.

RISK OF OUR M&A STRATEGY

Part of our company’s growth results from mergers and acquisitions and we will continue to consider acquisitions in future as well. Furthermore, we will continually review our portfolio of shareholdings to assess whether company acquisitions might be appropriate. Every acquisition or sale can have material consequences for our revenue and financial position. Furthermore, the integration of an acquired business or technology can cause unforeseen operational problems, expenditure, and risks. Areas in which we may face risks in this context include:

- implementation or modification of controls, processes and strategies of the business acquired
- diversion of management attention away 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 staff at the acquired business 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 companies, 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 over and above the risks listed above. These include risks in connection with integrating 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 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 fall short of the guaranteed minimum payment of revenue shares.

CURRENCY RISKS

Since ad pepper media conducts a significant share of its business outside the euro area, 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. For ad pepper media, the currency risk from financial instruments is particularly relevant 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 deferred tax receivables and payables changes, or if tax laws, regulations, accounting standards or their interpretations 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 financial, revenue, and asset situation. Furthermore, the determination of the amount of our tax provisions and other tax liabilities world-wide is a highly 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 periods 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 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 previously open for interpretation is declared to be generally valid. It is also conceivable that the acceptability of a valid method could be revoked in favor of a completely new one. Such IFRS-related changes 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 financial institutions. 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 negative cash flow from operating activities, sufficient to meet all future payment obligations. A further moderate decline in liquid funds might arise should further investments 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 predominantly 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.

RAPID TECHNOLOGICAL CHANGE

The market for internet advertising is characterized by rapid technological change, developing industry standards, frequent introductions of new products and services, and 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 rapid technological changes, to improve existing solutions, and to develop and launch a host of new solutions in order to meet 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. Equally, certain website operators 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 procure most of the software used at our company externally and we plan to continue buying technologies from third suppliers in future as well. We cannot definitely say whether such technologies will continue to be available in future either at all or on commercially reasonable terms. It is also possible that the trend towards marketing online advertising space via automated marketplaces, so-called ad exchanges, will intensify further. By establishing and optimizing demand side platforms (DSPs) and/or supply side platforms (SSPs), online networks such as ad pepper media may in future lose further significance or even lose the basis of their business operations. We may 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 space.

IT ARCHITECTURE/INFRASTRUCTURE

In order to be successful, our network infrastructure 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 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 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.

INTERNET ACCESS

Our products and services are dependent on the one hand on our users having access to the internet and in some cases also require 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 user's 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 on the uninterrupted operation of our IT and communication systems. Any damage to or failure in 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 account for all eventualities. Natural disasters of this kind or the decision on the part of operators for financial reasons to close down a facility we use without reasonable notice and/or other unexpected problems at our data centers could lead to prolonged interruptions to 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 future in winning a relevant number of users of alternative devices and gaining the loyalty of these users for our products and services, or if we are too slow in developing products and technologies compatible with communication devices other than PCs, we will miss out on an increasingly important share of the market for online services.

Risks in connection with ownership of our share

SHARE PRICE FLUCTUATIONS

The price of our share has been subject to at times considerable fluctuations since its initial listing and will continue to be volatile in future as well. The share price can be highly volatile in response to several influence factors some of which are beyond our control. These factors include:

- fluctuations in our quarterly results or in the results of our competitors,
- announcements of company sales and takeovers, new products, major contracts, business relationships or provision of capital,
- recommendations by security analysts or changed profit expectations,
- publication of profits inconsistent with analysts' expectations; 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 often unrelated to the operative performance of these companies or disproportionate in scope. These general market and industry factors can seriously damage the price of our share irrespective of our actual performance. In the past, lawsuits have been filed against such companies after times of high price fluctuations on the overall market or in 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 DIVIDENT PAYMENTS

We intend to retain future profits and do not expect to pay dividends in the foreseeable future.

LIMITED INFLUENCE OF SHAREHOLDERS

Each share entitles its holder to one vote. As of December 31, 2013, EMA B.V., one of the companies' founding shareholders, owned shares representing around 43 percent of the share capital and regularly corresponding to more than 90 percent of the voting rights represented at the 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 risk assessment

Compared to the previous year, the risk environment of ad pepper media did not change significantly during the period under report. The assessment of the overall risk situation is the result of aggregate analysis of all major individual risks. From a current perspective, no risks are foreseeable which, even in conjunction with other risks, could threaten the continued existence of ad pepper media. Also refer to the disclosure 42 of the consolidated financial statements.

Opportunities and outlook

Selling Emediate ApS and Crystal Semantics Ltd has enabled us to achieve significantly leaner cost structures and has also substantially reduced our dependence on proprietary technology and the high development costs involved. These disposals and the sale of Videovalis GmbH also enabled us to post some of the best results in our company history and to further significantly improve our liquidity and equity position. We are thus optimally prepared to tackle the challenges in the current year. We still face competing interests in terms of technological innovations in the digital sector and the investments required to exploit our market potential, such as in the field of data-driven business models. It is therefore crucial that we should take all preparatory measures necessary to be in the lead in this and other business fields in future as well.

Despite an improved macroeconomic climate in Europe and ongoing positive developments in the online advertising market, we nevertheless expect our three segments to report disparate business performances in the current year as well. While ad agents and Webgains are expected to show positive trends once again in 2014 in terms of new customer acquisition and profitability, the ad pepper media segment will implement an innovation campaign with new products and markets. Not only that, investments will be required in areas including data-related business and a multiscreen approach. Particularly in the first half of the year, these investments are not expected to be offset by any notable volume of sales in these areas.

Moreover, as in previous years a large share of the ad pepper media Group's expected sales is likely to be generated in the final months of the year. This means that the year ahead can once again be expected to show the seasonality and cyclicality typical to our business model. Despite the positive earnings performance expected in the ad agents and Webgains segments and the cost controlling measures in force across all segments, the possibility cannot be excluded that the Group will post key profitability figures that are negative, in some cases significantly so, for the first two quarters in particular.

08/ RESPONSIBILITY STATEMENT

Responsibility statement

We hereby affirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group in accordance with the applicable accounting principles (IFRS) as adopted by the European Union (EU), 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.

Board of Directors
ad pepper media International N.V.

Ulrike Handel

Dr. Ulrike Handel

Jens Körner

09/ ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement (IFRS)

	Note	2013 EUR 000s	2012 EUR 000s
Revenues	**[5]**	**49,627**	**55,022**
Cost of sales	[7]	-28,926	-31,885
Gross profit		**20,701**	**23,137**
Selling and marketing expenses	[8]	-14,990	-15,958
General and administrative expenses	[9]	-9,988	-11,896
Other operating income	[10]	1,629	1,110
Other operating expenses	[11]	-1,315	-1,024
Gain on sale of shares in subsidiaries and other investments	[12]	8,653	0
Income / Loss before interest and taxes		**4,690**	**-4,631**
Financial income	[13]	693	1,005
Financial expenses	[13]	-90	-1,107
Income / Loss before taxes		**5,293**	**-4,733**
Income taxes	[14]	-196	-381
Net income / loss		**5,097**	**-5,114**
attributable to shareholders of the parent company		4,968	-5,273
attributable to non-controlling interests		129	159
Basic earnings per share on net income for the year attributable to shareholders of the parent company	[15]	0.23	-0.25
Diluted earnings per share on net income for the year attributable to shareholders of the parent company	[15]	0.23	-0.25
Weighted average number of shares outstanding (basic)	**[15]**	**21,240,708**	**21,240,708**
Weighted average number of shares outstanding (diluted)	**[15]**	**21,371,302**	**21,240,708**

Consolidated statements of comprehensive income (IFRS) [30]

	2013 EUR 000s	2012 EUR 000s
Net income / loss	**5,097**	**-5,114**
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	475	-15
Revaluation of available-for-sale securities	969	1,332
Revaluation of investments in equity instruments available-for-sale	-199	-105
Income tax recognized directly in equity	-105	-86
Total income and expense recognized directly in equity, net of tax	**1,140**	**1,126**
Total income and expense recognized in equity	**6,237**	**-3,988**
attributable to non-controlling interests	129	159
attributable to shareholders of the parent company	6,108	-4,147

Consolidated balance sheet (IFRS)

Assets	Note	December 31, 2013 EUR 000s	December 31, 2012 EUR 000s
Non-current assets			
Goodwill	[16]	24	24
Intangible assets	[17]	261	62
Property, plant and equipment	[18]	221	435
Securities at fair value through profit and loss	[19]	3,490	0
Securities available-for-sale	[19]	5,326	3,162
Other financial assets	[20]	1,630	1,109
Investments in equity instruments available-for-sale	[20a]	4,503	4,947
Deferred tax assets	[14]	35	99
Total non-current assets		**15,490**	**9,838**
Current assets			
Trade receivables	[22]	7,071	8,353
Income tax receivables	[23]	187	758
Prepaid expenses and other current assets	[24]	428	403
Other financial assets		200	178
Cash and cash equivalents	[25]	12,886	12,587
Total current assets		**20,772**	**22,279**
Total assets		**36,262**	**32,117**

Equity and liabilities	Note	December 31, 2013 EUR 000s	December 31, 2012 EUR 000s
Equity attributable to shareholders of the parent company			
Issued capital	[26]	1,150	1,150
Reserves	[27]	66,254	66,203
Treasury shares	[28]	-3,281	-3,281
Accumulated deficit		-40,786	-45,754
Accumulated other comprehensive income / losses	[30]	1,002	-138
Total		**24,339**	**18,180**
Non-controlling interests	[31]	236	265
Total equity		**24,575**	**18,445**
Current liabilities			
Trade payables	[32]	7,962	8,073
Other current liabilities	[32a]	721	1,141
Other financial liabilities	[33]	2,869	4,334
Income tax liabilities		135	124
Total current liabilities		**11,687**	**13,672**
Total liabilities		**11,687**	**13,672**
Total equity and liabilities		**36,262**	**32,117**

Consolidated statement of cash flows (IFRS)

	Note	2013 EUR 000s	2012 EUR 000s
Net income / loss		**5,097**	**-5,114**
Adjustments to reconcile net income for the year to net cash flow used in/ provided by operating activities			
Depreciation and amortization	[6]	274	466
Gain/loss on sale of fixed assets		17	2
Share-based compensation	[39]	51	10
Gain/loss on sale of securities	[19], [21]	-208	-355
Other financial income and financial expenses	[13]	-395	457
Income taxes	[14]	196	381
Gain on sale of shares in associates, other investments and subsidiaries	[12]	-8,653	0
Other non-cash expenses and income	[38]	269	368
Gross cash flow		**-3,352**	**-3,785**
Change in trade receivables	[22]	943	1,249
Change in other assets		-384	48
Change in trade payables	[32]	-92	-911
Change in other liabilities		-2,159	1,738
Income taxes received		729	336
Income taxes paid		-401	-589
Interest received		585	574
Interest paid		-502	-169
Net cash flow from/used in operating activities		**-4,633**	**-1,509**

	Note	2013 EUR 000s	2012 EUR 000s
Additions to intangible assets and property, plant and equipment	[17], [18]	-237	-318
Purchase of shares in other investments	[20]	0	-34
Loans granted	[20]	-233	-401
Proceeds from sale of other investments	[12], [20]	636	0
Proceeds from sale of subsidiaries	[12], [20]	8,065	0
Loans payback	[20]	581	44
Proceeds from sale/maturity of securities and maturity of fixed-term deposits	[19], [21]	15,442	9,299
Purchase of securities	[19], [21]	-19,639	-3,968
Net cash flow from/used in investing activities		**4,615**	**4,622**
Dividends to non-controlling interests	[31]	-158	-289
Net cash flow from/used in financing activities		**-158**	**-289**
Effect of exchange rates on cash and cash equivalents		475	-15
Cash-effective decrease/increase in cash and cash equivalents		-176	2,824
Cash and cash equivalents at beginning of period		**12,587**	**9,778**
Cash and cash equivalents at end of period	**[25]**	**12,886**	**12,587**

Consolidated statement of changes in equity (IFRS)

	Note	Balance at January 1, 2012	Total income and expense recognized in equity	Share-based payment	Exceptional cash settlement of SOPs	Issuance of shares	Dividends	Balance at December 31, 2012
Issued capital	[26]							
Number of shares		23,000,000						23,000,000
Issued capital (EUR 000s)		1,150						1,150
Reserves	[27]							
for employee stock option plans (EUR 000s)		2,411		10				2,421
from contributions of shareholders of the parent company (EUR 000s)		63,782						63,782
Treasury shares	[28]							
Number of shares		1,759,292						1,759,292
Treasury shares at cost (EUR 000s)		-3,281						-3,281
Accumulated deficit (EUR 000s)		**-40,481**	**-5,273**					**-45,754**
Accumulated other comprehensive income	[30]							
Currency translation differences (EUR 000s)		-1,369	-15					-1,384
Revaluation available-for-sale securities (EUR 000s)		-3,304	1,276					-2,028
Revaluation investments in equity instruments available-for-sale (EUR 000s)		3,409	-135					3,274
Equity attributable to shareholders of the parent company (EUR 000s)		**22,317**	**-4,147**	**10**	**0**	**0**	**0**	**18,180**
Non-controlling interests (EUR 000s)	[31]	395	159	0	0	0	-289	265
Total equity (EUR 000s)		**22,712**	**-3,988**	**10**	**0**	**0**	**-289**	**18,445**

	Note	Balance at January 1, 2013	Total income and expense recognized in equity	Share-based payment	Exceptional cash settlement of SOPs	Issuance of shares	Dividends	Balance at December 31, 2013
Issued capital	[26]							
Number of shares		23,000,000						23,000,000
Issued capital (EUR 000s)		1,150						1,150
Reserves	[27]							
for employee stock option plans (EUR 000s)		2,421		51				2,472
from contributions of shareholders of the parent company (EUR 000s)		63,782						63,782
Treasury shares	[28]							
Number of shares		1,759,292						1,759,292
Treasury shares at cost (EUR 000s)		-3,281						-3,281
Accumulated deficit (EUR 000s)		**-45,754**	**4,968**					**-40,786**
Accumulated other comprehensive income	[30]							
Currency translation differences (EUR 000s)		-1,384	475					-909
Revaluation available-for-sale securities (EUR 000s)		-2,028	860					-1,168
Revaluation investments in equity instruments available-for-sale (EUR 000s)		3,274	-195					3,079
Equity attributable to shareholders of the parent company (EUR 000s)		**18,180**	**6,108**	**51**	**0**	**0**	**0**	**24,339**
Non-controlling interests (EUR 000s)	[31]	265	129	0	0	0	-158	236
Total equity (EUR 000s)		**18,445**	**6,237**	**51**	**0**	**0**	**-158**	**24,575**

10/ 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, 2013 were authorized for issue by the Board of Directors on March 14, 2014. ad pepper media International N.V. is a limited liability company incorporated in the Netherlands, domiciled at Bernhardplein 200, 1097JB Amsterdam, the Netherlands. The Head Office is domiciled at Frankenstraße 150 C, 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 10 branches in six 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 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 financial instruments 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.

Based on the requirements of the Dutch Civil Code, a full set of annual report comprise of the Reports of Directors and the Supervisory Board, consolidated financial statements, company only financial statements and other information. This report includes the Reports of Directors and the Supervisory Board, consolidated financial statements and other information. Company only financial statements are included in a separate report issued on March 14, 2014. 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. For a better understanding of the financial position and the results of the company, this report should be read in conjunction with the Reports of Directors and the Supervisory Board and the consolidated financial statements.

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) and with Part 9 of Book 2 of the Dutch Civil Code.

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 intragroup balances, transactions, income and expenses and profits and losses resulting from intragroup 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 non-controlling 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 non-controlling 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 Benelux B.V., Amsterdam, the Netherlands	*100*
ad pepper media Sweden AB, Stockholm, Sweden	*0**
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*
Web Measurement Services B.V., Amsterdam, the Netherlands	*0***
Crystal Semantics Ltd, London, United Kingdom	*0****
Webgains Ltd, London, United Kingdom	*100*
ad pepper media SA, Küssnacht am Rigi, Switzerland	*0*****
Globase International ApS, Copenhagen, Denmark	*100*
Emediate ApS, Copenhagen, Denmark	*0******
EMSEAS TEKNIK AB, Stockholm, Sweden	*0******
ad agents GmbH, Herrenberg, Germany	*60*

** merged with EMSEAS TEKNIK AB at September 9, 2013*
*** liquidated with effect of October 31, 2012 at January 17, 2013*
**** sold with economic effect as of December 1, 2013 at December 6, 2013*
***** liquidated with effect of June 6, 2013 at October 30, 2013*
****** sold with economic effect as of November 1, 2013 at November 15, 2013*

Beside the changes resulting from disposals and liquidations, there had been no further changes in the shares of the consolidated subsidiaries.

CHANGES IN CONSOLIDATED GROUP

Changes in shares of subsidiaries

Both ad pepper media SA and Web Measurement Services B.V. have been liquidated in 2013.

Emediate ApS opened Emediate Norway NUF, a branch office in Oslo, Norway, on February 14, 2013.

ad pepper media Sweden AB was merged with EMSEAS TEKNIK AB as of September 9, 2013.

ad pepper media International N.V. has sold its 100 percent stake in Emediate ApS, Copenhagen, effective November 1, 2013 to Cxense AS, Oslo. The sale also included its branch offices in Norway and Sweden, Emediate Norway NUF and EMSEAS TEKNIK AB.

In addition, ad pepper media International N.V. disposed its 100 percent stake in Crystal Semantics Ltd. effective December 1, 2013 to WPP Group Ltd.

For more detailed information please refer to Note [12]

Changes in shares of investments

As of April 1, 2012 ad pepper media USA LLC secured a stake totalling 15 percent in React2Media. In the beginning of 2013 ad pepper media USA LLC sold back the investment to React2Media.

The 49.5 percent stake held by ad pepper media International N.V. in Videovalis GmbH was disposed of in August, the 20 percent stake in Socialtyze LLC in November 2013.

For more detailed information please refer to Note [12]

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:

IFRS 13 "Fair Value Measurement"

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) issued on May 12, 2011 new guidance on fair value measurement and disclosure requirements for International Financial Reporting Standards (IFRSs). This standard was endorsed by the European Union on December 11, 2012. For IFRSs, IFRS 13 "Fair Value Measurement" will improve consistency and reduce complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. IFRS 13 is effective from January 1, 2013. This does not have any implications for the consolidated financial statements of ad pepper media.

Amendments to IAS 19 "Employee Benefits"

The International Accounting Standards Board (IASB) announced on June 16, 2011 the completion of its project to improve the accounting for pensions and other post-employment benefits by issuing an amended version of IAS 19 "Employee Benefits". This standard was endorsed by the European Union on June 5, 2012. The amendments make important improvements by:

1. eliminating an option to defer the recognition of gains and losses, known as the "corridor method", improving comparability and faithfulness of presentation.
2. streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income (OCI), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations.
3. enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The amendments will provide investors and other users of financial statements with a much clearer picture of an entity's obligations resulting from the provision of defined benefit plans and how those obligations will affect its financial position, financial performance and cash flow. IAS 19 is effective from January 1, 2013. This does not have any implications for the consolidated financial statements of ad pepper media.

Amendments to IAS 1 "Presentation of Financial Statements"

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), the US national standard-setter, issued on June 16, 2011 amendments that will improve the presentation of items of other comprehensive income (OCI) in financial statements prepared in accordance with International Financial Reporting Standards (IFRSs). This standard was endorsed by the European Union on June 5, 2012. The amendments to IAS 1 "Presentation of Financial Statements" require companies preparing financial statements in accordance with IFRSs to group together items within OCI that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The changes issued today do not address which items should be presented in OCI or which and when items should be recycled through profit or loss. However, requiring OCI to be presented as part of, or in close proximity to, the profit or loss (income) statement will make it easier for users of financial statements to assess the impact of OCI items on the overall performance of an entity. The IASB's amendments to IAS 1 are set out in Presentation of Items of Other Comprehensive Income and are effective for financial years beginning on or after July 1, 2012. ad pepper media International N.V. continues to present income statement and statements of income and expense recognized in equity in two separate statements. ad pepper media distinguishes items recycled through profit and loss (e.g. available-for-sale financial assets) and items which are not recycled.

Amendment to IFRS 7, "Financial instruments: Disclosures", on asset and liability offsetting.

This standard was endorsed by the European Union on December 13, 2012. The amendment address inconsistencies in current practice when applying the offsetting criteria in IAS 32 "Financial Instruments: Presentation". The amendment clarifies the meaning of "currently has a legally enforceable right of set-off"; and that some gross settlement systems may be considered equivalent to net settlement. The amendment to IFRS 7 is effective for annual periods beginning on or after January 1, 2013 and is required to be applied retrospectively. This does not have any implications for the consolidated financial statement of ad pepper media.

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

The IASB issued on October 19, 2011 an Interpretation clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. This standard was endorsed by the European Union on December 11, 2012. The Interpretation was developed by the IFRS Interpretations Committee, the interpretative body of the IASB. The Interpretations Committee was asked to clarify when and how to account for stripping costs (the process of removing waste from a surface mine in order to gain access to mineral ore deposits) to address diversity in practice. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. This does not have any implications for the consolidated financial statement of ad pepper media.

Amendments to IFRS 1 "Loans received from governments"

The International Accounting Standards Board (IASB) on March 13, 2012 issued amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards". This standard was endorsed by the European Union on March 4, 2013. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This is the same relief as was given to existing preparers of IFRS financial statements. The amendments are mandatory for annual periods beginning on or after January 1, 2013. Earlier application is permitted. This does not have any implications for the consolidated financial statements of ad pepper media.

Improvements to IFRS 2009-2011

The IASB published the annual improvement 2009-2011 by final approval on May 17, 2012.

The changes relate to the following standards:

- IFRS 1 "First-time Adoption of IFRS"
- IAS 1 "Presentation of Financial Statements"
- IAS 16 "Fixed Assets"
- IAS 32 "Financial Instruments: Presentation"
- IAS 34 "Interim Financial Reporting"

The amendments are effective for annual periods beginning on or after January 1, 2013 and do not have any material implications for the consolidated financial statements of ad pepper media.

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

Amendment to IAS 36 "Impairment of Assets"

The International Accounting Standards Board (IASB) issued on May 29, 2013 as a consequential amendment to IFRS 13 "Fair Value Measurement" modifications of the disclosure requirements in IAS 36. This standards was endorsed by the European Union on December 19, 2013.

The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

IAS 36 is effective from January 1, 2014. Material effects on the consolidated financial statements of ad pepper media are not expected.

Amendment to IAS 39 "Financial Instruments: Recognition and Measurement"

The International Accounting Standards Board (IASB) issued on June 27, 2013 Novation of Derivatives and Continuation of Hedge Accounting. The standard was endorsed by the European Union on December 19, 2013. Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application being permitted. Material effects on the consolidated financial statements of ad pepper media are not expected.

IFRS 10, 12, IAS 27 "Investment Entities"

The IASB has published on October 31, 2012 "Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)", providing an exemption from consolidation of subsidiaries under IFRS 10 "Consolidated Financial Statements" for entities which meet the definition of an "investment entity", such as certain investment funds. Instead, such entities would measure their investment in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments" or IAS 39 "Financial Instruments: Recognition and Measurement". These amendments have been endorsed by the European Union on November 20, 2013 and are effective from January 1, 2014.This will not have any implications for the consolidated financial statements of ad pepper media.

IFRS 10, 11, 12 "Transitional Guidance"

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time. The amendments have been endorsed by the European Union on April 4, 2013 and are effective from January 1, 2014.

Amendments to IAS 32

The International Accounting Standards Board (IASB) clarified on December 16, 2011 its requirements for offsetting financial instruments by issuing Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32). This standard was endorsed by the European Union on December 13, 2012. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 "Financial Instruments: Presentation". The amendments clarify the meaning of "currently has a legally enforceable right of set-off"; and that some gross settlement systems may be considered equivalent to net settlement. The amendments to IFRS IAS 32 are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. Earlier application is permitted. This will not have any material implications for the consolidated financial statements of ad pepper media.

IFRS 10-12, IAS 27, IAS 28 ON CONSOLIDATION, JOINT ARRANGEMENTS AND DISCLOSURES

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These standards were endorsed by the European Union on December 11, 2012. Key requirements of these five Standards are described below:

IFRS 10 replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. SIC-12 "Consolidation – Special Purpose Entities" has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 "Interests in Joint Ventures". IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 "Jointly Controlled Entities – Nonmonetary Contributions by Venturers" has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/ or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after January 1, 2014 and will not have any implications for the consolidated financial statements of ad pepper media.

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

IFRS 9 and amendments to IFRS 9 and IFRS 7 "Financial Instruments"

On November 12, 2009, the IASB issued and on December 16, 2011 amended 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. The application date is still left open by IASB. The IASB intends to expand IFRS 9 to add new requirements for derecognition of financial assets, impairment, and hedge accounting. IFRS 9 in its current form would exert material impact on ad pepper media's consolidated accounts:

Debt instruments available-for-sale

The securities classified as "available-for-sale" do not show only basic loan features. Under IFRS 9 the category "available-for-sale" will cease to exist. Thus, the amount of EUR -1,168k (2012: EUR -2,028k) recognized in the balance sheet caption "Accumulated other comprehensive losses" would need to be recycled through retained earnings. Fair value changes occurring after first application of IFRS 9 would be recognized through profit and loss.

Equity instruments available-for-sale

The equity investment in Brand Affinity Technologies Inc. is classified as available-for-sale and measured at fair value. Under IFRS 9 the category "available-for-sale" will cease to exist. ad pepper media will at first application of IFRS 9 have to choose between a valuation at fair value through profit and loss resp. through "other comprehensive income":

A) Fair value through profit and loss

The amount of EUR 3,079k (2012: EUR 3,274k) recognized in the balance sheet caption "Accumulated other comprehensive income" would need to be recycled through retained earnings. Fair value changes occurring after first application of IFRS 9 would be recognized through profit and loss.

B) Fair value through other comprehensive income

The amount of EUR 3,079k (2012: EUR 3,274k) recognized in the balance sheet caption "Accumulated other comprehensive income" would continue to be recognized through other comprehensive income. Fair value changes occurring after first application of IFRS 9 would be recognized through other comprehensive income.

ad pepper media has not yet decided which option it will choose.

IAS 19"Employee Benefits"

On November 21, 2013 the IASB issued an amendment to IAS 19 which clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendments are effective for annual periods beginning on or after July 1, 2014. This standard is not expected to have an impact on the consolidated financial statements of ad pepper media.

IFRS 14"Interim standard on regulatory deferral accounts"

On January 30, 2014, the IASB issued IFRS 14 "Regulatory Deferral Accounts". The standard is effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. This standard will not have any impact on the consolidated financial statements of ad pepper media.

IFRIC 21 "Levies"

On May 20, 2013, the IASB issued an Interpretation, which sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized. This IFRIC interpretation is not expected to have an impact on the consolidated financial statements of ad pepper media.

Improvements to IFRS 2010-2012

The IASB published the annual improvement 2010-2012 by final approval on December 12, 2013.

The changes, which are effective on July 1, 2014 relate to the following standards:

- IFRS 2 "Share-based payment"
- IFRS 3 "Business Combinations"
- IFRS 8 "Operating segments"
- IFRS 13 "Fair Value Measurement"
- IAS 16 "Property, Plant and Equipment"
- IAS 38 "Intangible Assets"
- IAS 24 "Related Party Disclosure"

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

Improvements to IFRS 2011-2013

The IASB published the annual improvement 2011-2013 by final approval on December 12, 2013.

The changes, which are effective July 1, 2014 relate to the following standards:

- IFRS 1 "First-time adoption of International Financial Reporting Standards"
- IFRS 3 "Business Combinations"
- IFRS 13 "Fair Value Measurement"
- IAS 40 "Investment Property"

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:

ad pepper media assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. 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 are 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 that the useful lives of customer databases are 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.

Valuation of other financial assets

Brand Affinity Technologies Inc. continued to progress in a satisfactory manner and business development has reconfirmed the directors' previous estimates of anticipated revenues.

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 noncurrent 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.

C) CHANGES IN ACCOUNTING ESTIMATES

Enhanced controlling and financial reporting possibilities were created in the Webgains segment in the third quarter of 2013. Here, changes have been made to the measurement of the provision for affiliate credits not yet paid out. Previously, a provision was recognized for all confirmed transactions, irrespective of the transaction date. The latest assessments show that credits not called up within one year after closing of the program regularly no longer result in payment. The provision has therefore been reduced by the amount attributable to transactions more than one year prior to the respective balance sheet date. First-time application of this measurement method in the third quarter resulted in a one-off income of EUR 357k.

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 31-12-13*	*Closing rate 31-12-12*	*Average rate 2013*	*Average rate 2012*
US dollar	*1.3791*	*1.3194*	*1.3289*	*1.2953*
British pound	*0.8337*	*0.8161*	*0.8472*	*0.8126*
Danish krone	*7.4593*	*7.461*	*7.4577*	*7.4450*

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 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. 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, usually three to five years. 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 pretax 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 December 31.

For more detailed information please refer to Note [16].

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, reevaluates 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.

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 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.

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. In the reporting year 2013 and 2012 bad debt allowance on trade receivables applies with 50 percent after 120 days overdue, 75 percent after 240 days overdue and 100 percent after one year overdue.

IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

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.

ad pepper media assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. 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 here 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 are strong indications that the redemption of the debt instruments or the interest payments are at risk.

Treasury shares

Own equity instruments which are repurchased (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 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 sendouts, Transactions) via the company – these are supplied over a period defined by the customer. In cases in which the campaign starts before the balance sheet date and lasts beyond this date, revenue is deferred proportionately to the extend the stage of completion of the transaction at the end of the reporting period and the costs incurred for and cost to complete the transaction can be measured reliable.

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).

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 are determined pursuant to IAS 33 "Earnings per Share". Basic earnings per share are 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 2013 as in 2012.

Segment reporting [5]

IFRS 8 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 intersegment transactions is the "dealing at arm's length"-principle.

Financial year 2013	ad pepper media EUR 000s	Webgains EUR 000s	ad agents EUR 000s	Admin EUR 000s	Consoli-dation EUR 000s	Group EUR 000s
Total revenues	17,185	25,513	6,985	620	-676	49,627
thereof external	17,145	25,498	6,984	0	0	49,627
thereof intersegment	40	15	1	620	-676	0
Expenses and other income	-18,653	-25,352	-6,530	4,978*	620	-44,937
thereof amortization and depreciation	-110	-51	-62	-51	0	-274
thereof other non-cash expenses	-140	-293	1	-58	-43	-533
EBITDA	-1,358	212	517	5,649	-56	4,964
EBIT	-1,468	161	455	5,598	-56	4,690
Financial income	12	2	1	697	-19	693
Financial expenses	-13	-6	0	-90	19	-90
Income taxes						-196
Net income for the year						5,097

Financial year 2012	ad pepper media EUR 000s	Webgains EUR 000s	ad agents EUR 000s	Admin EUR 000s	Consoli-dation EUR 000s	Group EUR 000s
Total revenues	21,777	22,649	10,846	779	-1,029	55,022
thereof external	21,684	22,493	10,845	0	0	55,022
thereof intersegment	93	156	1	779	-1,029	0
Expenses and other income	-22,725	-23,029	-10,293	-4,387	781	-59,653
thereof amortization and depreciation	-128	-23	-59	-256	0	-466
thereof other non-cash expenses	-202	-167	-91	-118	-32	-610
EBITDA	-820	-357	612	-3,352	-248	-4,165
EBIT	-948	-380	553	-3,608	-248	-4,631
Financial income	8	0	3	1,044	-50	1,005
Financial expenses	-51	0	-5	-1,102**	51	-1,107
Income taxes						-381
Net loss for the year						-5,114

* including gain on the sale of subsidiaries and other investments of EUR 8,653k
** including impairment charge of EUR 1,081k

GEOGRAPHICAL INFORMATION

The Group operates in four principal geographical areas – The Netherlands (country of domicile), Germany, Scandinavia and United Kingdom. The operating business in the Netherlands was discontinued per June 30, 2013. 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 31-12-13 EUR 000s	Year ended 31-12-12 EUR 000s	31-12-13 EUR 000s	31-12-12 EUR 000s
The Netherlands	322	1,593	0	13
Germany	14,067	19,968	376	297
Scandinavia	8,211	8,468	2	136
United Kingdom	20,808	17,385	124	67
Other	6,219	7,608	4	8
Total	**49,627**	**55,022**	**506**	**521**

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 the ad pepper media Group are derived from the rendering of online-marketing services; e.g. display, affiliate and SEM/SEO. The income statement has been prepared using the function of expense method. The expenses contain personnel expenses of EUR 18,148k (2012: EUR 20,925k) as well as depreciation and amortization of EUR 274k (2012: EUR 466k). Amortization of intangible assets is included in selling expenses (EUR 3k; 2012: EUR 209k), administration expenses (EUR 10k; 2012: EUR 7k) and other operating expenses (EUR 0k; 2012: EUR 5k).

The personnel expenses include the employer's share to state pension schemes amounting to EUR 690k (2012: EUR 738k) which have to be disclosed as employer's contribution to a defined contribution plan. As a result of the deconsolidation of our subsidiaries, an unrealized foreign exchange loss totaling to EUR 414k have been recycled through profit and loss. For more detailed information please refer to Note [12].

Cost of sales [7]

Cost of sales comprises expenses for internet advertising space and for ad server technology used of EUR 28,578k (2012: EUR 31,502k) and associated personnel costs of EUR 348k (2012: EUR 383k).

Selling and marketing expenses [8]

This item comprises all costs associated with attracting customers and orders.

The expenses comprise the following natures of expense:

	2013 EUR 000s	2012 EUR 000s
Employment costs	12,130	12,990
Facility costs (incl. depreciation)	164	166
Advertising & sales promotion	328	565
Professional and other services	753	659
General operating costs (Communication, travel, other supplies)	1,564	1,305
Other	51	270
Total	**14,990**	**15,958**

General and administrative expenses [9]

During the financial year 2013, no non-recurring items were recognized. In the year 2012 non-recurring items of EUR 2,752k were recognized in connection with the departure of Mr. Ulrich Schmidt and Mr. Michael Alexander Carton from the Board of Directors as per October 16, 2012. In 2012 termination benefits totalled to EUR 2,235k and legal expenses to EUR 517k.

The expenses comprise the following natures of expense:

	2013 EUR 000s	2012 EUR 000s
Employment costs	5,670	7,387
Facility costs (office rent, depreciation)	1,444	1,642
Professional and other services	1,494	1,281
General operating costs (Communication, travel, other supplies)	1,326	1,562
Other	54	24
Total	**9,988**	**11,896**

Other operating income [10]

This item primarily includes foreign exchange gains of EUR 471k (2012: EUR 331k) as well as income from the release of accrued liabilities amounting to EUR 201k (2012: EUR 399k). Further it includes one-off income from the first-time application of the new measurement method for provisions within the Webgains segment totalling for EUR 357k. For further explanations please refer to Note [2]

Other operating expenses [11]

This item primarily includes foreign exchange losses of EUR 937k (2012: EUR 305k), whereof EUR 414k derives from the recycling of unrealized foreign exchange losses through profit and loss due to the deconsolidation of the disposed subsidiaries. For further explanations in respect to the disposals please refer to Note [12]. Moreover it comprises expenses in the bad debt allowances resp. write-off of receivables totalling EUR 269k (2012: EUR 368k).

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

SALE OF SHARES IN SUBSIDIARIES

In the financial year 2013, ad pepper media recognized the following gains on sale of subsidiaries (2012: EUR 0k):

ad pepper media International N.V. sold its 100 percent stake in Emediate ApS, Copenhagen, effective November 01, 2013, including its branch offices Emediate Norway NUF and EMSEAS TEKNIK AB, resulting in a gain of EUR 6,087k. Furthermore, ad pepper media International N.V. sold its 100 percent stake in Crystal Semantics Ltd., effective December 01, 2013. This transaction let to the recognition of profit of EUR 2,108k.

The sale of shares in the subsidiaries has the following impact on the financial statement 2013:

Sale of shares in subsidiaries	2013 EUR 000s	2012 EUR 000s
Disposed assets and liabilities		
Property, plant and equipment	144	0
Liquid funds	392	0
Other current assets	2,064	0
Current liabilities	-1,409	0
Total net assets	**1,191**	**0**
Selling price	9,386	0
Gain on sale	**8,195**	**0**

Considering an amount of EUR 929k that is hold in an escrow account and liquid funds disposed in the amount of EUR 392k the transactions lead to proceeds from the sale of subsidiaries in the amount of EUR 8,065k.

GAIN ON SALES OF SHARES IN OTHER INVESTMENTS

Further the group recognized the following gains on sale of shares of other investments (2012: EUR 0k):

At the beginning of 2013, ad pepper media USA LLC sold its stake in React2Media resulting in a gain of EUR 99k. Furthermore, ad pepper media International N.V. sold its 20 percent stake in Socialtyze and its 49.5 percent stake in Videovalis GmbH. These transactions led to the recognition of profit of EUR 100k and EUR 259k respectively.

Financial income, net [13]

The amount includes net interest of EUR 286k (2012: EUR 389k) and realized gross gains of EUR 293k (2012: EUR 376k) from the trade of securities.

Fees for the trade of securities amounted to EUR 86k (2012: EUR 21k) while unrealized revaluation gains on securities at fair value through profit and loss amounted to EUR 114k (2012: EUR 240k).

Interest income on financial assets that are at fair value through profit or loss amounts to EUR 165k (2012: EUR 130k). Interest income on financial assets that are not at fair value though profit or loss calculated using the effective interest method amounts to EUR 121k (2012: EUR 258k).

Income taxes [14]

Income tax expenses break down	2013 EUR 000s	2012 EUR 000s
Current income tax expenses	-235	-238
Deferred income tax income/expense	39	-143
Total	**-196**	**-381**

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 13,080k (2012: EUR 13,529k) were calculated on the basis of the unused tax losses of EUR 42,608k (2012: EUR 45,502k). 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 0k (2012: EUR 25k) 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	2013 EUR 000s	2012 EUR 000s
Investments	26	30
Securities	200	56
Total	**226**	**86**

Changes in deferred tax liabilities on temporary differences recognized in profit or loss amount to EUR -35k (2012: EUR 0k). The change in deferred tax assets on temporary differences is recognized in profit or loss. Other deferred tax assets include deferred tax on taxbase goodwill in the amount of corresponding deferred tax liabilities. 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 35k (2012: EUR 99k) and deferred tax liabilities of EUR 0k (2012: EUR 0k) were recognized in the balance sheet.

Deferred tax assets of EUR 0k (2012: EUR 25k) on tax losses are recognized for companies with a history of losses. No deferred tax liabilities were recognized as of December 31, 2013 (2012: nil) for taxes on non-distributed profits of subsidiaries. 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.

Deferred tax assets	2013 EUR 000s	2012 EUR 000s
Tax losses brought forward	0	25
Other	261	160
Total	**261**	**185**

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 (2012: 31.47 percent) is as follows:

	2013 EUR 000s	2012 EUR 000s
Expected income tax	-1,622	1,490
Foreign tax rate differential	-49	-92
Foreign tax on profit distribution	0	0
Effect from tax-free gains	2,390	849
Prior year income tax	0	42
Deferred tax expense due to change in tax rates	0	0
Increase of allowance on deferred tax assets on unused tax losses	-857	-1,196
Non-deductible stock option expenses	-16	-3
Non-tax-deductible expenses and other	-42	-1,471
Actual income tax expenses	**-196**	**-381**

The increase of allowances on deferred tax assets includes EUR 73k (2012: EUR 262k) 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 conversion 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:

	2013 EUR 000s	2012 EUR 000s
Net income attributable to shareholders of the parent company	4,968	-5,273
Number of shares at the beginning of the period	21,240,708	21,240,708
Number of shares at the end of the period	21,204,708	21,240,708
Weighted average number of shares outstanding (basic)	21,240,708	21,240,708
Basic earnings per share in EUR	0.23	-0.25
Weighted average number of shares outstanding (diluted)	21,371,302	21,240,708
Diluted earnings per share in EUR	0.23	-0.25

The weighted average number of shares outstanding in 2013 was calculated on a daily basis. In 2013, the options granted resulted in dilution of an average of 130,594 shares (2012: 0 shares).

No new shares in ad pepper media International N.V. were admitted for trading on the Frankfurt Stock Exchange in 2013 (2012: 0 shares).

In 2013 the Company has not carried out a share repurchase program. Consequently, no shares were acquired in 2013 (2012: 0 shares).

A total of 0 treasury shares (2012: 0 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 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 for the five-year forecast period is budgeted for each operating segment. The discount rate (weighted average cost of capital) used for the cash flow forecast is 6.64 percent (2012: 7.56 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 (2012: EUR 24k). Goodwill at cost was EUR 22.4m (2012: EUR 22.4m) whereas accumulated impairment losses amounted to EUR 22.4m (2012: EUR 22.4m). As at December 31, 2013 the goodwill is allocated in full to the CGU ad agents. The underlying assumptions for the CGU were as follows:

Cash generating units 2013	Goodwill in EUR 000s	Discount rate in percent	Compound annual growth rate in percent
ad agents	24	6.64	15.7

Cash generating units 2012	Goodwill in EUR 000s	Discount rate in percent	Compound annual growth rate in percent
ad agents	24	7.56	20.9

This resulted in an allocable impairment loss of EUR 0k (2012: EUR 0k). 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 2013 as in 2012, 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 (2012: EUR 0k), and the carrying amount at December 31, 2013 to EUR 0k including exchange rate differences. Software is amortized over a useful life of three to five years.

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 December 31, 2013 is EUR 0k (2012: EUR 1k).

Intangible assets and property, plant and equipment [18]

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

Historical Cost

Financial year 2013	Balance at January 1, 2013 EUR 000s	Additions EUR 000s	Disposals EUR 000s	Disposals at sale of investments cost this year EUR 000s	Exchange differences EUR 000s	Balance at December 31, 2013 EUR 000s
Goodwill	**24**	**0**	**0**	**0**	**0**	**24**
Intangible assets						
Software	1,646	139	5	50	-2	1,728
Brands and customer bases	637	98	0	0	0	735
Total	**2,283**	**237**	**5**	**50**	**-2**	**2,463**
Property, plant and equipment						
Other equipment, operational and office equipment	2,104	173	112	565	-17	1,583
Total	**4,411**	**410**	**117**	**615**	**-19**	**4,070**

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

Financial year 2013	Balance at January 1, 2013 EUR 000s	Depreciation/ Amortization EUR 000s	Disposals EUR 000s	Disposals at sale of investments cost this year EUR 000s	Exchange differences EUR 000s	Balance at December 31, 2013 EUR 000s	Financial year December 31, 2013 EUR 000s	Previous year December 31, 2012 EUR 000s
Goodwill	**0**	**0**	**0**	**0**	**0**	**0**	**24**	**24**
Intangible assets								
Software	1,585	13	5	49	-1	1,543	185	61
Brands and customer bases	636	23	0	0	0	659	76	1
Total	**2,221**	**36**	**5**	**49**	**-1**	**2,202**	**261**	**62**
Property, plant and equipment								
Other equipment, operational and office equipment	1,669	238	109	422	-14	1,362	221	435
Total	**3,890**	**274**	**114**	**471**	**-15**	**3,564**	**506**	**521**

Financial year 2012	Balance at January 1, 2012 EUR 000s	Additions EUR 000s	Disposals EUR 000s	Disposals at sale of investments cost this year EUR 000s	Exchange differences EUR 000s	Balance at December 31, 2012 EUR 000s
Goodwill	**24**	**0**	**0**	**0**	**0**	**24**
Intangible assets						
Software	1,610	36	1	0	1	1,646
Brands and customer bases	637	0	0	0	0	637
Total	**2,247**	**36**	**1**	**0**	**1**	**2,283**
Property, plant and equipment						
Other equipment, operational and office equipment	1,903	277	87	0	11	2,104
Total	**4,174**	**313**	**88**	**0**	**12**	**4,411**

Financial year 2012	Balance at January 1, 2012 EUR 000s	Depreciation/ Amortization EUR 000s	Disposals EUR 000s	Disposals at sale of investments cost this year EUR 000s	Exchange differences EUR 000s	Balance at December 31, 2012 EUR 000s	Financial year December 31, 2012 EUR 000s	Previous year December 31, 2011 EUR 000s
Goodwill	**0**	**0**	**0**	**0**	**0**	**0**	**24**	**24**
Intangible assets								
Software	1,369	216	1	0	1	1,585	61	241
Brands and customer bases	631	5	0	0	0	636	1	6
Total	**2,000**	**221**	**1**	**0**	**1**	**2,221**	**62**	**247**
Property, plant and equipment								
Other equipment, operational and office equipment	1,510	245	86	0	0	1,669	435	393
Total	**3,510**	**466**	**87**	**0**	**1**	**3,890**	**521**	**664**

Non-current and current securities [19, 21]

As at December 31, 2013 all securities are non-current and 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 than their disposal within one year is not planned.

AVAILABLE-FOR-SALE SECURITIES

In the reporting year, available-for-sale securities were acquired for EUR 3,872k (2012: EUR 813k) and sold for a total of EUR 2,789k (2012: EUR 3,250k). The losses incurred in the financial year amount to EUR 0k (2012: EUR 0k).

In the reporting period, unrealized gains of EUR 969k (2012: EUR 1,276k) were recognized in other comprehensive income and loss and realized gains of EUR 112k included in profit and loss.

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

Fair value	31-12-13 EUR 000s	31-12-12 EUR 000s
Due within one year	5,326*	3,162*
Due between one and five years	0	0
Due in more than five years	0	0
Total	**5,326**	**3,162**

* The amount refers to two perpetual bonds which are callable on a (semi)-annual basis.

SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

In the reporting year, securities at fair value through profit and loss were acquired for EUR 15,769k (2012: EUR 3,155k) and sold/cash for a total of EUR 12,653k (2012: EUR 6,049k).

The unrealized revaluation gains incurred in the financial year amount to EUR 114k (2012: EUR 240k) with realized gains of EUR 260k.

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

Fair value	31-12-13 EUR 000s	31-12-12 EUR 000s
Due within one year	3,490	0
Due between one and five years	0	0
Due in more than five years	0	0
Total	**3,490**	**0**

Other financial assets [20]

This item contains rent and similar deposits, carried at their nominal amount of EUR 391k (2012: EUR 475k).

As a result of the sale of ad pepper media International N.V.´s interest in Emediate ApS, Copenhagen, an amount of EUR 929k has been put on an escrow account. For more detailed information please refer to Note [1, 12]

In November 2013 a bridge loan has been granted to Brand Affinity Technologies Inc. amounting to EUR 184k at an interest rate of 8 percent.

Furthermore, a loan amounting to EUR 50k has been granted to Videovalis GmbH (2012: EUR 475k). Repayment of the entire volume of loans outstanding amounting to EUR 525k took place in the course of the disposal of this shareholding in August 2013.

For the sale of the non-controlling interest in React2Media LLC payment by instalment was agreed, the outstanding balance amounts to USD 73k as of December 31, 2013. Additionally, a loan of USD 200k was granted in 2012, which will be paid back in 31 monthly instalments. The balance as of December 31, 2013 is USD 65k (2012: USD 142k). The interest rate is 3.5 percent.

Investments in equity instruments available-for-sale [20a]

The investments in equity instruments available-for-sale relates to the non-controlling interest of 4.28 percent in Brand Affinity Technologies Inc. totalling to EUR 4,503k (2012: 4,702k). The non-controlling interests in Socialtyze LLC (2012: EUR 0k), Videovalis GmbH (2012: EUR 214k) and React2Media LLC (2012: EUR 30k) have been disposed in the financial year 2013. For further information please refer to note [12].

CURRENT ASSETS

Trade receivables [22]

Trade receivables are initially measured at fair value and subsequently carried at amortized costs. The valuation allowances as of December 31, 2013 amount to EUR 372k (2012: EUR 558k). 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, 2013. For further information please refer to note [42].

Income tax receivables [23]

The item includes capital gains tax of EUR 130k (2012: EUR 455k) paid in advance, which is to be reimbursed by the tax authorities, as well as prepaid income taxes of EUR 58k (2012: EUR 303k).

Prepaid expenses and other current assets [24]

Other current assets are generally recognized at their amortized costs. In addition to payments in advance and prepaid expenses, this item also includes value added tax receivables of EUR 165k (2012: EUR 100k).

Cash and cash equivalents [25]

The item includes bank balances, cash in hand, day-to-day 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 12,886k (2012: EUR 12,587k).

EQUITY

Issued capital [26]

No new shares in ad pepper media International N.V. were admitted for trading on the Frankfurt Stock Exchange in 2013 (2012: 0 shares). The issued capital of ad pepper media International N.V. comprises 23,000,000 (2012: 23,000,000) bearer shares each with a nominal value of EUR 0.05.

Reserves [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 resolutions of May 15, 2012 and May 14, 2013 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 2013. Consequently, no shares were acquired (2012: 0 shares).

As of December 31, 2013 the company held 1,759,292 treasury shares (2012: 1,759,292 treasury shares) at a nominal value of 0.05 EUR each which equals 7.65 percent (2012: 7.65 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

No treasury shares were sold during the year 2013 (2012: 0). No shares were sold under the employee stock option plans.

NUMBER OF SHARES OUTSTANDING

The number of shares issued and outstanding as of December 31, 2013 totaled 21,240,708 (2012: 21,240,708). Each share has a nominal value of EUR 0.05.

Authorized unissued capital [29]

The authorized unissued capital totals EUR 21,485.40 (2012: EUR 21,485.40) and comprises 429,708 shares (2012: 429,708 shares).

Accumulated other comprehensive income [30]

Accumulated other comprehensive income include losses on available-for-sale securities of EUR -1,168k (2012: EUR -2,028k), taking into account deferred taxes of EUR 109k (2012: EUR 56k), and accumulated exchange differences of EUR -909k (2012: EUR -1,384k) from the translation of the financial statements of foreign subsidiaries as well as EUR 3,079k (2012: EUR 3,274k) from the valuation at fair value of the non-controlling interest in Brand Affinity Technologies Inc. taking into account deferred taxes of EUR -4k (2012: EUR 30k).

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

2013	before income taxes	income taxes	after income taxes
Currency translation differences (incl. non-controlling interests)	475	0	475
Revaluation of available-for-sale securities	969	-109	860
Revaluation of investments in equity instruments available-for-sale	-199	4	-195
Total income and expense recognized directly in equity	**1,244**	**-105**	**1,140**

2012	before income taxes	income taxes	after income taxes
Currency translation differences (incl. non-controlling interests)	-15	0	-15
Revaluation of available-for-sale securities	1,332	-56	1,276
Revaluation of investments in equity instruments available-for-sale	-105	-30	-135
Total income and expense recognized directly in equity	**1,212**	**-86**	**1,126**

Non-controlling interest [31]

The non-controlling 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 non-controlling interest.

In June and October 2013 ad agents GmbH distributed an amount of EUR 395k from its retained earnings. Thereof 40 percent were paid to the non-controlling shareholders in ad agents GmbH.

CURRENT LIABILITIES

Trade payables [32]

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

Other current liabilities [32a]

This balance sheet item fully comprises liabilities from valued added taxes amounting to EUR 721k (2012: EUR 1,141k).

Other financial liabilities [33]

This balance sheet item mainly comprises liabilities for bonuses and commissions of EUR 1,179k (2012: EUR 1,000k), and employee holiday accruals of EUR 390k (2012: EUR 827k).

Related party disclosures [34]

PERSONS IN KEY POSITIONS IN THE GROUP

The terms and conditions of all related party transactions are compliant to the "dealing-at-arm's-length"-principle at market prices. Please refer with regard to other business relationships with this group of persons to Note [40].

Litigation and claims [35]

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

Contingent liabilities and other financial obligations [36]

The Company has guaranteed all outstanding liabilities of its subsidiary companies, Webgains Limited (UK registered number: 05353649) and ad pepper media UK Limited (UK registered number: 3788170), that existed as at 31 December 2013, until they are satisfied in full. As a result the individual local statutory accounts of Webgains Limited and ad pepper media UK Limited are exempt from audit under the requirements of section 479A of the UK Companies Act 2006.

Other financial obligations mainly result from rented offices and from leases for cars and office equipment. The expenses from lease agreements amounted to EUR 5k in financial year 2013 (2012: EUR 114k). Rental expense amounted to EUR 1,035k (2012: EUR 1,208k).

The future minimum payment obligations resulting from the contracts in place as of December 31, 2013 are as follows:

Financial year	2014 EUR 000s	2015 EUR 000s	2016 EUR 000s	2017 EUR 000s	2018 EUR 000s	There-after EUR 000s	Total EUR 000s
Office rent	944	256	209	209	51	104	1,722
Car leases	50	22	8	1	0	0	81
Others	250	0	0	0	0	0	250
Total	**1,244**	**278**	**217**	**210**	**51**	**104**	**2,103**

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" comprise 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 buybacks 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. 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.

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 510,000 options was launched for the members of board of directors on August 20, 2013. 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 September 3, 2007 and August 20, 2013. One third of the option rights can be exercised one year after they were granted at the earliest, another third another year after they were granted, and so on. The fair values of the individual tranches at the time of granting are between EUR 0.237 and EUR 0.325 per issued option. The maximum cost of the program over the entire period is EUR 145k.

Furthermore an employee equity-participation program involving 490,000 options was launched for executive employees on August 20, 2013. 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 September 3, 2007 and August 20, 2013. 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 0.237 and EUR 0.350 per issued option. The maximum cost of the program over the entire period is EUR 147k.

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

	Ongoing SOP 2001	*Ongoing SOP 2002*	*Ongoing SOP 2003*	*Ongoing SOP 2004*	*Ongoing SOP 2003*
Share price when granted, in EUR	*1.30*	*0.65*	*0.89*	*2.22*	*0.89*
Date of grant	*18-05-01*	*15-01-02*	*15-01-03*	*16-01-04*	*15-01-03*
Exercise price, in EUR	*1.365*	*0.665*	*0.89*	*2.225*	*0.89*
Risk-free interest rate, in percent	*4.00*	*3.80*	*3.50*	*2.75*	*4.50*
Estimated term, in years	*4*	*1*	*1*	*1*	*10*
Future dividend, in EUR	*0*	*0*	*0*	*0*	*0*
Estimated volatility, in percent	*93*	*68*	*73*	*40*	*53*

	Executive SOP 2005	*Executive SOP 2006*	*Executive SOP 2008*	*Executive SOP 2013 (BoD)*	*Executive SOP 2013 (MD)*
Share price when granted, in EUR	*2.50*	*3.80*	*1.40*	*0.80*	*0.80*
Date of grant	*15-04-05*	*16-01-06*	*15-05-08*	*20-08-2013*	*20-08-2013*
Exercise price, in EUR	*2.66*	*3.795*	*1.50*	*0.80*	*0.80*
Risk-free interest rate, in percent	*3.65*	*3.48*	*4.15*	*1.10*	*1.10*
Estimated term, in years	*4*	*4*	*10*	*7*	*7*
Future dividend, in EUR	*0*	*0*	*0.04 to 0.06*	*0.04 to 0.06*	*0.04 to 0.06*
Estimated volatility, in percent	*58*	*56*	*50*	*64.41*	*64.41*

The average share price during 2013 was EUR 0.91 (2012: EUR 1.06).

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 51k (2012: EUR 10k).

The following table shows the changes in the options during the financial year 2013:

	2013 Number	2012 Number	Exercise price EUR
Options at the beginning of the fiscal year (Ongoing SOP 2001)	20,400	20,400	1.365
Options at the beginning of the fiscal year (Ongoing SOP 2002)	1,600	1,600	0.665
Options at the beginning of the fiscal year (Executive SOP 2003)	404,000	404,000	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)	6,400	10,800	2.225
Options at the beginning of the fiscal year (Executive SOP 2005)	20,000	20,000	2.660
Options at the beginning of the fiscal year (Executive SOP 2006)	50,000	60,000	3.795
Options at the beginning of the fiscal year (Executive SOP 2008)	297,500	327,500	1.500
Options at the beginning of the fiscal year (Executive SOP 2009)	0	60,000	0.915
Options granted (Executive SOP 2013 BoD)	510,000	0	0.800
Options granted (Executive SOP 2013 MD)	490,000	0	0.800
Options cancelled (Ongoing SOP 2004)	0	-4,400	2.225
Options cancelled (Executive SOP 2005)	-20,000	0	2.666
Options cancelled (Executive SOP 2006)	0	-10,000	3.795
Options cancelled (Executive SOP 2008)	-60,000	-30,000	1.500
Options cancelled (Executive SOP 2009)	0	-60,000	0.915
Options forfeited (Ongoing SOP 2001)	-400	0	1.365
Options forfeited (Ongoing SOP 2002)	-1,200	0	0.665
Options forfeited (Ongoing SOP 2003)	-2,000	0	0.890
Options forfeited (Ongoing SOP 2004)	-3,200	0	2.225
Options forfeited (Executive SOP 2003)	-72,000	0	0.890
Options forfeited (Executive SOP 2006)	-40,000	0	3.795
Options forfeited (Executive SOP 2008)	-100,000	0	1.500

	2013 Number	2012 Number	Exercise price EUR
Options at the end of the fiscal year	**1,503,900**	**802,700**	**0.665 to 3.795**
Weighted exercise price in EUR	0.914	1.363	
Exercisable options as of 31 December	333,200	1,600	
Weighted exercise price in EUR	0.890	0.665	

A weighted exercise price of stock options exercised during 2013 did not exist because no options have been exercised. (2012: EUR 0).

Most of the stock option programs do not have an expiration date. Hence, it is not possible to calculate a weighted average remaining contractual life.

Total remuneration of management in key positions [40]

	Financial year 2013 EUR 000s	Financial year 2012 EUR 000s
Short-term employee benefits	794	653
Termination of employment	0	2,235
Post-employment benefits (pensions and medical supply)	18	15
Share-based payments	4	4
Total remuneration of the Board of Directors	**816**	**2,907**

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	31-12-13 Number	31-12-12 Number
2001	-	1.365	0	0
2003	-	0.890	0	0
2008	15-05-18	1.500	0	0
2013	20-08-20	0.80	510,000	0

Events after the balance sheet date [41]

Up until the day of authorization for issuance the following event took place which would have exerted substantial influence on the net assets, financial position or result of operations as per December 31, 2013:

Subject to approval by the General Meeting of Shareholders of ad pepper media Spain SA, Madrid, and registration with the Commercial Register, ad pepper media International N.V. sold, effective January 31, 2014 a non-controlling interest of 35 percent of the fully consolidated entity ad pepper media Spain SA to its Managing Director.

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, 2013 compared to December 31, 2012. Negative net indebtedness means that the Group is debt-free.

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

	31-12-13 EUR 000s	31-12-12 EUR 000s
Current and non-current financial liabilities	10,831	12,407
Cash and cash equivalents	-12,886	-12,587
Securities and fixed-term deposits	-8,816	-3,162
Net liabilities	**-10,871**	**-3,342**
Equity per balance sheet including non-controlling interest	24,575	18,445
Net indebtedness, in percent	**-44**	**-18**

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 rent and similar deposits referred to in note 20, carried at their nominal amount of EUR 391k (2012: EUR 475k), are pledged as collateral for bank guarantees. Furthermore, the company has pledged its security deposit (EUR 10,010k) as collateral for the derivative instrument. 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	31-12-13 EUR 000s	31-12-12 EUR 000s
At fair value through profit		
Designated as at fair value through profit or loss	3,490	0
Loans and receivables (including cash and cash equivalents)	21,787	22,227
Available-for-sale financial assets	9,829	8,109
Total	**35,106**	**30,336**

Financial liabilities	31-12-13 EUR 000s	31-12-12 EUR 000s
Other financial liabilities measured at amortized cost	10,831	12,407
Total	**10,831**	**12,407**

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) or they are subject to interest at market rates.

The respective fair value is determined by referring to quoted market prices in active markets (Level 1) with the exception of the available-for-sale investment in Brand Affinity Technologies Inc. which is a non-quoted equity instrument which was valued with recent transactions prices (Level 2). For further details please refer to Note [20].

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.

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

Financial assets	31-12-13 EUR 000s	31-12-12 EUR 000s
At fair value through profit and loss		
Designated as at fair value through profit or loss	374	616
Available-for-sale financial assets		
reclassified from equity to profit and loss	33	0
through other comprehensive income	665	1,141
Total	**1,072**	**1,757**

Net gains and losses from financial liabilities amount to zero.

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

Financial assets	31-12-13 EUR 000s	31-12-12 EUR 000s
At fair value through profit and loss		
Designated as at fair value through profit or loss	165	130
Not at fair value through profit and loss	121*	259*
Total	**286**	**389**

* including EUR 80k (2012: EUR 76k) from compounding a security acquired below nominal value

Interest income and expenses from financial liabilities amount to zero.

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

Financial assets	31-12-13 EUR 000s	31-12-12 EUR 000s
At cost	0	-1,081
Total	**0**	**-1,081**

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	31-12-13 EUR 000s	31-12-12 EUR 000s
US dollar	4,894	5,289
British pound	6,139	5,037
Swedish krone	0	122
Danish krone	1,005	3,024
Total	**12,038**	**13,472**

Financial liabilities	31-12-13 EUR 000s	31-12-12 EUR 000s
US dollar	358	423
British pound	4,080	3,343
Swedish krone	0	276
Danish krone	562	1,489
Total	**5,000**	**5,531**

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.

	Effect of USD 31-12-13 EUR 000s	Effect of USD 31-12-12 EUR 000s	Effect of GBP 31-12-13 EUR 000s	Effect of GBP 31-12-12 EUR 000s	Total 31-12-13 EUR 000s	Total 31-12-12 EUR 000s
Net income for the year	-16	-42	-34	-14	-50	-56
Equity	-409	0	0	0	-409	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. is 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, 2013 would have decreased/increased by EUR 253k/EUR 184k (2012: decreased/increased by EUR 33k/EUR 33k). This is due to interest rate risks from investments at floating rates.

The equity of the Group would have increased/decreased by EUR 86k/EUR 117k (2012: increased/decreased by EUR 220k/ EUR 244k). This is due to changes in the fair value of available-for-sale financial assets.

The interest rate sensitivity of the Group increased during the past reporting period.

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 6.4 percent (2012: 8.7 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:

	31-12-13 EUR 000s	31-12-12 EUR 000s
Specific allowances		
Balance at beginning of year	*558*	*454*
Allowances in the period		
Additions	*148*	*266*
Reversals	*-304*	*-164*
Consumption	*-30*	*2*
Balance at end of period	***372***	***558***

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 EUR 000s	Not overdue EUR 000s	Up to 120 days Overdue but not yet impaired EUR 000s
2013	*6,890*	*3,695*	*3,196*
2012	*8,248*	*5,179*	*3,069*

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 614k (2012: EUR 815k).

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, 2013 are presented below. The information is based on contractual, undiscounted payments.

Financial liabilities 31-12-13	< 1 mo. EUR 000s	> 1 mo. < 3 mo. EUR 000s	3 mo. to 1 year EUR 000s	Total EUR 000s
Trade payables	7,878	84	0	7,962
Other financial liabilities measured at amortized cost	1,283	1,179	407	2,869
Total	**9,161**	**1,263**	**407**	**10,831**

Financial liabilities 31-12-12	< 1 mo. EUR 000s	> 1 mo. < 3 mo. EUR 000s	3 mo. to 1 year EUR 000s	Total EUR 000s
Trade payables	7,867	206	0	8,073
Other financial liabilities measured at amortized cost	2,465	1,000	869	4,334
Total	**10,332**	**1,206**	**869**	**12,407**

Amsterdam/Nuremberg, March 14, 2014

THE BOARD OF DIRECTORS OF AD PEPPER MEDIA INTERNATIONAL N.V. COMPRISED THE FOLLOWING MEMBERS IN THE FINANCIAL YEAR 2013:

Dr. Ulrike Handel, CEO
(since March 20, 2013)
Hamburg, Germany

Jens Körner, CFO
Nuremberg, Germany

THE SUPERVISORY BOARD OF AD PEPPER MEDIA INTERNATIONAL N.V. IN THE FINANCIAL YEAR 2013 CONSISTED OF:

Michael Oschmann, (Chairman)
Nuremberg, Germany
Managing Director

Thomas Bauer
(since March 20, 2013)

Eun-Kyung Park
(since March 20, 2013)

Dr. Stephan Roppel
(since March 20, 2013)

Dr. Ulrike Handel
Hamburg, Germany
(until March 19, 2013)

11/ OTHER INFORMATION

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.

Appropriation of result for the financial year 2012

The annual report 2012 was adopted in the general meeting of shareholders held on May 14, 2013. The general meeting of shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

Proposed appropriation of result for the financial year 2013

The board of directors proposes, with the approval of the Supervisory Board, that the result for the financial year 2013 amounting to EUR 4,968k should transferred to reserves without payment of dividend.

The financial statements do reflect this proposal.

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

Independent auditor's report

To: the general meeting of shareholders of ad pepper media International N.V.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements 2013 which are part of the annual report of ad pepper media International N.V., Amsterdam, which comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of 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 management board 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 31 December 2013 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 management board 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 management board 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, 14 March 2014
PricewaterhouseCoopers Accountants N.V.

Original has been signed by J. W. Middelweerd RA

12/ AT A GLANCE

Glossary

AD

Short for advertisement in print or on TV or otherwise.

AD EXCHANGE

Online advertising marketplace that works along the lines of a stock exchange. All marketing partners (website operators, advertisers, ad networks) operate on one platform. A place where publishers present their inventory and advertisers can purchase advertising slots. Most advertising space is bought and sold in real-time auctions.

AD IMPRESSION

An advertising medium that is displayed on a website on a user's browser. Adopted by the DMMV, GWA, VDZ, BDZV and VPRT industry associations at the end of 1998 as the binding unit to be used 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 NETWORK

An advertising network buys inventories (advertising space) from direct marketers or website operators, bundles them, and then sells them to online media agencies and advertising customers. Ad networks market various online products from a single source and employ optimization and targeting technologies in the delivery of advertising material.

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

Synonymous with merchant.

AFFILIATE

A distribution partner of a merchant who incorporates the merchant's ads into their website. This is how affiliates advertise the merchant's products and services on their website. In doing so they receive a commission that is determined based on a number of criteria, such as the advertising period, per thousand ads, number of clicks, contact made, or incoming orders.

AFFILIATE MARKETING

Affiliate marketing is a form of internet advertising whereby online vendors (merchants) place advertising banners on partner websites (affiliates) in order to reach more customers. Whenever a user clicks on the banner and buys the product or carries out a pre-defined action, the website operator who displayed the ad receives a commission. This commission is based on the sales rate of the products and services referred by the affiliate.

AFFILIATE NETWORK

Affiliate networks facilitate cooperation between merchants and affiliates, act as 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

Graphic advertisement on a website. Banners contain hyperlinks to the advertiser's website. There are static formats for banners, such as 'rectangle,' 'super banner,' and 'wide skyscraper,' whose size can be given in pixels, as well as rich media and moving picture formats.

BANNER BURNOUT

Describes the decline in a banner's advertising effectiveness, particularly in regard to 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. To calculate, divide the number of clicks on an ad (see 'click-through') by the number of times an ad is viewed (see 'add impression'). Important benchmark for the efficiency of online advertising. However, the click-through rate does not take into account other key criteria for advertising effectiveness, such as awareness, image, communicative performance and likeability.

COOKIE

Small text files that websites can store on a user's computer in order to identify the sites they have visited. Cookies are used to save the user's preferences so that they are readily available the next time they visit the website.

CONVERSION

An action carried out by a visitor that had previously been identified as a target by a website operator. If the goal of the campaign is sales, then this target is met when an item is ordered. If the intention is to generate leads, then the desired conversion might be the ordering of information material, or agreement to a counseling interview, for example.

CONVERSION RATE

Conversion is expressed in the form of conversion rate (CR).

The rate indicates what percentage of users carry out a particular action (a purchase or contact request, for example).

COST PER ACTION (CPA)

A billing method whereby the advertising customer only pays for their online ad when a user carries out a particular action that has been pre-defined by the advertiser (user makes purchase or registers for a newsletter, for example). Also known as pay per action.

COST PER CLICK (CPC)

Billing unit for online advertising. Costs are calculated according to the number of times a user clicks on an ad (website banner). Also known as pay per click.

COST PER LEAD (CPL)

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

COST PER ORDER (CPO)

Billing unit for online advertising. Costs are calculated according to the number of times a downstream sale takes place. Every time a user clicks on an ad and makes a purchase, the operator of the website visited by the customer receives a commission.

COST PER THOUSAND IMPRESSIONS (CPM)

Shows the costs per 1,000 ad views (see ad impression) for an advertising booking.

DEMAND SIDE PLATFORM (DSP)

From a technical point of view, these are trading platforms that bundle the demand of advertising buyers on an interface in order to optimize purchase price and facilitate bookings and reporting. DSPs themselves do not offer ad space, but enable the automatic comparison of prices in ad networks, facilitate booking decisions and participation in real-time auctions of inventories from different sources.

DISPLAY ADVERTISING

Online advertising with banners, which are calculated either by viewing contacts (see 'cost per thousand impressions') or according to performance (see 'cost per click,' 'cost per action,' 'cost per lead').

DOUBLE OPT-IN

Double confirmation from a user, stating that they would like to receive certain (promotional) offers (see 'opt-in'). As unsolicited advertising is not permitted, this method is designed to shield users from spam and provide legal safeguards for the advertiser.

FREQUENCY

Refers to how often a user is supposed to see a particular banner (website operators determine this with the aid of an ad server). One of the potential targeting criteria for countering banner burnout.

INTERSTITIAL

A pop-up ad that slides across the whole screen before the user reaches their selected website, and disappears again after a few seconds.

LEAD

A successfully established contact between a product or service provider and a potential customer. A 'qualified lead' signifies that the customer has confirmed interest, for example through registering for a newsletter or submitting a contact form.

MERCHANT

Merchants (providers and operators of the program) advertise their products and services on the affiliates' websites and pay them a commission on sales generated.

ONE-STOP SHOPPING

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

PAGE IMPRESSION

Individual pages opened by user on a website (see 'page view'). Page impressions are a way of measuring the use of websites and can be defined as the number of viewing contacts with a particular HTML page that could potentially carry ads within a website.

PAGE VIEW

Outdated parameter for determining the reach of a website. Each file is taken into account. This creates a hit regardless of the file type (HTML, JPEG, PDF,…). Each frame on a particular website generates a page view, for example. This is benchmark is of more technical relevance since only complete websites and not their individual components are of interest in terms of content. A wider-reaching unit was therefore deemed to be an isolated hit. A page impression, on the other hand, denotes an entire page with all of its incorporated elements. Sites loaded from the cache are not counted.

PERFORMANCE MARKETING

Online marketing tools used to calculate success rates. Search engine marketing, affiliate marketing, and e-mail marketing all fall under the category of performance marketing, as do banner ads, which are delivered in a targeted manner with fees based on success rates ('cost per click,' 'cost per sale,' 'cost per lead').

PUBLISHER

Website operators are generally known as publishers. They play a particular role in affiliate marketing. This is where the publishers take on the functions of distribution partners (affiliates).

RATE CARD

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

REAL TIME BIDDING (RTB)

Automatic auctioning of online ad slots through real-time bidding. Advertising customers (or the users behind them) can decide whether or not to purchase an ad impression, and how much money to spend. This means the higher the number of internet users that know about an ad impression, the more valuable it is.

RICH MEDIA

Advertisements that incorporate audio and video data. The efficiency of a banner is considerably enhanced by the greater scope for creativity and the integration of interactive components.

RUN OF NETWORK (RON)

The circulation of an online campaign throughout a marketer's entire network. 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)

Search engine marketing covers all marketing activities related to search engines. This includes paid keyword advertising, improved ranking within the search results, and affiliate marketing.

SEARCH ENGINE OPTIMIZATION (SEO)

Includes all measures designed to feature websites as high as possible on the result pages of search engines.

SITE PROMOTION

Advertisements 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 according to certain criteria on the internet. Users are assigned to a particular target group after they have shown a particular interest in a website, after they have accessed the internet using a particular browser, or after they have logged in from a particular country of origin.

TRACKING

Refers to the tracking and recording of the online activities of marked users. Tracking is used to analyze the results of strategies in the field of online marketing. For instance, it is implemented as 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

Online advertising in the form of video clips. Much like classic ad banners, video clip advertisements can be displayed on websites or in other suitable (editorial) video content. The Interactive Advertising Bureau (IAB) differentiates between three different methods that can be used to embed videos on websites: in-stream video, in-banner video, and in-text video. Two different approaches are taken here. In the first, the content is free and ad-financed by so-called pre-roll, mid-roll, or post-roll video advertisements. In the second, the end user shares part of the costs through direct payment in the form of paid content.

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Company calendar

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

Annual report 2013	*March 21, 2014*
Annual General Meeting' (Amsterdam, The Netherlands)	*May 13, 2014*
Quarterly report I/2014	*May 14, 2014*
Quarterly report II/2014	*August 13, 2014*
Quarterly report III/2014	*November 12, 2014*

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Jens Körner, CFO

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We will gladly send you our 2013 Annual Report as well as the interim financial reports for 2013 in German or English. These reports can also be downloaded in PDF format at www.adpepper.com under Investor Relations/News & Publications/Reports and Presentations

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