

ad pepper media International N.V.
Leisteen 9
NL-2132 ME Hoofddorp

6-Months-Report

2-2002



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The e-Advertising Network

ad pepper media ▶ global reach. local touch.



Dear shareholders,

The second quarter of the current fiscal year has been highly positive for ad pepper media and the pleasing growth in the first quarter has not only continued but has also increased. This is even more noteworthy given that the situation on the overall advertising market has still not relaxed and that negative headlines and falling advertising expenditure are the order of the day.

Our current key indicators clearly demonstrate that our chosen course of consolidating our national companies and re-orienting our product area is showing long-term success.

The second quarter of this year has confirmed the positive sales growth of the past few months. We have been able to increase sales by 55% on the second quarter of the previous year – sales are even up a pleasing 42% on the previous quarter.

Net earnings have again improved greatly, breaking even is within the group's reach. We are particularly pleased with the stable progress made by the individual national companies – 8 of the 10 operational national companies were in the black during the first half of 2002, the other two are about to do so as well.

Our direct marketing products are well accepted by the market and are already generating the majority of our total sales. Our strategic positioning for electronic direct marketing has proven to be correct –

advertisers are calling for end-to-end, integrated product solutions with media, direct marketing and service components in particular.

An increasing number of in-house technology developments and additional technology alliances are not only increasing flexibility, productivity and our power of innovation – above all these are also boosting our product development abilities. This offers key competitive advantages, particularly in dynamic markets.

Our shares also benefited from the positive corporate growth in the second quarter. They were not only able to escape the slide on the Neuer Markt – our share price even increased significantly. Our excellent equity structure continues to guarantee our further consolidated organic growth. We would like to thank all of our employees who have brought about this development by giving their utmost – and would like to thank our shareholders for the trust they have shown in our company. That makes us committed to continuing the path we have struck.

Hoofddorp, The Netherlands, July 30, 2002

The Managing Board

Ulrich Schmidt Hermann Claus Niels Nüssler

Earnings – Second quarter of 2002

ad pepper media International N.V. was able to improve on the positive growth recorded in the first quarter during Q2 2002 despite the generally reserved market development – this is also reflected in all of the company's key indicators.

ad pepper media succeeded in increasing its net sales by 55% in the second quarter of 2002 to € 3.4 million (Q2 2001: € 2.2 million). This represents an increase of 42% on the previous quarter. At the same time, the company slashed operating costs by nearly 50% in Q2 2002 to € 2.2 million. Operating costs totaled € 4.3 million during the second quarter of 2001. This improved the pre-tax earnings by 86% from € -3.7 million to € -0.5 million. During the same period, the net loss for the period fell by 87% or around € 3.3 million to € -0.5 million.

The cost-cutting program launched in 2001 brought its full benefits during the first half of 2002, and led to a 77% improvement in EBIT from € -7.7 million during the first half of 2001 to € -1.8 million in the first half of 2002. During the second quarter of 2001 EBIT totaled € -4.1 million – ad pepper media succeeded in improving this figure by 80% during the second quarter of the current fiscal year to € -0.8 million.

Pre-tax earnings totaled € -1.3 million in the first six months, the loss thus fell by 81% on the same period of the previous year (first half of 2001: € -6.9 million). The loss for the quarter before taxes is € -0.5 million, and is thus down 86% on the same period of the previous year (previous year: € -3.7 million).

Earnings per share (EPS) based on the weighted number of outstanding shares increased by 81% or € 0.50 from € -0.62 in the first half of 2001 to € -0.12 in the current year. On a quarter-by-quarter basis an improvement from € -0.34 in the second quarter of 2001 to € -0.05 in the second quarter of 2002 represents an 85% increase in EPS.

ad pepper media had cash and cash equivalents and marketable securities totaling € 29.3 million on June 30, 2002.

Company growth

Although the overall advertising market is still undergoing a period of weakness with negative headlines being the order of the day, ad pepper media's growth is countering this trend. The measures we put into place with our restructuring program last year are taking effect and are substantially increasing our efficiency and productivity – which are crucial in highly competitive markets.

This positive growth can be put down to three key factors – the increase in sales, improved gross margins and operational cost-cuts. ad pepper media succeeded in increasing its gross margin from 18% in the first half of 2001 to 40% in the current fiscal year. Operating costs were cut by 52% across the group during the first half of 2002.



ad pepper media's focus on innovative direct marketing solutions for permission marketing has allowed the company to develop from a pure marketer of advertising space to become a full service provider for complex Internet marketing solutions and to establish itself in this role. To this end, the company is increasingly using technology developed in house and strategic technology alliances, which increase flexibility, productivity and the company's powers of innovation, thus offering decisive competitive advantages.

ad pepper media's orientation has shown itself to be correct – as is proven by the fact that 8 of the 10 operational national companies were in the black on a quarterly or monthly basis, the break even point is within reach for the other two companies.

With its decentralized corporate structure and 13 branch offices in 9 European countries, ad pepper media International N.V. is a one-stop shop and currently markets around one billion advertising contacts each month on more than 500 Web sites via www.adpepper.com.

Online advertising

The overall advertising market is currently still undergoing a period of weakness, however the online advertising market is increasingly leaving behind the catastrophic development of the overall market and is already starting to grow again in many areas. In spite of this, however, the economy as a whole is still weak and the mood is being depressed by too many negative announcements from companies.

The online advertising market was able to grow slightly across Europe, which can be put down in particular to an increasingly attractive cost/benefits ratio for interactive campaigns as well as increasing recognition of the fact that performance-based invoicing models create a high degree of additional use, in particular in difficult economic periods.

In saying this, it is increasingly important for companies to position themselves as competent partners for all aspects of online advertising. Coverage campaigns, performance solutions, permission offerings and products for designing interactive customer dialog are key elements of the necessary portfolio. The critical factors are not just the functionality of individual advertising modules, but increasingly their suitability for integration, thus allowing companies to design and support entire product life cycles for advertisers.

In this regard ad pepper media is very well positioned with its products and services – and the company has already taken the right strategic decisions to be able to participate in shaping the future of the online advertising market.



Our shares

In sympathy with the continued weak economic tendencies, the stock markets have also had difficult six months. Insecurities surrounding continued economic growth and negative reports about aggressive accounting practices caused a further drop in share prices on German and International stock markets during the second quarter of 2002.

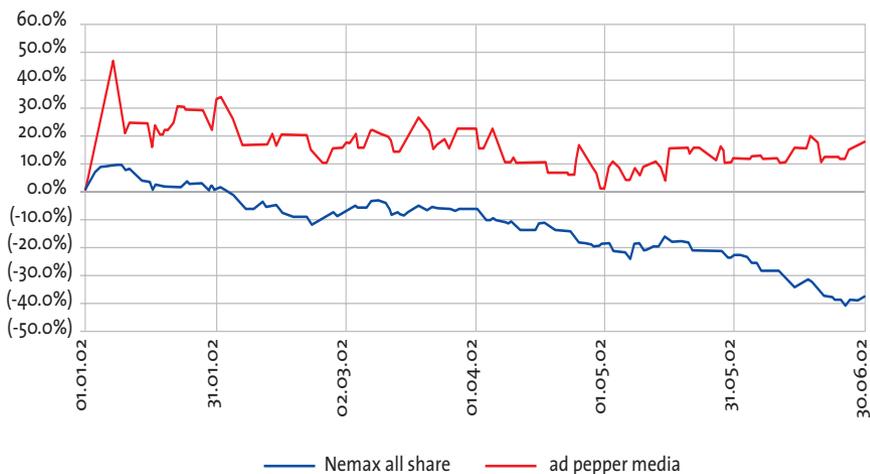
The price of ad pepper media's shares on the Neuer Markt of the Frankfurt stock exchange was able to avoid the downturn experienced by the NEMAX All Share Index during the first half of 2002.

During the first six months of the fiscal year, the share price increased by around 20% to € 1.23, whereas the NEMAX All Share fell by 40% over the same period.

Although the share price growth mirrors the company's positive development, it is still highly unsatisfactory for ad pepper media as it does not reflect our company's substance.

The company's cash and cash equivalents (including marketable securities) totaling € 2.75 per share in circulation means that the shares are still substantially undervalued.

ad pepper media is confident that the share price will again increase substantially as the turnaround in the current fiscal year approaches. The market price will then also reflect the Company's true potential.





Outlook

ad pepper media is well equipped for the future. Increasing sales with falling costs, profitable national companies and an advertising market which is increasingly demanding ad pepper media's products and services are all emboldening factors.

As a supplier of end-to-end interactive marketing solutions, the company is certain to profit over the long term from the market consolidation and the changes that the market is undergoing. The performance-based business models not only provide advertising customers with easy entry, but also ensure long-term customer loyalty.

Intelligent fee and invoicing models allow ad pepper media to create customized solutions – which are also convincingly robust even in times of economic fluctuation.

The existing structure and the margins which can be achieved mean that ad pepper media is one of the leading European advertising marketers and is recognized by the market as an established high-quality provider. In addition, the European structure opens up new opportunities for strategic alliances for ad pepper media every day – as the company can quickly ensure coverage and volume.

ad pepper media can still boast an excellent equity situation – this will guarantee not only the continued organic growth, but in particular the ability to act when ad pepper media further expand its position on the market.

This will also continue to be the case in future. ad pepper media is continuing to work on expanding and constantly improving its existing product offering. New markets that come into being due to deregulation and the spread of new technologies will be observed in minute detail, valued and then aggressively penetrated by ad pepper media as soon as market-ready concepts are recognizable.

The primary requirement in so doing is to further improve the company's key indicators – however the progress already accomplished makes ad pepper media confident that the next steps will also be successful.



Financial statement of operations

	Q2/2002 €	Q2/2001 €	Q1-Q2/2002 €	Q1-Q2/2001 €
Net Sales	3,400,458	2,209,506	5,803,435	5,003,938
Cost of Sales	-1,968,025	-2,018,896	-3,481,520	-4,145,348
Gross profit	1,432,433	190,611	2,321,916	858,590
Selling and marketing expenses	-992,146	-1,761,791	-2,119,127	-4,373,055
General and administrative expenses	-1,168,462	-1,637,254	-2,126,659	-3,426,446
Other operating income and expenses, net	-24,482	63,906	114,328	339,415
Amortization and impairment of goodwill	0	-143,257	0	-286,616
Restructuring expenses	0	-850,349	0	-850,349
Operating loss	-752,657	-4,138,134	-1,809,543	-7,738,460
Interest income and expenses, net	284,145	426,585	559,164	884,833
Loss before income taxes (and minority interest)	-468,512	-3,711,548	-1,250,379	-6,853,627
Income taxes	-287	-3,445	-287	-5,148
Loss before minority interest	-468,799	-3,714,993	-1,250,666	-6,858,776
Minority interest	-33,232	-54,483	-33,232	-38,510
Net loss	-502,031	-3,769,476	-1,283,898	-6,897,285
Net loss per share (basic)	-0.05	-0.34	-0.12	-0.62
Weighted average shares outstanding (basic)	10,627,838	11,155,000	10,627,305	11,155,000

**Balance Consolidated: Assets**

	June 30, 2002 €	December 31, 2001 €
Current assets		
Cash and cash equivalents	21,236,505	28,074,757
Marketable securities	8,016,100	4,011,100
Trade accounts receivable	4,431,819	3,274,093
Prepaid expenses and other current assets	2,111,105	1,636,939
Total current assets	35,795,529	36,996,889
Noncurrent assets		
Plant and equipment	441,220	582,173
Intangible assets	632,893	644,603
Goodwill	1,233,239	1,233,239
Investments	45,876	45,632
Other assets	176,735	128,577
Total noncurrent assets	2,529,963	2,634,224
Total assets	38,325,492	39,631,113

Balance Consolidated: Liabilities and Shareholder's Equity

Current liabilities		
Trade accounts payable	1,542,241	1,868,174
Accrued expenses	2,983,785	2,572,345
Other current liabilities	550,857	696,694
Total current liabilities	5,076,883	5,137,213
Minority interest	37,486	4,254
Shareholder's equity		
Share capital	1,115,500	1,115,500
Treasury stock	-52,716	-53,316
Additional paid-in capital	57,153,616	57,146,956
Accumulated losses	-24,759,581	-23,475,682
Accumulated other comprehensive income / loss	-245,696	-243,812
Total shareholder's equity	33,211,123	34,489,646
Total liabilities and shareholder's equity	38,325,492	39,631,113



Statement of Cash Flows

	01.01.02-30.06.02 €	01.01.01-30.06.01* €
Net loss	-1,283,898	-6,897,285
Loss attributable to minority interests	33,232	38,510
Depreciation and amortization	228,204	561,203
Gain on sale of fixed assets	-1,299	0
Other noncash revenues and expenses	8,570	224,609
Gross-Cash-Flow	-1,015,191	-6,072,964
Increase/decrease in accounts receivable	-1,157,726	1,887,353
Increase in other assets	-474,166	-291,286
Decrease in accounts payable	-325,933	-2,789,906
Increase/decrease in other liabilities	265,603	-1,331,165
Net cash used in operating activities	-2,707,413	-8,597,968
Capital expenditures for intangible and fixed assets	-78,471	-256,289
Proceeds from sale of intangible and fixed assets	2,918	297,568
Proceeds from sales of/ capital expenditures for financial assets	-244	118,465
Security payments	-48,158	0
Change of Goodwill	0	3,177
Net cash used in/provided by investing activities	-123,956	162,921
Sales/ purchases of marketable securities	-4,005,000	4,956,722
Long-term financial liabilities	0	31,638
Net cash used in/provided by financing activities	-4,005,000	4,988,360
Effect of exchange rate changes on cash and cash equivalents	-1,884	-272,877
Changes in cash and cash equivalents	-6,838,252	-3,719,564
Cash and cash equivalents at beginning of year	28,074,757	5,032,388
Cash and cash equivalents at end of year	21,236,505	1,312,824

* prior year's presentation amended



Net sales

ad pepper media's business activities are regarded as a single segment. Internal reporting to the management is currently primarily focused on regional sales growth. The following table shows net sales in the individual regions:

Net Sales	Q2/2002 €	Q2/2001 €	Q1-Q2/2002 €	Q1-Q2/2001 €
Central Europe (Germany, Austria, Switzerland, Slovakia)	1,348,103	490,443	2,155,160	1,539,451
Northern Europe (Denmark, Sweden, Finland, Norway)	827,305	1,163,570	1,356,605	2,152,085
Western Europe (UK, France, Spain, The Netherlands, Italy)	1,225,050	579,976	2,291,670	1,258,747
USA	0	-24,483	0	53,655
Total sales	3,400,458	2,209,506	5,803,435	5,003,938

Amortization/ depreciation

Amortization/depreciation expenses were as follows:

	Q2/2002 €	Q2/2001 €	Q1-Q2/2002 €	Q1-Q2/2001 €
Amortization of intangible assets	37,355	173,403	72,485	334,519
(thereof for goodwill)	0	(143,257)	0	(286,616)
Depreciation of property, plant and equipment	75,830	95,351	155,719	226,683
Total	113,185	268,753	228,204	561,203

Foreign exchange gains/losses

The other operating income and expenses include the following net currency gains (positive) and losses (negative):

Q2/ 2002 €	Q2/ 2001 €	Q1-Q2/ 2002 €	Q1-Q2/ 2001 €
-63,831	36,016	-37,783	307,103

Earnings per share

Earnings per share is the ratio of the net loss for the period to the average number of shares in circulation and totals:

Q2/ 2002 €	Q2/ 2001 €	Q1-Q2/ 2002 €	Q1-Q2/ 2001 €
-0.05	-0.34	-0.12	-0.62



Changes in equity

As of June 30, 2002, the consolidated equity is as follows :

	Capital stock €	Treasury shares €	Additional paid-in capital €	Loss carried forwards €	Currency translation differences €	Total €
Balance at January 1, 2000	425,000		910,000	-493,848	-16,425	824,727
Capital increase	425,000		1,125,000			1,550,000
Issue of new shares	34,550		4,630,720			4,665,270
Acquisition of treasury shares			-240,676			-240,676
Addition to additional paid-in capital			5,482,500			5,482,500
Refund of share premiums paid in			-982,395			-982,395
Capital increase	7,550		1,011,700			1,019,250
Capital decrease	-84,500		84,500			0
Capital increase	307,900		52,035,100			52,343,000
IPO costs			-6,267,292			-6,267,292
Net loss for the period				-9,647,771		-9,647,771
Cumulated other comprehensive income/loss					88,551	88,551
Balance at December 31, 2000	1,115,500	0	57,789,157	-10,141,619	72,126	48,835,164
Balance at January 1, 2001	1,115,500	0	57,789,157	-10,141,619	72,126	48,835,164
Acquisition of treasury shares		-53,316	-642,201			-695,517
Net loss for the period				-13,334,063		-13,334,063
Cumulated other comprehensive income/loss					-315,938	-315,938
Balance at December 31, 2001	1,115,500	-53,316	57,146,956	-23,475,682	-243,812	34,489,646
Balance at January 1, 2002	1,115,500	-53,316	57,146,956	-23,475,682	-243,812	34,489,646
Acquisition of treasury shares		600	6,660			7,260
Net loss for the period				-1,283,899		-1,283,899
Cumulated other comprehensive income/loss					-1,884	-1,884
Balance at June 30, 2002	1,115,500	-52,716	57,153,616	-24,759,581	-245,696	33,211,123



Other notes

Order book

The order book shows a slight recovery in the market for online advertising. Combined with a substantial cool-down in the competitive situation we expect that business will continue to pick up.

Changes in costs and prices

The second quarter of the current fiscal year continues to be characterized by a downturn in advertising sales across the board. Despite the slow market growth, prices have stabilized and reached a level that is comparable with other media such as TV, radio and print. Purchasing prices for advertising space have continued to fall, which means that ad pepper media was also able to significantly improve its margins in the second quarter of 2002.

Product development

ad pepper media's portfolio includes products for designing interactive customer dialogs as well as coverage campaigns, performance solutions and permission-based products. During the second quarter, ad pepper media focused on further developing these products. This means that ad pepper media offers its customers an end-to-end range of products and services for innovative online advertising, designs and supports entire product life cycles

for advertisers and is already in long-term use by many international groups.

Capital expenditure

As of the balance sheet date, ad pepper media International N.V. invested € 17,683 in operating and office equipment, € 60,788 in software and € 244 in other assets.

Notes on shareholdings and options

The shareholdings and options of all members of the Supervisory and Managing Boards as of June 30, 2002 were as follows:

	Shareholdings (qty.)	Options (qty.)
Managing Board		
Ulrich Schmidt	627,197	53,000
Hermann Claus	36,808	43,000
Niels Nüssler	38,113	28,000

Supervisory Board

Michael Oschmann	112	0
Dr. Günther Niethammer	1,112	0
Bernd Sexauer	292	0
Jan Andersen	627,600	0
Merrill Dean	0	0

Companies over which a significant influence is exercised

ViVa Media GmbH	19,413	0
EMA Electronic Media Advertising International B.V.	4,743,201	0



Number of employees on the balance sheet date

As of June 30, 2002, ad pepper media International N.V. had a total of 84 employees (June 30, 2001: 127 employees). This number allows ad pepper media to react quickly and flexibly on the market with a transparent cost structure.

Company key data

	Q2/2002 € million	Q2/2001 € million	Change %	Q1-Q2/2002 € million	Q1-Q2/2001 € million	Change %
Net sales	3.4	2.2	55	5.8	5.0	16
Gross profit	1.4	0.2	600	2.3	0.9	156
Operating costs	2.2	4.3	-49	4.1	8.6	-52
EBIT	-0.8	-4.1	80	-1.8	-7.7	77
Pre-tax earnings	-0.5	-3.7	86	-1.3	-6.9	81

	Q2/2002 €	Q2/2001 €	Change %	Q1-Q2/2002 €	Q1-Q2/2001 €	Change %
Earnings per share	-0.05	-0.34	85	-0.12	-0.62	81

	Q1-Q2/2002	Q1-Q2/2001	Change %
Number of employees on balance sheet date	84	127	-34

	30.06.02 € million	31.12.01 € million	Change %
Cash and cash equivalents	29.3	32.1	-9
Equity	33.2	34.5	-4
Total assets	38.3	39.6	-3



Annual Report 2001

We will gladly send you our annual report 2001 in English or German. You can also access pdf versions (Acrobat) instantly at www.adpepper.com under Investor Relations, "Service Downloads".



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Bad Nauheim, Germany