AD PEPPER MEDIA GROUP

Annual Report 2014

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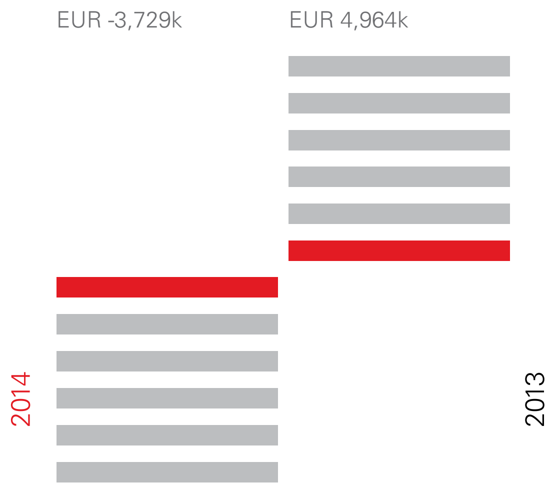
Selected group key figures

Consolidated sales



EBITDA

Liquid funds*

	2014	2013
Consolidated sales (EUR k)	47,281	49,626
Gross profit (EUR k)	16,131	20,701
Gross margin (percent)	34.1	41.7
EBITDA (EUR k)	-3,729	4,964
EBIT (EUR k)	-3,940	4,690
EBT (EUR k)	-5,225	5,293
Net earnings/loss (EUR k)	-5,335	5,097
Earnings/loss per share (basic, EUR)	-0.26	0.23
Total assets (EUR k)	30,290	36,262
Shareholders' equity (EUR k)	15,961	24,339
Equity ratio (percent)	52.7	67.1
Liquid funds* (EUR k)	19,639	21,702
Number of employees (as of December 31)	221	228

* including securities measured at fair value

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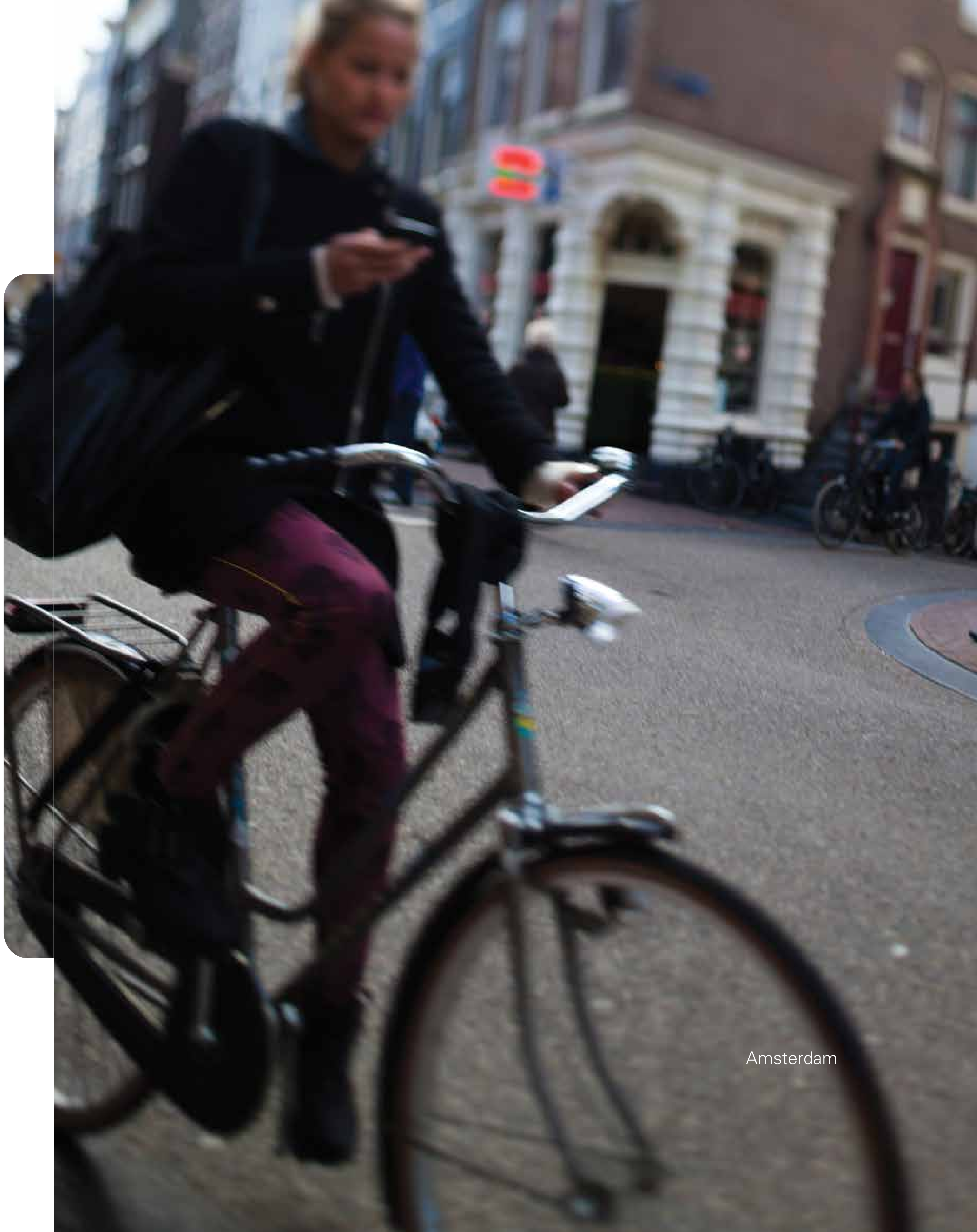
The Management Report prepared by the Board of Directors of ad pepper media International N.V. comprises pages 20 to 57.

Letter from Board of Directors



Amsterdam

Dear Shareholders, Friends and Partners of our Company,

2014 was no easy year for ad pepper media. While the 2013 financial year had been dominated by refocusing on our core business fields, a process which also involved selling our technology companies “Crystal” (semantic targeting) and “Emediate” (ad serving), the key focus in the past financial year was on boosting our existing business. In this, we were only partly successful. On a like-for-like basis, i.e. excluding companies sold in 2013 and discontinued activities, the sales of the overall ad pepper media group grew by 8.9 percent. Overall, the group’s performance can thus nevertheless be termed pleasing.

First and foremost, the “Webgains” segment (affiliate marketing) posted a convincing performance, with substantial sales growth of 20.5 percent enabling it to top the EUR 30 million mark for the first time. Sales in the previous year had still amounted to around EUR 25 million. Webgains thus now accounts for approximately 65 percent of total sales at the ad pepper media group. In the fourth quarter alone, Webgains generated sales of more than EUR 9 million, equivalent to around one third of full-year sales.

The “ad agents” segment (search engine optimization “SEO”/search engine marketing “SEM”) also reported a pleasing performance. In a market and competitive climate that has become more difficult overall, this segment achieved year-on-year sales growth of 6.2 percent. ad agents also generated positive EBITDA in the past financial year, although its profitability was somewhat lower than the level achieved in the previous year.

Business performance of “ad pepper media” segment falls short of own expectations

Business in the “ad pepper media” segment, by contrast, was far tougher. There was no longer any positive earnings contribution from “Emediate” due to the sale of that business. The ad pepper media companies in the UK, Spain, Germany, and Denmark (display and lead business) witnessed stagnating or declining sales, especially in the first six months of the financial year. Also, the “mediasquares” operations did not perform as expected and led to loss for this activity. Operating expenses were too high as a proportion of gross profit generated in the ad pepper media segment, and this led to negative quarterly earnings, in some cases substantially so.

Furthermore, new personnel in the holding segment brought additional expertise, but these developments could not yet be monetized in 2014. As a result, holding costs (segment “Admin”), including those for the remaining existing business, were too high overall. This factor also contributed to the ad pepper group’s disappointing earnings performance. At the end of the year, there remained a substantial loss of EUR -3.729 million (EBITDA). Thanks to the sale of shareholdings in the previous year, the group had still reported positive EBITDA of EUR 4.964 million in 2013.

Moreover, due to its negative economic outlook for 2015 we were obliged to write down our minority interest in Brand Affinity Technologies Inc. and Veritone Inc. This impacted to the composition of EUR 1.594 million on our interest result (segment “Admin”), as a result of which our EBT were also clearly negative at EUR -5.225 million.

Break-even as target aimed at for financial year ahead

The operating business performance in the ad pepper segment fell short of our expectations, and in response the company decided in the second quarter already to abandon the ad pepper locations in Copenhagen and Düsseldorf. With Globase, the ad pepper media group nevertheless still has a presence in Denmark/Scandinavia. Furthermore, ad pepper media decided to sell its “mediasquares” operations and - towards the end of the third quarter - the company adopted an extensive package of measures aimed at adapting the cost base to the development in sales and margins. These measures, which were implemented in the fourth quarter, mainly affected the “ad pepper media” and “Admin” segments. The two segments not directly affected (“Webgains” and “ad agents”) were also subject to strict cost and efficiency enhancement management. Overall, we expect these measures to generate annualized cost savings of up to EUR 2.0 million and to take full effect from the first quarter of 2015.

In this respect, the financial year ahead is entirely geared towards achieving break-even on a full-year basis. As in previous years, we nevertheless expect to see significant fluctuations in business earnings between quarters for reasons relating to the business model.

To achieve the targeted turnaround, we will have to maintain strict group-wide cost management, return the "ad pepper media" segment to a positive growth course, and ensure ongoing positive developments in the "Webgains" and "ad agents" segments. Break-even is also dependent on an intact macroeconomic climate. We are cautiously optimistic that we can achieve this target in the current year.

What's more, we have a liquidity cushion of EUR 19.6 million and a comfortable equity ratio of 52.7 percent. This should give us the necessary operating flexibility to press further ahead with stabilizing the ad pepper media group's existing business. With this Annual Report, we would like to offer you some further insights into the ad pepper media group's figures and answer some of the key questions relevant to all parties interested in ad pepper media in view of the financial year behind us. On behalf of our shareholders, we will continue to make every effort to create sustainable added value. We thank you for your loyalty and would be delighted if you would continue to support us in our commitment to ad pepper media in future as well.

Yours faithfully,

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

Ulrike Handel

Dr. Ulrike Handel Dr. Jens Körner

Amsterdam, March 12, 2015

Dr. Ulrike Handel (CEO and Chairman) and Dr. Jens Körner (Chief Financial Officer)

Report of the Supervisory Board

New York

Dear Shareholders,

In the 2014 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 four meetings in 2014. In addition to the scheduled meetings, the Chairman and other members of the Supervisory Board maintained regular contact with the CEO and CFO. None of the Supervisory Board members was absent from Supervisory Board meetings or conference calls. 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 2014 and beyond. The Supervisory Board approved the financial plan for 2014 and discussed (potential) takeovers and disposals with the Board of Directors. Topics discussed included annual and interim results, the savings program adopted on September 17, 2014, the reorganization of local country companies, and the disposal of the marketing business pooled under the "mediasquares" brand, the results of the tax audit, the performance of securities and investments, 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/February 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 4 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 2015.

Composition of Supervisory Board

Michael Oschmann (born 1969; German citizen)

- Supervisory Board Chairman throughout the entire financial year up to and including December 31, 2014
- Graduate in business administration, Managing Director of Telefonbuchverlag Hans Müller GmbH & Co., Nuremberg
- Supervisory Board member since January 10, 2000; appointed until Annual General Meeting 2017

Thomas Bauer (born 1963; German citizen)

- Supervisory Board member throughout the entire financial year up to and including December 31, 2014
- 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)

- Supervisory Board member throughout the entire financial year up to and including December 31, 2014
- Managing Director of ProSiebenSat.1 TV Deutschland GmbH Supervisory Board member since March 20, 2013; appointed until Annual General Meeting 2017

Stephan Roppel (born 1964; German citizen)

- Supervisory Board member throughout the entire financial year up to and including December 31, 2014
- Director of Multichannel and Member of Management at H. Hugendubel GmbH & Co. KG, Munich
- Supervisory Board member since March 20, 2013; appointed until Annual General Meeting 2016

Supervisory Board compensation	2014 EUR	2013 EUR
Michael Oschmann	6,000	6,000
Thomas Bauer	6,000	4,691
Eun-Kyung Park	6,000	4,691
Stephan Roppel	6,000	4,691

We support a well-balanced share of women and men in our Board of Directors and Supervisory Board. A Dutch regulation that took effect as of January 1, 2013 requires companies to ensure that at least 30 percent of the positions on their Supervisory Boards and Boards of Directors are held by women and at least 30 percent by men. We are convinced that we are making good progress in implementing this regulation. With Ulrike Handel as a member of the Board of Directors and CEO, we meet the required criteria in terms of gender diversity in the Board of Directors. Furthermore, Ms. Eun-Kyung Park is a member of the Supervisory Board. In this regard, we are aware that various other pragmatic considerations, other relevant selection criteria, and the availability of suitable candidates at ad pepper may present an obstacle to fully achieving the required gender diversity. It can therefore be assumed that we may not be able to fully comply with the regulation proposed under Dutch law in future as well. 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.

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 2014 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. The Supervisory Board acknowledged and approved the audit results. On March 12, 2015, the Supervisory Board discussed and agreed with the annual financial statements prepared by the Board of Directors for the 2014 financial year.

Corporate Governance

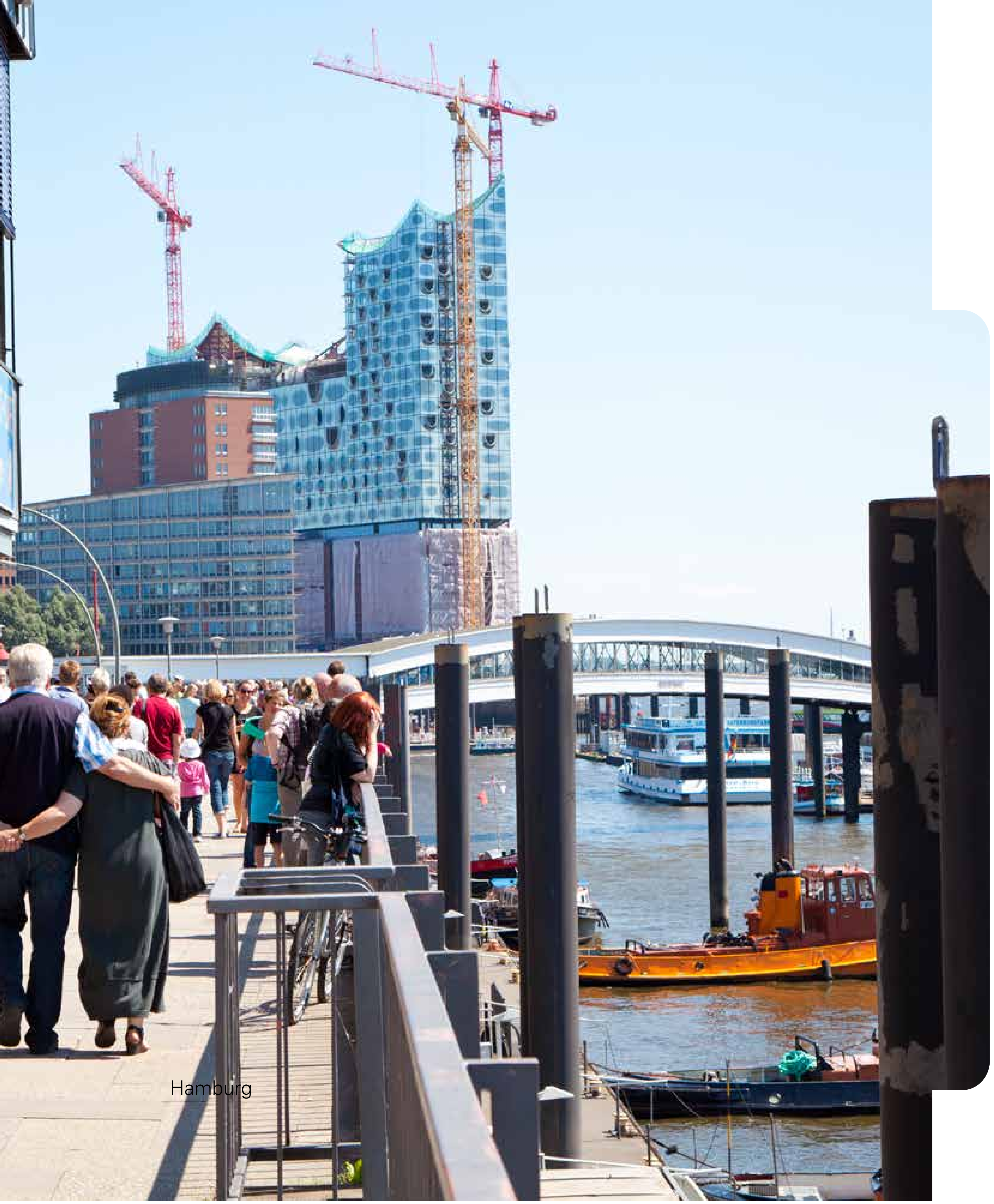
ad pepper media International N.V. is a company under Dutch law with subsidiaries in various countries. All business activities are performed in accordance with Dutch company law and German capital market law, in particular the German Securities Trading Act (WpHG). Common shares are admitted for trading 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 12, 2015

For the Supervisory Board
Michael Oschmann, Supervisory Board Chairman

Michael Oschmann (Supervisory Board Chairman)



Hamburg

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 (the Dutch Corporate Governance Code can be viewed at http://commissiecorporategovernance.nl).

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 Dr. 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.

A new remuneration policy has been resolved upon at the Company`s 2014 Annual General Meeting. Furthermore, an executive stock option plan was approved at the 2014 Annual General Meeting. 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 two and not three years. Also, the issue price of the options is fixed at the average trading closing price over a period of 10 not 5 days. 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 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. Consequently, the Supervisory Board did neither adjust the variable compensation component nor did it recover from the Board of Directors any variable remuneration. 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 comprised a 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 also in 2015.

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 2014, 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 engagement 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 meeting at which the auditor's report on its audit of the annual accounts is discussed and at which the annual accounts are discussed and agreed.

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 and 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, 2014, 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 18, 2014 that the voting rights in ad pepper media International N.V. held by Mr. Dieter Koppitz exceeded the 3 percent threshold on February 17, 2014 and on that day amounted to 3.0406 percent (corresponding to 699,338 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 13, 2014, 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 2014 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 Dr. Körner 12 months after the change of control takes effect. In the event of extraordinary termination of his contract, Dr. 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.


Herrenberg

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 13, 2014. 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.

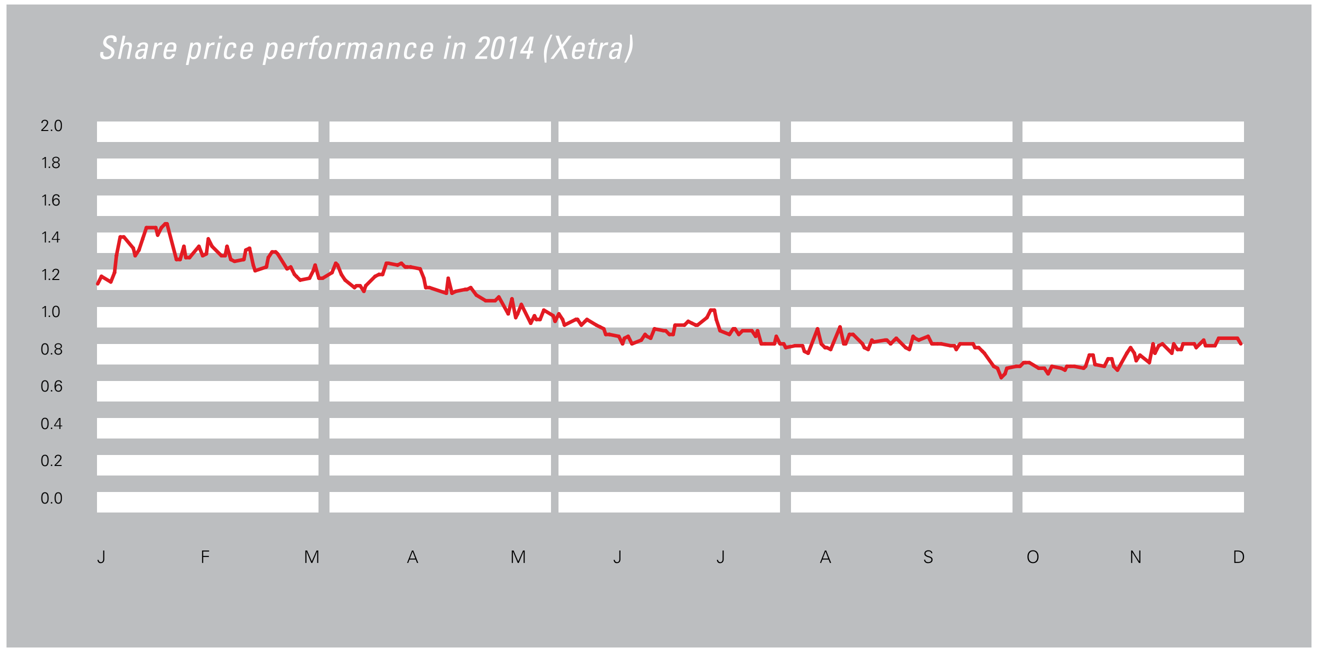
Alongside the presentation of the annual financial statements for the 2013 financial year, key agenda items also included the authorization to buy back treasury stock and the adoption of the new remuneration policy.

Share price performance	2014	2013
	EUR	EUR
Market capitalization	20.7m	26.2m
Year-end	0.90	1.14
Annual high	1.42	1.21
Annual low	0.75	0.79

ad pepper media's share reached its annual high at EUR 1.42 in February and fluctuated until May 2015 above the EUR 1.00 mark. In June 2014, the share broke down the EUR 1.00 mark and fluctuates during the third and fourth quarter consistently below the EUR 1.00 mark. The share closed at EUR 0.90 mark at the end of the year.

Shareholders structure as of December 31, 2014

	No. of shares	Percentage shareholding
EMA B.V.	9,486,402	41.25
Treasury stock	1,759,292	7.65
Axxion S.A.	1,163,501	5.06
Dieter Koppitz	699,338	3.04
Euro Serve Media GmbH	436,963	1.90
Subtotal	**13,545,496**	**41.10**
Free float	9,454,504	41.10
Total	**23,000,000**	**100.0**



Business activities

Madrid

Business activities

The ad pepper media group

ad pepper media International N.V. is the holding company behind one of the leading international online marketing groups. The company was founded in 1999 and has been listed in the Prime Standard segment of the Frankfurt Stock Exchange since it went public in 2000 (WKN: 940 883).

The ad pepper media group develops digital solutions for customers including British Airways, Burberry, Hertz, Levi's, and Sony in over 50 countries worldwide through its eight offices in five European countries and in the U.S.

The group consists of three segments: ad pepper media with the ad pepper media business unit (lead generation and semantic targeting) and Globase business unit (CRM technology), ad agents (search engine marketing), and Webgains (affiliate marketing). A total of 221 employees work in the four business units and the group's holding company.

The three segments of the ad pepper media group

ad pepper media

ad pepper media was founded in 1999. The companies in this business unit are leading international performance marketing agencies in their respective countries that specialize in lead generation and semantic targeting.

ad pepper media has offices in United Kingdom, Germany and Spain, which are responsible for conducting international campaigns in over 50 countries.

Products offered by the ad pepper media business unit:

iSense - semantic targeting
iSense provides advertisers and publishers with a revolutionary semantic targeting technology that allows ads to be specifically placed in the relevant context for each website. The technology guarantees advertising customers maximum protection for their brand as the ad can be blocked from being placed on sites or pages that could potentially harm the brand.

iLead - lead generation
iLead is the ideal solution for advertisers who want to expand and develop their customer database. Potential customers, who have already shown an interest in the products and services offered by the advertising customers, are contacted via telephone, e-mail, or by mail (provided they have given initial consent).

mailpepper - e-mail marketing
mailpepper makes it possible to quickly, effectively and directly e-mail large or even niche target groups who have explicitly agreed that ad pepper media or the advertisers may contact them.

Globase International

Globase International is one of the leading providers of e-mail marketing technology and strategy. The company is headquartered in Copenhagen, Denmark. Ever since it was founded in 1999, Globase International has developed an advanced technology for detailed customer segmentation, reporting, and automated campaign management through various channels such as e-mails, text messaging, display advertising, social media, surveys, mailings, and micro sites. Globase recently released the most innovative data management-based CRM model on the market, which makes it easy to work with all kinds of data, target all messages, and increase the conversion rates of campaigns.

Globase is a user-friendly and flexible e-mail marketing platform that focuses on individual requirements and allows the client to tailor campaigns to their customers' needs. It is available in English and Danish.

Webgains – Marketplace

Webgains is one of the leading international affiliate networks and offers efficient solutions that cover all areas of affiliate management. The network uses the latest technology and offers first-class support for merchants and affiliates. Webgains has teams of local experts in the United Kingdom, Germany, France, Spain, the U.S. and successfully implements international and regional affiliate programs for a large number of its customers.

Webgains expanded its operations this year to Australia and Poland, meaning it is now active in twelve countries and generates sales all over the world. Webgains has a portfolio of over 180,000 publishers and partnerships with over 2,000 clients, ranging from global fashion brands to SME retailers.

Reaching such a massive audience via a wide variety of websites with performance-based payment is what makes affiliate marketing so attractive for all parties involved.

Affiliate marketing is a commission-based advertising model in which website operators (publishers, affiliates) direct Internet traffic to the sites of advertisers (retailers, merchants) and receive in return a percentage of the sales turnover generated there.

ad agents

ad agents is one of the most successful performance agencies in Germany. It designs, controls, and optimizes results-oriented marketing and sales solutions in all digital channels on all screens and devices.

ad agents specializes in search machine marketing (SEM), search engine optimization (SEO), affiliate management, social media advertising, performance display, and product data management. The company also advises well-known German and international companies operating in all industries (including finance, trade, fashion, pharmaceuticals, and technology). Their customers include companies such as CHRIST, the ERGO Group, Galeria Kaufhof, and Thalia.

Long-time customers are won over by the quality, transparency, and top-notch results provided by over 70 international online experts at the headquarters in Herrenberg (Greater Stuttgart).

Economic development

New York

Economic climate and products

Macroeconomic framework

World/Europe/Germany

The Institute for the World Economy (IfW) expects the German economy to gain further momentum. For 2015 and 2016, the IfW has forecast GDP growth of 1.7 percent and 1.9 percent respectively, following growth of 1.5 percent last year. Initially, growth will be supported in particular by private consumer spending. This will be stimulated by the sharp rise in incomes and increased purchasing power due to the fall in the oil price. Given favorable financing terms and strong cyclical buoyancy, the IfW believes that investment activity will then gradually provide further economic momentum. The economy will benefit not least from the monetary climate in Germany, which in the IfW's assessment is set to remain extremely expansive.

With regard to the global economy, the IfW expects to see a gradual improvement in the next two years. According to the IfW, growth in global economic output is set to accelerate from 3.4 percent in 2014 to 3.7 percent in 2015 and 3.9 percent in 2016. The advanced economies in particular can expect higher growth rates in the next two years. Given the continuing reduction in private sector debt, the seeds sown by persistently expansive monetary policy and stimulus provided by the oil price will increasingly fall on fertile ground.

The euro area economy, by contrast, will only gradually gain momentum, expanding by 1.2 percent and 1.5 percent in the next two years. According to the IfW, a more dynamic economic recovery will continue to be held back by structural problems in parts of the currency area. The unemployment rate will thus remain persistently high. The IfW points out that its growth forecast assumes that no sustained irritations will arise in connection with pending elections in crisis-hit euro area countries and that no other factors give rise to renewed speculation concerning the continued existence of the euro area.

The IfW has also forecast robust output growth for the United Kingdom, which has been growing at an average rate of 0.8 percent per quarter for more than a year now. The labor market situation has significantly improved. For 2015 and 2016, the IfW has forecast continuing robust growth of 2.9 percent and 2.6 percent respectively.

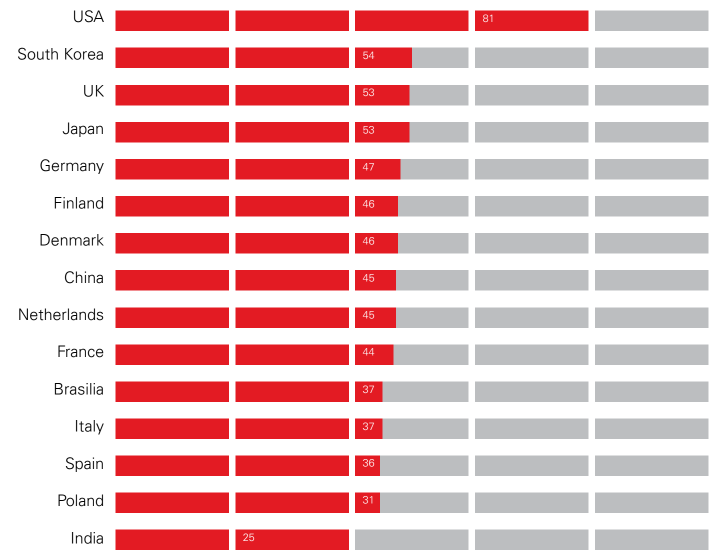
Online advertising market

The trend observable in the international arena is clearly pointing further upwards. According to a current forecast issued by the ZenithOptimedia media agency group, online advertising will grow by an average of 15 percent a year through to 2015 and account for 66 percent of total growth in global net advertising investments. Key growth drivers here are online video, social media and mobile.

The digital economy reported substantial growth in Germany as well in 2014. According to the "Digital Economy Monitoring Report 2014" published by the Federal Government in December, the value of the internet economy grew from Euro 79 billion to Euro 85 billion. In terms of total gross domestic product, this is equivalent to a share of some 3.1 percent. The digital economy currently employs more than half a million people in Germany. In terms of the global performance capacity of the digital economy in an international comparison of 15 countries, this means that Germany is ranked 5th, with 47 out of a total of 100 index points and a rising tendency.

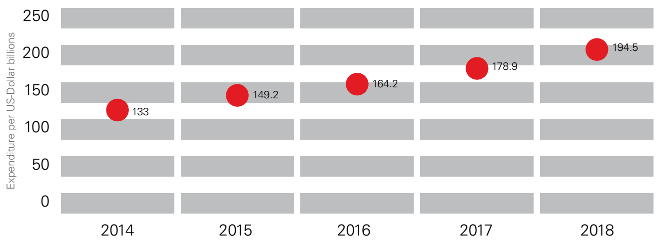
For the coming year, the Online Media Agency Expert Group (FOMA) at the German Association of the Digital Economy (BVDW) has forecast growth of 10 percent (9.9 percent) for the overall German digital advertising market.

Global performance in 15 country comparison



Source: TNS Infratest 2014

Forecast online advertising sales from 2014 to 2018 (in US-Dollar billions)



These statistics show a forecast for the development in global online advertising sales through to 2018. According to PwC, internet advertising sales around the world will total some USD 133 billion in 2014.

Source: PwC, June 2014

Presentation of earnings position

Development in sales and gross profit

The ad pepper media group's sales decreased to EUR 47,281k in the 2014 financial year (2013: EUR 49,627k), equivalent to a year-on-year reduction of 4.7 percent. On a like-for-like basis, i.e. excluding companies sold in 2013 (Crystal Semantics Ltd and Emediate ApS) and discontinued activities (ad pepper media BeNeLux B.V.), the company's sales growth amounted to 8.9 percent.

The key growth driver was the Webgains segment, which boosted sales by 20.5 percent to EUR 30,713k (2013: EUR 25,498k). Webgains thus managed to top the EUR 30 million mark for the first time. The fourth quarter alone, traditionally the strongest three-month period, contributed sales of EUR 9,228k, and thus around one third of this segment's full-year sales. The past financial year was also successful for Webgains in terms of its gross profit. Overall, gross profit for the past financial year amounted to EUR 7,527k (2013: EUR 6,306k), equivalent to a 19.4 percent increase. Expressed as a percentage, the gross margin of 24.5 percent more or less matched the previous year's figure (2013: 24.7 percent)

The ad agents segment also reported sales growth, in this case of EUR 432k, or 6.2 percent, to EUR 7,417k (2013: EUR 6,985k). This increase was mainly driven by higher advertising budgets in the search business (Google). In terms of its gross profit, however, this segment reported a slight decline. Year-on-year, the downturn amounted to EUR 255k, or 6.6 percent (2013: EUR 3,876k).

By contrast, the ad pepper media segment witnessed a substantial downturn in sales, which fell from EUR 17,185k in 2013 to EUR 9,181k in the past financial year. On a like-for-like basis, the reduction amounted to EUR 1,821k, or 16.7 percent (2013: EUR 10,806k). This downturn was mainly due to weak country business performances in Germany, the United Kingdom, and Denmark. By analogy with the reduction in sales, the gross margin fell to EUR 4,732k (2013: EUR 9,955k).

Gross profit at the group decreased to EUR 16,131k (2013: EUR 20,701k). On a like-for-like basis, the gross profit of EUR 16,122k more or less matched the previous year's figure (2013: EUR 16,151k). The gross profit growth achieved in the Webgains segment thus only compensated in part for the reduction in the ad agents and ad pepper media segments.

Development in operating expenses

The operating expenses of the ad pepper media group grew by 18.6 percent to EUR 20,070k (2013: EUR 16,011k). The previous year's figure includes positive one-off items of EUR 8,653k in connection with the sale of shareholdings. Furthermore, in 2014 the mediasquares brand was sold to Ströer, generating one-off income of EUR 400k. Excluding the disposals of shareholdings in 2013 and 2014, like-for-like operating expenses reduced by 17.0 percent, or EUR 4,193k, to EUR 20,471k (2013: EUR 24,664k).

EBIT, EBITDA, and EBT

Earnings before interest and taxes (EBIT) amounted to EUR -3,940k in the past financial year (2013: EUR 4,690k). Earnings before interest, taxes, depreciation and amortization (EBITDA) for the past financial year totaled EUR -3,729k (2013: EUR 4,964k). Earnings before taxes (EBT) amounted to EUR -5,225k in 2014 (2013: EUR 5,293k). This key figure includes impairment losses of EUR 1,594k on the available-for-sale equity investments held in Brand Affinity Technologies Inc. and Veritone Inc., which had a one-off negative impact on the interest result. At EUR -5,335k, net income for the period was also clearly negative (2013: EUR 5,097k).The comparative figures for the previous year include one-off items of EUR 8,653k from sales of shareholdings already referred to above.

Presentation of financial and net asset position

Cash flow

The cash flow from operating activities amounted to EUR -1,659k in the past year, as against EUR -4,633k in the 2013 financial year. The net cash flow from investing activities amounted to EUR 676k in the past financial year (2013: EUR 4,615k). The cash flow from financing activities amounted to EUR 2k, as against EUR -158k in the 2013 financial year.

Balance sheet structure

Total assets showed a marked reduction of EUR 5,972k to EUR 30,290k (December 31, 2013: EUR 36,262k). The asset side of the balance sheet was affected by the impairment of EUR 4,503k recognized on our minority interest in Brand Affinity Technologies (investments in equity instruments available-for-sale) and by the reduction in cash and cash equivalents by EUR 960k. Trade receivables, by contrast, showed a slight increase of EUR 668k to EUR 7,739k (December 31, 2013: EUR 7,071k). On the equity and liabilities side of the balance sheet, the net deficit for the period led equity to show a corresponding decline of EUR 8,279k to EUR 16,296k (December 31, 2013: EUR 24,575k). Despite this net deficit, the equity ratio as of December 31, 2014 still amounted to a superb 53.8 percent (December 31, 2013: 67.8 percent). Trade payables showed a significant increase of EUR 1,903k to EUR 9,865k (December 31, 2013: EUR 7,962k). The ad pepper media group was internally financed as of the balance sheet date. Its cash and cash equivalents totaled EUR 19,639k at the end of December 2014 (December 31, 2013: EUR 21,702k). The company still has no non-current liabilities to banks.

Madrid

Risk report

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 experts and privacy advocates proposed a general limitation of the use of Cookies and also an explicit consent of Internet users for receiving Cookies, and in this connection some countries adopted regulations limiting the use of Cookies. Therefore the effectiveness of our technology may be impaired by regulations limiting or prohibiting the use of Cookies. Furthermore, on the basis of the requirements set up by data privacy Regulators, software houses shall provide new internet browsers bearing default settings where cookies are not accepted and the User has to actively change such settings to accept cookies („privacy by dafault")

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.

To date the above data processing activity has not yet obtained an explicit clearance due to uncertain legal provisions, so we cannot exclude that local data privacy regulators take unilateral decisions which may restrict our business activity. Namely, the new upcoming European regulations set the prohibition to make a general profile of users and such data processing shall be allowed only upon user's specific authorization. If adopted, such regulations would have a thorough impact on our business model.

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 important for the ad pepper media 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
- over-valuation 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 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 dividend 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, 2014, 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 80 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

Due not least to an ongoing favorable macroeconomic climate in Europe and further positive developments in the online advertising market, we expect all three segments to perform positively in the current year. ad agents and Webgains in particular should uphold the successful course already taken in 2014. We expect positive earnings contributions from both these segments. As regards ad pepper, we expect this segment's sales and gross profit figures to stabilize. Furthermore, extensive cost adjustments to account for the new product mix and focuses were introduced in the "Admin" segment in the fourth quarter of 2014. As in previous years, a large share of the ad pepper media group's expected sales in the current financial year as well are likely to be generated only in the final months. The financial year ahead should therefore be characterized once again by the seasonality and cyclicality inherent in our business model. Despite the positive earnings performance expected at the ad agents and Webgains segments, the low-level stabilization in the ad pepper segment, and extensive cost controlling in the "Admin" segment, the possibility therefore cannot be excluded that the group will post negative key profitability figures, in some cases substantially so, in the first two quarters in particular.

Responsibility statement

Responsibility statement

(EU Transparency Directive, Dutch Financial Markets Supervision Act)

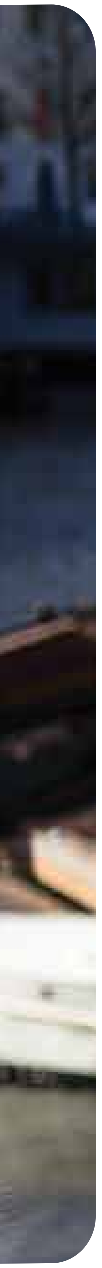
In conjunction with section 5.25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht), the Board of Directors affirms, to the best of its knowledge, that:

- the financial statements as of and for the year ended 31 December 2014 give, in accordance with the applicable accounting principles (IFRS) as adopted by the European Union (EU), a true and fair view of the assets, liabilities, financial position and profit or loss of ad pepper media International N.V and companies jointly included in the consolidation, and
- the directors report includes a fair review of the development and performance of the business during the financial year and the position of the group as at 31 December 2014, together with a description of the principal risks faced by ad pepper media International N.V.

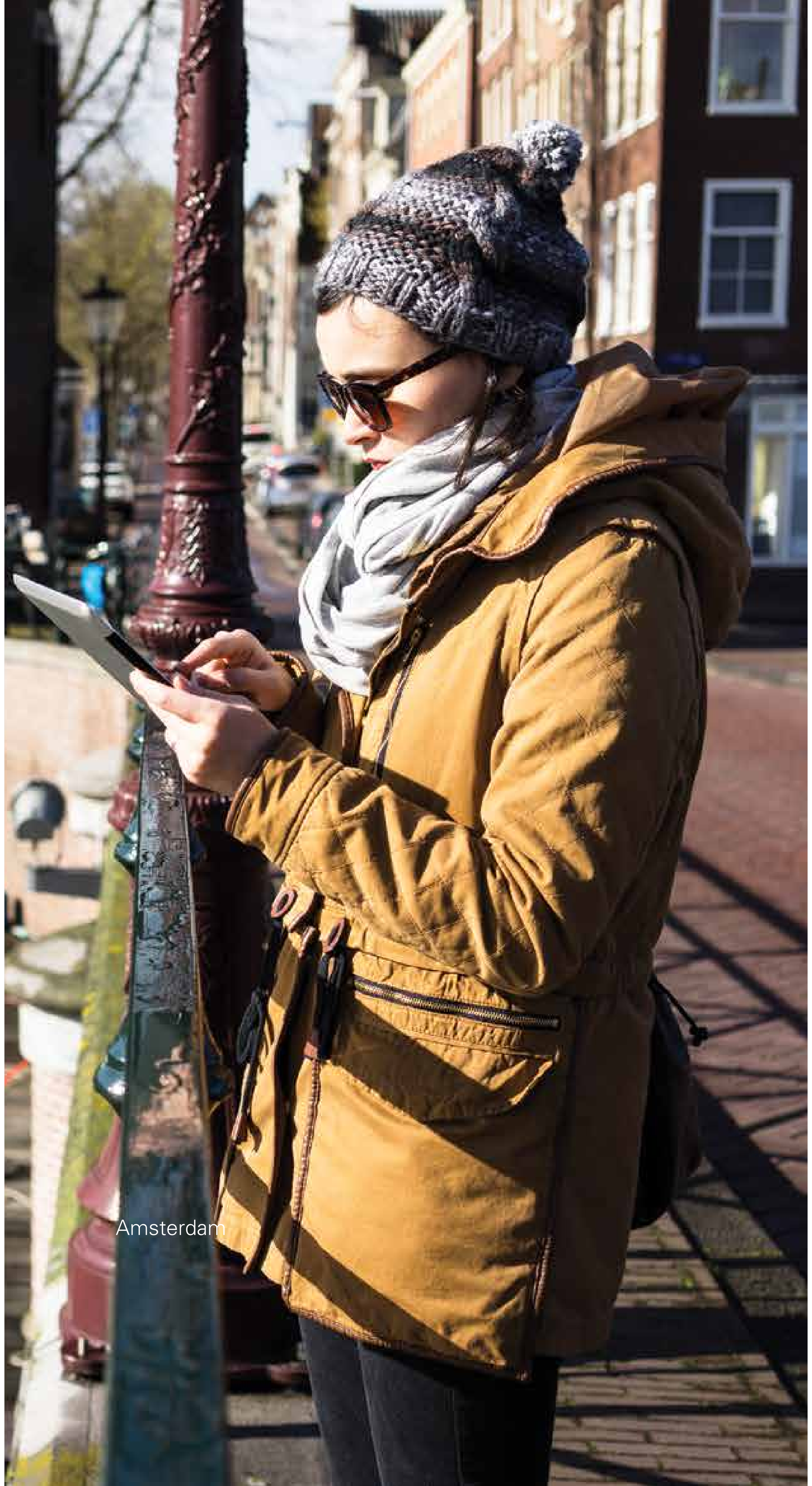
Board of Directors
ad pepper media International N.V.

Ulrike Handel

Dr. Ulrike Handel Dr. Jens Körner



Consolidated financial statements



Amsterdam

Consolidated income statement (IFRS)

	Note	2014	2013
		EUR 000s	EUR 000s
Revenue	[5]	47,281	49,627
Cost of sales	[7]	-31,150	-28,926
Gross profit		16,131	20,701
Selling and marketing expenses	[8]	-12,603	-14,990
General and administrative expenses	[9]	-7,644	-9,988
Other operating income	[10]	1,650	1,629
Other operating expenses	[11]	-1,474	-1,315
Gain on sale of shares in subsidiaries and other investments	[12]	0	8,653
Operating profit		-3,940	4,690
Financial income	[13]	390	693
Financial expenses	[13]	-1,675	-90
Income/loss before taxes		-5,225	5,293
Income taxes	[14]	-110	-196
Net income/loss		-5,335	5,097
attributable to shareholders of the parent company		-5,432	4,968
attributable to non-controlling interests		97	129
Basic earnings per share on net income for the year attributable to shareholders of the parent company	[15]	-0.26	0.23
Diluted earnings per share on net income for the year attributable to shareholders of the parent company	[15]	-0.26	0.23
Weighted average number of shares outstanding (basic)	[15]	21,240,708	21,240,708
Weighted average number of shares outstanding (diluted)	[15]	21,492,534	21,371,302

Consolidated statements of comprehensive income (IFRS) [30]

	2014	2013
	EUR 000s	EUR 000s
Net income/loss	-5,335	5,097
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	21	475
Revaluation of available-for-sale securities	-15	969
Realized gains/losses from available-for-sale securities	-39	0
Revaluation of investments in equity instruments available-for-sale	-3,105	-199
Income tax recognized on other comprehensive income	95	-105
Other comprehensive income, net of tax	-3,043	1,140
Total comprehensive income	-8,378	6,237
attributable to non-controlling interests	97	129
attributable to shareholders of the parent company	-8,475	6,108

Consolidated balance sheet (IFRS)

Assets	Note	December 31, 2014	December 31, 2013
		EUR 000s	EUR 000s
Non-current assets			
Goodwill	[16]	24	24
Intangible assets	[17]	398	261
Property, plant and equipment	[18]	204	221
Securities at fair value through profit and loss	[19]	3,324	3,490
Securities available-for-sale	[19]	2,386	5,326
Other financial assets	[20]	580	1,630
Investments in equity instruments available-for-sale	[20a]	0	4,503
Deferred tax assets	[14]	0	35
Total non-current assets		**6,916**	**15,490**
Current assets			
Securities	[21]	2,003	0
Trade receivables	[22]	7,739	7,071
Other receivables	[23]	400	428
Income tax receivables	[23a]	314	187
Other financial assets	[24]	992	200
Cash and cash equivalents	[25]	11,926	12,886
Total current assets		**23,374**	**20,772**
Total assets		**30,290**	**36,262**

Equity and liabilities	Note	December 31, 2014	December 31, 2013
		EUR 000s	EUR 000s
Equity attributable to shareholders of the parent company			
Issued capital	[26]	1,150	1,150
Reserves	[27]	66,353	66,254
Treasury shares	[28]	-3,281	-3,281
Accumulated deficit		-46,218	-40,786
Other reserves	[30]	-2,043	1,002
Total		**15,961**	**24,339**
Non-controlling interests	[31]	335	236
Total equity		**16,296**	**24,575**
Current liabilities			
Trade payables	[32]	9,865	7,962
Other payables	[32a]	1,474	1,032
Other financial liabilities	[33]	2,625	2,558
Income tax liabilities		30	135
Total current liabilities		**13,994**	**11,687**
Total liabilities		**13,994**	**11,687**
Total equity and liabilities		**30,290**	**36,262**

Consolidated statement of cash flows (IFRS)

	Note	2014 EUR 000s	2013 EUR 000s
Net income/(loss)		**-5,335**	**5,097**
Adjustments for			
Depreciation and amortization	[6]	211	274
Gain/loss on sale of fixed assets	[10]	0	17
Share-based compensation	[39]	99	51
Gain/loss on sale of securities (after bank charges)	[19], [21]	-137	-208
Other financial income and financial expenses	[13]	1,422	-395
Income taxes	[14]	110	196
Gain on sale of shares in subsidiaries and other investments	[12]	0	-8,653
Other non-cash expenses and income	[38]	68	269
Gross cash flow		**-3,562**	**-3,352**
Change in trade receivables	[22]	-652	943
Change in other assets		97	-384
Change in trade payables	[32]	1,831	-92
Change in other liabilities		442	-2,159
Income taxes received		0	729
Income taxes paid		-156	-401
Interest received		457	585
Interest paid		-116	-502
Net cash flow from/used in operating activities		**-1,659**	**-4,633**

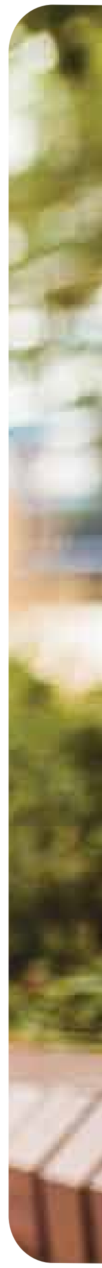
	Note	2014 EUR 000s	2013 EUR 000s
Purchase of intangible assets and property, plant and equipment	[18]	-334	-237
Proceeds from sale of intangible assets and property, plant and equipment		17	0
Loans granted	[20]	-200	-233
Proceeds from sale of other investments	[12], [20]	0	636
Proceeds from sale of subsidiaries	[12], [20]	0	8,065
Loans payback	[20]	53	581
Proceeds from sale/maturity of securities and maturity of fixed-term deposits	[19], [21]	10,124	15,442
Purchase of securities	[19], [21]	-8,984	-19,639
Net cash flow from/used in investing activities		**676**	**4,615**
Proceeds from transactions with non-controlling interests	[12]	50	0
Dividends to non-controlling interests	[31]	-48	-158
Net cash flow from/used in financing activities		**2**	**-158**
Net decrease/increase in cash and cash equivalents		-981	-176
Cash and cash equivalents at beginning of period		**12,886**	**12,587**
Effect of exchange rates on cash and cash equivalents		21	475
Cash and cash equivalents at end of period	[25]	**11,926**	**12,886**

Consolidated statement of changes in equity (IFRS)

	Note	Balance at January 1, 2013	Total comprehensive income	Share-based payment	Issuance of shares	Dividends	Transactions with non-controlling interests	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
Other reserves	[30]							
Currency translation differences (EUR 000s)		-1,384	475					-909
Unrealized gains/(losses) from available-for-sale securities (EUR 000s)		-2,028	860					-1,168
Unrealized gains/(losses) from investments in available-for-sale instruments (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	-158	0	236
Total equity (EUR 000s)		18,445	6,237	51	0	-158	0	24,575

	Note	Balance at January 1, 2014	Total comprehensive income	Share-based payment	Issuance of shares	Dividends	Transactions with non-controlling interests	Balance at December 31, 2014
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)		2,472		99				2,571
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)		-40,786	-5,432					-46,218
Other reserves	[30]							
Currency translation differences (EUR 000s)		-909	21					-888
Unrealized gains/(losses) from available-for-sale securities (EUR 000s)		-1,168	13					-1,155
Unrealized gains/(losses) from investments in available-for-sale instruments (EUR 000s)		3,079	-3,079					0
Equity attributable to shareholders of the parent company (EUR 000s)		24,339	-8,477	99	0	0	0	15,961
Non-controlling interests (EUR 000s)	[31]	236	97	0	0	-48	50	335
Total equity (EUR 000s)		24,575	-8,380	99	0	-48	50	16,296

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, 2014 were authorized for issue by the Board of Directors on March 12, 2015. ad pepper media International N.V. is a public company incorporated in the Netherlands, domiciled at Bernhardplein 200, 1097JB Amsterdam, the Netherlands and parent of the ad pepper media group. 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 eight offices in five 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. Due to rounding up or down, individual figures may not add up exactly to the totals stated.

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 financial statements and other information. This report includes the Reports of Directors and the Supervisory Board, consolidated financial statements and other information. Company financial statements (together with the statutory other information) is included in a separate report issued on March 12, 2015.

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 company financial statements and the statutory other information.

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 Part 9 of Book 2 of the Dutch Civil Code.

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. Subsidiaries are all entities over which the group has control. The group controls and entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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.

All intragroup balances, transactions, income and expenses and profits and losses resulting from intragroup transactions that are recognized in assets are eliminated in full.

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 12.31.2014	Share in percent 12.31.2013
ad pepper media GmbH, Nuremberg, Germany	100	100
ad pepper media Benelux B.V., Amsterdam, the Netherlands	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	65	100
ad pepper media USA LLC, New York, USA	100	100
Webgains Ltd, London, United Kingdom	100	100
Globase International ApS, Copenhagen, Denmark	100	100
ad agents GmbH, Herrenberg, Germany	60	60

Changes in shares of subsidiaries and non-controlling interests

The subsidiary ad pepper media Benelux B.V. Amsterdam was liquidated on December 9, 2014 with effect as of November 7, 2014.

As of January 31, 2014, ad pepper media International N.V. sold a non-controlling interest of 35 percent in its wholly-owned subsidiary ad pepper media Spain S.A. to that company's Managing Director. The implications of this change in the share of equity are presented in the consolidated statement of changes in equity.

Changes in accounting policies and estimates

The accounting policies and estimates adopted are fundamentally consistent with those of the previous financial year.
The following new standards and interpretations and amendments to existing standards and interpretations require first-time application in financial years beginning on or after January 1, 2014:

- Amendment to IAS 36 "Impairment of Assets" (effective date: January 1, 2014). This amendment had no material implications for the consolidated financial statements.
- Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" (effective date: January 1, 2014). This amendment had no implications for the consolidated financial statements.
- Amendments to IFRS 10, IFRS 12, IAS 27 "Investment Entities" (effective date: January 1, 2014). This amendment had no implications for the consolidated financial statements.
- IFRS 10, IFRS 11, IFRS 12 "Transition Guidance" (effective date: January 1, 2014). This amendment had no implications for the consolidated financial statements.
- Amendments to IAS 32 "Offsetting Financial Instruments" (effective date: January 1, 2014). This amendment had no implications for the consolidated financial statements.
- IFRS 10 "Consolidated Financial Statements" (effective date: January 1, 2014). This amendment had no implications for the consolidated financial statements.
- IFRS 11 "Joint Arrangements" (effective date: January 1, 2014). This amendment had no implications for the consolidated financial statements.
- IFRS 12 "Disclosure of Interest in Other Entities" (effective date: January 1, 2014). This amendment had no implications for the consolidated financial statements. This amendment required additional note disclosures in the consolidated financial statements.
- IAS 28 "Investments in Associates and Joint Ventures" (effective date: January 1, 2014). This amendment had no implications for the consolidated financial statements. This amendment required additional note disclosures in the consolidated financial statements.

New standards and interpretations and amendments to existing standards and interpretations requiring application in financial years beginning after January 1, 2014:

- IFRS 9 "Financial Instruments" (publication: July 24, 2014): This new standard requires application in financial years beginning on or after January 1, 2018. Premature application is permitted. The European Financial Advisory Group has postponed the recommendation to adopt IFRS 9. The company is assessing the impact of this standard.
- IFRS 15 "Revenue from Contracts with Customers" (publication: May 28, 2014): This new standard requires application in financial yers beginning on or after January 1, 2017. Premature application is permitted. The company is assessing the impact of this standard.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have material impact on the group.

Significant accounting judgments, 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.

A) Judgments

Decisions have been taken in connection with the need to impair financial assets. Alongside customary volatility in stock market prices and the impact of inadequate trading liquidity, ad pepper media has also taken particular account of the existence of objective indications of impairment.

Evidence of impairment may include significant financial difficulties, the likelihood of insolvency, financial restructuring and/or observable data indicating a measurable reduction in estimated future cash flows, e.g. in the event of payment arrears on the part of the issuer.

Further discretionary decisions have impacted on the selection of IAS 39 measurement categories for securities.

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.

Impairment of financial assets
ad pepper media assesses at least on annual basis whether a financial asset or group of financial assets is impaired. The determination of fair value involves estimates and assumptions that are subject to a certain degree of uncertainty.

Accrued liabilities
In measuring accrued liabilities for Affiliate credits not yet disbursed in the Webgains segment, reference has been made to assumptions determined with the assistance of various controlling and reporting tools. Based on various evaluations, ad pepper media assesses the disbursement of credits for confirmed transactions that have not been called up more than one year after the closure of the program as unlikely and has reduced the accrued liability by the resultant amount.

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".

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

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.

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 31-12-14	Closing rate 31-12-13	Average rate 2014	Average rate 2013
US dollar	1.2141	1.3791	1.3324	1.3289
British pound	0.7789	0.8337	0.8062	0.8472
Danish krone	7.4453	7.4593	7.4562	7.4577

Property, plant and equipment

Property, plant and equipment are stated at historical cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Subsequent costs are included in the asset's carrying value or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the line item will flow to the group and the cost of the item can be reliably measured. 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. All intangible assets have finite lives and 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 are reviewed at least at each financial year end. 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.

Research and development costs

Research costs are expensed as incurred. An intangible asset resulting from the development of an individual project is only capitalized when it cumulatively meets the criteria for recognition stipulated in IAS 38. 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.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an non-monetary asset (property, plant and equipment, intangible assets including goodwill) 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 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. The recoverability of goodwill is assessed at least once a year and irrespective of whether there are any indications of impairment.

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.

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, held-to-maturity 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. Subsequent measurement of financial assets is based on the respective IAS 39 category to which they are allocated. Financial instruments in the "at fair value through profit or loss" and "available for sale" categories are measured at fair value. Changes in fair value resulting in recognized and unrecognized gains and losses are recognized through profit or loss upon such gains and losses arising. One exception involves available-for-sale financial assets, whose unrecognized gains and losses, to the extent that the respective assets are not impaired, are recognized in equity through to retirement. After initial recognition, investments held to maturity and loans and receivables are measured at amortized cost using the effective interest rate method, less any impairments. Gains and losses are recognized in period earnings when the financial investments are derecognized or impaired.

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.

Impairment of financial 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 2014 and 2013 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. ad pepper media assesses at each balance sheet date thoroughly whether a financial asset or group of financial assets is impaired. In making this assessment, ad pepper media refers to all available information, including customary stock market price volatility, the impact of inadequate trading liquidity, and the duration and extent of the respective reduction in value.

However, a financial asset 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 financial asset. Evidence of impairment may include indications that the issuer 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.

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.

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 and accrued liabilities

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, although the respective due date or amount is still uncertain. If the effect of the time value of money is material, long-term 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.

Accrued liabilities are obligations to pay for goods or services received or delivered that have neither been paid, nor invoiced by the suppliers. Even though estimates are occasionally required to determine the amount or timing of accrued liabilities, the degree of uncertainty is generally notably less significant than for provisions. Accrued liabilities are recognized under trade payables.

Financial liabilities

Financial liabilities are measured at amortized costs and are derecognized upon settlement or cancellation.

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") acc. to IFRS 2.

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 note [39]. The cost of equity-settled transactions (remuneration cost) 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. 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.

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 extent 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

Interest income is recognized as soon as it arises using the effective interest rate method.

Current income tax

Current taxes are determined on the basis of annual earnings with due reference to national tax rates and tax legislation in the various tax jurisdictions valid as of 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 for goodwill, whereon the recognition is not permitted. 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.

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.

Business combinations [4]

No business combinations occurred in the financial year 2014 as in 2013.

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), "Webgains" (Affiliate-Marketing) and "ad agents" (Search Engine Optimization "SEO"/ Search Engine Marketing "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 2014	ad pepper media EUR 000s	Webgains EUR 000s	ad agents EUR 000s	Admin EUR 000s	Consolidation EUR 000s	group EUR 000s
Total revenues	9,181	30,722	7,417	292	-332	47,281
thereof external	9,150	30,713	7,417	0	0	47,281
thereof intersegment	31	9	0	292	-332	0
Expenses and other income	-11,565	-30,693	-7,322	-1,931	292	-51,220
thereof amortization and depreciation	-21	-73	-60	-58	0	-211
thereof other non-cash expenses	-105	-433	-4	-99	0	-641
thereof other non-cash income	0	280	0	0	0	280
EBITDA	-2,364	102	155	-1,581	-40	-3,729
EBIT	-2,385	29	95	-1,639	-40	-3,940
Financial income	3	9	0	393	-15	390
Financial expenses	-10	-5	2	-1,677*	15	-1,675
Income taxes						-110
Net income for the year						-5,335

The sales reported for the previous year for the ad pepper media segment includes prorated sales attributable to operations since sold and/or discontinued (Emediate ApS and Crystal Semantics Ltd, ad pepper media BeNeLux B.V.).

Financial year 2013	ad pepper media EUR 000s	Webgains EUR 000s	ad agents EUR 000s	Admin EUR 000s	Consolidation 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 loss for the year						5,097

* including impairment charge EUR 1,594k. Further information can be found in Notes [20a] and [13]
** including gain on the sale of subsidiaries and other investments of EUR 8,653k

Geographical information

The group operates in four principal geographical areas – Germany, Scandinavia, Spain and United Kingdom. The operating business in the Netherlands was discontinued per June 30, 2013. Figures for "Scandinavia" of the corresponding period of the previous year include activities of Emediate ApS which have been sold as per November 1, 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:

	Revenue from external customers		Non-current assets	
	Year ended 31-12-14	Year ended 31-12-13	31-12-14	31-12-13
	EUR 000s	EUR 000s	EUR 000s	EUR 000s
The Netherlands	0	322	0	0
Germany	14,403	14,067	453	376
Scandinavia	2,228	8,211	2	2
United Kingdom	23,786	20,808	157	124
Spain	3,007	2,742	2	2
Other	3,858	3,478	12	2
Total	47,281	49,627	626	506

There is no individual customer, which contributes more than 10 percent of the revenue.

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 14,737k (2013: EUR 18,148k) as well as depreciation and amortization of EUR 211k (2013: EUR 274k). Amortization of intangible assets is included in selling expenses EUR 18k (2013: EUR 3k), administration expenses EUR 19k (2013: EUR 10k) and other operating expenses EUR 34k (2013: EUR 0k).

The personnel expenses include the employer's share to state pension schemes amounting to EUR 568k (2013: EUR 690k) which have to be disclosed as employer's contribution to a defined contribution plan.

Cost of sales [7]

Cost of sales comprises expenses for internet advertising space and for ad server technology used of EUR 30,787k (2013: EUR 28,578k) and associated personnel costs of EUR 350k (2013: EUR 348k).

Selling and marketing expenses [8]

This item comprises all costs associated with attracting customers and orders. The expenses comprise the following natures of expense:

	2014	2013
	EUR 000s	EUR 000s
Employment costs	10,552	12,130
Facility costs (office rent, depreciation)	123	164
Advertising & sales promotion	298	328
Professional and other services	525	753
General operating costs (communication, travel, other supplies)	1,060	1,564
Other	45	51
Total	12,603	14,990

General and administrative expenses [9]

The expenses comprise the following natures of expense:

	2014	2013
	EUR 000s	EUR 000s
Employment costs	3,835	5,670
Facility costs (office rent, depreciation)	1,642	1,444
Professional and other services	1,026	1,494
General operating costs (communication, travel, other supplies)	1,089	1,326
Other	52	54
Total	7,644	9,988

Other operating income [10]

Other operating income consist of the following:

	2014 EUR 000s	2013 EUR 000s
Foreign exchange gains	558	471
Gains on sale of intangible assets (customer contracts which were not capitalized in the balance sheet)	400	0
One-off income from changes in valuation methods (2013)	0	357
Income from the release of accrued liabilities	279	201
Other	413	600
Total	1,650	1,629

During the year the company sold customer contracts related to the mediasquares brand to a third party, these intangible assets were not capitalized in the balance sheet, accordingly the total proceeds of this transaction amounted to EUR 400k has been recognized under "Gains on sale of intangible assets".

Other operating expenses [11]

Other operating expenses consist of the following:

	2014 EUR 000s	2013 EUR 000s
Foreign exchange losses	584	937
Expenses for bad debt allowances and write off of receivables	368	269
Other	522	109
Total	1,474	1,315

The "Other" item mainly includes expenses incurred in connection with contractual obligations.

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

Sale of shares in subsidiaries

ad pepper media did not sell any subsidiaries in the 2014 financial year and thus did not report any gains on sales of subsidiaries (2013: EUR 8,195k).

Sale of shares in subsidiaries	2014 EUR 000s	2013 EUR 000s
Disposed assets and liabilities		
Property, plant and equipment	0	144
Liquid funds	0	392
Other current assets	0	2,064
Current liabilities	0	-1,409
Total net assets	0	1,191
Selling price	0	9,386
Gain on sale	0	8,195

The sale of the 35 percent minority interest in the fully consolidated subsidiary ad pepper media Spain S.A. was recognized as an equity transaction. There was no material difference between the price of the interest sold and the carrying amount of prorated net assets at the time of disposal.

Sales of shares in other investments

ad pepper media did not sell any other investments in the 2014 financial year. The gain of EUR 457k recognized in the previous year resulted from the sale of React2Media LLC (EUR 98k), Socialtyze LLC (EUR 100k), and Videovalis GmbH (EUR 259k).

Financial income, net [13]

Net financial income consist of the following:

	2014 EUR 000s	2013 EUR 000s
Interest income	235	286
Realized gains on sale of securities	155	293
Unrealized gains on securities fair value through profit and loss	0	114
Financial income	**390**	**693**
Impairment	-1,594	0
Unrealized gains on securities fair value through profit and loss	-62	0
Other financial expenses	-19	-90
Financial expenses	**-1,675**	**-90**
Net financial income	**-1,285**	**603**

The impairment of EUR 1,594k reflects the write-down recognized in the financial year under report for available-for-sale investments in equity instruments at Brand Affinity Technologies Inc. and at Veritone Inc.
Further information can be found in Note [20a].

A breakdown of interest income by category of financial instrument can be found in Note [42].

Income taxes [14]

Income tax expenses break down	2014 EUR 000s	2013 EUR 000s
Current income tax expenses	-5	-235
Deferred income tax income/expense	-105	39
Total	**-110**	**-196**

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 13,024k (2013: EUR 13,080k) were calculated on the basis of the unused tax losses of EUR 42,989k (2013: EUR 42,608k).

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 (2013: EUR 0k) 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	2014 EUR 000s	2013 EUR 000s
Investments	0	26
Securities	97	200
Total	**97**	**226**

Deferred tax assets	2014 EUR 000s	2013 EUR 000s
Other	78	261
Securities	19	0
Total	**97**	**261**

Changes in deferred tax liabilities on temporary differences recognized in profit or loss amount to EUR 17k (2013: EUR -35k). The change in deferred tax assets on temporary differences is recognized in profit or loss. Deferred tax assets and liabilities are netted if the company has the legally enforceable right to set off current tax assets against current tax liabilities and if they relate to the same tax authorities and the same taxable entity. As a result, deferred tax assets of EUR 0k (2013: EUR 35k) and deferred tax liabilities of EUR 0k (2013: EUR 0k) were recognized in the balance sheet. Deferred tax assets and liabilities are classified as non-current.

Deferred tax assets of EUR 0k (2013: EUR 0k) on tax losses are recognized for companies with a history of losses. No deferred tax liabilities were recognized as of December 31, 2014 (2013: 0) 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.

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 (2013: 31.47 percent) is as follows:

	2014 EUR 000s	2013 EUR 000s
Expected income tax	1,644	-1,622
Foreign tax rate differential	-71	-49
Foreign tax on profit distribution	15	0
Effect from tax-free gains	-1,271	2,390
Prior year income tax	0	0
Deferred tax expense due to change in tax rates	-36	0
Increase of allowance on deferred tax assets on unused tax losses	56	-857
Decrease/(increase) of allowance of deferred tax assets on securities valuation	-94	0
Non-deductible stock option expenses	-31	-16
Non-tax-deductible expenses and other	-322	-42
Actual income tax expenses	-110	-196

The decrease of allowances on deferred tax assets includes EUR -48k (2013: EUR 73k) 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:

	2014 EUR 000s	2013 EUR 000s
Net (loss)/income attributable to shareholders of the parent company	-5,432	4,968
Number of shares at the beginning of the period	21,240,708	21,240,708
Number of shares at the end of the period	21,240,708	21,240,708
Weighted average number of shares outstanding (basic)	21,240,708	21,240,708
Basic earnings per share in EUR	-0.26	0.23
Weighted average number of shares outstanding (diluted)	21,492,534	21,371,302
Diluted earnings per share in EUR	-0.26	0.23

The weighted average number of shares outstanding in 2014 was calculated on a daily basis. In 2014, the options granted resulted in dilution of an average of 251,826 shares (2013: 130,594 shares). No new shares in ad pepper media International N.V. were admitted for trading on the Frankfurt Stock Exchange in 2014 (2013: 0 shares).

In 2014 the Company has not carried out a share repurchase program. Consequently, no shares were acquired in 2014 (2013: 0 shares).

A total of 0 treasury shares (2013: 0 shares) were sold in connection with the exercise of employee stock options.

Diluted earnings per share is computed based on the weighted average number of ordinary shares outstanding including the dilutive effect of shares to be issued in the future under certain arrangements such as option plans. There is no difference in basic and diluted net loss per share recorded by the Company because the impact of the arrangements referred to is anti-dilutive in current period.

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 5.48 percent (2013: 6.64 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 24 (2013: EUR 24k). Goodwill at cost was EUR 22.4m (2013: EUR 22.4m) whereas accumulated impairment losses amounted to EUR 22.4m (2013: EUR 22.4m). As at December 31, 2014 the goodwill is allocated in full to the CGU ad agents.

The underlying assumptions for the CGU were as follows:

Cash generating units 2014	Goodwill in EUR 000s	Discount rate in percent	Compound annual growth rate in percent
ad agents	24	5.48	9.2

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

This has not resulted in an impairment loss (2013: EUR 0k).

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]

Software

In 2014 and 2013, no software IT solutions were developed in-house for the company's own use and thus none were capitalized. Expenses were related to maintenance. Amortization and impairment of solutions developed in-house for the company's own use amount to EUR 0k (2013: EUR 0k), and the carrying amount at December 31, 2014 to EUR 0k including exchange rate differences.

Additions chiefly relate to an amount of EUR 103k in connection with the upgrade in accounting software to Dynax 2012.

Software is amortized over a useful life of three to five years.

Movement schedule of intangible assets and property, plant and equipment [18]

	Historical Cost						*Accumulated depreciation/amortization/impairment*						*Book Value*	
Financial year 2014	Balance at January 1, 2014	Additions	Disposals	Disposals at sale of investments cost this year	Exchange differences	Balance at December 31, 2014	Balance at January 1, 2014	Depreciation/ Amortization	Disposals	Disposals at sale of investments cost this year	Exchange differences	Balance at December 31, 2014	Financial year December 31, 2014	Previous year December 31, 2013
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
Goodwill	24	0	0	0	0	24	0	0	0	0	0	0	24	24
Intangible assets														
Software	1,728	196	24	0	4	1,904	1,543	37	23	0	2	1,559	345	185
Brands and customer bases	735	6	0	0	7	748	659	34	0	0	2	695	53	76
Total	2,463	202	24	0	11	2,652	2,202	71	23	0	4	2,254	398	261
Property, plant and equipment														
Other equipment, operational and office equipment	1,583	132	239	0	21	1,497	1,362	140	229	0	20	1,293	204	221
Total	4,070	334	263	0	32	4,173	3,564	211	252	0	24	3,547	626	506

	Historical Cost						*Accumulated depreciation/amortization/impairment*						*Book Value*	
Financial year 2013	Balance at January 1, 2013	Additions	Disposals	Disposals at sale of investments cost this year	Exchange differences	Balance at December 31, 2013	Balance at January 1, 2013	Depreciation/ Amortization	Disposals	Disposals at sale of investments cost this year	Exchange differences	Balance at December 31, 2013	Financial year December 31, 2013	Previous year December 31, 2012
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
Goodwill	24	0	0	0	0	24	0	0	0	0	0	0	24	24
Intangible assets														
Software	1,646	139	5	50	-2	1,728	1,585	13	5	49	-1	1,543	185	61
Brands and customer bases	637	98	0	0	0	735	636	23	0	0	0	659	76	1
Total	2,283	237	5	50	-2	2,463	2,221	36	5	49	-1	2,202	261	62
Property, plant and equipment														
Other equipment, operational and office equipment	2,104	173	112	565	-17	1,583	1,669	238	109	422	-14	1,362	221	435
Total	4,411	410	117	615	-19	4,070	3,890	274	114	471	-15	3,564	506	521

Non-current securities [19]

As at December 31, 2014 non-current securities consist of securities available-for-sale 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.

Securities available-for-sale

	2014 EUR 000s	2013 EUR 000s
Book value 01.01.	5,326	3,162
Realized gains/losses	155	112
incl. unrealized gains reclassified from other reserves to profit or loss	-39	0
Unrealized gains/losses	-15	969
Sale	-6,634	-2,789
Purchase	3,593	3,872
Book value 12.31.	**2,386**	**5,326**

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

Fair value	31-12-14 EUR 000s	31-12-13 EUR 000s
Due within one year	1,776**	5,326*
Due between one and five years	610	0
Due in more than five years	0	0
Total	2,386	5,326

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

Securities at fair value through profit and loss

	2014 EUR 000s	2013 EUR 000s
Book value 01.01.	3,490	0
Realized gains/losses	0	260
Unrealized gains/losses	-62	114
Sale	-3,490	-12,653
Purchase	3,386	15,769
Book value 12.31.	**3,324**	**3,490**

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	31-12-14 EUR 000s	31-12-13 EUR 000s
Due within one year	0	3,490
Due between one and five years	3,324	0
Due in more than five years	0	0
Total	3,324	3,490

Other financial assets [20]

Other financial assets consist of the following:

	31-12-14 EUR 000s	31-12-13 EUR 000s
Deposits	330	391
Escrow account in connection with Emediate sale in 2013	0	929
Loans	250	310
	580	1,630

The sum of EUR 929k deposited on an escrow account (of the acquirer) in 2013 upon the sale of the subsidiary Emediate ApS, Copenhagen has been recognized as of December 31, 2014 in accordance with its remaining term under other current financial assets (Note [24]).

In August 2014, the loan of EUR 184k granted to Brand Affinity Technologies Inc. in November 2013 was converted into a 0.55 percent minority stake in Veritone Inc.

Further information can be found in Note [20a].

The maturities of the other financial assets as of the end of the period are as follows:

	31-12-14 EUR 000s	31-12-13 EUR 000s
Due within one year	0	0
Due between one and five years	580	1,630
Due in more than five years	0	0
Total	580	1,630

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

Investments in equity instruments available-for-sale mainly include the 4.46 percent minority shareholding in Brand Affinity Technologies Inc. at an amount of EUR 0k (2013: EUR 4,503k). The economic and liquidity position of Brand Affinity Technologies Inc. deteriorated drastically in the course of the financial year. Alongside the loss of key customer relationships, the measures taken by the management to achieve a turnaround in earnings in 2014 also failed, as a result of which the Management Board of ad pepper media International N.V., taking account of the information available, deemed insolvency to be unavoidable and wrote down the investment to EUR 0k in November 2014. The impairment loss of EUR 1,398k was recognized under financial expenses. Accumulated unrealized gains of EUR 3,105k recognized in other comprehensive income have been reversed. In January 2015, the Management Board of ad pepper media International N.V. learned that Brand Affinity Technologies Inc. had filed for insolvency on December 17, 2014.

ad pepper media International N.V. does not have any further information about Veritone Inc., on the basis of which a value in use could be derived for that company. Taking account of the information available about Brand Affinity Technologies Inc., the Management Board of ad pepper media International N.V. decided to write down this investment as well to EUR 0k. The impairment loss, including foreign exchange differences and outstanding interest payments, of EUR 196k was recognized under financial expenses.

CURRENT ASSETS

Securities [21]

The current security involves a non-listed securitized borrowers' note that matured on January 28, 2015. This item was recognized at amortized cost.

Trade receivables [22]

Trade receivables are initially measured at fair value and subsequently carried at amortized costs.

Trade receivables consist of the following:

	31-12-14 EUR 000s	31-12-13 EUR 000s
Trade receivables, gross	8,283	7,443
Provision for impairment of trade receivables	-544	-372
Trade receivables, net	7,739	7,071

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, 2014.

For further information please refer to notes [3] and [42].

Other receivables [23]

Other current assets consist of the following:

	31-12-14 EUR 000s	31-12-13 EUR 000s
Value added tax receivables	162	165
Prepayments	227	263
Other	11	0
Total	400	428

Income tax receivables [23a]

Income tax receivables include capital gains tax of EUR 227k (2013: EUR 130k), as well as prepaid income taxes of EUR 87k (2013: EUR 58k).

Other current financial assets [24]

Other current financial assets consist of the following:

	31-12-14 EUR 000s	31-12-13 EUR 000s
Escrow account in connection with Emediate sale in 2013	929	0
Interest receivables	14	122
Other	49	78
Total	992	200

Cash and cash equivalents [25]

The item includes bank balances, day-to-day investments and cash in hand. For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at banks and on hand of EUR 11,926k (2013: EUR 12,886k).

EQUITY

Issued capital [26]

No new shares in ad pepper media International N.V. were admitted for trading on the Frankfurt Stock Exchange in 2014 (2013: 0 shares). The issued capital of ad pepper media International N.V. comprises 23,000,000 (2013: 23,000,000) bearer shares each with a nominal value of EUR 0.05 and is fully paid in.

Reserves [27]

The capital reserve mainly comprises the premium paid upon share issues. Furthermore, it also includes the expenses incurred for stock option plans.

Treasury shares [28]

Purchase of treasury shares

By shareholders resolutions of May 13, 2014 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 2014. Consequently, no shares were acquired (2013: 0 shares). As of December 31, 2014 the company held 1,759,292 treasury shares (2013: 1,759,292 treasury shares) at a nominal value of 0.05 EUR each which equals 7.65 percent (2013: 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 2014 (2013: 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, 2014 totaled 21,240,708 (2013: 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 (2013: EUR 21,485.40) and comprises 429,708 shares (2013: 429,708 shares).

Other reserves [30]

Other reserves include losses on available-for-sale securities of EUR 1,155k (2013: losses EUR -1,168k), taking into account deferred taxes of EUR 67k (2013: EUR -109k), and accumulated exchange differences of EUR -888k (2013: EUR -909k) from the translation of the financial statements of foreign subsidiaries as well as EUR 0k (2013: EUR 3,079k) from the valuation at fair value of the non-controlling interest in Brand Affinity Technologies Inc. taking into account the release of deferred taxes of EUR 26k.

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

2014	before income taxes	income taxes	after income taxes
Currency translation differences	21	0	21
Revaluation of available-for-sale securities	-15	67	52
Realized gains/losses from available-for-sale securities	-39	0	-39
Revaluation of investments in equity instruments available-for-sale	-3,105	26	-3,079
Total other comprehensive income	-3,138	93	-3,045

2013	before income taxes	income taxes	after income taxes
Currency translation differences	475	0	475
Revaluation of available-for-sale securities	969	-109	860
Realized gains/losses from available-for-sale securities	0	0	0
Revaluation of investments in equity instruments available-for-sale	-199	4	-195
Total other comprehensive income	1,245	-105	1,140

Non-controlling interests [31]

The non-controlling interests result from the acquisition of 60 percent of the shares in ad agents GmbH and from the sale of a 35 percent interest in ad pepper media Spain S.A. Further information can be found in Note [2] Consolidated group.

In December 2014 ad agents GmbH distributed an amount of EUR 120k from its retained earnings. Thereof 40 percent resp. EUR 48k were paid to the non-controlling shareholders in ad agents GmbH.

CURRENT LIABILITIES

Trade payables [32]

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

Other payables [32a]

Other liabilities consist of the following:

	31-12-14	31-12-13 After reclas-sification	31-12-13
	EUR 000s	EUR 000s	EUR 000s
Value added tax liabilities	920	721	721
Liabilities for payroll tax and social security contributions	325	311	0
Prepayments received	229	0	0
Total	1,474	1,032	721

In the 2013 financial year, liabilities for payroll tax and social security contributions were recognized under other current financial liabilities. As of December 31, 2014, this item has been presented under other liabilities. The presentation of the previous year's figures has been adjusted accordingly.

Other financial liabilities [33]

Other financial liabilities consist of the following:

	31-12-14	31-12-13 After reclas-sification	31-12-13
	EUR 000s	EUR 000s	EUR 000s
Bonus and commissions	895	1,179	1,179
Employee holiday accrual	317	390	390
Severance payments	362	39	39
Accrued liabilities for outstanding invoices	581	380	380
Other	470	570	881
Total	2,625	2,558	2,869

Related party disclosures [34]

Pursuant to the IAS 24 definition, the Management Board and members of the Supervisory Board have been identified as related parties. The compensation paid to all members of these boards is based exclusively on their functions as individuals in key positions. Further information about the compensation paid to these individuals can be found in 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]

ad pepper media International N.V. has guaranteed all outstanding liabilities of its subsidiary companies, Webgains Ltd (UK registered number: 05353649) and ad pepper media UK Ltd (UK registered number: 3788170) and ad pepper media UK Ltd (UK registered number: 3788170), that existed as at 31 December 2014, until they are satisfied in full.

As a result the individual local statutory accounts of Webgains Ltd and ad pepper media UK Ltd are exempt from audit under the requirements of section 479A of the UK Companies Act 2006. As of December 31, 2014 Webgains' Ltd outstanding liabilities amount to EUR 5,615k (2013: EUR 4,736k) and ad pepper media UK Ltd outstanding liabilities to EUR 793k (2013: EUR 737k).

Other financial obligations mainly result from rented offices and from leases for cars and office equipment. The expenses from lease agreements amounted to EUR 67k in financial year 2014 (2013: EUR 115k). Rental expense amounted to EUR 1,215k (2013: EUR 1,035k).

The future minimum payment obligations resulting from the contracts in place as of December 31, 2014 are as follows:

Financial year	2015	2016	2017	2018	2019	Thereafter	Total
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
Office rent	771	688	240	0	0	0	1,699
Car leases	27	12	4	0	0	0	43
Others	395	42	13	0	0	0	450
Total	1,193	742	257	0	0	0	2,192

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. Furthermore, this item also includes write-downs of Affiliate credits not yet disbursed.

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 non recurring 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 volatility for Exec SOP 2005 was calculated from the development of the ad pepper media International N.V. share price between January 1, 2003 and September 30, 2005. The volatility for Executive SOP 2006 was calculated from the development of the ad pepper media International N.V. share price between January 1, 2003 and April 28, 2006. 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 500k.

An employee equity-participation program involving 510,000 options was launched for the members of Board of Directors on August 20, 2013 (Executive SOP 2013 Board of Directors, BoD). 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 (Executive SOP 2013 Managing Directors, MD). 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	Executive 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	20-08-13	20-08-13
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 2014 was EUR 1.06 (2013: EUR 0.91).

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 99k (2013: EUR 51k).

The following table shows the changes in the options during the financial year 2014:

	2014	2013	Exercise price
	Number	Number	EUR
Options at the beginning of the financial year (Ongoing SOP 2001)	20,000	20,400	1.365
Options at the beginning of the financial year (Ongoing SOP 2002)	400	1,600	0.665
Options at the beginning of the financial year (Executive SOP 2003)	332,000	404,000	0.890
Options at the beginning of the financial year (Ongoing SOP 2003)	800	2,800	0.890
Options at the beginning of the financial year (Ongoing SOP 2004)	3,200	6,400	2.225
Options at the beginning of the financial year (Executive SOP 2005)	0	20,000	2.660
Options at the beginning of the financial year (Executive SOP 2006)	10,000	50,000	3.795
Options at the beginning of the financial year (Executive SOP 2008)	137,500	297,500	1.500
Options at the beginning of the financial year (Executive SOP 2013 BoD)	510,000	0	0.800
Options at the beginning of the financial year (Executive SOP 2013 MD)	490,000	0	0.800
Options granted (Executive SOP 2013 BoD)	0	510,000	0.800
Options granted (Executive SOP 2013 MD)	0	490,000	0.800
Options forfeited (Executive SOP 2013 MD)	-190,000	0	0.800
Options cancelled (Executive SOP 2005)	0	-20,000	2.660
Options cancelled (Executive SOP 2008)	0	-60,000	1.500
Options forfeited (Ongoing SOP 2001)	0	-400	1.365
Options forfeited (Ongoing SOP 2002)	0	-1,200	0.665
Options forfeited (Ongoing SOP 2003)	0	-2,000	0.890
Options forfeited (Ongoing SOP 2004)	0	-3,200	2.225
Options forfeited (Executive SOP 2003)	0	-72,000	0.890
Options forfeited (Executive SOP 2006)	0	-40,000	3.795
Options forfeited (Executive SOP 2008)	0	-100,000	1.500
Options at the end of the financial year	**1,313,900**	**1,503,900**	**0.665-3.795**
Weighted exercise price in EUR	1.162	0.914	
Exercisable options as of December 31	603,200	333,200	
Weighted exercise price in EUR	0.850	0.890	

A weighted exercise price of stock options exercised during 2014 did not exist because no options were exercised. (2013: 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 key management [40]

	Financial year 2014 EUR 000s	Financial year 2013 EUR 000s
Short-term employee benefits	451	794
Post-employment benefits (pensions and medical supply)	19	18
Share-based payments	70	4
Total remuneration of the Board of Directors	540	816

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	31-12-14 Number	31-12-13 Number
2014	20-08-21	0.80	510,000	510,000

Events after the balance sheet date [41]

Up until the day of authorization for issuance no event took place which would have exerted substantial influence on the net assets, financial position or result of operations as per December 31, 2014.

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 be-tween 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, securities "fair value through profit and loss", securities "held to maturity" 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, 2014 compared to December 31, 2013. Negative net indebtedness means that the group is debt-free.

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

	31-12-14 EUR 000s	31-12-13 After reclas-sification EUR 000s	31-12-13 EUR 000s
Current and non-current financial liabilities	12,490	10,520	10,831
Cash and cash equivalents	-11,926	-12,886	-12,886
Securities and fixed-term deposits	-7,713	-8,816	-8,816
Net liabilities	**-7,149**	**-11,182**	**-10,871**
Equity per balance sheet including non-controlling interest	16,296	24,575	24,575
Net indebtedness, in percent	-44	-46	-44

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 330k (2013: EUR 391k), are pledged as collateral for bank guarantees. 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	31-12-14 EUR 000s	31-12-13 EUR 000s
At fair value through profit or loss designated as at fair value through profit or loss	3,324	3,490
Loans and receivables (including cash and cash equivalents)	21,237	21,787
Available-for-sale financial assets	2,386	9,829
Held-to-maturity financial assets	2,003	0
Total	28,950	35,106

Financial assets	31-12-14 EUR 000s	31-12-13 EUR 000s
Measured at amortized cost		
Financial instruments held-to-maturity	2,003	0
Loans and receivables (including cash and cash equivalents)	21,237	21,787
Total	23,240	21,787

Financial liabilities	31-12-14 EUR 000s	31-12-13 After reclassification EUR 000s	31-12-13 EUR 000s
Other financial liabilities measured at amortized cost	12,490	10,520	10,831
Total	12,490	10,520	10,831

Due to the short term maturities of cash and cash equivalents, trade receivables and payables, current financial assets and liabilities as well as held-to-maturity financial assets their respective fair values approximate their carrying amount.

The fair values of non-current financial assets classified as available-for-sale or designated as at fair value through profit and loss) are based on quoted prices in an active market or a fair value measurement is carried out.

Hierarchical classification of fair values of financial instruments pursuant to IFRS 7 as of December 31, 2014:

	Fair Value 31-12-14	Level 1	Level 2	Level 3
Financial assets at fair value through profit	3,324		3,324	0
Financial assets available-for-sale	2,386	2,386		0

The following tables present the fair value measurement methods for Levels 1 and 2 pursuant to IFRS 13:

Financial assets measured at fair value/Level 1

Category	Type	Valuation method	Significant unobservable inputs
Financial assets available-for-sale	Bonds	The fair value is based on the market price of the bond as at December 31, 2014.	Not applicable

Financial assets measured at fair value/Level 2

Category	Type	Valuation method	Significant unobservable inputs
Financial assets at fair value through profit	Fixed-rate bond	The fair value is based on an asset swap valuation, taking account of current interest rates and the creditworthiness of the issuer.	See valuation method

In the reporting period there were no reclassifications between the hierarchical fair value levels.

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	31-12-14 EUR 000s	31-12-13 EUR 000s
At fair value through profit and loss designated as at fair value through profit or loss	0	374
Available-for-sale financial assets		
Realized gains	116	0
Reclassified from equity to profit and loss	39	33
Through other comprehensive income	-15	665
Total	140	1,072

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	31-12-14 EUR 000s	31-12-13 EUR 000s
At fair value through profit and loss designated as at fair value through profit or loss	119	165
Not at fair value through profit and loss	92	121*
Measured at amortized costs	24	0
Total	235	286

Interest income and expenses from financial liabilities amount to zero.

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

Financial assets	31-12-14 EUR 000s	31-12-13 EUR 000s
At amortized cost	0	0
Not at fair value through profit and loss	-1,594	0
Total	-1,594	0

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, securities and short-term deposits, which result directly from its business activities.

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.

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

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	31-12-14 EUR 000s	31-12-13 EUR 000s
US dollar	309	4,894
British pound	6,577	6,139
Danish krone	764	1,005
Total	7,650	12,038

Financial liabilities	31-12-14 EUR 000s	31-12-13 EUR 000s
US dollar	379	358
British pound	4,887	4,080
Danish krone	301	562
Total	5,567	5,000

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 31-12-14 EUR 000s	Effect of USD 31-12-13 EUR 000s	Effect of GBP 31-12-14 EUR 000s	Effect of GBP 31-12-13 EUR 000s	Total 31-12-14 EUR 000s	Total 31-12-13 EUR 000s
Net income for the year	-13	-16	-12	-34	-25	-50
Equity	0	-409	0	0	0	-409

The reduction in exchange rate sensitivity with implications for equity was due to the write-down of the minority interest in Brand Affinity Technologies Inc., which was denominated in USD. Further information about this write-down can be found in Note [20a].

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 in 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, 2014 would have decreased/increased by EUR 61k/EUR 34k (2013: decreased/increased by EUR 253k/EUR 184k). This is due to interest rate risks from investments at floating rates.
- The equity of the group would have increased/decreased by EUR 65k/EUR 255k (2013: increased/decreased by EUR 86k/EUR 117k). This is due to changes in the fair value of available-for-sale financial assets.

The interest rate sensitivity of the group decreased during the past reporting period.

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 8.6 percent (2013: 6.4 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:

	31-12-14 EUR 000s	31-12-13 EUR 000s
Specific allowances		
Balance at beginning of year	372	558
Allowances in the period		
Additions	161	148
Reversals	-6	-304
Consumption	17	-30
Balance at end of period	544	372

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
2014	7,494	3,132	4,362
2013	6,890	3,695	3,196

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 868k (2013: EUR 614k).

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, 2014 are presented below. The information is based on contractual, undiscounted payments.

Financial liabilities 31-12-14	< 1 mo. EUR 000s	> 1 mo. < 3 mo. EUR 000s	3 mo. to 1 year EUR 000s	Total EUR 000s
Trade payables	9,743	122	0	9,865
Other financial liabilities measured at amortized cost	1,436	851	338	2,625
Total	11,179	973	338	12,490

Financial liabilities 31-12-13 after reclassification	< 1 mo.	> 1 mo. < 3 mo.	3 mo. to 1 year	Total
	EUR 000s	EUR 000s	EUR 000s	EUR 000s
Trade payables	7,878	84	0	7,962
Other financial liabilities measured at amortized cost	972	1,179	407	2,558
Total	**8,850**	**1,263**	**407**	**10,520**

Financial liabilities 31-12-13	< 1 mo.	> 1 mo. < 3 mo.	3 mo. to 1 year	Total
	EUR 000s	EUR 000s	EUR 000s	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**

Amsterdam/Nuremberg, March 12, 2015

The Board of Directors of ad pepper media international N.V. comprised the following members in the financial year 2014:

Dr. Ulrike Handel, CEO

Dr. Jens Körner, CFO

The Supervisory Board of ad pepper media International N.V. in the financial year 2014 consisted of:

Michael Oschmann, Chairman

Thomas Bauer

Eun-Kyung Park

Dr. Stephan Roppel

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 2013

The Annual Report 2013 was adopted in the general meeting of shareholders held on May 13, 2014. 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 2014

The Board of Directors proposes, with the approval of the Supervisory Board, that the result for the financial year 2014 amounting to EUR -5,432k should transferred to accumulated deficit 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 and Supervisory Board of ad pepper media International N.V.

Report on the consolidated financial statements 2014

Our opinion

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 2014, 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 (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the consolidated financial statements 2014 which are part of the financial statements of ad pepper media International N.V., Amsterdam ('the company').

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2014;
- the following statements for 2014: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of ad pepper media International N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Our audit approach

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

Materiality

Overall materiality: EUR 473,000 which represents 1 percent of total revenues (as included in the consolidated income statement).

Audit scope

We conducted audit work in 3 locations covering 10 components.
Site visits were conducted in Germany and United Kingdom.

Key audit matters

Dependency on IT systems

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgment, we determined materiality for the consolidated financial statements as a whole as follows:

Overall group materiality	€ 473.000 (2013: € 360.000).
How we determined it	1% of consolidated revenues (2013:0,75% of the consolidated revenues)
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. We have also considered using the profit before tax to determine materiality, however this figure has been fluctuating during the past years mainly due to changes in business performance and results of one-off activities. On this basis we believe that consolidated revenues is an important metric for the financial performance of the company and is the most appropriate benchmark to determine materiality. As 2013 was our first year that we were the auditors of the company, we applied, for the 2013 audit, a lower percentage reflecting our preliminary understanding of the entity. Based on our experience during the audit, we believe that a percentage of 1% for the 2014 audit is appropriate.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 20.000 (2013: € 20.000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

ad pepper media International N.V. is head of a group of entities. The financial information of this group is included in the consolidated financial statements of ad pepper media International N.V.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

The group audit focused on the significant components, selected based on significance and risk profile. The components included in our scope are, ad pepper media international N.V. (holding company, in the Netherlands), ad agents GmbH (Germany), ad pepper media GmbH (Germany), Globase International ApS (Denmark), ad pepper media Denmark A/S (Denmark), ad pepper media Spain S.A. (Spain), ad pepper Media UK Ltd (UK), Webgains Ltd (UK), ad pepper media USA LLC (USA) and ad pepper media France S.A.R.L. (France).

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those functions to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. The group engagement team visits the locations on a rotational basis. During 2014, Germany and UK locations were visited.

The group consolidation, financial statement disclosures and a number of complex items are audited by the group engagement team at the head office.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements. We have communicated one key audit matter to the Supervisory Board, but this is not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described one key audit matter and included a summary of the audit procedures we performed on those matters.

The key audit matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the matter
Dependency on IT systems (refer to risk report section "technologies and IT risks") Revenues are concluded in several geographic areas by making use of complex IT systems. The recognition of revenues is highly automated and is dependent on the configuration of these systems. Considering the importance of revenues in the financial statements and the dependency on IT systems, any issue with respect to IT systems may result in a material misstatement in the financial statements. That is why we considered this to be an important matter for our audit.	Our audit procedures concerning IT systems included validation of the design of the systems, testing of the effectiveness of IT general controls and application controls, especially those related to revenues, and assessing the continuity of the IT systems. Our IT audit specialists were also involved in performing these procedures. As any internal control, automated or manual, has inherent limitations we, in addition to the testing of IT systems, have performed test of details on revenue transactions vouching the transactions on a sample basis to underlying contracts, orders, invoices, system trail for delivery and payments.

Consolidated financial statements as part of the (complete) financial statements

The statutory Annual Report consist of directors' report, consolidated financial statements, the company financial statements and other information. The company financial statements have been included in a separate report. For a proper understanding of the financial position and result, the consolidated financial statements must be considered in connection with the company financial statements.

On 12 March 2015 we issued a separate auditor's report on the company financial statements.

Responsibilities of the management and the Supervisory Board

The management is responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the consolidated financial statements, the management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management should prepare the consolidated financial statements using the going concern basis of accounting unless the management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the consolidated financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the consolidated financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all frauds or errors.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and other information):

We have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.

We report that the directors' report, to the extent we can assess, is consistent with the consolidated financial statements.

Our appointment

We were appointed as auditors of ad pepper media International N.V. by the Supervisory Board on 1 April 2013 and later by the passing of a resolution by the shareholders at the annual of meeting held on 14 May 2013 and our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 2 years.

Utrecht, 12 March 2015

PricewaterhouseCoopers Accountants N.V.

Original signed by

drs. J.W. Middelweerd RA

Appendix to our auditor's report on the consolidated financial statements 2014 of ad pepper media International N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the consolidated financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the consolidated financial statements

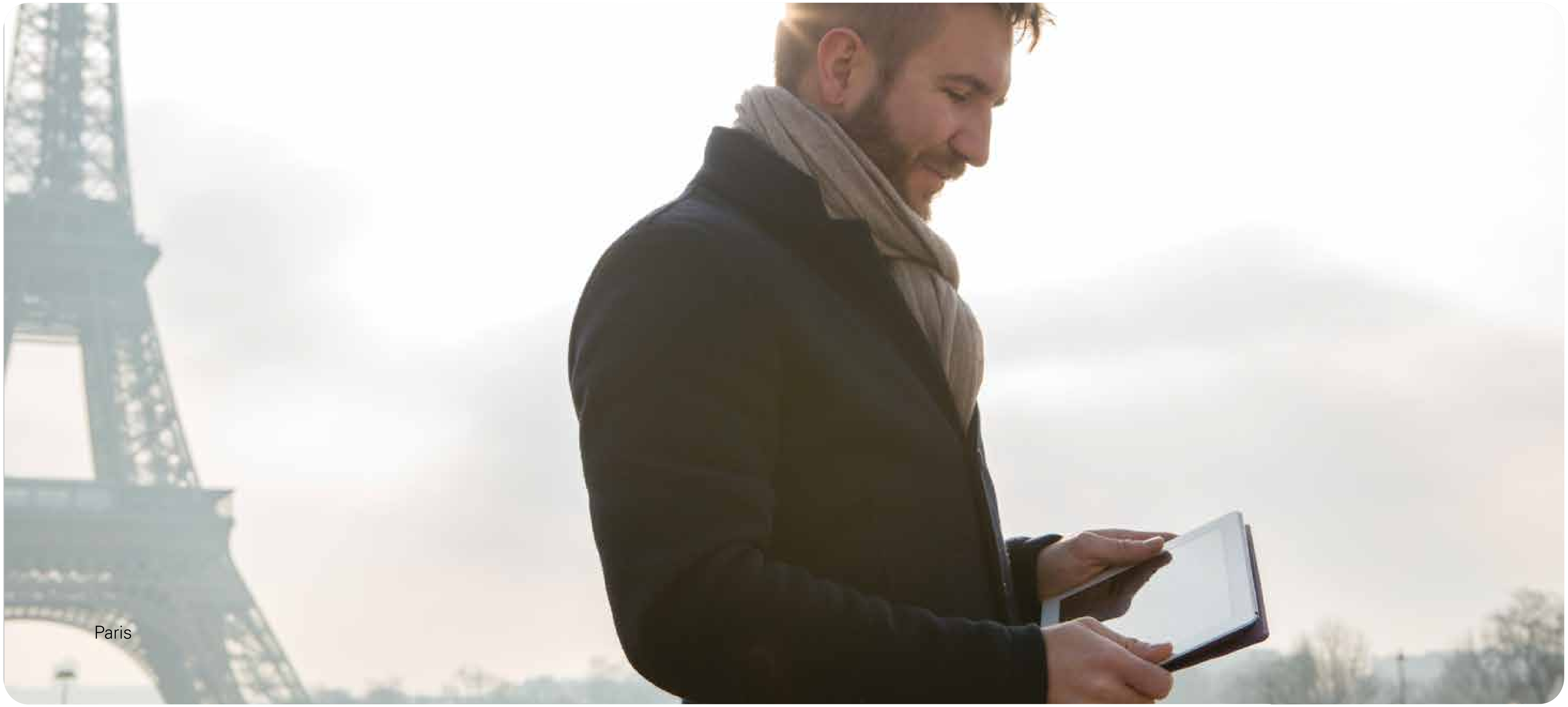
We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Concluding on the appropriateness of the management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the consolidated financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and evaluating whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

At a glance



Addresses

ad pepper media subsidiaries operate in the following countries:

ad pepper media International N.V.

Office Nuremberg:
Frankenstraße 150 C
D-90461 Nuremberg
Phone: +49 (0) 911 929057-0
Fax: +49 (0) 911 929057-157
info@adpepper.com

Office Hamburg:
Kampstraße 15
D-20357 Hamburg
Phone: +49 (0) 40 6094300-0
Fax: +49 (0) 40 6094300-99
hamburg@adpepper.com

Office Amsterdam:
Prins Bernhardplein 200
NL-1097 JB Amsterdam
Phone: +31 20 5214777
Fax: +31 20 5214888
info@adpepper.com

Postal address:
P.O. Box 990
NL-1000 AZ Amsterdam

Denmark

Globase International ApS
Emdrupvej 28 A, 3.
DK-2100 Copenhagen
Phone: +45 70 274306
Fax: +45 70 208387
globase@globase.com

France

Webgains c/o ad pepper media France S.A.R.L.
92 rue de Richelieu
F-75002 Paris
Phone: +33 1 58562929
Fax: +33 1 58562928
salesfr@adpepper.com

Germany

ad pepper media GmbH

Office Nuremberg:
Frankenstraße 150 C (FrankenCampus)
D-90461 Nürnberg
Phone: +49 (0) 911 929057-0
Fax: +49 (0) 911 929057-157
nuremberg@adpepper.com

Office Hamburg:
Kampstraße 15
D-20357 Hamburg
Phone: +49 (0) 40 6094300-0
Fax: +49 (0) 40 6094300-99
hamburg@adpepper.com

ad agents GmbH

Am Joachimsberg 10-12
D-71083 Herrenberg
Phone: +49 (0) 7032 89585-00
Fax: +49 (0) 7032 89585-69
info@ad-agents.com

Spain

ad pepper media Spain S.A.
C/Infanta Maria Teresa 4, L-4
ES-28016 Madrid
Phone: +34 914 177450
Fax: +34 914 177456
madrid@adpepper.com

UK

ad pepper media UK Ltd

Ground Floor
20 Farringdon Road
London, EC1M 3HE
Phone: +44 207 2691200
Fax: +44 207 2691201
london(at)adpepper.com

Webgains Ltd

Ground Floor
20 Farringdon Road
London, EC1M 3HE
Phone: +44 207 2691230
Fax: +44 207 2691249
info@webgains.com

USA

Webgains c/o ad pepper media USA, LLC
225 W 39th Street
6th Floor, Suite 600
USA-New York, NY 10018
Phone: +1 212 3917317
Fax: +1 212 6866897
salesusa@adpepper.com

Dates and contacts

Company calendar

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

Company calendar

Annual Report 2014	March 23, 2015
Annual General Meeting' (Amsterdam, The Netherlands)	May 21, 2015
Quarterly report I/2015	May 13, 2015
Quarterly report II/2015	August 17, 2015
Quarterly report III/2015	November 16, 2015

Contact partner for investors

Dr. Jens Körner (CFO)
ad pepper media International N.V.
Frankenstraße 150 C
D-90461 Nürnberg
Phone: +49 (0) 911 929057-0
Fax: +49 (0) 911 929057-157
ir@adpepper.com
www.adpeppergroup.com

Imprint

Editorial responsibility:
ad pepper media International N.V.
Frankenstraße 150 C
D-90461 Nürnberg
Phone: +49 (0) 911 929057-0
Fax: +49 (0) 911 929057-157
info@adpepper.com
www.adpeppergroup.com

Joint stock company (N.V.)
Headquarters: Amsterdam, The Netherlands
Nuremberg office
Prime Standard, Frankfurt Stock Exchange,
ISIN: NL0000238145
HRA Nuremberg 17591
VAT-ID No.: DE 210757424

Board of Directors:
Dr. Ulrike Handel, CEO
Jens Körner, CFO

Disclaimer

This Annual Report contains future-related statements which are based on current assumptions and assessments by the management of ad pepper media International N.V. These statements are not to be understood as a guarantee that such expectations will in fact materialize. Future developments and the results actually achieved by ad pepper media International N.V. and its affiliated companies are dependent upon a number of risks and uncertainties and can hence deviate significantly from the future-related statements. Several of these factors are beyond ad pepper media's control and cannot be precisely estimated in advance, such as the future economic environment and the actions of competitors and other market players. There are no plans to update the future-related statements nor does ad pepper media International N.V. undertake any separate obligation to do so.

We will gladly send you our 2014 Annual Report as well as the interim financial reports for 2014 in German or English. These reports can also be downloaded in PDF format at **www.adpeppergroup.com** under: Investor Relations/News & Publications/Reports and Presentations

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ad pepper media International N.V.

Prins Bernhardplein 200
NL-1097 JB Amsterdam

www.adpeppergroup.com