Annual Report

2002

ad pepper media ▸ global reach. local touch.

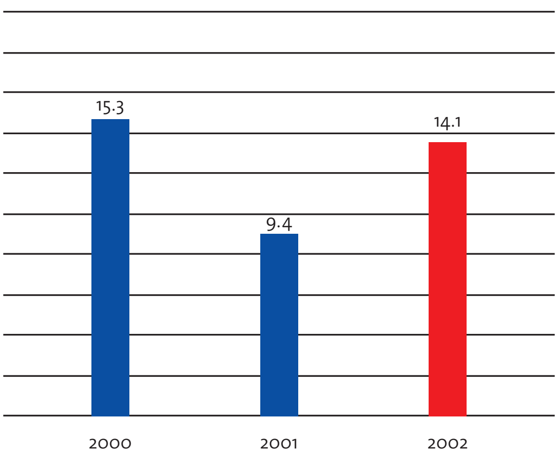
ad pepper
The e-Advertising Network

The Group at a Glance

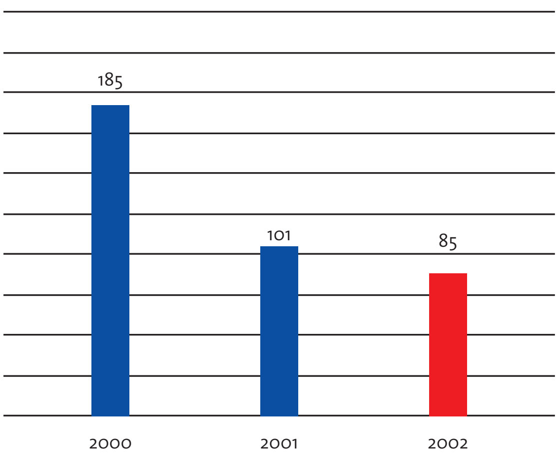
Key indicators for the Group
ad pepper media International N.V.

	Fiscal year 2000	Fiscal year 2001	Fiscal year 2002
Net sales (€ million)	15.3	9.4	14.1
Net loss (€ million)	-9.6	-13.3	-0.7
Earnings per share (€)	-1.66	-1.20	-0.07
Employees	185	101	85

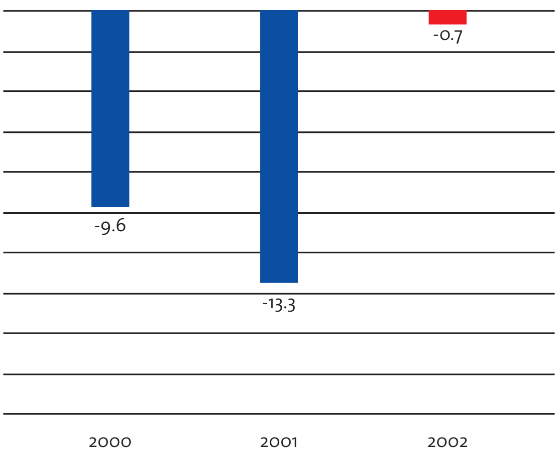
Net sales (€ million)



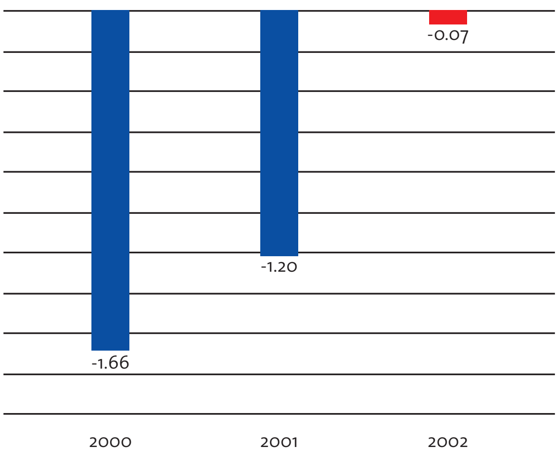
Employees



Net loss (€ million)



Earnings per share (€)



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Hermann Claus (CFO),
Ulrich Schmidt (CEO) and
Niels Nüssler (CSO)

Dear shareholders,

2002 was a year of clarity. The general economic climate was anything but friendly and the tumbling capital markets have hit banks, insurance companies and other sectors to an extent which can only be insufficiently described by words such as crisis or recession. Structural weaknesses, which could still be hidden during the period of overheating came blatantly to light – and called into question the basic ability to survive of many companies, business models and entire branches. In spite of this, however, we cannot just paint a dark picture and loudly voice complaints that the problems are self-inflicted – there were also a large number of positive developments, which can be used to lay the foundations for the next burst of growth. Increasing pressure from society to reform, heated discussion surrounding the education system, rationalization efforts at all levels and many other factors also brought a ray of hope that we would return to the principle of performance. During this process, it became increasingly clear where innovations and new business models where able to succeed, which companies used the crisis to better position themselves for the next recovery.

The negative developments in the economy as a whole have had a long-term impact on the online advertising market. The slump on the overall market was primarily caused by traditional media – TV, radio, and above all print media are among the biggest losers. In addition to the general economic situation, this could increasingly be put down to functional difficulties. Static reach, approaching target groups in a manner that could just as well have been written in stone, inflexible switching processes and defective measurement of success led to inefficiency – which is increasingly less well accepted by cost-conscious advertisers in difficult economic periods.

The online advertising market has detached itself from this development across the board and enjoyed double-digit growth. Even though the starting-point was small, there is now conclusive evidence that online advertising is now a must in any media mix.

However, we could also clearly see that many suppliers were not able to transition their sales and cost structures to business model that would succeed over the long term, and these companies will not be able to survive the ongoing market consolidation.

2002 was a decisive and a successful year for ad pepper media. The strategy we have chosen includes the restructuring program that we sucessfully implemented in 2001 as well as new products, new technologies and new sales concepts. Our Media, Data and Technology divisions allowed us to provide an integrated offering of services and products, which brought our customers efficient solutions with clear-cut economic benefits. Our acquisition of a 25,1% interest in the profitable adserver and technology provider Falk eSolutions AG meant that we set a further milestone – which has not only safeguarded the strategy we have chosen but which also opens up an array of new perspectives.

Our product focus on direct marketing clearly meant that we had to provide performance-based invoicing models. To be able to provide this successfully we needed a pan-European presence, the international reach of a network and functional and stable technology – most of which we had developed in house. We succeeded in setting up this structure in 2002. The market received economic proof in the fourth quarter with an integrated direct marketing campaign for an international telecommunications group, which simultaneously generated excellent results in 25 countries.

We were able to provide economic proof for our shareholders as early as the third quarter, when we recorded positive earnings for the first time. ad pepper media has been working at a profit since the summer of 2002. During the fourth quarter, which was characterized by several large orders, we were able to significantly increase our profits from their transparent level over the summer. We were able to clear the last doubts in our business model out of the way when we recorded a double-digit net return and a positive cash flow. Even though we were not able to fully compensate for the loss incurred during the first half of 2002, the growth in all of our key indicators allows us to look to the future with confidence. Our shares have also outperformed the corresponding indices. However, we still believe that our shares are undervalued. Our economic growth and the continued high level of liquidity offer scope for positive share price increases.

However it would be wrong to get euphoric. We have to consistently continue our previous course – based on innovation, well-thought out expansion and, above all, hard work. In addition to the necessary capital strength – which is thankfully still intact – we will need in particular a talented and ambitious team. ad pepper media has shown that it has just this team. The Managing and Supervisory Boards would like to thank all of our employees for their commitment and for the results achieved.
The future will bring new challenges, difficulties, but above all opportunities. We are excellently prepared to master and to use them.
Thank you for your confidence in our company.

The Managing Board
ad pepper media International N.V.

Ulrich Schmidt   Hermann Claus   Niels Nüssler

Dear shareholders,

During the past five years the number of Internet users in Germany has increased seven-fold: 28.3 million adults in Germany, or 44.1% of the population over the age of 14, are online. The penetration of online offerings is particularly striking in up-and-coming consumer target groups, as was reported by the ARD/ZDF-Online-Studie 2002.

The number of Internet users is continuing to grow all over the world. Although studies showed that the online advertising market grew slightly, its total volume in 2002 shows that this advertising medium still has to become firmly established. Many studies have provided information on the support provided by online advertising during the branding process, however the way in which online marketing works must still be researched and communicated. This makes ad pepper media all the more happy to report that during the past fiscal year ad pepper media succeeded in developing a sub-section of the online advertising market using innovative products and process – and proving that the business model worked by breaking even. Despite the weak economic environment, ad pepper media significantly increased both its sales and earnings, thus differentiating itself from both national and international competition. By successfully integrating its expanded product offering, focusing on innovative direct marketing solutions, increasing in-house technology developments and additional technology alliances as well as by making economically sound and strategically shrewd acquisitions, ad pepper media has impressively proved its powers of innovation. In parallel, the Company boosted its operating efficiency thanks to its tight cost management.

In fiscal year 2002 the Supervisory Board continued to monitor and actively support the work of the Supervisory Board. During its meetings last year and in individual meetings the Supervisory Board was briefed in detail about the course of business and the Company's position and discussed these with the Managing Board. The Supervisory Board discussed the verbal and written reports of the Managing Board in a total of five meetings – on January 28, March 11, April 25, July 29 and November 4, 2002. The discussions focused on budgeting and forecasting for the fiscal year, business growth in the individual quarters, the Company's strategic growth and the economic situation. The Supervisory Board discussed major individual business matters with the Managing Board and dealt with the transactions presented to it for approval as a result of statutory provisions or the Articles of Association. In addition, the Supervisory Board discussed general and specific matters of human resources policy. The Supervisory Board also provided the Managing Board with advice on examining possible acquisitions.

The annual financial statements of ad pepper media International N.V. as of December 31, 2002, the consolidated financial statements and the Company's management report for fiscal year 2002 were audited by the auditors engaged by the General Meeting, Ernst & Young, Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Nuremberg, and were issued with an unqualified auditor's opinion. The consolidated financial statements were prepared in line with US GAAP.

After the final results of its review, the Supervisory Board approved the financial statements prepared by the Managing Board as of December 31, 2002, and finally approved these on March 18, 2002. The annual financial statements for fiscal year 2002 are thus adopted.

The Supervisory Board would like to expressly thank all of the members of the Managing Board and all of the ad pepper media group's employees for their great personal commitment and their work during the past fiscal year. The Supervisory Board shares their pleasure in ad pepper media's previous growth – expanding its position as one of the leading European online marketers thanks to the impressive innovation and performance shown by the entire team of employees.

Nuremberg, March 24, 2003

On behalf of the Supervisory Board

Michael Oschmann, Chairman

The World Wide Web:
From advertising to sales – from a media tool to a dialogue instrument.

MEDIA

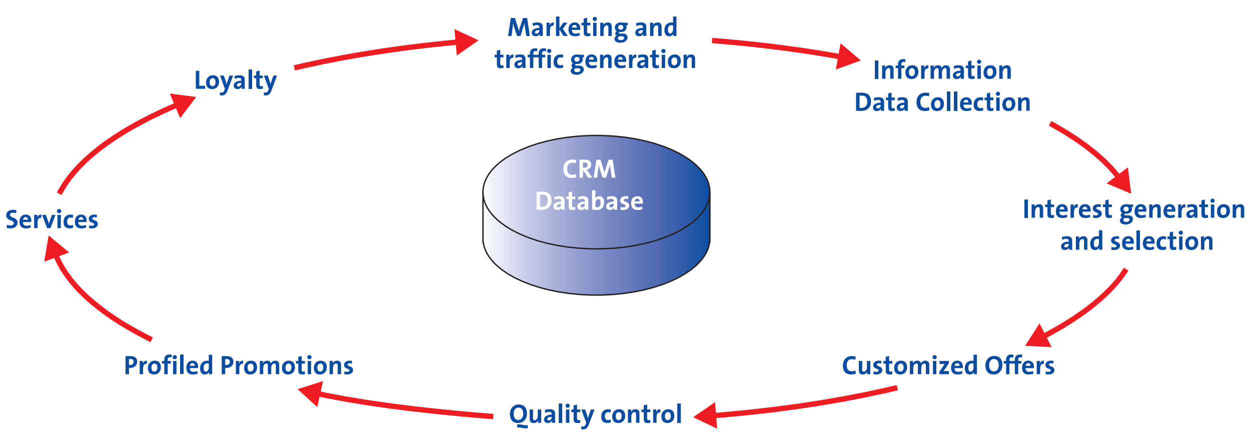
DATA

TECHNOLOGY

The **World Wide Web.** Just 5 years, that's all the Internet needed to reach the coverage it took the telephone 75 years to achieve. With over half a billion users around the world, WWW now covers everything from knowledge and business through to advertising. In the beginning there were ad banners – and these have grown to become an established dialogue and marketing tool with enormous potential.

In contrast to TV, cinema, magazine, radio or billboard advertising, the Internet has key advantages for advertising and sales. The Web is interactive, multimedia, flexible, and can be individualized, addressed, traced, and rapidly updated – in real time. Today it solves not only traditional media tasks, but allows data and addresses to be collected discretely and efficiently – as well as for customer acquisition and support customers and to increase customer loyalty. Although the economy has weakened the traditional advertising market online advertising is enjoying significant growth. Many customers have now gained positive experience on how to advertise efficiently and effectively via the Internet – and have felt first hand the benefits that this can bring.

During the past three years, ad pepper media has positioned itself as one of the leading European service providers for online marketing. Companies, media houses and advertising agencies know and value our performance and solutions. ad pepper media is a one-stop-shop for advertisers and Web sites and offers end-to-end service – from campaign management to reporting – based on the best available technology in each case. Innovative forms of advertising and a wider range of customer specific marketing solutions in our three divisions of MEDIA, DATA and TECHNOLOGY are available to economically realize marketing goals. This means that ad pepper media is well equipped for the future. The company will play its part in the growth of Internet advertising opportunities and advertising product development. The aim is to establish and optimize all of the services required for efficient online marketing for all aspects of an advertiser's customer database.

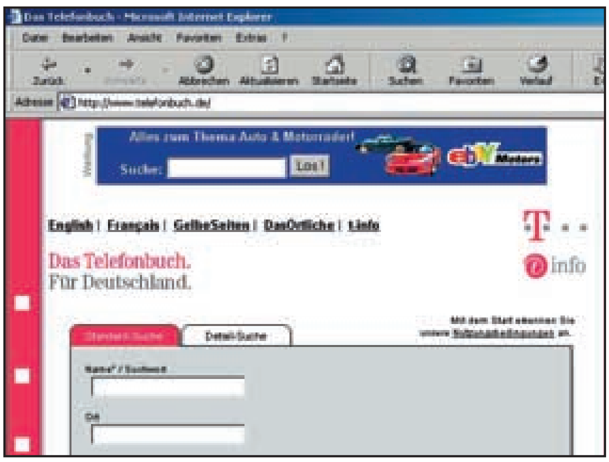


Reaching people quickly, simply and cost-effectively: No matter how, when or where they are online.

MEDIA. The first of ad pepper media's three divisions is primarily responsible for mass marketing and creating coverage. If we compare advertising media such as TV, cinema, magazines, radio, billboards and the Internet, we have to as ourselves one basic question: How many people does a specific medium actually reach? An advertising medium's coverage is given in thousand million or in percent and designates the proportion of the population or a specific target group which was in contact with this advertising medium at a specific time or during a specific period. It is only possible to ensure marketing-oriented media planning given a precise briefing in which, for example, goals are clearly defined. The more precise the information, the easier it is to plan efficiently to create the right solution. The Internet has now become an established mass medium, which can achieve any degree of coverage thanks to its international nature – and yet still ensure the flexible composition of target groups.

Depending on the goal – be it awareness, branding or increasing traffic on the advertising customer's Web site – ad pepper media offers various products or online advertising solutions such as iReach, iAttract, iSponsor, iBrand, iClick or iStream. This allows ad pepper media's customers to use their media budgets in a target-oriented and efficient manner.

Example: iReach
iReach is a network-based "volume solution". In simple terms: reaching a wide audience at low cost – no matter how, when or where they are online. Various advertising formats such as traditional banners or popups that offer a range of features such as audio, visuals and videos or the opportunity to enter text into an advertising medium can be placed on almost any Web site in the national or international network. A network with multi-topic premium and special interest Web sites offers extensive coverage at cost-effective conditions. Another plus point: campaign control and optimization with local motifs. What does that mean in practice? For example, country specific motifs can be used for a pan-European campaign to give it greater coverage, less waste and better user acceptance. iReach is excellently suited for the broad-scale launch of new products and services, in consumer goods marketing or generally for mass marketing activities.



iReach

Our task: The world's best-known online marketplace wanted to reach as many Internet users as possible with its advertising message – with economical contact costs.
The solution: Constantly repeating, standardized advertising on all of the ad pepper media network's Web sites – allowing the company to efficiently reach auction-loving consumers with the widest possible interests.

Today TV spots are run
of the mill. Internet spots
have only just begun.

What would our leisure time mean without TV – and what would TV be without advertising? Around 73 million German citizens from the age of 3 are viewers, advertising recipients and potential customers. TV consumption has increased from 135 minutes a day in 1965 to 205 minutes a day today – despite additional media offerings such as the cinema, videos, CDs, DVDs or the Internet. However advertisers are also aware of TV's downside: an increasing number of channels, relatively high airtime costs, the limited opportunities to reach specific target groups and a certain degree of advertising boredom on the part of TV consumers. TV versus the Internet? No! Just the opposite! Media are growing together – TV and the Internet in one is more than just a pipe dream. Large-scale projects such as interactive TV, special-subject TV on the Internet or video on demand are already reality. And TV spots – that standard feature of TV, yes, the one that sometimes even gets annoying – are currently conquering the Internet as video sequences. Today, media convergence, faster transfer technologies such as DSL and the interactive opportunities offered by the Internet offer new, excellent possibilities for online marketing.

Example: iStream
The newest ad pepper media solution: iStream. TV spots and video clips can be integrated as banners, popups, skyscrapers or e-mails – as clickable fields or hotspots. The advantage of ad pepper media's technology: it needs no extra (plug-in) software. The system automatically recognizes the bandwith that the user is surfing on and thus guarantees the best quality of the broadcast video clip. The use of video in the Internet attains high awareness levels – as well as improved response and conversion rates for address generation. Video spots are currently used to supplement TV campaigns, but they also offer a host of new opportunities for the future, such as:

- Specific target group/topic spots within a campaign
- Affordable spot advertising for SMEs
- Special interest video spots or industrial advertising (B2B communication)
- Good, creative spots, for example which users like to pass on via e-mail

iStream

Our task: Generate test drivers for the launch of a new car model.
The solution: The first ever use of iStream, an Internet video spot coupled with iLead simultaneously generated awareness, emotion and interactivity. The TV spot became an interactive direct marketing instrument – leading to significantly higher response rates.

Everything you wanted to know with a single click: Advertising – profile – new customers.

Advertising that precisely approaches target groups – low coverage losses – generating a desired user reaction. Efficient use of the advertising budget, demands that also apply to the Internet and that anyone placing advertising would like to see met. However online marketing can do more – and highly efficiently.

ad pepper media's second division – DATA – deals first and foremost with direct marketing solutions. According to the specific goals, ad pepper media offers products such as iLead, iNews, iOptin or iSMS – in which all interaction with the user only occurs with the user's express consent (permission marketing). By placing various forms of advertising, advertisers receive contact data from users who have signaled their concrete interest in the product the advertiser offers. These leads are comparable with truly interested customers in the advertisers' stores. The data thus generated forms the basis for a future top-quality customer database: the foundations for further measures to establish permanent customer dialog and customer loyalty via eCRM.

Example: iLead
The goal? To generate contacts with interested customers. How to get there? By acquiring data that leads to customers. iLead means qualified direct marketing with concrete product offerings directly aimed at interested users and thus potential customers. By placing high-awareness advertising formats, advertisers receive individual profiles completed by users. This provides advertisers with the information on the user that they need – such as their name, address, e-mail, etc., and their consent to receive additional product information, promotional offers or free samples. A performance-based billing model results in significantly lower costs for advertisers for generating new customer contacts compared to traditional direct marketing.

iLead

Our task: Direct marketing and address generation is also becoming increasingly important for international companies.
The solution: ad pepper media can use the enormous reach of its pan-European network to allow advertisers to acquire qualified potential customers in a wide range of countries. For multi-country campaigns adapting the advertising also ensures high conversion rates and efficient use of advertising budgets.

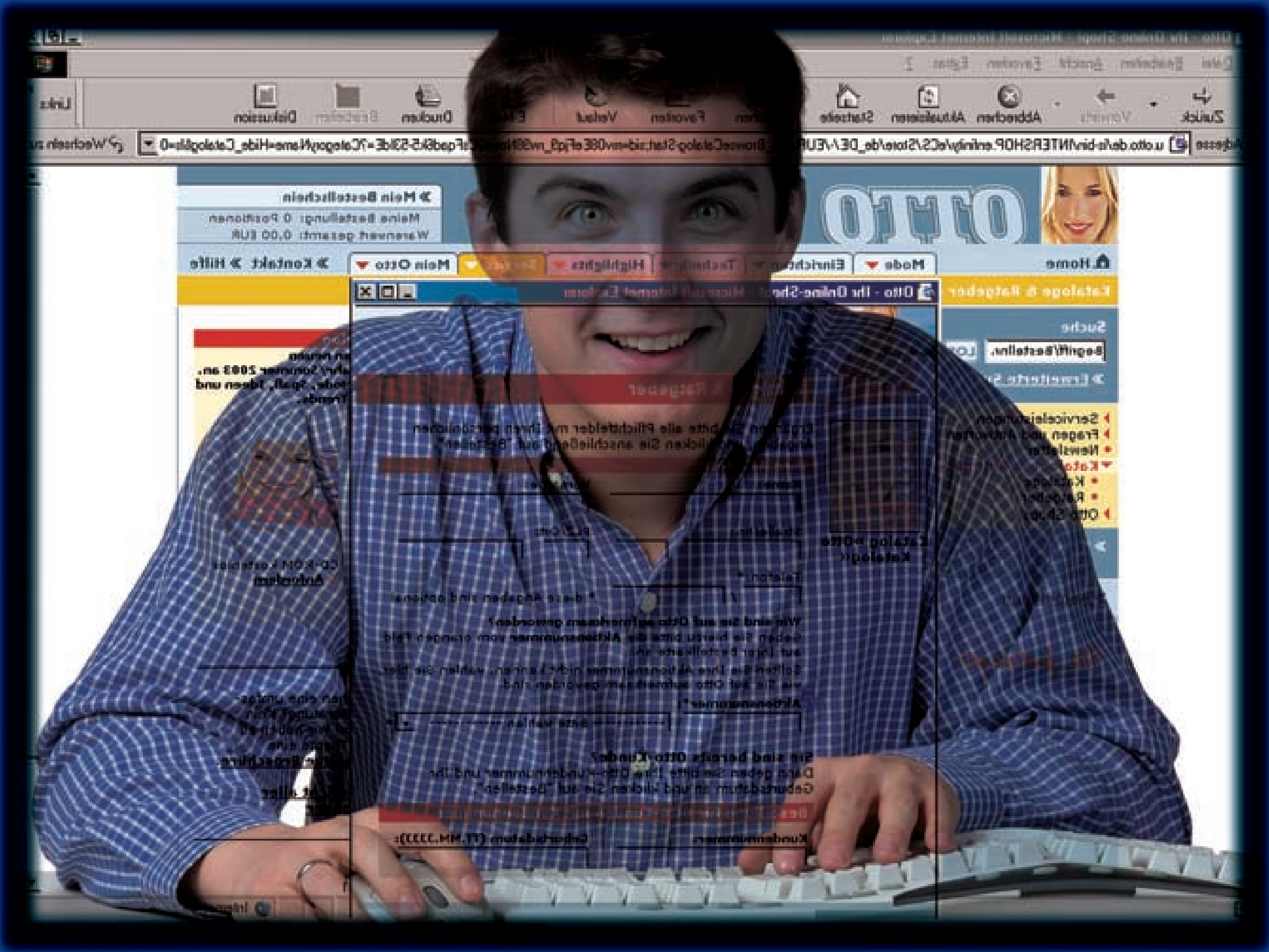
Orange, DIY or just a pure good name: Targeted mail offers – that customers want.

“No adverts please!” An ever-increasing flood of advertising and information is leading to many consumers getting frustrated with advertising and withdrawing from communications. But there is advertising that is approved – and even desired. In the Internet this type of advertising meets with significantly higher approval and acceptance than, for example, direct mail shots or direct-distribution advertising. Users already provide their consent before the advertising is sent, and trust the content and information that they receive. Trust that must not be abused by sending out endless streams of advertising.

Example: iOptin
E-mail communication – with the user’s permission. It doesn’t come much better than that. Advertising messages and offers are sent via e-mail to a pre-selected highly specific group of users. iOptin allows users to be contacted according to their specific socio-demographic target group using criteria such as sex, age, marital status and language or interests – and lifestyle characteristics. This allows a cost-efficient, effective and measurable dialog to be developed between suppliers and truly interested consumers. iOptin campaigns have already been realized with various aims. From market research, address generation, new customer acquisition, upkeep of existing customer relationships through to up-selling or cross selling: in addition to high response and conversion rates the fact that these campaigns can be rapidly implemented and conducted is a key advantage in practice.

iOptin

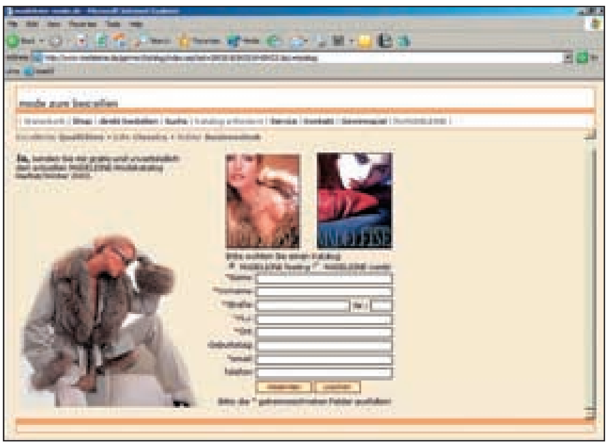
Our task: Approach the special interest group of DIY and garden enthusiasts via the Internet to generate newsletter subscribers and to increase the number of visitors in the online shop.
The solution: Advertising sent via e-mail to a pre-selected user group. Acceptance is significantly higher than for other e-mail advertising as the use of iOptin means that users consent to receiving this information. The improved conversion rate also guarantees that the marketing budget is used efficiently.



Individual online solutions:
For truly personal customer dialogue.

TECHNOLOGY: Customer loyalty and dialog systems for all aspects of customer data – as eCRM solutions. This development demands expertise and the necessary technology. ad pepper media already made the right decision in this regard some time ago and is developing and using its own systems. Picking up on market trends and rapidly implementing customer-specific requirements in in-house research and development projects always lead to new marketing solutions. An end-to-end system of services for everything to do the customer database is made available for advertisers – allowing them even more efficient use of their marketing budget.

Example: iDialogue
iDialogue is a dialog marketing program for customer relationship management that can be used by advertisers for their existing or new customers. The package comprises a content management system which can be used to design templates for e-mail newsletters, a profile database and a statistics module. The aim is to establish long-term customer contact with personalized offers tailored to their needs. This is achieved via a learning system to establish and intensify customer dialog via e-mail and is based on profile information that has been previously generated with the customer’s permission. In contrast to many other complex and expensive eCRM solutions that are available on the market, iDialogue is an easy to use system that can be cost-effectively implemented. Advertising customers receive a dialog marketing tool that is specifically tailored to their individual needs. ad pepper media’s customers are supported by a team with extensive online experience – thus ensuring smooth implementation and continuous operations as well as the integration of further ad pepper media solutions. Finally, iDialogue helps advertisers to intensify their customer relationships and to generate higher sales and earnings – economically.



iDialogue

Our task: Establish a platform and a service program for constant dialog between a women’s fashion supplier and its customers.
The solution: iDialogue with its customer database, Internet community, registration platform, personalized offerings, process integration and electronic processing. A double-digit response rate forms the basis for lasting dialog with customers and expanding profitable relationships.

Online advertising

Online advertising works – even better than traditional advertising in many areas.

Of course this is nothing new for the Internet sector. What's new is, that more and more advertisers are coming to share this opinion and want to benefit from professional online advertising by specifically using it in their media plans. The online advertising market is increasingly breaking away from the prevailing mood of crisis – and is continuing to enjoy double-digit growth during a period in which traditional media are suffering a significant downturn in advertising income. The success of online advertising is due to factors such as measurability, flexibility in terms of penetration and target group selection, real time reporting, optimization, performance-based billing and the associated cost advantages as well as the fact that it is easy to integrate into corporate communications. The very medium of the Internet has a built-in feedback channel and is the only mass medium to allow direct interactive customer dialog. This fact brings with it competitive and price advantages and, if used properly, also results in successful business models. In saying this, online advertising cannot and should not endanger or even replace traditional print and TV communication. It is much rather the case that integrated concepts are called for – in which the most efficient media are combined according to the campaign's aims.

This means recognizing and using previously undeveloped potential – and results in long-term, above-average growth opportunities for interactive advertising. Why? Because efficient links and integration are among its core functions.

International companies are continuously expanding their Internet activities. The Internet is often a central component of their entire communication and advertising strategy. This is particularly apparent given the increase in the number of multi-national advertising campaigns which bring with them complex, multifaceted tasks. Design, localization, implementation, optimization and uniform invoicing go hand in hand and can increasingly only be controlled by international units.

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

ad pepper media's shares

The performance of ad pepper media's shares was characterized by two juxtaposing factors during the past fiscal year: the continuing bear market and ad pepper media's business success. The share price lifted by 80% over the year, whereas the NEMAX all share index lost 64%. ad pepper media also succeed in significantly outperforming its German peer group. ad pepper media's first business successes and growing profitability led to rising share prices – in particular in the fourth quarter. This allowed the share to escape the ongoing negative trend on the financial markets.

Share information

ad pepper media's shares have been traded on the Neuer Markt since October 9, 2000.

German Securities Code (WKN)	940 883
ISIN	NL0000238145
Share type	no-par value bearer shares
Stock exchange symbol	APM
Market segment	Neuer Markt
Included in the following indices	Nemax Internet Index

The Frankfurt Stock Exchange Council resolved to re-segment the equities markets of the Frankfurt Stock Exchange on November 19, 2002. The new structure, which came into effect on January 1, 2003, means that the new Prime Standard segment with its uniform post-admission duties was created for equities and equity certificates. This will co-exist alongside the so-called General Standard, which has the statutory minimum requirements of official trading or the regulated market.

Deutsche Börse AG has admitted shares of ad pepper media International N.V. to the new stock market segment Prime Standard. Inclusion in the Prime Standard simultaneously terminates the listing on the Neuer Markt. ad pepper media already met the required transparency and publicity criteria from the start of its listing on the Neuer Markt. These criteria include quarterly reporting in German and in English and also the use of international accounting standards. In general, the Company believes that the re-segmentation and its inclusion in the Prime Standard will increase the attractiveness of the capital markets and improve the Company's positioning with national and foreign investors.

ad pepper media shares counter the market trend

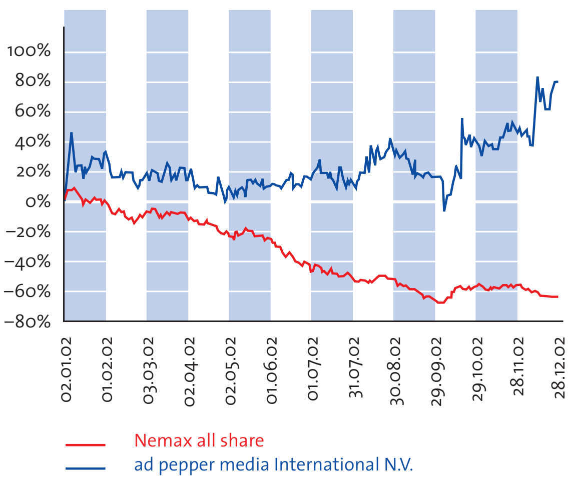
There was still no evidence of economic recovery in 2002, the stock markets continued to tumble. Poor economic indicators and the insecurity surrounding continued overall economic growth meant that stock markets were burdened by threatened revisions to forecasts and a possible escalation of the Iraq conflict – and reacted with falling prices in all sectors. 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.

Although ad pepper media also felt the impact of the weak stock market, we have succeeded in increasing our share price – over the year as a whole – by more than 80%. At the beginning of the year, ad pepper media's shares were listed at € 1.05 and closed the year with a price of € 1.89.

During the first three months of fiscal year 2002 the price of ad pepper media's shares lifted by around 25% to € 1.28, whereas the NEMAX all share index fell by around 10% over the same period. This development continued in the second quarter of 2002.

The NEMAX all share index fell by 35%, the ad pepper media's share fell by almost 4%. The NEMAX All Share Index slumped by around 40% in the third quarter. ad pepper media's shares were able to escape this negative trend in the third quarter. 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. On August 30, 2002 the shares were listed at € 1.50, however in the weeks that followed they were again affected by the general downwards shift and closed the quarter at € 1.22. After reaching their lowest price of € 0.98 on November 9, 2002 a long-term recovery started in the fourth quarter. The share reached its high for the year on December 17 at € 1.93, thus up by almost 55%. The NEMAX all share index increased by around 5% in the same quarter. The average trading volume during the past fiscal year totaled around 20,000 shares per day.

This share price performance is still highly unsatisfactory for ad pepper media – even though the losses on the Neuer Markt as a whole were even higher. The Managing Board is certain that the evidence we have presented – interesting net returns and our specific orientation to long-term profit increases – will have a positive effect on ad pepper media's shares during the current fiscal year. Then the share price will again reflect the Company's true potential.



Key indicators per share underscore undervaluation

In addition, the current share price does not reflect the Company's quality. The book value or the proportionate equity of ad pepper media's shares on December 31, 2002 of € 3.20 is more than 69.5% greater than share price at the end of the year. The liquid funds (cash, bank balances and marketable securities) per share total € 2.69.

Given this substantial undervaluation, realizing our ambitious goals will result in significant potential for our share price. One of our key tasks in the current fiscal year will be to boost investor's trust in ad pepper media's shares once more.

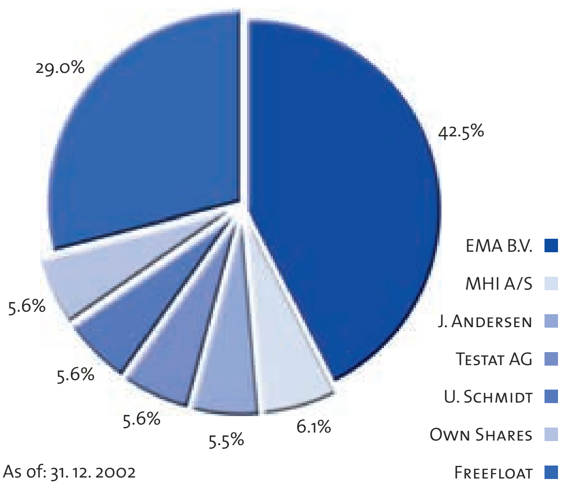
	2002	2001
Average number of shares in circulation	10,589,021	11,079,332
Theoretical interest in the share capital in EUR	0.10	0.10
Earnings per share in EUR	-0.07	-1.20
Book value per share in EUR	3.20	3.11
Cash and cash equivalents per share in EUR	2.69	2.90
Share price high in EUR	1.93	4.40
Share price low in EUR	0.98	0.65
Share price at end of year in EUR	1.89	1.00
Market capitalization on December 31 in EUR million	19.9	11.2

Shareholder structure practically unchanged

The share capital as of December 31, 2002 comprised 11.155 million no-par value shares of € 0.10. The largest single shareholder with an interest of 42.5% is EMA Electronic Media Advertising International B.V. ("EMA B.V."), The Netherlands. Together with MHI A/S (Denmark), Supervisory Board member Jan Andersen (Denmark), Testat AG (Switzerland) and the Chairman of the Managing Board, Ulrich Schmidt (Germany), these five founding shareholders command more than 65.3% of the shares.

This means that around 3.2 million no-par value shares (or around 29.0%) are held in free float as defined by Deutsche Börse AG. This figure also includes 0.9% held by Managing Board members (excluding Mr. Schmidt) and Supervisory Board members.

As part of the share buy-back program, the Company acquired a total of 633,162 shares as of December 31, 2002. 6,000 shares have already been used as acquisition currency. This means that ad pepper media holds more than 627,162 own shares, or 5.6% of the share capital. The buy-back offers the Company the opportunity of using its own shares as currency for acquisitions or to use them as part of the employee stock option program.



As of: 31. 12. 2002

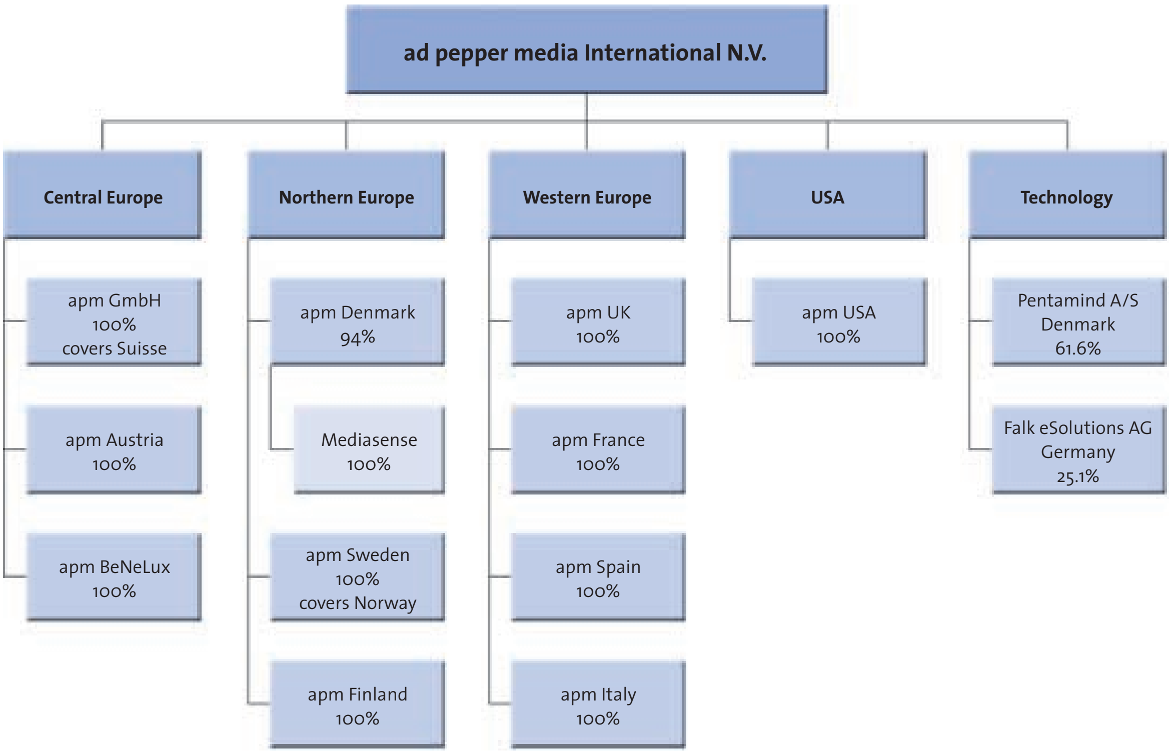
Investor relations activities

In addition to the compulsory publications, ad pepper media International N.V. regularly provided the financial community and the general public with up-to-the-minute, detailed information on the Company's business growth. In addition, ad pepper media is in constant contact with analysts and institutional investors that are of key importance for the Company. Of course ad pepper media will continue to try to optimize its transparent and open information policy during fiscal year 2003.

The company's profits and sales growth and the evidence of profitability mean that ad pepper media's shares offer an attractive investment opportunity. Interested investors can find all of the information they need to form an in-depth picture of our company in the IR section of our Web site www.adpepper.com. Our top priority is to further increase the liquidity per share and reduce volatility.

Structure Report

ad pepper media has the following corporate structure:



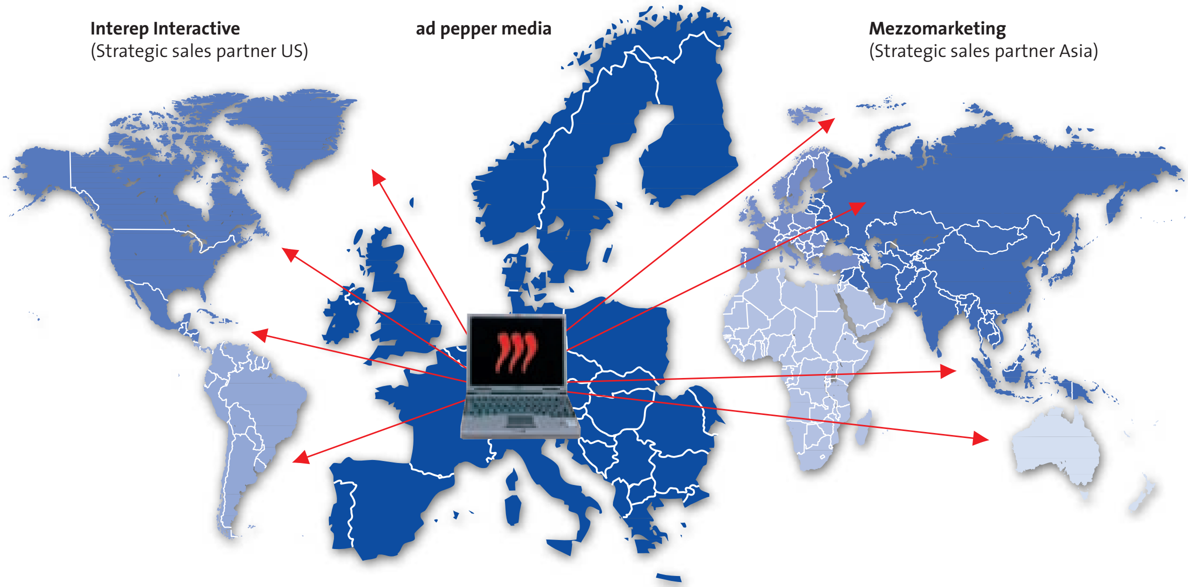
The national companies are sales companies which operate independently. They are responsible for acquiring and supporting national customers and campaigns as part of the prescribed overall strategy. Local experts on location carry out all of the functions needed for optimum customer contact. They are also the contacts for multi-national campaigns. All of the national companies represent ad pepper media's entire range of products, services and technology at the same high level. This ensures that the Company can successfully launch products and conduct campaigns across Europe from a single source, and reinforces and expands ad pepper media's reputation and position at a regional, national and international level.

The holding company provides technology services in cooperation with the Danish company Pentamind A/S (included in the consolidated group) and the adserver and technology services provider Falk eSolutions AG, in which ad pepper media holds a 25,1% interest.

Pentamind A/S is responsible for the fields of product and software development and supports many international companies such as Lego, Carlsberg, Nike and Quelle for eCRM.

Falk eSolutions AG provides special technology services for the field of online advertising. These include its key product AdSolution (adserving, applications for e-mail marketing and mobile marketing) as well as its products MailSolution (e-mail marketing) and SMS-Solution (wireless). All Falk products are characterized by their high degree of stability as well as their flexibility and efficiency. An increasing number of customers are placing their trust in these cost-effective and demanding solutions – and more and more of these customers have their roots in an international environment.

Both Falk eSolutions AG and Pentamind A/S recorded positive earnings in 2002.



Outlook

Positive earnings and the clear upturn in all of our divisions give us confidence. Even if it is still difficult to make reliable forecasts and the general underlying economic conditions show no sign at all of an economic recovery we still have a positive view of the future.

The increasing professionalism and experience of all market players is bringing with it intense competition – which is opening up significant opportunities for growth for companies with a high innovation potential such as ad pepper media.

Market research institutes are forecasting above average growth for the online advertising market. Companies who have not yet engaged in online advertising are increasingly discovering the Internet for their advertising activities. Organic market growth ought to exceed the squeeze-out. We can assume continued market consolidation for providers of online advertising, as many companies' business models hardly have any chance of success.

ad pepper media's positioning with its three divisions Media, Data and Technology under a single roof has proved to be correct and will be further expanded. These divisions' interlinking structures and products allow ad pepper media to offer its customers integrated online marketing solutions.

ad pepper media was able to provide basic proof of interesting net returns during the fourth quarter. Now the Company's next step is to ensure stable profits that increase over the long term.

After reaching the profit zone, we now have to reinforce the results we have achieved and continue to expand these – given the anticipated growth. ad pepper media has a high potential for growth and sufficient liquidity to make shrewd acquisitions. This means that the Company is able to move its share price and value back into a zone which is of interest for both shareholders and the capital markets.

Concentration of risks and uncertainties

Acceptance of online advertising, dependence on the Internet

ad pepper media's business activities are based on the use of electronic advertising media, i.e. in particular the Internet, as well as e-mail communication and other online media. Any slowdown in growth, or even a decline in Internet use, would make Web sites less attractive as vehicles for online advertising, which in turn would materially adversely affect the financial position and results of operations of ad pepper media.

Flawed legal environment

The Company is confronted by a raft of changing and/or increasing legal regulations concerning the Internet and other electronic media. This partially inconsistent and/or heterogeneous legal environment may pose not inconsiderable risks for the ad pepper media Group that could adversely affect the Company's financial position and results of operations.

Rapid technological change

The market for the products and services offered by ad pepper media is characterized by short innovation cycles and rapid change due to the lack of uniform standards. In addition, the environment is marked by frequent announcements of new services and products and by changes in client requirements. ad pepper media thus faces the challenge of having to continually adapt its products and services to the changing technical requirements and customer demand. The obligation to ensure permanent further development of the products and services so that they comply with the new technologies will result in considerable capital requirements and not insubstantial human resources costs for the ad pepper media Group. Any errors of judgment by ad pepper media as regards the further development of its product and services expertise, and as regards new technologies and technical standards, could materially adversely affect the Company's financial position and jeopardize its business success.

Data protection

Data processing is one of ad pepper media's business activities, and the provisions of data protection regulations must be strictly observed. According to German and European legal interpretation, data collected in the area of the new tele and media services is subject to strict statutory determination of purpose. In addition to the legal uncertainty that exists in national law, the Company is also faced with the difficult task of having to comply with the data protection regulations of differing legal systems when it comes to online advertising campaigns to be launched internationally. A further factor is that it is currently very difficult to predict whether data protection regulations might be further tightened in future. Compliance with a variety of data protection regulations may require not inconsiderable resources, including financial resources, and may also impair future earnings opportunities. New legal regulations or non-compliance – even unintentionally – with current data protection law may limit the Company's ability to perform its business activities, which could adversely affect its business, financial position and results of operations.

Bad debt risk

ad pepper media generates its revenues from the fees paid by advertisers and advertising agencies to the Company. ad pepper media then remits a portion of these fees to the Web site owners. ad pepper media therefore carries the bad debt risk from receivables from the advertisers and agencies. It cannot be assumed with any certainty that considerable bad debts may not occur in the future.

Such bad debt losses may materially adversely affect the financial position and results of operations of the ad pepper media Group.

Dependence on employees in key position

Due to its decentralized structure and international orientation with many branches and subsidiaries, ad pepper media depends on a high number of qualified employees who must act on their own initiative to a significant extent, especially in the case of sales activities. At present, the Group employs a good thirty people in key positions. Retaining its existing employees and recruiting highly qualified new staff is a critical success factor for the Company. The inability of the Company to retain or recruit qualified staff may adversely affect its planned growth.

Risks from acquisitions

To be able to successfully implement a strategy of establishing and expanding a global network, ad pepper media intends relying not only on encouraging organic growth, but also plans keeping open the external growth option so that it can gain access to new markets as quickly as possible. No assurance can be given that ad pepper media will always be able to implement planned acquisitions successfully and to achieve the optimum integration of the companies acquired into its corporate structure. Any inability to do this could adversely affect the development of the Company.

Protection of intellectual property

ad pepper media currently holds proprietary rights only for the registered figurative mark with words “ad pepper media” with the pepper symbol. Both the term “pepper” and the figurative mark (the pepper symbol) are frequently used by other companies.
In some cases, similar marks or symbols have been registered prior to ad pepper media and thus enjoy priority in the event of conflict. Even though the Company is not currently aware of any other company exercising the same or comparable business activities and using marks or company names capable of being confused, no assurance can be given that there will not be cases of trademark conflict in the future or that third parties may not assert claims for alleged breach of proprietary rights against ad pepper media. Such a development could impair the market awareness and thus the impact of ad pepper media and adversely affect the Company’s business, financial position and results of operations.

Currency risks

Due to their international business activities, the companies of the ad pepper media Group normally bill their services in the local currency. The Company is exposed to exchange rate risks on transactions outside the geographical scope of European Monetary Union (eurozone). Exchange rate changes for non-EMU currencies may result in exchange rate losses that could adversely affect the financial position and results of operations of the Company. ad pepper media is also exposed to currency risks in view of the structure of the ad pepper media Group, with its many dependent foreign subsidiaries and the associated requirement to report the operating results and assets of the individual subsidiaries in the corresponding foreign currencies.

Consolidated Statements of Operations (US-GAAP)

	Q1-Q4/ 2002 €	Q1-Q4/ 2001* €
Net Sales	14,147,915	9,438,050
Cost of Sales	-7,447,741	-7,371,810
Gross profit	6,700,174	2,066,240
Selling and marketing expenses	-4,162,458	-7,188,361
General and administrative expenses	-4,275,123	-6,690,414
Other operating income and expenses, net	407,086	-1,404,295
Amortization and impairment of goodwill	0	-1,069,028
Restructuring expenses	0	-866,967
Operating loss	-1,330,321	-15,152,825
Equity in earnings of affiliated companies	50,311	0
Foreign currency exchange gains and losses, net	-298,579	319,985
Interest income and expenses, net	930,471	1,727,216
Loss before income taxes (and minority interest)	-648,118	-13,105,624
Income taxes	-12,120	-5,636
Loss before minority interest	-660,238	-13,111,260
Minority interest	-44,745	-222,803
Net loss	-704,983	-13,334,063
Net loss per share (basic and diluted)	-0.07	-1.20

	Q1-Q4/ 2002 Shares	Q1-Q4/ 2001 Shares
Weighted average shares outstanding (basic and diluted)	10,589,021	11,079,332

* prior year's presentation amended

See accompanying notes.

Assets

	December 31, 2002 €	December 31, 2001* €
Current assets		
Cash and cash equivalents	20,833,667	28,074,757
Marketable securities	4,137,205	4,011,100
Trade accounts receivable, net	5,403,525	3,274,093
Prepaid expenses and other current assets	1,061,853	1,636,939
Total current assets	31,436,250	36,996,889
Noncurrent assets		
Equipment, net	376,665	582,173
Intangible assets, net	753,601	644,603
Goodwill	2,026,041	1,233,239
Investments in affiliated companies	689,776	45,632
Marketable securities	3,508,000	0
Other assets	213,916	128,577
Total noncurrent assets	7,567,998	2,634,224
Total assets	39,004,248	39,631,113

* prior year's presentation amended

See accompanying notes.

Liabilities and Shareholders' Equity

	December 31, 2002 €	December 31, 2001* €
Current liabilities		
Trade accounts payable	1,982,049	1,868,174
Accrued expenses	2,571,209	2,572,345
Other current liabilities	496,609	696,694
Total current liabilities	5,049,868	5,137,213
Minority interest	39,828	4,254
Shareholders' 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 deficit	-24,180,665	-23,475,682
Accumulated other comprehensive income/loss	15,724	-243,812
Total shareholders' equity	33,914,552	34,489,646
Total liabilities and shareholders' equity	39,004,248	39,631,113

* prior year's presentation amended

See accompanying notes.

Statements of Cash Flows

	01.01.02-31.12.02 €	01.01.01-31.12.01* €
Net loss	-704,983	-13,334,063
Adjustments to reconcile net loss to cash used in operations:		
Loss attributable to minority interests	44,745	222,803
Depreciation and amortization	446,671	1,644,308
Gain/loss on sale of equipment	-1,912	326,386
Exchange losses transferred from other comprehensive income	362,324	0
Other non-cash income and expenses	-28,774	229,016
Gross-cash-flow	118,071	-10,911,550
Changes in operating assets and liabilities:		
Increase/decrease in trade accounts receivable	-2,129,432	5,259,056
Increase/decrease in prepaid expenses and other assets	-94,728	1,107,682
Increase/decrease in trade accounts payable	113,875	-5,363,980
Decrease in accrued expenses and other liabilities	-468,960	-1,260,553
Net cash used in operating activities	-2,461,174	-11,169,345

* prior year's presentation amended

See accompanying notes.

Statements of Cash Flows

	01.01.02-31.12.02 €	01.01.01-31.12.01* €
Capital expenditures for intangible assets and equipment	-343,532	-453,862
Proceeds from sale of intangible assets and equipment	9,029	145,617
Capital expenditures in affiliated companies	-363,287	-7,982
Security payments/proceeds from repayment security deposits	-85,339	53,389
Cash paid for acquisition of shares in consolidated company	-122,988	-16,354
Sales of marketable securities	5,000,400	18,624,210
Proceeds from matured marketable securities	-8,634,505	-4,011,100
Net cash used in investing activities	-4,540,221	-14,333,918
Purchases treasury stock	-136,907	-695,517
Net cash used in financing activities	-136,907	-695,517
Effect of exchange rate changes on cash and cash equivalents	-102,788	-315,938
Changes in cash and cash equivalents	-7,241,090	2,153,118
Cash and cash equivalents at beginning of year	28,074,757	25,921,639
Cash and cash equivalents at end of year	20,833,667	28,074,757

* prior year's presentation amended

See accompanying notes.

Statement of changes in noncurrent assets

Cost	Balance at January 01, 2002 €	Additions €	Disposals €	Balance at December 31, 2002 €
Equipment	1,092,283	81,581	62,270	1,111,594
Intangible assets				
Software	250,283	261,951	0	512,234
Proprietary rights	613,550	0	0	613,550
Total	863,833	261,951	0	1,125,784
Investments affiliated companies	45,632	688,598	0	734,230
Goodwill	2,867,573	792,802	0	3,660,375
Total noncurrent assets	4,869,321	1,824,932	62,270	6,631,983

Statement of changes in noncurrent assets

Accumulated depreciation/ Amortization/Impairment	Balance at January 01, 2002 €	Depreciation/ Amortization of fiscal year €	Disposals €	Differences from currency convertion €	Balance at December 31, 2002 €
Equipment	510,110	293,728	55,153	13,756	734,929
Intangible assets					
Software	76,061	91,588	0	-10	167,659
Proprietary rights	143,169	61,355	0	0	204,524
Total	219,230	152,943	0	-10	372,183
Investments in affiliated companies	0	44,454	0	0	44,454
Goodwill	1,634,334	0	0	0	1,634,334
Total depreciation/amortization	2,363,674	491,125	55,153	13,746	2,785,900

Statement of changes in noncurrent assets

Book value	12/31/2002 €	12/31/2001 €
Equipment	376,665	582,173
Intangible assets		
Software	344,575	174,222
Proprietary rights	409,026	470,381
Total	753,601	644,603
Investments in affiliated companies	689,776	45,632
Goodwill	2,026,041	1,233,239
Total book value	3,846,083	2,505,647

Statements of shareholders' equity

	Capital Stock	Treasury shares	Additional paid-in capital	Accumulated deficit	Cumulative other comprehensive income/loss	Total
	€	€	€	€	€	€
Balance at January 01, 2001	1,115,500	0	57,789,157	-10,141,619	72,126	48,835,164
Acquisition of treasury shares	0	-53,316	-642,201	0	0	-695,517
Net loss for the period	0	0	0	-13,334,063	0	-13,334,063
Cumulated other comprehensive income/loss	0	0	0	0	-315,938	-315,938
Total comprehensive loss	0	0	0	0	0	-13,650,001
Balance at December 31, 2001	1,115,500	-53,316	57,146,956	-23,475,682	-243,812	34,489,646
Balance at January 01, 2002	1,115,500	-53,316	57,146,956	-23,475,682	-243,812	34,489,646
Acquisition of treasury shares	0	-10,000	-126,907	0	0	-136.907
Issuance from treasury shares	0	600	6.660	0	0	7.260
Net loss for the period	0	0	0	-704,983	0	-704,983
Cumulated other comprehensive income/loss	0	0	0	0	259,536	259,536
Total comprehensive loss	0	0	0	0	0	-445,447
Balance at December 31, 2002	1,115,500	-62,716	57,026,709	-24,180,665	15,724	33,914,552

US-GAAP Notes to the consolidated financial statements

Notes to the consolidated financial statements

The Company and principles of accounting

The Company

ad pepper media International N.V.'s business activities include holding interests in other companies whose purpose is to market Internet advertising space, and to provide services for its subsidiaries. Since its formation, ad pepper media's aim has been to fulfill the requirements of highly varied markets as an international company. ad pepper media's operating activities have their origins in 1998, when the Company today known as ad pepper media GmbH was formed as "InterAd interactive media services GmbH" in Munich. In February 1999, InterAd was renamed ad pepper media and was positioned as an international corporate group. After its launch in Germany and Denmark, the Company quickly formed additional foreign subsidiaries. The current structure with ad pepper media International N.V. heading the Group as its holding company has been in place since August 1999. ad pepper media has 13 branch offices in 9 European countries. The Company's range of services comprises three categories: media, data and technology. This means that ad pepper media covers all aspects of online advertising from low-price, broad-reach products and various highly efficient branding solutions through to new customer acquisition and measures to enhance customer loyalty. The ad pepper media network enjoys over one billion advertising contacts per month and covers leading Web sites such as Gelbe Seiten (Yellow Pages) and Das Telefonbuch (The Telephone Book) in Germany, Aftonbladed in Sweden, Marktplaats in The Netherlands, Krak in Denmark, Interhotel in Spain and more than 500 subject-area specific Web sites such as Monster. Customers include blue chips as well as new, innovative brands and advertising customers who have discovered the Internet as an efficient advertising medium. The sales network includes Web sites with a regional, national and international online advertising presence, and thus offers customers the desired reach. Advertising customers are provided with one-stop-shopping for all services needed to place advertising messages on the high-quality European and International sites in ad pepper media's site portfolio. Campaigns are implemented, the advertising tools are modified, campaign performance is analyzed, reports are made and campaigns are invoiced – with ad pepper media assuming responsibility for flawless campaign performance. Advertising customers regard the conception of individual booking plans as a particularly valuable service. These plans allow the desired target group to be reached specifically and with a minimum of coverage waste. In addition to actually booking the Web sites, the booking plans also include suggestions for selecting the advertising medium (banners, buttons, interstitials, text links, pop-ups, etc.). A key aspect of the service offered is order-related booking or bundling of various Web sites with a similar target group (supplier's products) to form individual "booking products" for the relevant customer. Web sites that are represented by ad pepper media benefit from the combination of international and local sales expertise and in-depth technical support. The customized services help Web sites to generate advertising income without having to invest in expensive human resources or high-priced technology. Web sites and advertisers alike benefit from the effective service offered by the ad pepper media Group, which offers best-priced offerings to both sides. All services are processed via a single contact – simplifying campaign planning and implementation. ad pepper media International N.V. is based in Amsterdam (Hoofddorp), The Netherlands and has a branch office in Nuremberg, Germany.

Consolidation

Group of consolidated companies

All subsidiaries under the legal or de facto control of ad pepper media International N.V. are included in the consolidated financial statements. The individual consolidated companies are as follows:

Company	Interest
ad pepper media GmbH, Nuremberg, Germany	100%
ad pepper media in Austria GesmbH, Salzburg, Austria	100%
ad pepper media BeNeLux B.V. Hoofddorp, The Netherlands	100%
ad pepper media Sweden AB, Stockholm, Sweden	100%
ad pepper media Denmark A/S, Copenhagen, Denmark	94%
ad pepper media Oy, Helsinki, Finland	100%
ad pepper media Norway A/S, Oslo, Norway (until December 1, 2002)	0%
ad pepper media UK Ltd., London, United Kingdom	100%
ad pepper media France S.A.R.L., Paris, France	100%
ad pepper media Spain S.A., Barcelona, Spain	100%
ad pepper media USA LLC, Delaware, US	100%
ad pepper media Italy srl., Milan, Italy	100%
ad pepper media Asia Limited, Hong Kong, Peoples' Republic of China (until September 30, 2002)	0%
ad web A/S, Oslo, Norway (until December 1, 2002)	0%
Mediasense ApS, Copenhagen, Denmark	100%
Pentamind A/S, Copenhagen, Denmark	61.6%

Operations of ad pepper media Oy (Helsinki, Finland) and of ad pepper media Norway A/S (Oslo, Norway) were discontinued in 2001 as part of the restructuring program. The interest in ad pepper media Norway A/S was sold effective December 1, 2002. The interest in ad pepper media Oy was increased to 100% as of December 1, 2002. The fifty percent interest in ad pepper media Asia Limited (Hong Kong, Peoples' Republic of China), which also does not conduct any operations, was sold effective September 30, 2002.

The former 49.9% minority interest in ad pepper media Sweden AB; (Stockholm, Sweden), was acquired by ad pepper media International N.V. on September 11, 2002 to strengthen the Company's position in a market with significant growth potential. The purchase price totaled € 787,267 thereof € 122,988 in cash and € 664,279 settlements of loan receivables.

The purchase price reflects the Company's expectations of ad pepper media Sweden's future growth in sales and cash flows.

The total purchase price plus the share of the net liabilities acquired of € 5,535 was reported as goodwill. Pro-forma results for all periods presented would not be different, since the Company was already consolidated.

A 6% interest in ad pepper media Denmark A/S (Copenhagen, Denmark) was sold in 2002.

Principles of consolidation and balance sheet date

The consolidated financial statements include ad pepper media International N.V. and its majority-owned subsidiary companies. All intercompany-transactions and accounts are eliminated in consolidation. Investments in affiliated companies in which ad pepper media exercises significant influence, but which it does not control, are stated at cost plus equity in undistributed earnings.

The balance sheet date for all of the companies consolidated is December 31, 2002.

Accounting principles

Basis of Presentation

The financial statements presented in this report have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP).

Currency translation

The accounts are presented in Euros (€).

The balance sheets of foreign subsidiaries whose functional currency is not Euros have been translated to Euros at the year-end exchange rates, the statements of operations have been translated using the annual average rate. Differences resulting from currency translation are reported in other comprehensive income/loss.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent amounts at the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

New accounting pronouncements adopted

In June 2001 the Financial Accounting Standards Board (FASB) issued the Statement of Financial Accounting Standards (SFAS) No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and other intangible assets". The provisions apply for the first time to fiscal years commencing after December 15, 2001. SFAS 141 prescribes use of the purchase accounting method for accounting for business combinations after June 30, 2001. According to SFAS 142, goodwill and indefinite life intangible assets shall not be amortized but shall be tested for impairment on an annual basis.

The Company had to perform a transitional assessment of whether there was an indication that goodwill was impaired as of January 1, 2002. The Company determined that its ability to recover the carrying value of its recorded goodwill was not impaired as of January 1, 2002.

According to SFAS 142, the Company was also required to review the useful life and book value of all intangible assets and adjust these if required. The Company determined that amortization period adjustments were not necessary and that none of its intangible assets have indefinite useful lives.

In August 2001, the FASB issued SFAS 144, Accounting for the Impairment of Long Lived Assets.
SFAS144 retains the current requirement to recognize an impairment loss only if the carrying amounts of long lived assets to be held and used are not recoverable from their expected undiscounted future cash flows. The Company adopted SFAS 144 on January 1, 2002. The adoption of SFAS 144 had no impact on the Company's consolidated financial statements.

In December 2002, the FASB issued SFAS 148, Accounting for Stock-Based Compensation – Transition and Disclosure, which amends SFAS 123, Accounting for Stock-Based Compensation. SFAS provides alternative methods of transition for a voluntary change to the fair value based method of accounting and also requires more prominent disclosures in both interim and annual financial statements about the method of accounting used for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS 148 are effective for fiscal years ending after December 15, 2002 and the Company has included the required additional disclosures for the year ended December 31, 2002.

Sales

The Company generates its net sales by marketing Internet advertising space. Advertising customers book units (ad impressions, ad clicks, registrations) via the Company – these are supplied over a period to be defined by the customer. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price of the transaction is fixed and determinable, and collectibility is reasonably assured. In cases in which a campaign starts before the balance sheet date and lasts beyond this date, sales are deferred proportionately according to the units supplied or to the period, depending on the contract. Sales are reported net of discounts and rebates.

Income taxes

According to SFAS 109 "Accounting for Income Taxes", deferred tax assets and liabilities are to be recognized for future effects that result from the difference between the carrying amounts of assets and liabilities in the US GAAP balance sheet and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which these temporary differences are expected to be recovered or settled.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoice amounts and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing trade accounts receivable.

Management, considering current information and events regarding the customers' ability to repay their obligations, considers the collectibility of a trade account receivable to be impaired when it is probable that the Company will be unable to collect all amounts due according to the sales terms. When a trade receivable is considered to be impaired, the amount of the impairment is measured based on the present value of expected future cash flows. Any impairment losses are included in the allowance for doubtful accounts through a charge to bad debt expense. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Recoveries of trade receivables previously written-off are recorded when received.

Equipment

Equipment is carried at historical cost less depreciation. Equipment is depreciated using the straight line method over periods ranging from three to ten years.

Low-value assets are written off in full in their year of acquisition.

Maintenance costs which do not increase the value of the asset or increase its useful life are expensed when incurred. Gains or losses from the disposal of noncurrent assets are reported in other operating income or expenses.

Intangible assets

Intangible assets are carried at their historical cost and are amortized using the straight-line method over a useful life of three to ten years.

Impairment of long-lived assets

Long-lived assets other than goodwill are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of an asset or group of assets exceeds its estimated discounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair market value of the asset.

Goodwill

Goodwill is capitalized, and up to and including 2001 was amortized over a period of five years. According to SFAS 142, goodwill shall not be amortized but shall be reviewed for impairment at least once per year. The pro forma amounts given below indicate the results if SFAS 142 had applied for all periods presented.

	2002 Total €	per share €	2001 Total €	per share €
Net loss, as reported	704,983	0.07	13,334,063	1.20
Recorded amortization expense on goodwill	0	0	-361,706	-0.03
Pro forma net loss	704,983	0.07	12,972,357	1.17

Accrued liabilities

Accruals are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Stock-based compensation

The Company accounts for stock options in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" (ABP 25). When applying ABP 25, compensation expense for compensatory plans is measured based on the intrinsic value, which is the excess of the market price of the stock over the exercise price on the measurement date. Under the intrinsic value method, compensation is determined on the measurement date, which is the first date on which both the number of shares the employee is entitled to receive and the exercise price, if any, are known. Compensation expense, if any, generally is recognized over the equity award's vesting period. Compensation expense associated with awards that immediately are vested or attributable to past services is recognized when granted.

Net Loss Per Share

Basic and diluted loss per share is calculated in accordance with SFAS No. 128, "Earnings per Share". Basic loss per share is based upon the number of weighted-average shares of common stock outstanding for the respective years.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and marketable securities. The Company's cash and cash equivalents are principally denominated in Euro. Marketable securities are placed in high quality debt securities.

Cash, cash equivalents and marketable securities are maintained in high quality financial institutions. The Company continually monitors its positions with, and the credit quality of, the financial institutions.

Fair Value of Financial Instruments

The carrying value of financial instruments such as cash and cash equivalents, trade accounts receivable, trade accounts payable, accrued expenses and other current liabilities approximate their fair value based upon the short-term maturities of these instruments. The fair value of marketable securities is based upon quoted market prices.

Reclassifications

Certain amounts in prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

Notes to the consolidated statements of operations

Cost of sales

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

Selling expenses

Selling expenses include all expenses incurred in acquiring customers and orders. Advertising cost totaling € 68,923 in 2002 (2001: € 454,033) were expensed when incurred.

Restructuring costs

No restructuring cost was incurred in 2002 (2001: € 866,967).

2001 restructuring cost resulted from terminating operations in the US, Austria, Norway and Finland, and from the sale of its interests in the companies in Switzerland and Slovakia. During the course of restructuring, ad pepper media had to terminate its employment relationships with 30 employees, resulting in cost of € 319,654. In addition restructuring costs included expenses related to the cancellation of rental and leasing agreements and related advisory fees. The sales in the countries affected by the restructuring measures totaled € 786,658 in 2001. The operating loss 2001 in these countries totaled € 4,531,939.

No sales and operating expenses of the operations terminated in 2001 are included in the 2002 consolidated statement of operations.

Restructuring accruals at December 31, 2001 amounted to € 127,158 (2002: € 0). The Company charged in 2002 € 88,200 employee termination cost and € 39,058 cost of terminating rental and leasing agreements and other contractual obligations, including associated advisory fees, against the accrual.

Other operating income and expenses, net

In 2001 other operating income and expenses net included impairment charges on equipment and losses on the disposal of assets of closed operations (€ 326,386). In 2002 other operating income and expenses net includes a € 44,454 impairment charge on equity investments.

Foreign exchange gains and losses, net

Foreign exchange gains and losses, include € 63,745 (2001: € 319,985) realized exchange gains on receivables and payables denominated in foreign currencies and € 362,324 losses from the translation of foreign currency financial statements reclassified from other comprehensive income due to the sale or closure of subsidiaries in which the losses arose.

Interest income and expenses, net

Interest income and expenses are composed as follows:

	2002 €	2001 €
Interest income	938,347	1,763,822
Interest expenses	-7,876	-36,606
	930,471	1,727,216

Income taxes

Reported income taxes represent payments made in various tax jurisdictions.

Deferred tax assets of approximately € 10.5 million (2001: € 10.3 million) for available non expiring tax loss carry forwards of € 29.4 million (2001: € 29.1 million) have been calculated, however, these were fully reserved as use of the available loss carry forwards cannot be foreseen due to the brief history of the Company.

The allowance on deferred tax assets includes € 103,000 which is to be recorded as a reduction of goodwill when the loss carry forwards are used.

Reported income taxes reconcile to the expected tax expenses based on the German statutory (combined corporation and trade tax) tax rate of 37.6% as follows:

	2002 K€	2001 K€
Expected income tax credit	244	4,928
Foreign tax rate differential	78	-1,109
Losses from operations sold or discontinued	0	-931
Amortization of goodwill	0	-402
Other non-tax deductible expenses	-135	-117
Increase valuation allowance on deferred tax asset	-187	-2,369
Others	-12	-6
Taxes reported	-12	-6

Notes to the consolidated balance sheets

Current assets

Cash and cash equivalents

Cash and cash equivalents include bank balances, cash in hand and short-term monetary investments with a term of less than three months at the date of acquisition.

Marketable securities

The proceeds from the IPO have been partially invested in marketable debt securities with terms of less than one year which can be converted into cash in the short-term. The designated held-to-maturity securities are reported at cost which approximate the fair market values.

Trade receivables

Trade receivables are carried at their face value less allowances. Total allowances at December 31, 2002 amounted to € 1,213,485 (2001: € 1,337,845). The allowances for doubtful accounts are the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable.

Prepaid expenses and other current assets

Other current assets are carried at their nominal value and are comprised as follows:

	Dec. 31, 2002 €	Dec. 31, 2001 €
Receivables from shareholders	245,336	757,074
Advance tax payments	362,121	429,067
Other receivables	332,203	299,896
Prepaid expenses	122,193	150,902
Prepaid expenses and other current assets	1,061,853	1,636,939

Receivables from shareholders include € 220,708 (2001: € 210,099) loans to senior employees who are also shareholders. These loans bear interest of 5.5% p.a. and have terms of up to one year from the balance sheet date.

Impaired loan receivables totaling € 146,467 were fully reserved (2001: € 142,466).

Non-current assets

Equipment

Details of equipment including acquisition costs and accumulated depreciation are presented in the consolidated statements of changes in non-current assets.

Intangible assets

Intangible assets are composed as follows:

	Dec. 31, 2002 €	Dec. 31, 2001 €
Software	344,575	174,222
Brand	409,026	470,381
Total	753,601	644,603

ad pepper media acquired the rights to the "ad pepper" brand on August 30, 1999 for € 613,550. The brand is amortized over a period of ten years using the straight-line method. The residual book value as of December 31, 2002 totaled € 409,026 (2001: € 470,381).

Amortization expense for the next five years is estimated as follows:

	2003 €	2004 €	2005 €	2006 €	2007 €
Software	124,180	84,127	50,791	34,204	34,182
Brand	61,355	61,355	61,355	61,355	61,355
Total	185,535	145,482	112,146	95,559	95,537

The weighted-average remaining amortization period for software is approximately three years.

Goodwill

The goodwill balance at December 31, 2001 was € 1,233,239. In 2002 goodwill was increased by € 792,802 with the acquisition of the former minority interest in ad pepper media Sweden AB.

In 2001, goodwill was tested for impairment based on future cash flows, resulting in an impairment charge of € 496,309. In 2002, no amortization charge was recorded in accordance with SFAS 142 (2001: € 572,719). The Company evaluated goodwill for impairment in the fourth quarter of 2002 and concluded that its ability to recover the carrying value of its goodwill is not impaired based on estimated present values of future cash flows which management believes is a more appropriate measure to determine fair value than the Company's current market capitalization. At the end of 2002, goodwill totals € 2,026,041 (2001: € 1,233,239).

Details of intangible assets including goodwill are given in the consolidated statements of changes in non-current assets.

Investments in affiliated companies

The Company holds an indirect 25.1% interest in regio ad GmbH & Co. KG and a 25.1% interest in regio ad Verwaltungs-GmbH via ad pepper media GmbH, Germany. During 2002 these interests totaling € 44,454 were written off in full as the companies have ceased operating activities.

As of October 1, 2002, ad pepper media International N.V. acquired a 25.1% interest in Falk eSolutions AG, Germany. This interest is carried as an equity method investment. The purchase price exceeded the proportionate equity by € 483,381. The total acquisition cost of € 638,287 included a € 300,000 cash contribution for newly issued shares, acquisition costs of € 63,287 and a € 275,000 committed capital contribution (liability) payable on December 31, 2005. However, an earlier payment is contingent upon the achievement of performance targets by December 31, 2003. In addition, the liability can be reduced based on the use of the Company's office space.

Marketable securities

Marketable securities with maturities of more than one year are reported in non-current assets. The designated held-to-maturity debt securities are reported at cost which approximate fair market values and have a maturity of less than five years.

Other assets

Other assets mainly include long-term rental deposits, which are carried at their nominal amount.

Current liabilities

Trade accounts payables

Trade accounts payables are carried at their nominal amount.

Accrued liabilities

Accrued liabilities take into account all recognizable commitments to third parties. Also included are amounts not yet invoiced on the balance sheet date that are due to the owners of the Internet advertising space (Web sites). Expenses are accrued to match recorded revenues.

Treasury shares

With shareholders' resolution on April 25, 2002 the Managing Board has been authorized to repurchase treasury shares for up to 10% of the share capital. In 2002 the Company purchased 100,000 shares with a nominal value of € 0.10 as treasury shares (2001: 533,162) for a total cash payment of € 136,907.

By shareholders' resolution of April 26, 2001 the Managing Board was authorized to repurchase treasury shares for up to 10% of the share capital. In 2001 the Company purchased 533,162 shares for a total cash payment of € 695,517.

Issuance of treasury shares

Of the treasury shares acquired by the Company, 6,000 shares at a price of € 1.21 were used to settle the 2001 purchase price liability from the acquisition of Pentamind A/S.

Number of shares issued

The number of shares issued and outstanding totaled 10,527,838 as of December 31, 2002 (2001: 10,621,838). The shares have a nominal value of € 0.10.

Additional paid-in capital

The costs of repurchasing treasury shares reduced the amount of the additional paid-in capital in the amount that these costs exceeded the nominal value of the shares.

Authorized capital

The authorized capital totals € 4,000,000 and comprises 40,000,000 shares.

Accumulated other comprehensive income/loss

The accumulated other comprehensive income exclusively includes accumulated currency translation differences.

The reported change in other comprehensive income includes € 362,325 realized exchange rate differences which are recognized in the statements of operations. In deconsolidating ad pepper media Norway A/S accumulated comprehensive income at the amount of € 162,567 was recognized in the statements of operations as loss on disposal. Furthermore, € 199,758 of accumulated comprehensive income of ad pepper media USA LLC was realized as loss in 2002, as the Company is inactive and does not carry forward any significant assets.

Other notes

Transactions with related parties

ad pepper media International N.V. purchased adserving technology services from Falk eSolutions AG for a total value of approx. € 330,000 in 2002 (2001: € 2,855). The corresponding liabilities at December 31, 2002 totaled € 58,573 (2001: € 2,855).

In accordance with a promotion and subsidy agreement, Falk eSolutions AG has been using ad pepper media's London offices since October 2002 including fittings and furniture in the offices. The charge therefore totaled € 6,000 in 2002.

The Company carries out business with several other companies controlled by shareholders of ad pepper media. The following is a summary of those transactions.

Administrative costs of € 11,000 were charged and paid by Euroserve in 2002 (2001: € 0). No receivable was reported as of the balance sheet date.

In 2002 the Company paid rent of € 88,000 to regio ad for jointly used offices. In 2001 the companies offset rental charges and the operating cost of jointly used offices. As of December 31, 2002 there were no liabilities to regio ad (2001: € 0).

ad pepper media GmbH markets Internet sites for companies including Sharelook, Waslos.de, Gelbe Seiten Marketing and Funkhaus Nürnberg at standard market terms. Remuneration to these Web site operators totaled € 170,000 in 2002 (2001: € 373,494). The liabilities at December 31, 2002 totaled € 69,826 (2001: € 17,126). € 14,000 were paid to IHW in 2002 (2001:€ 0) as an agency commission. Also, ad pepper media GmbH has rented office space in Düsseldorf from Schwann KG. Rental expenses totaled € 6,500 in 2002 (2001: € 5,271).

As part of an office sharing agreement with Portamundi, rental payments were offset against the operating costs of jointly used office fittings. In addition, ad pepper media International N.V. used Interfilm Ltd's consulting services.

Litigation and claims

ad pepper media GmbH is currently involved in litigation with regard to an open receivable totaling approx. € 1 million. This receivable has been written down to the anticipated realizable value.

With this exception, the Company is not involved in any material litigation with third parties.

Other financial commitments

Other financial commitments mainly result from leased office premises and from leasing contracts for cars and office equipment. The future minimum payment commitments resulting from contracts which existed on December 31, 2002 are as follows:

Fiscal year	2003 K€	2004 K€	2005 K€	2006 K€	2007 K€	thereafter K€	total K€
Office rent	354	260	93	21	5	0	733
Car leasing	138	63	8	0	0	0	209
Total	492	323	101	21	5	0	942

Additional cash flow information

The following information is supplied to supplement the cash flow statement:

The interest paid in 2002 totaled € 7,876 (2001: € 36,606). Income taxes paid in 2002 totaled € 12,120 (2001: € 5,636).

The acquisition costs for the investment in Falk eSolutions AG include a € 275,000 loan payable to Falk eSolutions AG, the acquisition costs for the interests in ad pepper media Sweden A/B include non-cash amounts (settlements of loan receivables) totaling € 644,279.

Treasury shares totaling € 7,260 were issued as settlement for an account payable.

Segment reporting

ad pepper media's entire business activities are regarded as a single segment. Internal reporting to the management is currently primarily focused on regional sales growth. The following tables show the sales, cost of sales and the gross profits in the individual regions:

Sales	2002 €	2001 €
Central Europe (Germany, Austria, Switzerland, Slovakia)	4,334,728	2,537,236
Northern Europe (Denmark, Sweden, Finland, Norway)	3,008,242	3,812,528
Western Europe (United Kingdom, France, Spain, The Netherlands, Italy)	6,804,945	3,034,631
USA	0	53,655
Total sales	14,147,915	9,438,050

Cost of sales	2002 €	2001 €
Central Europe (Germany, Austria, Switzerland, Slovakia)	3,103,158	2,215,752
Northern Europe (Denmark, Sweden, Finland, Norway)	1,785,020	2,764,545
Western Europe (United Kingdom, France, Spain, The Netherlands, Italy)	2,559,563	2,346,425
USA	0	45,088
Total cost of sales	7,447,741	7,371,810

Gross profit	2002 €	2001 €
Central Europe (Germany, Austria, Switzerland, Slovakia)	1,231,570	321,484
Northern Europe (Denmark, Sweden, Finland, Norway)	1,223,222	1,047,983
Western Europe (United Kingdom, France, Spain, The Netherlands, Italy)	4,245,382	688,206
USA	0	8,567
Gross profit	6,700,174	2,066,240

Earnings per share

The following table shows the calculation of the net loss per share ("earnings per share"):

Loss per ordinary share in € / share	2002	2001
Net loss for the period	704,983	13,334,063
Issued shares start of period	10,621,838	11,155,000
Issued shares end of period	10,527,838	10,621,838
Weighted stock of issued shares	10,589,021	11,079,332
Loss per share	0.07	1.20

The weighted number of shares issued in 2002 was calculated on a daily basis. There was no dilutive effect. The Company's outstanding stock options were excluded from the above calculations of dilutive net loss per share, as the effect of their inclusion would have been anti-dilutive.

Stock option program

Before the Company's IPO in 2000, the Extraordinary General Meeting of ad pepper media International N.V. resolved a "pre-IPO Stock Option Plan" for all of the employees of the Company or its subsidiaries at the time of the IPO. The options issued in 2000 on the basis of this plan may be exercised 10 years after the IPO with no conditions imposed, or before this date in four equal tranches if the respective targets for success have been met (25% after the first year, if the stock market price during this period exceeds € 19.55 on one occasion, 25% after two years, if the stock market price during this period exceeds € 22.10 on one occasion, 25% after three years, if the stock market price during this period exceeds € 23.80 on one occasion, 25% after four years, if the stock market price during this period exceeds € 25.50 on one occasion). The options lapse if the employee terminates their employment relationship or if the employer terminates the relationship for good reason.

During the Ordinary General Meetings on April 26, 2001 and April 25, 2002, the Managing Board was authorized to repurchase treasury shares for up to 10% of the share capital within an 18-month period. The treasury shares are available as currency for acquisitions and employee options.

The options in the "Ongoing Stock Option Plan" are subject to the following provisions:

The options are granted to employees of the ad pepper media Group. 500,000 shares have been reserved for the "Ongoing Stock Option Plan". The subscription ratio is one share per option. The subscription price is calculated using the average XETRA price during the first ten trading days in the month of May 2001 for the Plan 2001 or the first ten trading days in the month of January 2002 for the Plan 2002.

The options can first be exercised when the share price has increased to at least 10% more than the subscription price, however at the earliest one year after the option has been granted. The options may be exercised in whole or in part in the three-week period after publication of the Company's quarterly reports. In principle, the stock options granted do not expire. However, the stock options expire if the employee terminates his/her employment relationship with the Company or if the Company terminates the employment with good cause. No stock based compensation expenses for options granted were recorded in line with the intrinsic value method.

The following table shows the options as of December 31, 2002:

	Number	Subscription price €
Option rights at start of fiscal year (Pre-IPO)	121,850	13.50
Option rights at start of fiscal year (Ongoing SOP 2001)	92,700	2.73
Option rights granted (Ongoing SOP 2001)	5,000	2.73
Option rights granted (Ongoing SOP 2002)	157,600	1.33
Lapsed option rights (Pre-IPO)	-1,400	13.50
Lapsed option rights (Ongoing SOP 2001)	-4,800	2.73
Lapsed option rights (Ongoing SOP 2002)	-3,600	1.33
Option rights exercised	0	0
Option rights at end of fiscal year	367,350	0
Weighted average exercise price	0	5.67
Exercisable options at end of fiscal year	0	0

The “fair value” of the stock options is calculated using the Black-Scholes model. In so doing, the following assumptions were made:

	Pre-IPO	Ongoing SOP 2001	Ongoing SOP 2002
Share price at issue	13.50 €	2.60 €	1.30 €
Date off issue	5/31/2000	5/18/2001	1/15/2002
Strike price	19.55 €	2.73 €	1.40 €
Risk-free interest rate	4.8%	4.0%	3.8%
Anticipated term	7 years	4 years	1 year
Future dividends	0%	0%	0%
Anticipated volatility	20%	93%	68%

The grant date fair value of options granted in 2002 is € 0.68 per option right.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123:

Net loss	2002 €	2001 €
as reported	704,983	13,334,063
pro forma expense	180,280	224,547
pro forma	885,263	13,558,610

Loss per share		
as reported	0.07	1.20
pro forma	0.08	1.22

Events after the balance sheet date

ad pepper media France S.A.R.L. acquired a 100% interest in the French online marketer Macati S.A.R.L. effective January 1, 2003. Macati is an established provider and developer on the French market for efficient direct marketing concepts. The excellent reach of the existing Macati Web site network means that Macati's advertising customers can implement their direct marketing campaigns rapidly, and directly online. Macati has a network of more than 500 Web sites in the B2B and B2C sectors, which can reach millions of unique users every day. Macati's activities focus on customer loyalty and acquisition programs, in which users specifically and consciously chose the offered products and services. Since the Company was formed it has generated more than 1.3 million qualified user profiles for well-known French and international companies such as Nokia, Microsoft, Consodata, Apple Computers, Claritas, Banque AGF and EGG. Macati S.A.R.L. was formed in June 2000 and already recorded a profit in both of the last two years with its interactive marketing solutions.

The purchase price totaled € 312,500. Of this amount € 87,500 was paid for in the form of shares of ad pepper media International N.V. Of the total purchase price, € 75,000 are contingent based on targets being reached, of this amount € 37,500 payable in shares of the Company. The number of these shares is calculated using the average price of the last ten trading days after the 2003 financial statements have been adopted. 25,331 shares will be transferred for the first tranche of shares totaling € 50,000 based on the 10-day average price prior to the contract being signed.

The purchase price exceeds the net assets by € 255,855. The goodwill is not tax deductible. The purchase price allocation has not been dermined.

Condensed balance sheet of Macati S.A.R.L.

As of December 31, 2002	€
Total current assets	309,472
Total noncurrent assets	17,017
Total assets	326,489
Total current liabilities	269,835
Total equity	56,654
Total equity and liabilities	326,489

Audit report

To ad pepper media International N.V., Hoofddorp, The Netherlands,

we have audited the consolidated financial statements, comprising the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and notes of ad pepper media International N.V, Hoofddorp, The Netherlands as of December 31, 2002 and for the year then ended. The preparation and content of the consolidated financial statements is the responsibility of the Company 's Managing Board. Our responsibility is to express an opinion, based on the results of our audit, as to whether these consolidated financial statements comply with the United States Generally Accepted Accounting Principles (US GAAP).

We conducted our audit in accordance with German auditing regulations and in compliance with the principles of proper German auditing adopted by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the consolidated financial statements are detected with reasonable assurance. The process of defining the audit procedures takes account of knowledge about the business activities and the economic and legal environment of the Company, as well as expectations of possible errors. An audit includes examining, largely on a test basis, the effectiveness of the accounting-based internal control system and evidence supporting the amounts and disclosures in the annual consolidated financial statements. The audit includes assessing the accounting principles used and significant estimates made by the Company 's legal representatives as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any objections.

In our opinion, the consolidated financial statements as of December 31, 2002 and for the year then ended give a true and fair view of the financial position of the Group and results of its operations and its cash flows in accordance with United States Generally Accepted Accounting Principles.

Nuremberg, March 21, 2003

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Hegenbarth	Eckert
Wirtschaftsprüfer	Wirtschaftsprüfer

Executive Bodies of the Company

Other mandatory disclosures in line with the rules and regulations of the Neuer Markt

Executive Bodies

The Managing Board members are:

Ulrich Schmidt, Nuremberg, Germany, CEO (Chairman)

Hermann Claus, Celle, Germany, CFO

Niels Nüssler, Nuremberg, Germany, CSO

The Supervisory Board members are:

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

Merrill Dean, Scottsdale, US, Managing Director

Jan Andersen, Copenhagen, Denmark, Managing Director

Dr. Günther Niethammer, Frankfurt, Germany, Managing Board Member

Bernd Sexauer, Frankfurt, Germany, Manager

Shares and options held by the Executive Bodies as of 31.12.02

Managing Board	Shares	Options
Ulrich Schmidt	627,197	78,000
Hermann Claus	36,808	63,000
Niels Nüssler	38,113	46,500

Supervisory Board	Shares	Options
Michael Oschmann	112	0
Merrill Dean	0	0
Jan Andersen	612,600	0
Dr. Günther Niethammer	1,112	10,000
Bernd Sexauer	292	0

Related parties	Shares	Options
Electronic Media Advertising B.V.	4,743,201	0
VIVA Beteiligungsgesellschaft	19,413	0

Company calendar – Investor Relations

Company calendar 2003

24. March	Results 2002 ▸ Press telephone conference ▸ Telephone conference for analysts
5. May	General meeting of shareholders in Hoofddorp (NL)
May	Quarterly report I/2003
August	Quarterly report II/2003 Half-year results
November	Quarterly report III/2003
Fall	Analyst's conference

Investor Relations

Anna-Maria Schubert
Investor Relations Manager

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Ad impressions: At the end of 1998, the industry associations DMMV, GWA, VDZ, BDZV and VPRT established ad impressions as the standard unit to be bindingly used in future when measuring the performance of advertising media. In contrast to the page impressions, this unit measures the number of times an advertising banner itself is actually viewed, not the number of times that the page on which the advertising that is viewed is located.

AdServers: A central server, which delivers banners to the Web site's advertising area independently of this site's server. Adservers enable efficient banner management and uniform campaign management across various Web sites.

Banner: Advertising elements that are shown on Web sites. To date, picture files in GIF or JPEG format are most usual. However, innovative banner types (see rich media) are becoming increasingly important. The banners are linked to the advertisers' Web sites via hyperlinks.

Banner burnout: Describes the decrease in a banner's effectiveness, in particular with regard to falling click-through rates.

Click-through: Click on an advertising hyperlink (e.g. banners) which leads to the advertiser's Web site.

Click-through rate: The ratio of click-throughs to ad impressions or ad views. A major criteria when measuring the efficiency of online advertising. However, other key factors for measuring advertising effectiveness such as awareness, image, communication performance and likeability are not taken into account.

Cost per click (CPC): Invoicing unit for online advertising. The number of click-throughs are calculated, i.e. how often users move from the banner to the advertisers' Web site.

Cost per thousand impressions: Invoicing unit for online advertising in line with the costs per thousand exposures. The number of viewing contacts with a banner are calculated (see ad impression).

Cost per objective (CPO): Invoicing unit for online advertising depending on whether or not the advertiser has reached specific targets (generating address material = cost per lead, sales = cost per sale).

eCRM: Customer loyalty is established by contacting customers directly via electronic advertising and products.

Frequency: Refers to the frequency with which a user is supposed to see a specific advertsing banner. One of the possible targeting criteria used to counter banner burnout.

Interstitials: Adverts that are loaded in between two Web sites.

Page impression: Number of viewing contacts with a potential advertising HTML site for an online offering. In contrast to hits, the relevant page is counted as one unit – irrespective of how many different elements (graphics, etc.) it contains. See also page view.

Page view: Out-of-date unit used to determine the coverage of an online offering. Does not offer as much information as page impressions, as it is generally the case that each frame in an online Web site that is called up generates one page view. Cached sites are not taken into account.

Rate card: A Web site's media data with information on booking opportunities, call-up figures and prices.

Rich media: Refers to the various technologies for innovative banner types such as emblaze, enliven, InterVu, and Java. The increased freedom for creativity and the integration of opportunities for interaction substantially boosts the banner's efficiency.

Run of Network (RoN): A campaign's coverage can be increased by booking several Web sites. Modern adserver technologies enable specific target groups to be specifically approached.

Run of Site (RoS): Campaign booking for a Web site without selecting specific areas.

Site promotion: Advertising for Web sites on other Web sites or in traditional media.

Sponsoring: Alternative advertising possibility in addition to placing banners. Web sites are exclusively linked to the advertiser's messages, and may also carry the advertiser's logo.

Traffic: Number of users that visit a Web site. There are various ways of measuring this figure.

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