

ad pepper media International N.V.
TransPolis Gebouw
Polaris Avenue 57
NL-2132 JH Hoofddorp

9-Months-Report
3-2002



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pepper

ad 
pepper
The e-Advertising Network

ad pepper media ▶ global reach. local touch.



Dear shareholders,

ad pepper media made company history when we broke even for the first time in the third quarter of 2002. Signs of this pleasing news could already be seen over the past few months, however the concrete results form the real foundation on which we can continue to build.

However, although our quarterly earnings allow us to breathe a sigh of relief, ad pepper media's focus is not on resting on the laurels of what we have already achieved, but much rather the positive fact that the course we have taken has proven to be correct.

We now have excellent foundations for our business – which we can now use carefully and with much supervision to add new stories over the coming years.

However this fact in itself or even the level of profits is not the particularly impressive factor. Making profit is a key requirement for economic success that should not really need a particular mention. However, the fact that the advertising market has been sickly for an extended period, and the long time required to establish online advertising mean that to date no other international online marketing company has succeeded in reaching this goal. The fact that ad pepper media has achieved this in a rather sluggish summer quarter that was also dominated by many negative headlines underscores the substance and potential offered by our business model. 44% sales growth on the same quarter of the previous year and a significantly lower cost basis mean that ad pepper media is on an excellent course.

Our three divisions of Media, Direct Marketing and Technology interlink to form a product offering that

our customers both accept and treasure. This is particularly true given that ad pepper media always effectively meets its customers needs with its flexible and innovative individual solutions and makes a significant contribution to the measurable success of their advertising campaigns. We acquired an interest in the technology company Falk eSolutions AG in October 2002 – adding a further building block to our company's structure that will accelerate our pursued strategy, as well as boosting our efficiency. But this is no reason to celebrate. ad pepper media has achieved an excellent starting position thanks to its superior strategy and hard work, however we have not yet reached our goal. Even though the advertising market is showing signs of a slow recovery, we still have a long way to go until our company is so well established in every country that we can record significant long-term returns. These are possible, and are also needed in order to drive the expansion of our business from our own cash flow – an expansion which requires both capital and resources.

Our shares also benefited from the positive corporate growth in the third quarter and were able to escape the slump on the Neuer Markt. Our equity structure is still excellent and continues to guarantee our further consolidated organic growth.

The team at ad pepper media would like to thank all of our shareholders for the trust placed in our company. We are looking forward to continuing our successful work together with you.

Hoofddorp, The Netherlands, October 30, 2002

The Managing Board

Ulrich Schmidt Hermann Claus Niels Nüssler

Earnings – Third quarter of 2002

An upwards movement in sales and earnings could already be seen in the first half of 2002, and the company was able to record positive consolidated earnings (€ 0.02 million) for the first time in Q3 2002. During the same period of the previous year, earnings totaled € -1.69 million. Over the total 9-months period, ad pepper media was able to improve its consolidated earnings by 85% to € -1.26 million (previous year: € -8.58 million).

This advantageous business growth is based on the cost savings and improved gross margins as well as on significantly increased sales. Consolidated sales in Q3 2002 totaled € 3.45, up from € 2.39 million in the same quarter of the previous year. This corresponds to growth of 44% and means that ad pepper media has recorded constant sales growth over the last three quarters. This is even more remarkable given that the summer quarter was generally characterized by falling sales. At the same time, the company was able to significantly reduce operating costs in the third quarter of 2002 to € 1.85 million. This figure totaled € 2.97 in the same quarter of the previous year – this represents cost savings of 38%.

Earnings per share (EPS) based on the weighted stock of outstanding shares for the third quarter of the current fiscal year totaled € 0.00 (Q3 2001: € -0.15). Considering the 9-months period, the improvement from € -0.77 (2001) to € -0.12 (2002) represents an 85% increase in the EPS.

As of September 30, 2002, cash and cash equivalents totaled € 28.84 million, which means that ad pepper media continues to have a comfortable level of liquidity.

Company growth

ad pepper media recorded pleasing earnings in the first nine months and is thus the first international online marketer to prove that this business model works with positive earnings. This is even more remarkable given that the overall advertising market is still undergoing a period of weakness and is characterized by negative headlines. Our key indicators for this quarter clearly show that consistently tightening our sales network, re-orienting our products and continuing our strict cost-control policy have brought about long-term success.

The positive growth shown by all of our key corporate indicators is primarily due to above-average sales growth for new products, improved gross margins and a lean cost structure.

The expanded product range and ad pepper media's focus on innovative direct marketing solutions for permission marketing have made a long-term contribution to the company's success. ad pepper media has succeeded in growing from a pure marketer of advertising space to become a full-service provider for complex Internet marketing solutions and has been able to establish itself in this role. An increasing



number of in-house technology developments and additional technology alliances are increasing not only our flexibility, productivity and innovational strength, but also offer critical competitive advantages that are particularly decisive in dynamic markets such as the online advertising sector.

We have been able to acquire an increasing number of traditional large companies as customers – which proves that ad pepper media's strategic orientation is correct.

With its decentralized corporate structure and 13 branch offices in 9 European countries, ad pepper media International N.V. is a marketing service provider 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 during the third quarter, which can be put down in particular to an increasingly attractive cost/benefits ratio for interactive cam-

paings as well as increasing recognition of the fact that performance-based invoicing models create a high degree of additional benefits, in particular in difficult economic periods.

However, it is plain to see that an increasing number of international companies are not only expanding their Internet activities, but that these are a central component of their overall communication and advertising strategy. In particular, there is a clear increase in international campaigns and the associated advertising tasks are complex and multi-faceted. Design, localization, implementation, optimization and uniform invoicing go hand in hand and can increasingly only be controlled by central units.

ad pepper media's European structure and our local and international competence teams mean that we are perfectly positioned to face this challenge, and our performance is a key selling point for our advertising customers.

Our shares

The stock markets continued to plummet in the third quarter of 2002. Weak economic data and insecurity surrounding further overall economic growth have depressed the market and have again led to a downturn in share prices on the German and International stock markets.

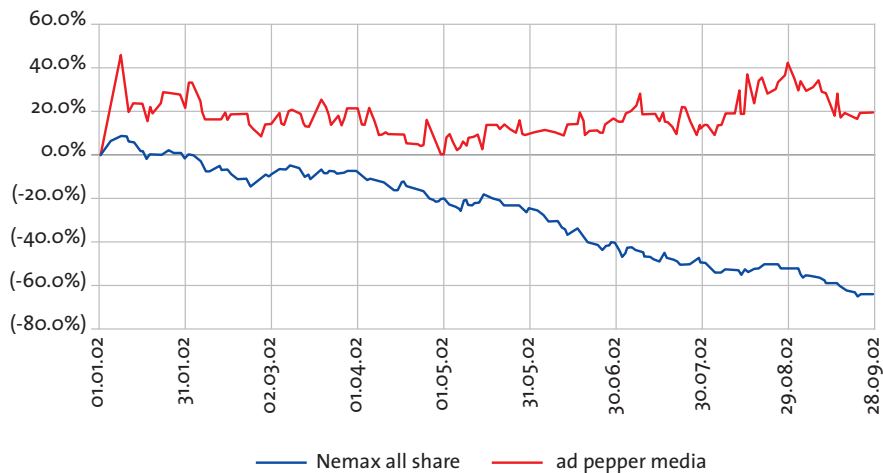
The NEMAX All Share Index slumped by around 40% in the third quarter. Although the index listed at 653 points at the start of the third quarter, this figure had fallen to 389 points at the end of the quarter.

Even excellent fundamentals and positive corporate disclosures could not counter the generally negative market forces – they scarcely led to any significant price increases and were not honored by the market.

ad pepper media's share price, listed on the Frankfurt Stock Exchange's Neuer Markt, was again able to escape the downturn of the NEMAX All Share Index in the third quarter of 2002. On July 1, 2002, the shares were listed at €1.22. After the share price slumped in the summer months it started to rise again significantly as early as the second half of August. The ad pepper media shares reached their highest price of €1.50 on August 30, 2002, however

they again felt the downwards movement on the markets in the following weeks and closed the quarter at €1.22. Although ad pepper media also felt the impact of the weak stock market, the company succeeded in increasing its share price – over the year as a whole – by more than 16%. At the start of the year, the shares were listed at €1.05.

Although the share price development reflects the company's positive growth we are still highly dissatisfied with its current price. The significant undervaluation of our shares, based on the company's assets, still offers great potential when the stock markets recover from their current bearish mood.





Outlook

The earnings we have achieved and the situation on the markets mean one thing in particular – we want more.

We are faced with many challenges, and dealing with these will continue to test us to the utmost. However, ad pepper media's team and product solutions allow us to look to the future with confidence.

We are increasingly able to establish long-term customer relationships that are highly beneficial for all of those involved, and happily this also includes our Web site partners whose flexibility is increasingly paying off.

Our experience with international structures and campaigns is a key factor for our competitive ability – this is the only way to rapidly turn our coverage advantages into local market solutions. At the same time, this structure offers the best conditions for long-term innovation, rapid adjustments and continuous further development – for both products and our company alike.

We can still boast an excellent equity situation – this will guarantee not only our continued organic growth, but in particular our ability to act when we further expand our position on the market. We want to build on our strengths and reduce our shortcomings – but above all we want to provide our customers with valuable services. This is the only way to ensure the long-term success of our company for both our employees and for our shareholders.

In so doing, our duty is to further improve the company's key indicators – however the progress we have already made makes us confident that we will continue to succeed in this task.



Financial statement of operations

	Q3/ 2002 €	Q3/ 2001 €	Q1-Q3/ 2002 €	Q1-Q3/ 2001 €
Net Sales	3,446,060	2,393,412	9,249,495	7,397,350
Cost of Sales	-1,809,557	-1,603,419	-5,291,077	-5,748,767
Gross profit	1,636,503	789,992	3,958,419	1,648,583
Selling and marketing expenses	-969,974	-1,451,866	-3,089,101	-5,817,974
General and administrative expenses	-1,043,815	-1,054,087	-3,170,474	-4,487,479
Other operating income and expenses, net	160,628	-322,884	274,956	16,531
Amortization and impairment of goodwill	0	-143,052	0	-429,667
Restructuring expenses	0	0	0	-850,349
Operating loss	-216,657	-2,181,895	-2,026,200	-9,920,356
Interest income and expenses, net	243,985	589,838	803,149	1,474,671
Profit/loss before income taxes (and minority interest)	27,328	-1,592,058	-1,223,051	-8,445,685
Income taxes	-852	-487	-1,139	-5,636
Profit/loss before minority interest	26,476	-1,592,545	-1,224,191	-8,451,321
Minority interest	-4,865	-92,146	-38,097	-130,656
Net income/loss	21,611	-1,684,692	-1,262,287	-8,581,977
Net income/loss per share (basic)	0.00	-0.15	-0.12	-0.77
Weighted average number of shares outstanding (basic)	10,574,724	11,155,000	10,609,715	11,155,000

**Balance Consolidated: Assets**

	September 30, 2002 €	December 31, 2001 €
Current assets		
Cash and cash equivalents	19,198,165	28,074,757
Marketable securities	9,640,205	4,011,100
Trade accounts receivable	4,484,296	3,274,093
Prepaid expenses and other current assets	1,079,581	1,636,939
Total current assets	34,402,247	36,996,889
Noncurrent assets		
Plant and equipment	385,039	582,173
Intangible assets	593,099	644,603
Goodwill	2,026,041	1,233,239
Investments	45,876	45,632
Other assets	184,394	128,577
Total noncurrent assets	3,234,450	2,634,224
Total assets	37,636,697	39,631,113

Balance Consolidated: Liabilities and Shareholder's Equity

Current liabilities		
Trade accounts payable	1,361,571	1,868,174
Accrued expenses	2,949,499	2,572,345
Other current liabilities	271,327	696,694
Total current liabilities	4,582,397	5,137,213
Minority interest	33,182	4,254
Shareholder's equity		
Share capital	1,115,500	1,115,500
Treasury stock	-62,716	-53,316
Additional paid-in capital	57,026,709	57,146,956
Accumulated losses	-24,737,970	-23,475,682
Accumulated other comprehensive income / loss	-320,405	-243,812
Total shareholder's equity	33,021,118	34,489,646
Total liabilities and shareholder's equity	37,636,697	39,631,113



Statement of Cash Flows

	01.01.02-30.09.02 €	01.01.01-30.09.01* €
Net loss	-1,262,287	-8,581,977
Loss attributable to minority interests	38,097	130,656
Depreciation and amortization	338,280	817,692
Gain on sale of fixed assets	-1,912	0
Other noncash revenues and expenses	-9,152	224,609
Gross-Cash-Flow	-896,974	-7,409,020
Increase/ decrease in accounts receivable	-1,210,203	3,997,098
Increase in other assets	-112,456	-12,218
Decrease in accounts payable	-506,603	-5,613,775
Decrease in other liabilities	-48,213	-1,575,149
Net cash used in operating activities	-2,774,449	-10,613,064
Capital expenditures for intangible and fixed assets	-92,899	-344,765
Proceeds from sale of intangible and fixed assets	5,151	415,993
Capital expenditures for financial assets	-244	-7,982
Security payments/ proceeds from repayment security deposits	-55,817	96,612
Acquired goodwill	-122,988	0
Net cash used in/ provided by investing activities	-266,797	159,858
Sales/ purchases of marketable securities	-5,629,105	7,365,714
Purchases treasury stock	-129,647	0
Long-term financial liabilities	0	88,172
Net cash used in/ provided by financing activities	-5,758,752	7,453,885
Effect of exchange rate changes on cash and cash equivalents	-76,593	-274,280
Changes in cash and cash equivalents	-8,876,592	-3,273,601
Cash and cash equivalents at beginning of year	28,074,757	5,032,388
Cash and cash equivalents at end of year	19,198,165	1,758,787

* prior year's presentation amended



Net sales

Consolidated sales in Q3 2002 totaled € 3,446,060, up from € 2,393,412 in the same quarter of the previous year. This corresponds to growth of 44%. The accumulated consolidated sales totaled € 9,249,495 (previous year: € 7,397,350), this means an increase in sales of 25%. Internal reporting primarily focuses on regional sales growth, which was as follows:

Net sales	Q3/2002 €	Q3/2001 €	Q1-Q3/2002 €	Q1-Q3/2001 €
Central Europe (Germany, Austria, Switzerland, Slovakia)	932,410	446,611	3,087,571	1,986,062
Northern Europe (Denmark, Sweden, Finland, Norway)	795,295	978,003	2,151,899	3,130,088
Western Europe (UK, France, Spain, The Nether- lands, Italy)	1,718,355	968,798	4,010,025	2,227,545
USA	0	0	0	53,655
Total sales	3,446,060	2,393,412	9,249,495	7,397,350

Amortization/ depreciation

Amortization/depreciation expenses were as follows:

	Q3/2002 €	Q3/2001 €	Q1-Q3/2002 €	Q1-Q3/2001 €
Amortization of intangible assets	39,808	178,259	112,293	512,779
(thereof for goodwill)	0	(143,052)	0	(429,667)
Depreciation of tangible assets	70,268	78,230	225,987	304,913
Total	110,076	256,489	338,280	817,692

Since January 1, 2002, ad pepper media has been using the Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" issued by the Financial Accounting Standards Board (FASB) in June 2001. From 2002 on, goodwill is no longer subject to scheduled depreciation in line with SFAS 142. Instead, goodwill is reviewed for impairment at least once per year. If impairment is ascertained, the goodwill must be written down to its fair value. The company reviewed goodwill on January 1, 2002. No unscheduled amortization was required as of September 30, 2002.

Foreign exchange gains/losses

The other operating income and expenses include foreign exchange gains (positive) and losses (negative) that stem from realized foreign exchange transactions and from the measurement of foreign currency receivables and liabilities on the balance sheet date. These were as follows:

Q3/2002 €	Q3/2001 €	Q1-Q3/2002 €	Q1-Q3/2001 €
90,874	-111,180	53,091	195,923

Earnings per share

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

Q3/2002 €	Q3/2001 €	Q1-Q3/2002 €	Q1-Q3/2001 €
0.00	-0.15	-0.12	-0.77

ad pepper media International N.V.'s market capitalization at the end of the quarter totaled €13.6 million.



Changes in equity

As of September 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		-9,400	-120,247			-129,647
Net loss for the period				-1,262,288		-1,262,288
Cumulated other comprehensive income/loss					-76,593	-76,593
Balance at September 30, 2002	1,115,500	-62,716	57,026,709	-24,737,970	-320,405	33,021,118



Other notes

Order book

ad pepper media is pleased with the current order situation – in particular in light of the current market environment. Improved products and services have allowed ad pepper media to establish long-term successful customer relationships. Our successful national companies provide us with a broad pan-European presence – which allows us to efficiently and successfully process international advertising campaigns.

For the fourth quarter, we have been able to acquire a well-known telecommunication equipment manufacturer's budget for an advertising campaign that is scheduled to run simultaneously in 25 countries. Advertising budgets for 2003 will be fixed during the remainder of the fiscal year. ad pepper media has excellent chances of starting the new year with a comfortable order book.

Changes in costs and prices

The third quarter of the current fiscal year also failed to bring the much hoped for recovery in the advertising sector. Despite the continued slow market growth, prices have stabilized and reached a level that is comparable with other traditional media such as TV and print.

Product development

ad pepper media offers its customers an end-to-end chain of products and services for innovative online marketing solutions. These solutions mean that ad pepper media is in a position to be able to support advertisers during all phases of the product life cycle. Operational implementation of the strategy agreed with the customer will receive an additional boost from the interest ad pepper media acquired in Falk eSolutions AG in October 2002, which also guarantees greater flexibility and efficiency.

ad pepper media's portfolio includes both traditional media-oriented campaigns and data solution offerings, in which customer-specific information is gathered with the user's permission. The range is rounded off by the technology division, whose offering includes products to design interactive customer dialog. A pan-European development team works to continuously improve and optimize the product range in the customer's best interests.

Capital expenditure

As of the balance sheet date, ad pepper media International N.V. invested € 32,092 in operating and office equipment, € 60,807 in software and € 244 in other assets.

On September 11, 2002, ad pepper media International N.V. acquired a further 49.9% interest in ad pepper media Sweden AB. This means that



ad pepper media International N.V. holds a 100% interest in the Swedish company this led to an addition of € 792,802 to goodwill.

Number of employees on the balance sheet date

As of September 30, 2002, the company had 87 highly competent employees (September 30, 2001: 101 employees), who make an entrepreneurial contribution to the group's success in 9 European countries. The human resources adjustment is directly linked to business growth and is geared toward market requirements. The success experienced to date shows that this staffing level allows ad pepper media to react quickly and flexibly on the market while maintaining transparent costs.

Addition information on events after the balance sheet date

ad pepper media International N.V. acquired a 25.1% interest in Falk eSolutions AG, Moers, Germany, in October 2002. This investment was made by way of a capital increase by issuing new shares of ad pepper media International N.V. The previous shareholders of Falk eSolutions AG have waived their subscription rights.

This investment offers both companies significant strategic advantages. The products developed by ad pepper media will become even more efficient thanks to the uniform, high-performance delivery and database systems offered by Falk eSolutions AG.

On the other hand, Falk eSolutions AG will gain access to additional international markets and customers.

Share buy-back program

ad pepper media International N.V. is authorized to acquire up to 1,115,500 own shares. As of September 30, 2002, the Company held 627,162 treasury shares.

Notes on shareholdings and subscription rights

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

	Shareholdings (qty.)	Options (qty.)
Managing Board		
Ulrich Schmidt	627,197	78,000
Hermann Claus	36,808	63,000
Niels Nüssler	38,113	46,500
Supervisory Board		
Michael Oschmann	112	0
Dr. Günther Niethammer	1,112	5,000
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



Company key data

	Q3/2002 € million	Q3/2001 € million	Change %	Q1-Q3/2002 € million	Q1-Q3/2001 € million	Change %
Net sales	3.45	2.39	44	9.25	7.40	25
Gross profit	1.64	0.79	107	3.96	1.65	140
Operating costs	1.85	2.97	-38	5.99	11.57	-48
EBIT	-0.22	-2.18	90	-2.03	-9.92	80
Pre-tax earnings	0.03	-1.59	102	-1.22	-8.45	86

	Q3/2002 €	Q3/2001 €	Change %	Q1-Q3/2002 €	Q1-Q3/2001 €	Change %
Earnings per share	0.00	-0.15	100	-0.12	-0.77	84

	Sept. 30, 2002	Sept. 30, 2001	Change %
Number of employees on balance sheet date	87	101	-14

	Sept. 30, 2002 € million	Dec. 31, 2001 € million	Change %
Cash and cash equivalents	28.84	32.09	-10
Equity	33.02	34.49	-4
Total assets	37.64	39.63	-5

2001 annual report and 2002 quarterly reports

We will gladly send you our 2001 annual report and our 2002 quarterly reports in German or in English. These reports are also available for immediate download as PDF files (Acrobat) at www.adpepper.com – under Investor Relations “Service Downloads”.



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