The e-Advertising Network

Annual Report 2003

Global Reach – Local Touch

Interaction

Theme for the Annual Report of ad pepper media International N. V.

Thanks to the enormous efforts of our employees, we succeeded with determination and dynamism in further enhancing our market position. As an international sales and marketing organisation for digital media and marketing solutions, we reach users all over the world with our client-specific campaigns.

Further expansion of our 13 branch offices in 2003 means that we are now, more than ever before, an expert local contact in nine European countries. We communicate actively with our clients and, by doing so, become familiar with their individual needs and wants. This makes us innovative, service-centred partners.

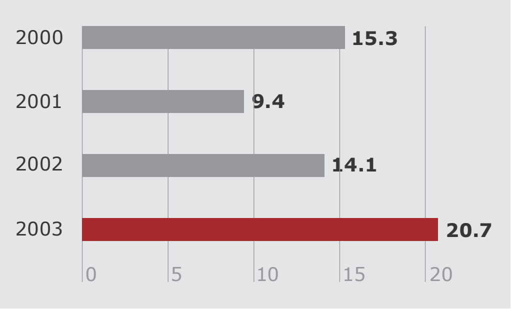
Efficient online marketing solutions, the high level of technological expertise and the broad-based international network operated by ad pepper media enable an interactive dialogue between market-focused companies and their potential customers worldwide.

Overview of key figures

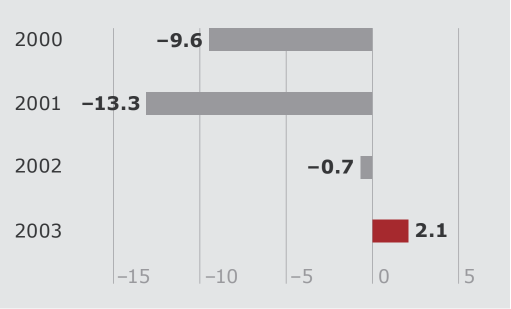
Overview of the main key figures

	2003	2002	Change
Net sales, in EUR million	20.7	14.1	46 %
Gross profit, in EUR million	10.3	6.7	53 %
Gross margin	50 %	47 %	
EBIT (earnings before interest and taxes), in EUR million	1.0	–1.6	
EBT (earnings before taxes), in EUR million	2.1	–0.6	
Net gain/loss, in EUR million	2.1	–0.7	
Earnings per share, in EUR	0.21	–0.07	
Operating cash flow, in EUR million	1.3	–2.5	
Non-current assets, in EUR million	14.8	7.6	95 %
Current assets, in EUR million	28.1	31.7	–11 %
Equity ratio	83 %	86 %	–4 %
Employees	112	85	32 %

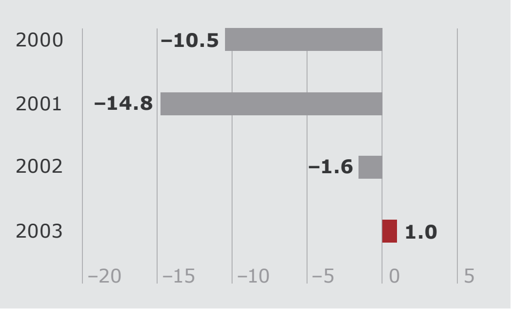
Net sales (in EUR million)



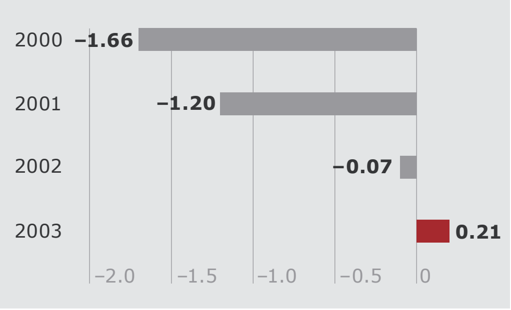
Net gain/loss (in EUR million)



EBIT (in EUR million)



Earnings per share (in EUR)



Highlights of the financial year 2003

Strategic acquisitions

The acquisition of Macati S.A.R.L. as of January 1, 2003 provided ad pepper media with some major strategic advantages. By making this acquisition, ad pepper media enhanced its presence considerably on the French online advertising market, and further expanded its market position. Greater sales potential as well as cost-savings from economies of scale are driving forces for ad pepper media's business growth. Before the takeover, ad pepper media and Macati had already collaborated successfully on major international campaigns.

The acquisition of Clickit S.R.L. also generated major strategic advantages for ad pepper media. On the Italian market, the two companies together represent more than 150 websites with several hundred million ad impressions, and reach almost every Italian household with their advertising messages. Clickit, with its strengths above all in the media and eMail marketing business, is a superb complement to ad pepper media's successful direct marketing activities. Existing Clickit customers profit, in particular, from the new international coverage available, and from the extended direct marketing options provided by ad pepper media's successful solutions and technologies. The profitable business unit taken over from Clickit will continue to be managed by Giampiero Pelle, the founder. Clickit has changed its name to ad pepper media Interactive Marketing Services srl., and is now a wholly owned business unit of ad pepper media Italy srl.

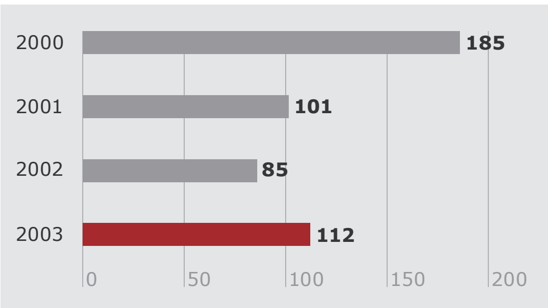
Successful technological integration

In the year under review, the former 38.4 percent minority interest in Pentamind A/S was taken over by ad pepper media Denmark A/S (Copenhagen, Denmark) as per July 14, 2003, with the aim of fully integrating its proprietary technology for executing qualified direct marketing campaigns on the Internet, and its competencies in product development.

The ad pepper media share

Reorganisation of the German Stock Exchange as of March 24, 2003 resulted in two new indices based on the Prime and General Standard segments. ad pepper media was admitted to the Prime Standard segment already in December 2002. The strict reporting requirements, including US GAAP accounting, have been met by ad pepper media since the IPO.

Employees



Contents

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

Dear Shareholders,

Online, not offline. 2003 can well be defined as the turning point for the Internet economy. The "New Economy", reputed by some to be dead, delivered impressive proof last year – through its survivors – that money can indeed be made with the Internet. In the advertising industry, especially, the World Wide Web emerged as an advertising medium that must be taken seriously, having clearly outgrown the "nice to have" phase. Driven by continuous growth in the number of Internet users, online marketing is being adopted above all by those companies for whom value-added can be gained from the interactive possibilities of the medium.

With this as a basis, the European online advertising market succeeded once again last year in detaching itself from the uncertain climate in the economy as a whole (which also included a further decline in budgets for classical advertising formats) and in notching up two-digit growth rates contrary to the broader trend. According to figures released by Jupiter, the well-known market research institute, online advertising spending in Europe increased to EUR 1.6 billion in 2003.

ad pepper media owes its own 46 percent rate sales growth to EUR 20.7 million in 2003 above all to its local presence throughout Europe and to its ability to design and implement international campaigns. With 13 corporate locations in nine European countries, ad pepper media operates a sales network that is very broad-based for a company of its size. This means that our enterprise is able to profit not only from the general growth in European demand, but also from the increasing need for an international service provider on the part of multinational businesses.

The fact that ad pepper media can demonstrate a high level of flexibility and technical expertise in fulfilling customers' requirements led last year to some major corporations becoming clients, among them Deutsche Telekom AG and Nokia. The client portfolio is international in structure. Major producers of

Letter from the Managing Board

consumer goods and durables appreciate the online marketing tools of ad pepper media primarily because, in establishing or strengthing a brand, they enable a mass audience to be reached at a reasonable price/performance ratio. Our clients from the IT and financial services industries exploit the variability of the medium and ad pepper media's suite of purpose-built tools because their products and services require relatively intensive explanation and are available in complex variations. All clients are particularly attracted by the possibility of interacting with potential customers who show the right profile.

Last year, ad pepper media further extended its range of prestige tools for state-of-the-art online communication, and now commands more than a dozen options for giving clients the best-practice solution for their needs. As a mark of its progressive internationalisation, ad pepper media acquired two online marketing providers during the reporting period, namely Macati S.A.R.L. in France and Clickit S.R.L. in Italy. These acquisitions were motivated first and foremost by our successful collaboration with these companies in the past, and by the compatibility of their business models. The takeovers are also in line with ad pepper media's declared strategy of gaining additional shares in key markets by making appropriate acquisitions.

In 2002 we were hopeful of reaching the profit zone not only in one or two quarters, but throughout the 2003 business year. This goal was attained, and the financial community has rewarded this delivery of proof for the business concept in appropriate measure. ad pepper media's market capitalisation is now almost three times as high as it was a year ago. Although we share the gratification of shareholders at this improvement, we have no intention of resting on our laurels. Our goals for this business year are ambitious and realistic: we aim to enhance our market leadership as providers of international campaigns, increase access to international websites, grow faster than our industry and boost our profit margins. Acquisitions, when compatible with our expansion strategy, will be kept open as options.

Last year, the Internet reached the age of majority. An information medium from the very beginning, it is now unmistakably an advertising medium as well, and one that has proven to be profitable. Its growing popularity, especially in the mixture of information and marketing, was demonstrated by a recently published study by market researchers at Forrester Research – not only did one European in five buy goods over the Internet last year, four fifths of a representative sample say they now inform themselves online about products and services in order to decide which to buy.

With these signs in mind, we look forward with you to an eventful and profitable year – and a rising share price.

The Managing Board
ad pepper media International N.V.

Ulrich Schmidt   Hermann Claus   Niels Nüssler

Dear Shareholders,

People are spending less and less time with media, according to the recently published “TimeBudget 8” survey conducted by the forsa market research institute among 6,054 14- to 49-year-olds in Germany. Since 1999, use of the Internet has increased more than five-fold to 49 minutes a day. In total, Germans invest around eight hours a day in media use, compared to 6.5 hours in 1999. TV and radio still account for the largest share, at 156 and 160 minutes a day. However, the Internet has now overtaken daily newspapers (22 minutes) and magazines (15 minutes) by a clear margin. More significantly, an increasing number of people consider that not having Internet access would be a definite loss.

The picture is similar in other European countries as well as worldwide. The number of Internet users is continuously on the rise, with a comcomitant growth in interest from advertising operators. Forrester, the London-based market research institute, has forecast positive growth for the European online advertising market, with annual growth rates of twelve percent. Online advertising expenditure will double in the medium term from 0.7 to 1.4 billion Euros.

For ad pepper media International N. V., the financial year 2003 was a challenge that the Company mastered brilliantly. The economy hovered on the verge of recession for most of the year, with signs of recovery not emerging until the end of the year. It is even more encouraging, therefore, that ad pepper media was able to decouple itself in 2003 from the persistent weakness in the macroeconomic environment. After reaching breakeven in some quarters of 2002, the aim now was to prove that the business model could be profitable throughout fiscal 2003. The Company succeeded impressively in achieving this goal. This positive development is attributable to a number of factors, including extension of the product and service portfolio, ad pepper medias pan-European sales network, international coverage and the use of cutting-edge technologies.

The Supervisory Board monitored and supported the work of the Managing Board throughout the 2003 business year in compliance with its statutory obligations. At its own meetings during the year and at joint meetings with the Managing Board, the Supervisory Board was regularly and fully informed by the Managing Board about the progress of business operations, and about the financial, investment and personnel planning of ad pepper media International N.V. and its subsidiaries. At a total of four ordinary meetings on 31 January, 05 May, 14 July and 13 October 2003, the Supervisory Board discussed in depth the verbal and written reports by the Managing Board. Important business transactions were reviewed with the Managing Board, and transactions submitted for approval pursuant to statutory regulations or the articles of incorporation were reviewed accordingly.

The Shareholders' Meeting on 05 May 2003 elected Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Nuremberg, to audit the annual financial statements for the financial year 2003. The latter firm of auditors was commissioned to conduct the audit and subsequently audited the consolidated financial statements and management report prepared by ad pepper media International N.V., and endorsed them with an unqualified note of confirmation. The consolidated financial statements in this report were prepared in accordance with US GAAP.

After conducting its own review, the Supervisory Board accepted the annual financial statements as at 31 December 2003, as prepared by the Managing Board, and approved them on 22 March 2004. The annual financial statements for the financial year 2003 have therefore been formally adopted.

The Supervisory Board warmly thanks all members of the Managing Board as well as all ad pepper media International N.V. employees and subsidiaries in the various European countries for their hard work and dedication. ad pepper media owes it them that the Company was able to master the challenges of the past year and start the new business year in a stronger position. The Supervisory Board expresses its special thanks to all concerned and acknowledges their outstanding performance.

Nuremberg, 22 March 2004

On behalf of the Supervisory Board

Michael Oschmann, Chairman

iCoupon – well prepared for the supermarket

With **iCoupon,** well-known and proven direct marketing instruments, such as rebate stamps or coupons, can be implemented quickly and very efficiently online. Producers of major brands, such as Procter & Gamble, have already integrated this ad pepper media concept into their marketing mix, with success.

Marketing today: digital, global, interactive

A successful growth story. A year or two ago, quite a number of acknowledged or self-appointed communication experts predicted the death of the Internet, somewhat prematurely. It has now been shown how wrong they were. Last year, not only did the number of users increase sharply once again, but so, too, did the intensity of use. According to ACTA 2003, the annual survey conducted by the Allensbach Institute for Demoscopy, one in four Germans used the Net at least once a day. 43 percent of the population surfs several times a week, compared to a figure of only 29 percent in 2001.

According to Jupiter, the number of Internet users in Europe reached the impressive figure of 158 million last year – and is expected to grow to 195 million by the year 2006. The worldwide "Web", now counting more than half a billion users, has progressed to become a gigantic medium for knowledge, research and advertising, the latter providing the basis for the medium's financial success. Advertising was initially confined to simple banners. Since then, the Internet has been established and recognised as an almost perfect marketing instrument.

Compared to classical advertising media, the Internet offers a number of key benefits. It is global, interactive, multimedial and flexible, and can be customised, addressed, traced and rapidly updated in real time. It can perform not only classical advertising tasks, but also enables data and addresses to be generated directly and efficiently, as well as manifold ways of acquiring, binding and servicing customers. Accordingly, online advertising is making powerful inroads at a fast pace – by 2006, online advertising is projected to more than double in Germany alone, according to the German Advertising Federation (Zentralverband der deutschen Werbewirtschaft – ZAW). For Europe as a whole, Jupiter forecasts that online advertising expenditure will grow at an annual rate of 26 percent to more than three billion Euros.

Networkers. Over the last four years, ad pepper media has positioned itself as an international sales and marketing organisation for digital media and marketing solutions, and is now able to place customer-specific campaigns anywhere in the world. In Europe alone, the Company can provide exclusive service for 650 websites handling 1.2 billion advertising contacts per month. In addition, ad pepper media can tap several billion advertising contacts through its strategic partners in Europe, the USA and Asia.

Many large and medium-sized companies seeking a professional, service-centred and international outlet for online advertising and sales promotion have identified ad pepper media as their ideal partner. In Germany, for example, the Company services leading websites such as GelbeSeiten (Yellow Pages) and Das Telefonbuch, Aftonbladet in Sweden, Interhotel in Spain, Monster or Marktplaats in the Netherlands, and more than 650 specialised and theme-based websites with national and international coverage. On the basis of this global network, a complete range of services is now available – from campaign management to reporting – using the best available technologies in each case. Innovative forms of advertising and a diversity of customer-specific marketing solutions in the three divisions for MEDIA, DIRECT MARKETING and TECHNOLOGY ensure that marketing objectives are achieved and customers are satisfied.

One message reaches the whole world

The MEDIA division of ad pepper media focuses first and foremost on marketing consumer products for which it is imperative that the advertising message reaches an audience as large as possible. Generating a high level of attention among large numbers of people is a key aim of such campaigns, as is establishing presence for a brand within a broad market. The dominant advertising media for such campaigns were and continue to be the mass media, such as TV, cinema, magazines, radio and billboards. However, even the most cutting-edge planning is powerless to eliminate the Achilles heel of such media, namely their enormous "coverage waste".

The Internet now reaches a mass audience and attains any degree of coverage required, across all borders, but with much less loss from non-selectivity. Depending on the campaign's target group and aim, be it awareness, branding or boosting traffic on the customer's website, ad pepper media offers a variety of products and online advertising solutions, such as, iReach, iAttract, iBrand, iSponsor, iStream and iClick. In this way, the Company enables its customers to deploy their media budgets in a targeted and efficient manner.

Volume galore. iReach is a solution to deploy when the aim of a marketing campaign is to reach out to a wide public audience at minimal cost – no matter how, when or where a user is online. With this instrument, different advertising formats can be placed on virtually any website within the national or international network – a feature exhibited by almost all tools provided by ad pepper media. Another benefit of the **iReach** marketing solution is that country-specific elements can be implemented as well. In a pan-European campaign, for example, local motifs can generate higher acceptance levels, leading to less coverage waste among users.

The key aim of the **iAttract** marketing tool is to generate maximum attention by deploying striking and innovative formats such as "eyecatchers" or "interruptive advertising". **iBrand** centres on building a brand, increasing awareness of it and consolidating recall values associated with the brand. This tool is mainly aimed at websites that communicate the related brand qualities, whereby awareness levels can be defined in terms of content or of sociodemographic characteristics of the respective users.

ad pepper media deploys **iSponsor** to engineer image transfer from a positively viewed carrier to the client company. The possibilities extend from simple logo placements under special headings, to customer-centred website packages. In order to foster perception of the brand, ad pepper media places the advertising message exclusively on selected content pages and/or in conjunction with matching events or activities.

"It's still loading." With broadband technologies like DSL becoming more and more widespread, the Internet is becoming more and more visual as a medium. Waiting for large files to download is a thing of the past. It is here that **iStream,** a new marketing tool from ad pepper media, comes into its own. Advertisers can integrate current TV spots or video clips into banners, pop-ups, skyscrapers or eMails. Video images enhance not only the attention given to the message, but lead demonstrably to better response and conversion rates as well. Another advantage of the streaming technology used by ad pepper media is that no additional programs (plug-ins) are needed. The bandwidth with which a user surfs the Internet is automatically detected by the system, thus ensuring that the video clip is streamed for the best possible quality. Video spots, now used occasionally to supplement TV campaigns, will offer a host of new possibilities in future, such as affordable spot advertising for small and medium-sized enterprises, or short, creative spots that users like to pass on by eMail.

Pay-for-Performance. If a company placing advertisements is less concerned about volume and reach than about traffic and time spent on its web pages, ad pepper media provides **iClick** as an inexpensive instrument to this end. Instead of paying for every advertising placement, the client pays only for the actual number of clicks on the advert. Billing for the campaign is based solely on results.

Transboundary interaction

The task:
A big-name mobile phone maker would like to establish a new brand of mobile phones on several core European markets simultaneously.

The solution:
Since the new brand is primarily addressed at a wealthier, lifestyle-oriented clientele, ad pepper media designed the content and realisation of the campaign specifically for websites that are typically visited by this target group. As an interactive marketing instrument, the Internet was an appropriate vehicle for the new product insofar as it provides interested customers with a chance to put together an individualised product with the specific features they choose. Over a three-month period, in a combination of iReach and iClick campaigns, ad pepper media helped to generate a six-digit volume of visits to the customer's website by potential buyers.

Seek, find and retain – customer acquisition online

Spending the advertising budget as efficiently as possible. This is a key challenge in most companies. When the economy is weakening in pace and consumers show only moderate willingness to spend, advertising can safeguard the existence and growth of a company – or fail in that endeavour. Money for advertising is scarce, and the battle for attention and consumer interest is tougher than at any time before.

Today, the key concern is to deliver the right advertising or marketing message straight to the right addressees with a minimum of detours – at relatively low cost, of course, and with an above-average rate of positive responses. The various forms of direct marketing, conventionally known as direct mail, cash rebate or coupon campaigns, provide proven ways of achieving this goal. Yet modern online marketing can do much more than that, and above all efficiently.

The second division, DIRECT MARKETING, is mainly engaged in supplying the kind of marketing solutions with which the right users are personally addressed, thus avoiding losses through non-selective coverage. Depending on the client's specific goals, ad pepper media supplies the tools with which the entire interaction with the user is conditional on the user giving his or her explicit consent (permission marketing). The key instrument here is **iLead,** which is used to generate addresses of potential customers in a specific target-group in a fast, efficient way. By placing diverse forms of advertising, advertisers receive contact data from users who have signalled a specific interest in the product or service on offer. The data thus generated are the basis for a highly detailed customer database to which additional tactical marketing instruments, such as surveys, samples or coupons, can be linked, and which helps to establish a permanent dialogue with customers and to bind customers via eCRM. Solutions for disseminating online advertising in newsletters, through stand-alone eMails and mobile terminals round off the product range.

iSurvey – efficient market research online

With the solution **iSurvey,** online surveys can be conducted quickly and inexpensively. Customer profiles can be updated at any time by eMail in order to explore user needs better, or to discover why a user has exercised restraint.

Customers, data, profiles. To find and gain interested customers, data is needed that lead to the customer. **iLead** is qualified direct marketing with specific services or products aimed directly at the interested user, and hence potential customer. By precision placement of advertising formats, the advertiser obtains individual profiles, filled out by the consumer, as a basis for subsequent direct contact. In the second step, requiring the consent of the potential customer, he or she is directly approached with detailed product information, promotion offers or free samples.

Compared to classical direct marketing, advertisers incur much lower costs for new customer acquisition with a billing model based on performance. Customer profiles can be updated at any time by eMail in order to explore user needs better, or to discover why a user has exercised restraint. An excellent instrument for this purpose is **iSurvey,** with which online surveys can be conducted fast and inexpensively. Such surveys often extend to useful questions concerning the acceptance and positioning of the company in general, of a new product, the brand itself, or of a newly launched consumer brand.

"You're interested." If the user has identified him- or herself as a potential or actual customer, and expresses interest in further information or offers, ad pepper media offers the advertiser an additional set of efficient tools for marketing its services and products more effectively, and ultimately for boosting its sales. **iSample** turns the Internet into a channel for offering and dispatching product samples – the aim being to entice the receivers of such samples into the advertiser's online or offline shop and to motivate them to buy.

With **iCoupon**, well-known and proven direct marketing instruments, such as rebate stamps or coupons, can be implemented quickly and very efficiently online. Major producers of branded goods, such as Procter & Gamble for example, have already integrated this ad pepper media approach into their marketing mix with some success. **iGame** doesn't just appeal to people's play instinct, by offering attractive and entertaining competitions or online games – the main purpose of this particular tool is to enhance the attention-grabbing function of such advertising and translate this into consumer purchases in a sustained way. If the potential customer is interested in more detailed information on products or specific markets, **iNews** can be used as advertising in electronic newsletters. This, too, is conditional on the user – approached through an advertising message – signaling definite interest and subsequently subscribing quite deliberately to the newsletter in question.

"You have eMail." The **iOptin** tool enables direct eMail communication with users. Sending offers and advertising messages electronically is preceded by rigorous selection of specific user groups. With iOptin, users can be filtered according to sociodemographic criteria, for example, such as gender, age, marital status, interests or lifestyle features.

Beyond the Internet, ad pepper media can disseminate the core messages of a campaign to mobile phones or PDAs using **iMessage**. By addressing target groups directly and with a high degree of personalisation, losses through nonselectivity can be largely avoided despite broad coverage.

Efficient data transfer

The task:
Deutsche Telekom AG, Germany's biggest telecommunication service provider, would like to convince its private and small-business customers with online connections of the benefits to be obtained from monthly phone billing by eMail.

The solution:
In January 2003, the iLead campaign created by ad pepper media was launched with enormous success. After entering all the relevant data, such as name, telephone number and bank account details, online customers of Deutsche Telekom were able to switch effortlessly from paper invoices to electronic billing via the Internet. As a "reward", they received a EUR 4.80 deduction from their phone bill. Within the first three-month phase alone, the campaign generated a six-digit quantity of leads, and will be continued in the wake of this success.

The speciality:
One particularly complex aspect of the campaign for Deutsche Telekom and ad pepper media involved transferring huge volumes of data securely and rapidly. In this case, ad pepper media's creativity as a service provider was also called upon.

Campaign: Electronic billing (Deutsche Telekom)

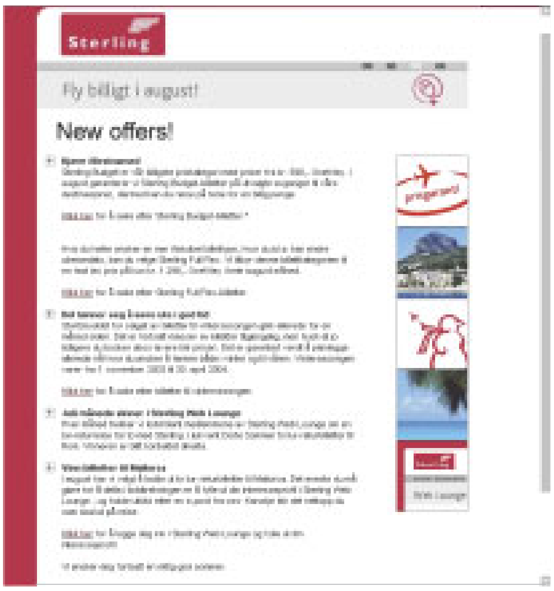
The basis: how technology can bind customers

In the third division, TECHNOLOGY, the Company concentrates on customer data systems for binding customers and conducting dialogues. These systems are based on proprietary software products engineered by ad pepper media. Unlike the adserving technologies that outsource activities to external, performant and innovative partners like Falk eSolutions AG, these customer data and the value-added services based on them are deployed as a discrete ad pepper media tool for generating customer loyalty. Ongoing research and development work is essential if market trends are to be spotted at an early stage, and new customer-centred marketing solutions are to be designed and implemented in a timely manner. This gives the advertiser an end-to-end, continuously updated system for managing and exploiting the customer database, a system that enables the advertiser to spend its marketing budget to even greater effect.

"You're the winner." The dialogue marketing software **iDialogue,** for example, maintains customer relationships for any period desired. The advertiser can use this service package for both existing and new customers. It comprises a content management system with which templates for eMail newsletters can be designed, as well as a "profile database" and a statistical analysis module. The aim of the system is to ensure that the customer is contacted on a long-term basis with personalised offers specifically customised to his or her needs.

This is achieved with a "learning" system for establishing and intensifying dialogue with customers via eMail. In contrast to complex and costly eCRM solutions abundantly available on the market, iDialogue is an easy-to-use system that is inexpensive to implement. The advertiser receives a dialogue marketing tool specially designed to meet its specific objectives. For smooth implementation, continuous operation and integration of additional ad pepper media solutions, advertisers are supported and advised by a team with extensive online experience.

One-Stop. Although ad pepper media relies on the expertise and technologies of external partners for dissemination and placement of the advertising or marketing messages, the Company itself provides a convenient and inexpensive tool in collaboration with Falk eSolutions AG. This instrument, called **iServe,** allows website operators, agencies and direct customers alike to deploy the latest technologies in their campaigns at low prices. Another benefit is that it can be installed and operated on any system, anywhere in the world.



Campaign: Newsletter (Sterling Airline)

Profiled customer data

The task:
In the tough battle for customers and revenues, airline companies (especially those in the lower price segment) use low-cost, state-of-the-art marketing instruments to generate and intensify their customer communication.

The solution:
In collaboration with its clients, ad pepper media has developed a special tool for efficiently generating customer loyalty. The airline's customers are classified into different segments on the basis of profile data they provide voluntarily. Depending on the country of origin and preferred airports of departure and destination, targeted HTML eMail newsletters with travel information were developed and sent. By using a wide diversity of instruments from ad pepper media's range of products and services, processing and checking the system was very easy even for those with no IT expertise, thus giving the Company enormous assistance in binding customers efficiently.

The speciality:
Campaigns in several countries can be controlled simultaneously from a central location in a targeted manner.

iLead – winning interested users from all over the world

iLead is a special form of direct marketing with specific service or product offers targeted directly at interested users and therefore potential customers. By precision placement of advertising formats, the advertiser obtains individual profiles, filled out by the consumer, as a basis for subsequent direct contact.

With net Group income at around EUR 2.1 million, ad pepper media International N. V. successfully surpassed the breakeven level to achieved sustained profitability in 2003. Earnings had already improved each quarter of the previous year, but Group earnings for the year as a whole remained negative at EUR –0.7 million. The improvement in sales witnessed in 2003 – by around 46 percent to EUR 20.7 million (previous year: EUR 14.1 million) – is mainly due to organic growth. However, the acquisition of Macati S. A. R. L. (France), a provider of online marketing services, at the beginning of the reporting period, combined with inclusion in consolidation of Clickit S. R. L. (Italy) as from October 1, 2003, played a significant role in this encouraging growth of sales. The main factor behind this renewed boost in sales is the Company's ability to design international online marketing campaigns in a comprehensive, one-stop service package and to place them throughout the world.

Business environment

ad pepper media International N. V. was able to decouple itself in 2003 from the persistent weakness in the German economic macroenvironment. The economy hovered on the verge of recession, with signs of recovery not emerging until the end of the year.

General uncertainties concerning the direction of the economy, continued investment restraint and a sluggish consumer climate were also reflected in further declines in advertising budgets. Market researchers at PricewaterhouseCoopers, the international business consultancy firm, believe that advertising spending in the western industrialised nations generally fell by another two percent in the past year – from what was already a low level. The year before, this key figure had fallen by no less than 10.5 percent. In Germany, the German Advertising Federation (Zentralverband der deutschen Werbewirtschaft – ZAW) was predicting until recently that advertising spending would stagnate, at best.

Market and market environment

The online advertising market defied this downward trend. According to Jupiter, the market research institute well-known for its industry expertise, online advertising expenditure in Europe increased by 20 percent in 2003 to around EUR 1.6 billion. For the years ahead, Jupiter expects further growth of between 20 and 30 percent a year. The German Advertising Federation comes to similar conclusions. It assumes that online advertising will increase its share of the total advertising market in Germany by two at present to five percent within the medium term.

The Internet owes this dynamic growth as an advertising medium first and foremost to continuously increasing numbers of online users. This year, 44 percent of the European population, or 173 million users, have Internet access, and by 2006 one in two Europeans will be online. There is also a steady increase in Internet use, driven above all by faster connections and more informative content. A survey by the European Interactive Advertising Association (EIAA) reveals that 34 percent of European Internet users already go online every day, while 72 percent are occasionally online.

Such impressive statistics are an indication that, as far as coverage is concerned, the Internet has now attained the status of a mass medium and has gained in attractiveness for the advertising industry. Another crucial advantage compared to classical forms of advertising is that loss of coverage through non-selectivity is much less in the case of online advertising. Those companies, having successfully exploited the possibilities for interactive communication offered by the Internet in order to achieve measurably greater sales, have since decided to allocate an increasing share of their budgets to online marketing in general, and to ad pepper media in particular.

Competitive environment

The process of consolidation and restructuring within the broader competitive environment for online marketers seems to be coming to an end. Signs of an upswing are now multiplying among those companies that have not only survived the bursting of the bubble but are also creating and implementing low-cost, efficient marketing solutions for their customers. According to a survey conducted by Gesamtverband Kommunikationsagenturen (GWA), the majority of its members expect growth in 2004 after three weak years.

Business activities and business development

Over the past four years, ad pepper media International N. V. has positioned itself as an international sales and marketing organisation for digital media and marketing solutions, and is now able to deliver tailor-made campaigns anywhere in the world. In Europe alone, the Company can service 650 websites handling 1.2 billion advertising contacts per month. Another three billion advertising contacts in America and one billion in Asia are added to that total through partners. ad pepper media also has options to access several billion additional contacts at any time through selected partnerships around the world.

Organised into three divisions – MEDIA, DIRECT MARKETING and TECHNOLOGY – ad pepper media devises national, pan-European and worldwide online marketing campaigns for medium-sized and large companies; these campaigns can extend to transferring the data and profiles acquired into the respective customer networks. Deutsche Telekom AG, for example, was won over by the Company's proven skills in handling and reliably transferring large amounts of data. In March 2003, ad pepper media launched a large-scale online campaign for Germany's leading telecommunication corporation, with the aim to convince private and smaller business customers with Internet access of advantages of online billing. The campaign is being continued due to the extremely good results with regard to the number of contacts, returns from customers and switchovers to online billing.

The contract with Deutsche Telekom AG means that ad pepper media succeeded in 2003 in acquiring another major key customer. The Company's client portfolio is internationally structured and very diversified. It can be basically subdivided into consumer goods manufacturers, IT and financial service providers. Big-name clients include Procter & Gamble, Quelle, Adidas, Toyota, Ebay and Volvo. Other illustrious names on the list are the Postbank, Barclays Bank, Nokia and Lufthansa. Within each of the divisions, the Company expanded its range of services last year and now has more than a dozen efficient marketing solutions in its repertoire. Despite the wealth of solutions deployed – extending from tools for brand creation and tools for address generation to integrated solutions for customer relationship management – the proven reliability and enormous flexibility of the Company in meeting the special needs and requirements of clients plays the crucial role in gaining new and servicing existing customers. ad pepper media can also exploit proprietary technologies in its core competencies, or tap the technological expertise of partner companies.

Structure and locations

With 13 branch offices in nine European countries, ad pepper media International N. V. has a broad-based sales network. This is an unusually large number of foreign sales offices for a relatively small company, but is absolutely necessary to translate the corporate philosophy of "one client, one local contact" into practice. An international clientele such as that served by ad pepper media for some years already requires that the most important European states be covered. A local presence also facilitates access to local networks, since the key account managers speak the country's language and know the respective market.

In addition to these sales offices, the Company has entered into partnerships with technology suppliers in Germany and abroad with a proven record for reliability and cutting-edge products. In key strategic fields, these partnerships are further reinforced by the acquisition of participating interests. They include, first and foremost, Falk eSolutions AG in Germany, which serves ad pepper media as a data centre and provider for targeted delivery of advertising messages via Internet, by e-Mail, fax or SMS/MMS, among other services. ad pepper media holds a 25.1 percent capital share in Falk.

Pentamind A/S in Denmark is a wholly-owned subsidiary of ad pepper media International N. V. It develops new solutions and communication tools for all the divisions within the Group, and manages the data acquired from campaigns.

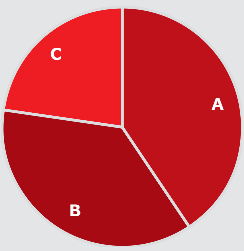
Sales trend

With revenues totalling EUR 20.7 million in the year under review, ad pepper media achieved a 46 percent growth in sales (previous year: EUR 14.1 million). Revenues in the first nine months of the financial year were steady at between EUR 4.3 and 4.7 million per quarter, rising to just under EUR 7 million in the fourth quarter, which is traditionally strong.

The Company generated about a quarter of its annual revenue in 2003 with international campaigns, a significant advance on the 12 percent figure for 2002 and in full conformity with strategy. In general, this sales growth is attributed by the Company to the availability of well-engineered technology and significantly greater coverage levels.

As far as the regional breakdown of sales is concerned, the Company distinguishes between Central Europe (Germany, The Netherlands, Austria and Switzerland), Northern Europe (Denmark, Sweden, Finland, Norway) and Western Europe (Great Britain, France, Spain, Portugal, Italy). Central Europe accounts for the largest share of sales, at EUR 8.4 million (previous year: EUR 5.1 million), followed by Western Europe at EUR 7.6 million (previous year: EUR 6.0 million) and Northern Europe at EUR 4.7 million (previous year: EUR 3.0 million). For a company of this size, this is a comparatively broad-based regional sales distribution, involving not only extra expense but also an additional measure of certainty and security with regard to future business growth. Adverse trends in any one country can usually be cushioned by more robust economic development in other regions.

Sales by region



A	**Central Europe** (Germany, The Netherlands, Austria, Switzerland)	**EUR 8.4 million**
B	**Western Europe** (Great Britain, France, Spain, Portugal, Italy)	**EUR 7.6 million**
C	**Northern Europe** (Denmark, Sweden, Finland, Norway)	**EUR 4.7 million**

As of: 31.12.2003

Earnings growth

In the financial year 2003, ad pepper media achieved Group earnings of EUR 2.1 million (2002: EUR –0.7 million), which is equivalent to earnings per share of EUR 0.21 (previous year EUR –0.07). After deduction of production, sales and administration expenses, the Company generated an operating profit of EUR 0.9 million, compared to EUR –1.3 million in fiscal 2002. This sustained growth in profitability is primarily due to the disproportionately lower increase in sales and administration costs relative to the substantial improvement in sales.

Balance sheet structure and liquidity

Cash and cash equivalents decreased in 2003 by around EUR 3.5 million from EUR 20.8 million at the end of fiscal 2002 to EUR 17.3 million as at 31 December 2003. It should be noted here that the Company switched part of its current assets into fixed assets in the form of long-term monetary investments. Marketable securities classed as fixed assets were increased from EUR 3.5 million in 2002 to EUR 8.7 million on the balance sheet date, 31 December 2003.

The balance sheet total rose by about nine percent to just under EUR 43 million as per December 31, 2003 (same date of previous year: around EUR 39 million). The difference is primarily due to trade receivables increasing in line with sales. In 2003, they rose to EUR 8.4 million compared to EUR 5.4 million the previous year. However, given the very solid structure of the customer base, this rise is of no special significance, and is within reasonable bounds.

On the equity and liabilities side, trade payables increased by just under EUR 1 million. With an equity ratio of 83 percent, the Company is built as ever on very firm foundations.

Sales and marketing

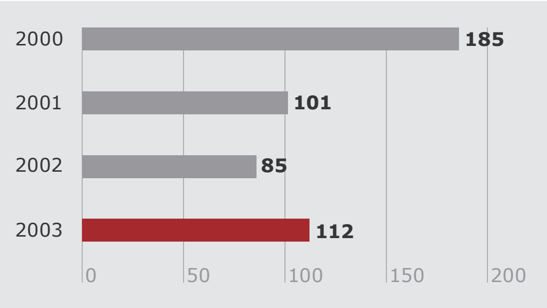
ad pepper media International N. V. is a client-centred service provider, so sales and marketing are key activities and an integral element of day-to-day operations. At the beginning of the reporting period, the Company also participated at important conferences organised by the German Direct Marketing Association.

The Company was present with a stand at the Marketing Competency Conference in Erlangen, Germany. Directors and managers of the Company gave presentations on specific topics at various specialist forums, e. g. on "Advertising formats and billing models in the eMarketing process".

Management and employees

The Company's sales orientation is clearly reflected in the workforce structure. A little less than a third of all employees are engaged in sales activities. The sales team itself comprised 46 employees Europe-wide as per December 31, 2003 and was therefore expanded quite substantially since the beginning of 2003 (33 employees). However, most of this increase in personnel occurred at Clickit S. R. L., the Italian Internet agency that was acquired and integrated in autumn. The employees in the "Business Development" and "E-Service" departments also spend a major portion of their working hours acquiring and servicing clients, so to that extent perform support functions for the sales operation. The same applies to the majority of the workforce that is formally assigned to administration, but acts there in support of the sales team. As per December 31, 2003, the Company employed a staff of 112, compared to 85 on the previous year's cut-off date. Administrative activities are performed by a total of 26 employees at all locations.

Number of employees



Employees, by operative location

Germany	15
Benelux	6
Denmark	11
Pentamind (Denmark)	5
Sweden	7
Great Britain	7
France	8
Spain	13
Italy	19
Holding	21

Within the three-member Management Board, CEO Ulrich Schmidt is responsible for Business Development, Product Development/Marketing and Technology, Hermann Claus for Finance, Personnel and Investor Relations, and Niels Nüssler for Sales and Media Buying.

ad pepper media plans to expand the workforce by an appropriate amount in the financial year 2004, depending solely on sales growth.

Events of significance

One element of ad pepper media's corporate strategy is to improve the Company's market position by making smaller acquisitions in selected markets. In line with this strategy, ad pepper media acquired Macati S.A.R.L., the French direct marketing operation, in spring 2003, thus enlarging its own network by more than 500 websites in the B2B and B2C field, which reaches millions of users daily.

The business relationships that the French company has build up over many years with global players like Nokia, Microsoft, Consodata, Apple Computers, Claritas, Banque AGF and EGG should not be overlooked, either. Other main factors behind the acquisition were the compatibility of business model and products, the successful collaboration of the two companies on major international campaigns in the past, and the fact that the takeover candidate, established in 2000, was already producing profits. With effect from June 20, 2003, Macati was merged with the wholly owned French subsidiary, ad pepper media France S.A.R.L. The purchase price for the French online marketer totalled EUR 407,821, of which EUR 87,000 were provided as funds by ad pepper media. Of the total purchase price, EUR 75,000 is contingent on certain targets being reached, with EUR 37,500 of that amount being payable in form of shares.

By making a strategic acquiring in Italy last year, ad pepper media International N.V. reinforced its position in Southwest Europe still further. In October 2003, through its Italian subsidiary ad pepper media Italy srl., the Group acquired the online operations of Clickit S.R.L., Italy's biggest independent marketer. Since the date of takeover, this new area of business has also been included in the consolidated financial statements. The provisional purchase price is approx. EUR 0.4 million. A remaining amount may be payable on reaching agreed profit targets in 2004. ad pepper media owes its current position as Italy's leading online marketer to this acquisition of Clickit, which is mainly engaged in the media and eMail marketing business.

iDialogue – on dialogue with customers, digital and at any time

The dialogue marketing software **iDialogue** maintains customer relationships for any period desired. The advertiser can use this service package for both existing and new customers.

The share price of ad pepper media International N.V. shares reached EUR 4.12 on the last trading day of 2003, signifying a year-on-year gain of 222 percent. After reaching a high of EUR 5.20 in November 2003, the rapid increase in share price was followed by a dip towards the end of the year – what chart technicians call a "technical correction". In the first months of the current business year, the share recovered to prices above the five Euro mark in a friendly stock market, rising at times to as much as EUR 5.60.

Share information

After the IPO on October 9, 2000, ad pepper media shares were listed on the "Neuer Markt" segment of the Frankfurt stock exchange. When restructuring the German securities market, Deutsche Börse AG admitted ad pepper media's shares to the Prime Standard segment with effect from January 1, 2003, based on the fact that the Company had met all the requirements for transparency and publication since first going public.

Share code	940883
ISIN	NL0000238145
Type of shares	Ordinary bearer shares
Symbol	APM
Market segment	Prime Standard
Index membership	Prime All Share

Strong recovery on the stock markets from summer 2003 onwards has led to a veritable renaissance of technology shares. The companies listed in the TecDAX index saw their share prices improve by an average of 50 percent, in line with share price appreciation in the sectoral "Prime All Share" index. This means that shares in ad pepper media International N.V. outperformed the relevant indexes. On the one hand, this increase is doubtlessly attributable to the undervaluation of many technology shares. On the other hand, ad pepper media continuously demonstrated, over the entire reporting period, that a sound business concept coupled with internal cost awareness will lead to growth in corporate profits. This fact was consequently honoured by the investment community.

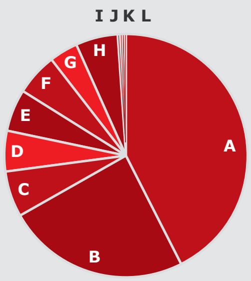
IR activities

With 2002 dominated by efforts to achieve a sustained turnaround, ad pepper media began in the period under review to communicate these achievements.

Since summer 2003, the Company has intensified its financial communication activities. The management team explained the business model and the Company's potential at many meetings with nationally and internationally operating investors.

Shareholder structure

Total number of shares: 11,155,000



As of: 31.12.2003

A	EMA B.V.	42.5 %
B	Freefloat	24.3 %
C	MHI AS	6.1 %
D	J. Andersen	5.4 %
E	Testat AG	5.6 %
F	U. Schmidt	5.6 %
G	DBAG	3.8 %
H	Own shares	5.6 %
I	Euroserve	0.2 %
J	H. Claus	0.5 %
K	N. Nüssler	0.3 %
L	Viva Media Beteiligungsgesellschaft	0.1 %

Through its participation in the German Equity Forum organised by Deutsche Börse AG, ad pepper media gave presentations to a large number of investors, analysts and multipliers in the course of the reporting period. The improvement in key financial figures and the share price increase also attracted the attention of the financial and business media. In 2004, ad pepper media will continue and intensify its dialogue with all target groups in the financial community.

One instrument in this regard is the coverage provided by Cazenove, the international investment bank. On 24 September 2003, attracted by the successful turnaround and excellent prospects for the Company in a consolidated market, Cazenove published an extensive first analysis of ad pepper media.

Financial markets reward successful business year

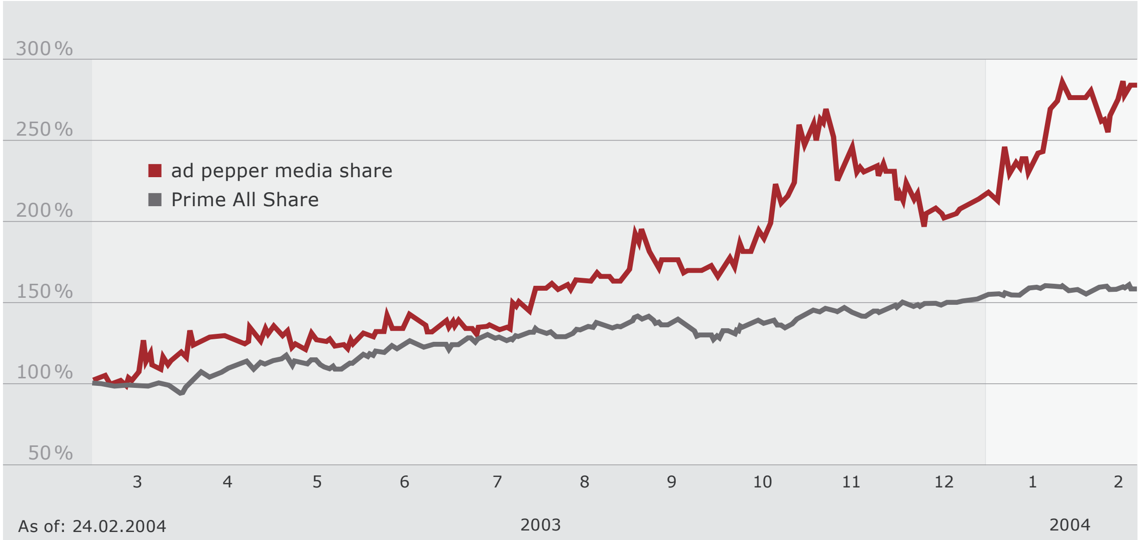
	2003	2002
Average number of shares in circulation	10,356,350	10,589,021
Theoretical interest in the share capital, in EUR	0.10	0.10
Earnings per share, in EUR	0.21	−0.07
Book value per share, in EUR	3.44	3.20
Cash and cash equivalents per share, in EUR	2.61	2.69
12-month high, in EUR	5.20	1.93
12-month low, in EUR	1.71	0.98
Year-end share price, in EUR	4.12	1.89
Year-end market capitalisation, in EUR million	43	19.9

The Company's market capitalisation at the end of the year – at around EUR 43 million – is more than double the previous year's figure. Given that this capitalisation relates to a profitable enterprise and is underpinned by cash, cash equivalents and marketable securities amounting to approx. EUR 27 million as at December 31, 2003, the management of ad pepper media International N.V. believes there is further potential for share increases, despite the encouraging growth achieved over the past year. Having regained the confidence of investors and multipliers, it is now essential to consolidate and intensify that confidence.

Directors' holdings – shares and options held by members of ad pepper media executive bodies

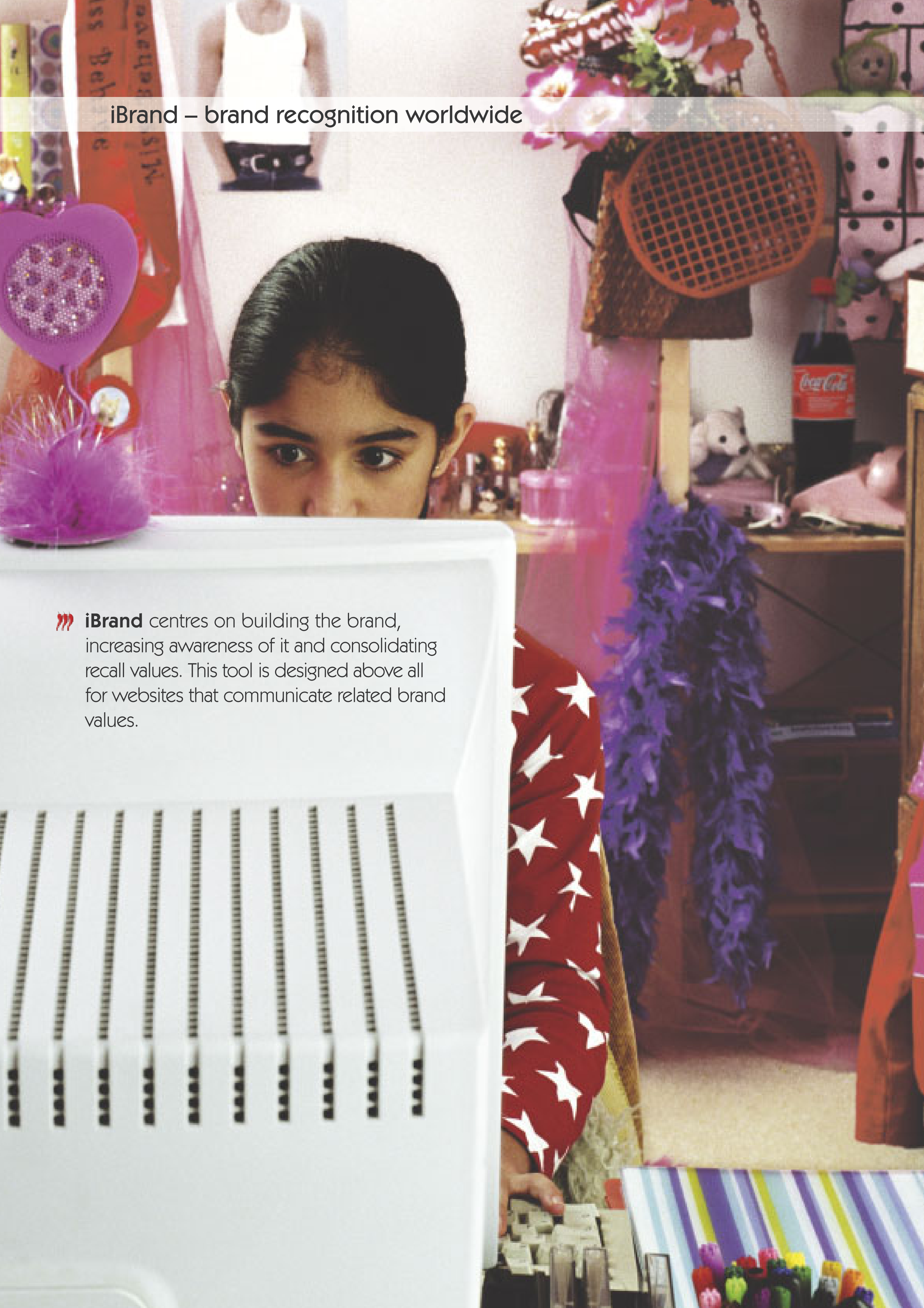
	December 31, 2003		December 31, 2002	
	Shares	Options	Shares	Options
Members of the Managing Board				
Ulrich Schmidt	623,197	368,000	627,197	78,000
Hermann Claus	51,808	243,000	36,808	63,000
Niels Nüssler	38,113	296,500	38,113	46,500
Members of the Supervisory Board				
Michael Oschmann	5,112	–	5,112	–
Dr. Günther Niethammer	1,112	15,000	1,112	10,000
Bernd Sexauer	292	–	292	–
Jan Andersen	597,600	–	597,600	–
Merrill Dean	–	–	–	–
Associated companies				
EMA B. V.	4,743,201	–	4,743,201	–
Euroserve	18,780	–	18,780	–
Viva Media Beteiligungsgesellschaft	15,000	–	19,413	–

ad pepper media versus "Prime All Share"



As of: 24.02.2004

iBrand – brand recognition worldwide



iBrand centres on building the brand, increasing awareness of it and consolidating recall values. This tool is designed above all for websites that communicate related brand values.

Outlook

Economic macroenvironment

Experts on national and international economic trends consider the recession of recent years to be overcome. The US economy is growing at a record pace, and signs of a global upswing are multiplying. Some even speak of a nascent economic boom, triggered especially by rapid growth in demand from the USA and the People's Republic of China. The US Federal Bank, for example, raised its growth forecast as recently as March 2004 to between 4.5 and five percent for the current year. According to a survey by the Centre for European Economic Research (ZEW), most economists expect Germany's gross domestic product (GDP) to increase by between 1.5 and two percent in 2004. However, almost all economic experts are pointing at the same time to the considerable risks associated with a continued rise in the Euros exchange rate. The at times dramatic appreciation of the Euro, especially against the Dollar, acts as a damper on foreign demand from the Dollarzone.

Nevertheless, the growth in industrial production and investment seen in recent years is largely driven by exports. The domestic economy was still showing signs of weakness at the beginning of 2004, which many experts attribute to absent or feeble impulses from the "big" tax reform of which only a fraction remains. The economic indicator published by the Financial Times Germany for the retail trade, which mirrors private consumption trends, has been on the rise since mid 2003, for example, yet consumption has had little or no impact so far in terms of improved economic growth. According to the GfK consumer research institute, consumers are obviously very wary of the upswing cited so intensively by the government in Berlin.

Advertising

The German advertising industry now hopes for positive stimuli in 2004, following a three-year downturn – as recently indicated by a survey conducted by the Gesamtverband Werbeagenturen (GWA) among its members. Two thirds of those questioned see signals for higher investment levels in the advertising industry and in services. The German Advertising Federation (ZAW) is more restrained in its outlook. Some positive trends can be discerned, but no sustained recovery as yet.

Sentiment in the advertising industry is much better globally than here in Germany, however. Aegis, for example, the world's largest independent media and market research group, expects advertising spending to increase by 4.7 percent in 2004. In Europe, says Aegis, recovery will be driven significantly by the Olympic Games, resulting in a 3.7 percent increase in advertising spending. Analyses by other major firms, such as WPP or Zenith Optimedia, reach similar conclusions.

The outlook is much more optimistic for online marketing, across all national boundaries: the ZAW has identified what it calls "delicate signs of a nascent boom" for this particular sector, and forecasts further growth in market share from a current figure of two to five percent.

Without exception, experts expect that this part of the advertising industry will see annual growth rates of at least 20 percent. This is quite understandable, given tighter advertising budgets and the tougher demands that ensue with regard to the effectiveness of marketing spending: there is no other medium with which, by using appropriate solutions, advertising messages can be delivered to consumers in such a targeted and low-cost fashion.

The Company

Based on all the indicators currently available, ad pepper media International N.V. aims in the current business year to exceed yet again the growth rate for the sector as a whole. Acquisitions producing scale effects for the existing range of services are among the Company's strategic growth targets, although none, of course, are included in the budgetary planning for 2004.

The Management Board has defined clear goals for the years ahead as well. The most important from the shareholder perspective is that revenues shall grow at an annual rate that is higher than the sectoral average, without any adverse effects on gross margin. A strategic aim is to position the Company within the advertising industry as the partner of choice for electronic marketing solutions in Europe.

Conditions are ripe for the share of total revenues generated by international campaigns to continue increasing in the years ahead as well, and hence for reinforcing the virtual monopoly enjoyed by ad pepper media. Another goal is to continue building, as an advertising medium, the network of theme-specific, special-interest websites already in place, especially in America and Asia. On the technology front, ad pepper media will preserve and intensify its independence in all parts of the Group that are of key importance for the core business, so that the Company remains a cut above the rest as far as competitors are concerned. In the software engineering field, efforts will be concentrated on innovative and efficient online marketing solutions for the MEDIA, DIRECT MARKETING and TECHNOLOGY divisions, combined with the creation and growth of proprietary platforms, such as "mailpepper".

Concentration of risks and other 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 eMail communication and other online media. Any slowdown in growth, or even a decline in Internet use, would make websites 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 website 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 positions

Due to its decentralized structure and international orientation with many branches and subsidiaries, ad pepper media depends on a large 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 word/picture trademark comprising the words "ad pepper media" and the pepper symbol. Both the word "pepper" and the picture (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 currently unaware of any other company pursuing the same or similar 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 the 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.

iReach – reaching users where they are online at the moment

iReach is the tool to deploy when the aim of a marketing campaign is to reach out to a wide public audience at minimal cost – no matter how, when or where a user is online. With this instrument, different ad formats can be placed on virtually any website within the national or international network.

Consolidated Statements of Operations (US GAAP)

	Q1–Q4/2003 EUR	Q1–Q4/2002 EUR
Net Sales	20,704,433	14,147,915
Cost of Sales	–10,426,091	–7,447,741
Gross profit	**10,278,342**	**6,700,174**
Selling and marketing expenses	–4,965,564	–4,162,458
General and administrative expenses	–4,427,109	–4,275,123
Other operating income and expenses, net	43,919	407,086
Operating income/loss	**929,588**	**–1,330,321**
Equity in earnings of affiliated companies	84,576	50,311
Foreign currency exchange gains and losses, net	2,658	–298,579
Interest income and expenses, net	1,125,123	930,471
Income/loss before income taxes (and minority interest)	**2,141,945**	**–648,118**
Income taxes	–10,210	–12,120
Income/loss before minority interest	**2,131,735**	**–660,238**
Minority interest	–5,500	–44,745
Net gain/loss	**2,126,235**	**–704,983**
Net gain/loss per share (basic)	0.21	–0.07
Net gain/loss per share (diluted)	0.19	–0.07

	Q1–Q4/2003 shares	Q1–Q4/2002 shares
Weighted average shares outstanding (basic)	10,356,350	10,589,021
Weighted average shares outstanding (diluted)	11,038,661	10,589,021

See accompanying notes to consolidated financial statements

Consolidated Balance Sheets (US GAAP)

	December 31, 2003 EUR	December 31, 2002* EUR
Assets		
Current assets		
Cash and cash equivalents	17,281,976	20,833,667
Marketable securities	1,002,400	4,137,205
Trade accounts receivable, net	8,447,743	5,403,525
Prepaid expenses and other current assets	1,387,513	1,340,070
Total current assets	**28,119,632**	**31,714,467**
Noncurrent assets		
Restricted cash	650,000	0
Equipment, net	428,679	376,665
Intangible assets, net	1,107,663	753,601
Goodwill	2,922,971	2,026,041
Investments in affiliated companies	774,352	689,776
Marketable securities	8,733,256	3,508,000
Other assets	208,835	213,916
Total noncurrent assets	**14,825,756**	**7,567,999**
Total assets	**42,945,388**	**39,282,466**

*prior year’s presentation amended

See accompanying notes to consolidated financial statements

Consolidated Balance Sheets (US GAAP)

	December 31, 2003 EUR	December 31, 2002* EUR
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	2,846,872	1,982,049
Accrued expenses	3,509,336	2,571,209
Other current liabilities	895,710	774,827
Total current liabilities	**7,251,918**	**5,328,085**
Minority interest	**35,695**	**39,829**
Shareholders' equity		
Share capital	1,115,500	1,115,500
Treasury stock	–79,973	–62,716
Additional paid-in capital	56,584,792	57,026,709
Accumulated deficit	–22,054,430	–24,180,665
Accumulated other comprehensive income/loss	91,886	15,724
Total shareholders' equity	**35,657,775**	**33,914,552**
Total liabilities and shareholders' equity	**42,945,388**	**39,282,466**

*prior year's presentation amended

See accompanying notes to consolidated financial statements

Statement of Cash Flows (US GAAP)	01.01.03–31.12.03 EUR	01.01.02–31.12.02 EUR
Net gain/loss	2,126,235	-704,983
Adjustments to reconcile net gain/loss to cash used in operations		
Loss attributable to minority interests	5,500	44,745
Depreciation and amortization	453,773	446,671
Gain/loss on sale of equipment	5,081	–1,912
Exchange losses transferred from other comprehensive income	0	362,324
Other non-cash income and expenses	–154,485	–28,774
Gross-Cash-Flow	**2,436,104**	**118,071**
Changes in operating assets and liabilities		
Increase in trade accounts receivable	–3,044,218	–2,129,432
Increase in prepaid expenses and other assets	–47,443	–94,728
Increase in trade accounts payable	864,823	113,875
Increase/decrease in accrued expenses and other liabilities	1,053,509	–468,960
Net cash used in/provided by operating activities	**1,262,775**	**–2,461,174**
Capital expenditures for intangible assets and equipment	–1,649,172	–343,532
Proceeds from sale of intangible assets and equipment	71,903	9,029
Capital expenditures in affiliated companies	0	–363,287
Security payments/proceeds from repayment security deposits	5,081	–85,339
Allocation to restricted cash	–650,000	0
Cash paid for acquisition of shares in consolidated companies	–134,590	–122,988
Sales of marketable securities	5,009,915	5,000,400
Proceeds from marketable securities	–6,915,750	–8,634,505
Net cash used in investing activities	**–4,262,613**	**–4,540,222**

See accompanying notes to consolidated financial statements

Statement of Cash Flows (US GAAP)	01.01.03–31.12.03 EUR	01.01.02–31.12.02 EUR
Sale of treasury stock	106,673	0
Purchases treasury stock	–615,847	–136,907
Net cash used in financing activities	**–509,174**	**–136,907**
Effect of exchange rate changes on cash and cash equivalents	–42,679	–102,788
Changes in cash and cash equivalents	–3,551,691	–7,241,091
Cash and cash equivalents at beginning of year	20,833,667	28,074,757
Cash and cash equivalents at end of year	17,281,976	20,833,666

See accompanying notes to consolidated financial statements

Statement of shareholders' equity

	Share capital EUR	Treasury stock EUR	Additional paid-in capital EUR
Balance at January 01, 2002	1,115,500	–53,316	57,146,956
Acquisition of treasury shares		–10,000	–126,907
Issuance from treasury shares		600	6,660
Net loss for the period			
Cumulated other comprehensive income/loss			
Total comprehensive income/loss			
Balance at December 31, 2002	**1,115,500**	**–62,716**	**57,026,709**
Balance at January 01, 2003	1,115,500	–62,716	57,026,709
Acquisition of treasury shares		–27,200	–588,647
Issuance from treasury shares		9,943	146,730
Net gain for the period			
Differences from currency convertion			
Unrealized exchange gain/loss			
Total comprehensive income/loss			
Balance at December 31, 2003	**1,115,500**	**–79,973**	**56,584,792**

See accompanying notes to consolidated financial statements

Accumulated deficit EUR	Cumulative other comprehensive income/loss		Total EUR
	Unrealized exchange gain/loss EUR	Differences from currency convertion EUR	
–23,475,682		–243,812	34,489,646
			–136,907
			7,260
–704,983			–704,983
		259,536	259,536
			–445,447
–24,180,665	**0**	**15,724**	**33,914,552**
–24,180,665	0	15,724	33,914,552
			–615,847
			156,673
2,126,235			2,126,235
		–42,679	–42,679
	118,841		118,841
			2,202,397
–22,054,430	**118,841**	**–26,955**	**35,657,775**

Statement of changes in non-current assets

	Historical costs brought forward			
	Balance at January 01, 2003 EUR	Additions EUR	Disposals EUR	Balance at December 31, 2003 EUR
Equipment	1,111,594	332,694	140,684	1,303,604
Intangible assets				
Software	512,234	477,894	16,560	973,568
Proprietary rights and customer base	613,550	126,244	0	739,794
Total	**1,125,784**	**604,138**	**16,560**	**1,713,362**
Investments in affiliated companies	734,230	84,576	0	818,806
Goodwill	3,660,375	896,929	0	4,557,304
Total	**6,631,983**	**1,918,337**	**157,244**	**8,393,076**

See accompanying notes to consolidated financial statements

Accumulated depreciation/Amortization/Impairment					Book value	
Balance at January 01, 2003	Depreciation/ Amortization of fiscal year	Disposals	Differences from currency convertion	Balance at December 31, 2003	31.12.2003	31.12.2002
EUR	EUR	EUR	EUR	EUR	EUR	EUR
734,929	207,878	72,118	−4,236	874,925	428,679	376,665
167,659	174,202	12,352	27	329,482	644,086	344,575
204,524	71,693	0	0	276,217	463,577	409,026
372,183	**245,895**	**12,352**	**27**	**605,699**	**1,107,663**	**753,601**
44,454	0	0	0	44,454	774,352	689,776
1,634,334	0	0	0	1,634,334	2,922,971	2,026,041
2,785,900	**453,773**	**84,470**	**−4,209**	**3,159,412**	**5,233,665**	**3,846,083**

Notes to the consolidated financial statements of ad pepper media International N. V. as at December 31, 2003

The Company

The business activities of ad pepper media International N.V. include holding interests in other companies whose object is to market Internet advertising space, and to provide services for its subsidiaries. Since it was established, ad pepper media has aimed at meeting the needs of a wide diversity of diverse markets, flexibly and as a company with international operations.

The beginning of ad pepper media's business activities dates back to 1998, when the Company now known as ad pepper media GmbH was founded as "InterAd interactive media services GmbH", in Munich. In February 1999, "InterAd" was renamed "ad pepper media" and positioned as an international corporate group. After its launch in Germany and Denmark, the Company quickly established additional branches in other countries. The current structure of the Company, with ad pepper media International N. V. functioning as a parent holding, has been in place since August 1999.

ad pepper media now operates 13 branch offices in nine European countries. The services provided by ad pepper media are grouped into three categories, namely MEDIA, DIRECT MARKETING and TECHNOLOGY. This means that ad pepper media covers all aspects of efficient online advertising, from low-cost high-coverage products and various efficient branding solutions, to the acquisition of new customers and measures for binding customers to the respective advertiser. The ad pepper media network, with approx. 1.2 billion advertising contacts per month, includes leading websites such as Das Telefonbuch and GelbeSeiten (Yellow Pages) in Germany, Aftonbladet in Sweden, Marktplaats and Monster in The Netherlands, Interhotel in Spain, and more than 650 specialised and theme-based websites with national and internatonal coverage. Customers include Blue Chip companies as well as new, innovative brands and advertisers who have discovered the Internet as an efficient advertising medium. The sales network includes websites with online advertising presence at regional, national and international level, thus providing customers with the desired coverage at all times.

Advertisers are given a one-stop solution that delivers all the services required to place advertising messages on the premium European and international websites in ad pepper media's portfolio. Campaigns are implemented, promotion tools are modified, campaign performance is analysed, reports are made and billed – with ad pepper media assuming responsibility for flawless campaign performance. In the view of advertising clients, one particularly valuable service entails the design of individual booking plans with which specific target groups can be reached with minimal loss due to non-selectivity. In addition to the actual websites to be booked, these plans also include recommendations regarding the choice of advertising format (banners, buttons, interstitials, text links, pop-ups, etc.).

One key aspect of service provision is contract-based booking or bundling of different websites addressing similar target groups (supplier products) to form customised "booking products" for the particular client. Websites that have ad pepper media as their agent can benefit from the combination of international and local sales expertise and intensive technical support. Customised services such as these help website-operators to generate advertising income without having to invest in costly personnel and expensive high-end technology.

Website-operators and advertisers alike can gain from the service quality of the ad pepper media Group, which provides both sides with attractively priced offers. All services are handled by a single client manager, which simplifies campaign planning and execution. ad pepper media International N.V. is based in Amsterdam (Hoofddorp), the Netherlands, and has a branch office in Nuremberg, Germany.

Entities consolidated

All subsidiaries under the legal or de facto control of ad pepper media International N.V. are included in the consolidated financial statements. The specific companies included in consolidation 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 UK Ltd., London, Great Britain	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, USA	100%
ad pepper media Italy srl., Milan, Italy	100%
Mediasense ApS, Copenhagen, Denmark	100%
Pentamind A/S, Copenhagen, Denmark	100%
ad pepper media Interactive Marketing Services srl., Milan, Italy	100%
Borsa Del Banner srl., Cagliari, Italy	51%
Regio Ad Beteiligungs- und Verwaltungsgesellschaft mbH, Nuremberg, Germany	100%

The former 38.4 percent minority interest in Pentamind A/S was taken over by ad pepper media Denmark A/S (Copenhagen, Denmark) with effect of 14 July 2003, with the aim of fully integrating its proprietary technology for executing qualified direct marketing campaigns on the Internet, and its competencies in product development.

The purchase price was EUR 180,000 and was paid in cash. This reflects the Company’s expectations regarding future potential for rationalisation and revenue generation.

The total purchase price less the proportional share of net assets acquired, valued at EUR 45,410, is reported in the balance sheet as addition to goodwill. No pro-forma balance sheet and statement of operations is presented for Pentamind, since Pentamind was included in the consolidated financial statements prior to acquisition of the minority interest.

With regard to the participating interests in Macati, ad pepper media Interactive Marketing Services and Borsa Del Banner, reference is made to the notes under “Corporate mergers”.

Accounting principles

Basis of presentation

The consolidated financial statements were prepared in accordance with the United States Generally Accepted Accounting Principles (US GAAP).

Consolidation principles and cut-off date

The consolidated financial statements include ad pepper media International N.V. and all majority owned subsidiary companies. Capital consolidation is based on the purchase accounting method, offsetting acquisition costs against the equity accruing to the parent company at the time of acquisition. The acquired assets and assumed liabilities are recorded at their fair market value in the consolidated balance sheet. Any amount by which the purchase price exceeds the fair market value of the proportional acquired net assets is capitalised as goodwill. All significant intercompany transactions and accounts are eliminated in consolidation. Shares in associated companies are stated at cost plus equity in undistributed earnings.

The balance sheet date for all consolidated companies is December 31, 2003.

Currency translation

The accounts are presented in Euros (EUR).

The balance sheets of foreign subsidiaries whose functional currency is not Euros have been translated in accordance with the functional currency concept using the year-end exchange rates, the statements of operations have been translated using the annual average exchange rate. Differences 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.

Recognition of revenues

The Company generates its revenues by marketing Internet advertising space. Advertising customers book units (ad impressions, ad clicks, registrations) via the Company – these are supplied over a period 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.

Research and development expenditure, advertising expenses

Research and development costs are expensed when incurred.

Advertising costs are expensed when incurred.

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.

Fair value of financial instruments

The carrying value of financial instruments such as cash and cash equivalents and current liabilities approximate their fair value based upon the short-term maturities of these instruments.

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.

A receivable is considered to be impaired when it appears unlikely that the entire amount will be collected. This assessment is based on all information available. 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.

Software is recorded at cost and amortised using the straight-line method. The useful life is generally three 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.

Marketable securities

According to US GAAP and, securities in accordance with SFAS 115 must be classified as "held to maturity", "trading" or "available for sale". SFAS 115 applies to all equity securities that have readily determinable fair values and to all debt securities. "Held-to-maturity securities" are all debt securities that the enterprise has the positive intent and ability to hold to maturity. They are reported at cost, impairments are recorded when a decline in fair value below cost is deemed to be other-than-temporary. "Trading securities" are acquired (and generally held for short periods) to make a profit from short-term movements in market prices. They are carried at fair value, with unrealized holding gains and losses included in earnings. "Available-for-sale securities" are all securities with readily determinable fair values that are not classified as either "trading" or "held to maturity" securities. Securities in this category are carried at fair value. Unrealised gains and losses are included in a separate component of shareholders' equity ("Other Comprehensive Income") and are not reported in earnings until realized or until a decline in fair value below cost is deemed to be other-than-temporary.

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.

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". 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.

Profit/loss per share

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

Concentration of Credit risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and marketable securities.

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.

Cash flow statement

The cash flow statement in accordance with SFAS 95 "Statement of Cash Flows", separates cash flows into operating, investing and financing activities. Other non-cash transactions include non-distributed profits of affiliated companies consolidated at equity and non-cash income from securites.

Reclassifications

In 2003 VAT-receivables and -payables are reported gross in other receivables/other payables. The corresponding 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 EUR 102,084 in 2003 (2002: EUR 68,923) were expensed when incurred.

Other operating income and expenses, net

In the previous year, other operating income and expenses included EUR 44,454 impairment charges on investments. No significant other income or expense was incurred in 2003.

Foreign exchange gains and losses, net

Foreign exchange gains and losses include EUR 2,658 (2002: EUR 63,745) realised gains from receivables and liabilities denominated in foreign currencies. In the preceding year, foreign exchange gains and losses also included EUR 362,325 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:

	2003 EUR	2002 EUR
Interest income	1,131,772	938,347
Interest expense	–6,649	–7,876
Financial result	**1,125,123**	**930,471**

Income taxes

Reported income taxes represent payments made in various tax jurisdictions.

Deferred tax assets of approximately EUR 6.0 million (2002: EUR 6.6 million) for available non tax loss carry forwards of EUR 17.0 million (2002: EUR 18.9 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.

EUR 319 thousand of the available loss carry forwards will expire in 2004, EUR 704 thousand in 2005, EUR 34 thousand in 2006, the remainder can be carried forward indefinitely.

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

No significant differences between the carrying amounts of assets and liabilities in the US GAAP balance sheet and their respective tax bases exist, which would result in deferred tax assets or liabilities.

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

	2003 kEUR	2002 kEUR
Expected tax expense/income	–805	244
Foreign tax rate differential	195	78
Use of tax loss carry forwards/changes in valuation reserves	636	–187
Tax effect of equity in earnings of affiliated companies	32	19
Non-tax deductible expenses and other	–68	–166
Taxes reported	**–10**	**–12**

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.

Trade receivables
Trade receivables are carried at their face value less allowances. Total allowances at December 31, 2003 amounted to EUR 1,479,230 (2002: EUR 1,213,485). 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, considering current information and events regarding the customers’ ability to repay their obligations

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

	December 31, 2003 EUR	December 31, 2002 EUR
Receivables from shareholders	231,318	245,336
Advance tax payments	274,404	362,121
Other receivables	721,895	610,420
Prepaid expenses	159,896	122,193
Prepaid expenses and other current assets	**1,387,513**	**1,340,070**

Receivables from shareholders exclusively include loans to senior employees who are also shareholders. In the previous year these loans amounted to EUR 220,708. The loans bear interest at 5.5 percent p.a., and have terms of up to one year from the balance sheet date.

Impaired loan receivables totaling EUR 136,931 were fully reserved (2002: EUR 146,467).

Non-current assets

Restricted cash

Restricted cash comprises funds deposited on a trustee account as security for contingent liabilities.

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:

	December 31, 2003 EUR	December 31, 2002 EUR
Software	973,568	512,234
Less cumulative amortization	329,482	167,659
Software, net	**644,086**	**344,575**
Trademark rights and customer base	739,794	613,550
Less cumulative amortization	276,217	204,524
Trademark rights and customer base, net	**463,577**	**409,026**
Intangible assets, net	**1,107,663**	**753,601**

In 2003 amortization expense for intangible assets totalled EUR 245,895 (2002: EUR 152,943). "Software" mainly comprises IT solutions produced in-house for the Company's own use, and is capitalised at production cost. The estimated useful life is three years.

On August 30, 1999, ad pepper media acquired the rights to the "ad pepper" trademark for EUR 613,550. These trademark rights are amortized over a ten-year period using the straight-line method. The residual book value as at 31 December 2003 totalled EUR 347,671 (2002: EUR 409,026). In April 2003, the "Regio Ad" trademark was acquired for an amount of EUR 48,181, including ancillary acquisition costs. The amortization period for these rights is also ten years. The residual book value as at 31 December 2003 is EUR 44,706. Various additional trademark rights were acquired in October of the reporting year as part of the acquisition of the online business operations of Clickit. The rights were purchased for the sum of EUR 3,063 and are amortized over a period of 15 months using the straight-line method. The residual book value as at 31 December 2003 is EUR 2,450.

Also included is a customer base that was purchased as part of the acquisition of Clickit's online business operations; the purchase price for the customer base was EUR 75,000 and will be amortized over a three-year period.

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

	2004 EUR	2005 EUR	2006 EUR	2007 EUR	2008 EUR
Software	250,000	200,000	95,000	15,000	10,000
Trademarks and customer base	68,623	66,173	66,173	66,173	66,173
Total	**318,623**	**266,173**	**161,173**	**81,173**	**76,173**

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

Goodwill
The goodwill balance at December 31, 2002 was EUR 2,026,041. In 2003 goodwill was increased by EUR 134,590 with the acquisition of the former minority interest in Pentamind and by EUR 762,340 with the acquisition of Macati, ad pepper media Interactive Marketing Services and Borsa del Banner.

In the fourth quarter of 2003, checks were performed in accordance with SFAS 142 on the valuation of goodwill based on future cash flows. These checks did not identify any need for extraordinary amortization. At the end of 2003, goodwill totals EUR 2,922,971 (2002: EUR 2,026,041).

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

Participations
The Company holds a 25.1 percent interest in Falk eSolutions AG, Moers. This interest is carried as an equity method investment. The purchase price exceeded the proportionate equity by EUR 483,381. The total acquisition cost of EUR 638,287 included a EUR 300.000 cash contribution for newly issued shares, acquisition costs of EUR 63,287 and a EUR 275.000 committed capital contribution (liability) payable on December 31, 2005. However, an earlier payment is contingent upon the achievement of performance targets. In addition, the liability can be reduced based on the use of the Company’s office space.

Marketable securities
As at December 31, 2003, all marketable securities were in the category “available-for-sale”.

All securities reported in current assets have a residual term of up to one year. The year before, the account contained only “held-to-maturity” securities with a residual term of up to one year.

Marketable securities reported in non-current assets have a residual term of more than one year.

In 2003, optimisation of the investment portfolio led to bonds formerly reported in "held to maturity" being sold for EUR 4,009,915. The carrying value of these securities totalled EUR 3,934,753; the realised gain amounted to EUR 75,162.

The other securities formerly classified as "held to maturity" were reclassified as "available for sale". The differential of EUR 118,841 between the fair market values and carrying values was recorded in other comprehensive income.

The following table provides an overview of "available-for-sale" securities as at December 31, 2003. No "available-for-sale" securities were held the year before.

	Cost kEUR	Unrealised gains kEUR	Unrealised losses kEUR	Market value kEUR
Short-term				
Bonds issued by banks	1,002	–	–	1,002
Long-term				
Bonds issued by banks	8,614	119	–	8,733
	9,616	**119**	**–**	**9,735**

The maturities of the "available-for-sale" securities as at December 31, 2003 are shown in the table below:

	Costs kEUR	Market value kEUR
Maturity ≤ 1 year	1,002	1,002
Maturity > 1 ≤ 5 years	6,614	6,695
Maturity > 5 years	2,000	2,038
	9,616	**9,735**

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 (websites). Expenses are accrued to match recorded revenues.

Treasury shares
By shareholders resolution of May 05, 2003 the Managing Board was authorized to repurchase treasury shares for up to ten percent of the share capital. In 2003 the Company purchased 271,998 shares with a nominal value of EUR 0.10 for a total cash payment of EUR 615,847.

With shareholders' resolution of April 25, 2002 the Managing Board has been authorized to repurchase treasury shares for up to ten percent of the share capital. In 2002 the Company purchased 100,000 shares as treasury shares for a total cash payment of EUR 136,907.

Issuance of treasury shares
Of the treasury shares acquired by the Company, 25,332 were used in 2003 to settle the purchase price liability from the acquisition of Macati S.A.R.L.

Under the Employee Stock Option Plan, 68,300 treasury shares were sold in 2003 at a price of EUR 1.33, as were 5,800 treasury shares at a price of EUR 2.73.

Number of shares issued
The number of shares issued and outstanding totalled 10,355,272 as at December 31, 2003 (2002: 10,527,838). The shares have a nominal value of EUR 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 EUR 4,000,000 and comprises 40,000,000 shares.

Accumulated other comprehensive income/loss
The accumulated other comprehensive income/loss comprises accumulated currency translation differences of EUR –26,955 (2002: EUR 15,724) and EUR 118,841 revaluation reserves for unrealised gains from "available-for-sale" securities (2002: EUR 0).

Business combinations

With effect from 1 January 2003, ad pepper media France S. A. R. L. acquired a 100 percent interest in Macati S. A. R. L., a French online marketer. Macati was merged with ad pepper media France on June 20, 2003. Macati established itself in France as a supplier of efficient direct marketing concepts, operates a large network of websites with impressive coverage and already generated profits.

Macati's results of operations for the full year 2003 are included in the consolidated financial statements.

The acquisition cost, including incidental acquisition cost, totalled EUR 407,821, of which EUR 87,500 was paid for in the form of shares of ad pepper media International N. V. Of the total purchase price, EUR 75,000 are contingent based on targets being reached, of this amount EUR 37,500 payable in shares of the Company. Given that said targets will probably be reached, accruals were made to the respective amount. The number of these shares is calculated using the average share price of the last ten trading days before the 2003 annual financial statements of ad pepper media France S. A. R. L. have been adopted. For the first tranche of shares totalling EUR 50,000, 25,331 shares have been transferred based on the 10-day average share price prior to the contract being signed.

The purchase price exceeds the net assets by EUR 351,168. The goodwill is not tax deductible.

A condensed balance sheet of Macati S. A. R. L. as of January 01, 2003 is given below:

Total current assets	309,472 EUR
Total long-term investments	17,017 EUR
Total assets	**326,489 EUR**
Total current liabilities	269,835 EUR
Total shareholders' equity	56,654 EUR
Total liabilitites and shareholders' equity	**326,489 EUR**

In October 2003, ad pepper media Italy srl. acquired 100 percent of the shares in ad pepper media Interactive Marketing Services srl., which for its part had acquired the online business unit of Clickit S. R. L. by purchasing specific assets of the latter company. The business unit includes a 51 percent interest in Borsa del Banner S. R. L. Clickit was Italy's largest online marketer and complements the successful direct marketing activities of ad pepper media with its strengths in media and eMail marketing. The results of the Clickit business unit and Borsa del Banner were included in the consolidated financial statements from October 2003 onwards.

The provisional purchase price is EUR 408,088. This price will increase if certain profit targets are reached in 2004. Part of the additional purchase price amount will be payable in the form of ad pepper media International N. V. shares. The number of shares is calculated using the averages share price on the last ten trading days prior to the contract being signed (EUR 3.46).

The takeover also involved the acquisition of various trademark rights for EUR 3,063 and a customer base for EUR 75,000; the trademark rights are amortised over a period of 15 months, the customer base has an estimated useful life of three years.

The purchase price includes goodwill amounting to EUR 396,472 for ad pepper media Interactive Marketing Services and EUR 14,700 for Borsa del Banner. Of this goodwill, EUR 300,000 is tax deductible. The purchase price allocation for the two companies has not yet been determined because the final price is contingent on certain profit targets being reached in 2004.

The table below presents the condensed balance sheet of ad pepper media Interactive Marketing Services srl. as of October 01, 2003:

Total current assets	10,909 EUR
Participations	51,852 EUR
Intangible assets	78,063 EUR
Tangible assets	30,250 EUR
Total assets	**171,074 EUR**
Total current liabilities	169,458 EUR
Total shareholders' equity	1,616 EUR
Total liabilitites and shareholders' equity	**171,074 EUR**

Condensed balance sheet of Borsa del Banner srl. as of October 01, 2003:

Total current assets	51,792 EUR
Total long-term investments	31,772 EUR
Total assets	**83,564 EUR**
Total current liabilities	10,717 EUR
Total shareholders' equity	72,847 EUR
Total liabilities and shareholders' equity	**83,564 EUR**

The following pro-forma consolidated amounts for the reporting period and the previous year include the results of Macati S.A.R.L., ad pepper media Interactive Marketing Services srl. and Borsa del Banner srl.:

	2003 EUR	2002 EUR
Pro-forma revenues	22,192,075	16,545,571
Pro-forma net result	1,936,193	–1,509,087
Pro-forma Earnings per share	0.19	–0.14

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 EUR 604,075 (2002: EUR 330,000). The corresponding liabilities at December 31, 2003 totaled EUR 111,882 (2002: EUR 58,573).

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 EUR 13,000 (2002: EUR 6,000).

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

ad pepper media GmbH markets Internet sites for companies including Sharelook, Waslos.de, Gelbe Seiten Marketing and Funkhaus Nürnberg, at standard market terms. Payments to these website-operators totalled EUR 256,583 in 2003 (2002: EUR 170,000). Associated liabilities amounted to EUR 10,131 (2002: EUR 69,826). ad pepper media GmbH also rented office premises in Dusseldorf from Schwann KG, for which rental expenses of EUR 15,239 were incurred in 2003 (2002: EUR 6,500).

As part of an office sharing agreement with Portamundi, rental payments were offset against the operating costs of jointly used office fittings.

ad pepper media International N.V. also uses consulting services provided by Interfilm Ltd.

Litigation and claims

ad pepper media GmbH is currently involved in litigation over an unpaid receivable amounting to approx. EUR 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, 2003 are as follows:

Financial year	2004 kEUR	2005 kEUR	2006 kEUR	2007 kEUR	2008 kEUR	Post-'08 kEUR	Total kEUR
Office rent	343	261	257	143	127	80	1,211
Car leasing	101	74	46	12	2	0	235
Other	32	25	2	0	0	0	59
Total	**476**	**360**	**305**	**155**	**129**	**80**	**1,505**

Additional cash flow information

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

Interest paid in 2003 totalled EUR 6,649 (2002: EUR 7,876). Income taxes paid in 2003 totalled EUR 10,210 (2002: EUR 12,120).

Investments in affiliated companies increased by EUR 84,576 (2002: EUR 50,311) for undistributed earnings.

Own shares totaling EUR 50,000 were issued to settle a payable resulting from the acquisition of Macati.

Non-current marketable securities increased by EUR 65,775 from non-cash income.

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, the gross earnings and equipment in the individual regions:

	2003 EUR	2002 EUR
Sales		
Central Europe (Germany, Austria, The Netherlands)	8,422,329	5,115,392
Northern Europe (Denmark, Sweden, Finland, Norway)	4,701,583	3,008,242
Western Europe (Great Britain, France, Spain, Portugal, Italy)	7,580,521	6,024,281
Total sales	**20,704,433**	**14,147,915**

	2003 EUR	2002 EUR
Cost of sales		
Central Europe (Germany, Austria, The Netherlands)	4,449,261	3,530,337
Northern Europe (Denmark, Sweden, Finland, Norway)	2,371,264	1,785,020
Western Europe (Great Britain, France, Spain, Portugal, Italy)	3,605,566	2,132,384
Total cost of sales	**10,426,091**	**7,447,741**

	2003 EUR	2002 EUR
Gross profit		
Central Europe (Germany, Austria, The Netherlands)	3,973,068	1,585,055
Northern Europe (Denmark, Sweden, Finland, Norway)	2,330,319	1,223,222
Western Europe (Great Britain, France, Spain, Portugal, Italy)	3,974,955	3,891,897
Gross profit	**10,278,342**	**6,700,174**

	2003 EUR	2002 EUR
Equipment		
Central Europe (Germany, Austria, The Netherlands)	160,116	162,461
Northern Europe (Denmark, Sweden, Finland, Norway)	165,695	88,812
Western Europe (Great Britain, France, Spain, Portugal, Italy)	102,868	125,392
Total equipment	**428,679**	**376,665**

Earnings per share

The following table shows the calculation of net profit/loss per share:

	2003	2002
Profit/loss per ordinary share		
Net income/loss for the year in EUR	2,126,235	–704,981
Issued shares at start of year	10,527,838	10,621,838
Issued shares at end of year	10,355,272	10,527,838
Weighted stock of issued shares (undiluted)	10,356,350	10,589,021
Earnings per share (undiluted) in EUR	**0.21**	**–0.07**
Weighted stock of issued shares (diluted)	11,038,661	10,589,021
Earnings per share (diluted) in EUR	**0.19**	**–0.07**

The weighted number of issued shares in 2003 was calculated on a daily basis. In 2003, outstanding stock options resulted in dilution by 682,311 shares. In the previous year, outstanding stock options were excluded from the calculation because 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 ten 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 percent after the first year, if the stock market price during this period exceeds EUR 19.55 on one occasion, 25 percent after two years, if the stock market price during this period exceeds EUR 22.10 on one occasion, 25 percent after three years, if the stock market price during this period exceeds EUR 23.80 on one occasion, 25 percent after four years, if the stock market price during this period exceeds EUR 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.

At each of the annual Shareholders' Meetings on April 26, 2001, April 25, 2002 and May 05, 2003, the Management Board was authorized to repurchase up to ten percent of the share capital as treasury stock within an 18-month period. Own shares thus repurchased are available for acquisitions and employees' stock option rights.

Options provided under 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 as the average share price on the Xetra exchange during the first ten trading days of May 2001 for the 2001 plan, or the first ten trading days in the month of January for subsequent plans.

Options can first be exercised when the share price has increased to at least ten percent more than the subscription price, and 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 options expire if the employee terminates his or her employment relashionship with the Company, or if the Company terminates his or her employment for good cause.

In January 2003, the "Ongoing Stock Option Plan" for managers was replaced by the "Executive Stock Option Plan", the aim of which is to encourage executives to remain with the Company. Under this plan, a once-only issue of options was granted to executive employees; the strike price for these options is based on the average share price during the first ten trading days in January 2004. Ten percent of the options may be exercised in 2004 and each of the following nine years.

No stock based compensation expenses for options granted were recorded in line with the intrinsic value method (APB-25). The following table shows the options as of 31 December 2003:

	Number	Subscription price EUR
Option rights at start of fiscal year (Pre-IPO)	120,450	13.50
Option rights at start of fiscal year (Ongoing SOP 2001)	92,900	2.73
Option rights at start of fiscal year (Ongoing SOP 2002)	154,000	1.33
Weighted average exercise price		5.67
Option rights granted (Ongoing SOP 2003)	91,800	1.78
Option rights granted (Executive SOP)	1,260,000	1.78
Weighted average exercise price		1.78
Lapsed option rights (Pre-IPO)	–1,100	13.50
Lapsed option rights (Ongoing SOP 2001)	–2,000	2.73
Lapsed option rights (Ongoing SOP 2002)	–2,600	1.33
Lapsed option rights (Ongoing SOP 2003)	–4,600	1.78
Weighted average exercise price		3.10
Option rights exercised (Ongoing SOP 2001)	–5,800	2.73
Option rights exercised (Ongoing SOP 2002)	–68,300	1.33
Weighted average exercise price		1.44
Option rights at end of fiscal year	1,634,750	
Exercisable options at end of fiscal year	168,200	

The “fair value” of the stock options was calculated using the Black-Scholes pricing model, based on the following assumptions:

	Pre-IPO	Ongoing SOP 2001	Ongoing SOP 2002	Ongoing SOP 2003	Executive SOP
Share price at issue	13.50 EUR	2.60 EUR	1.30 EUR	1.78 EUR	1.78 EUR
Date of issue	31.05.2000	18.05.2001	15.01.2002	15.01.2003	15.01.2003
Strike price	19.55 EUR	2.73 EUR	1.40 EUR	1.78 EUR	1.78 EUR
Risk-free interest rate	4.8 %	4.0 %	3.8 %	3.5 %	4.5 %
Anticipated term	7 years	4 years	1 year	1 year	10 years
Future dividends	0 %	0 %	0 %	0 %	0 %
Anticipated volatility	20 %	93 %	68 %	73 %	53 %

The “fair value” of options granted in 2003 is EUR 0.53 per option right and EUR 1.21 per option right granted under the Executive SOP.

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:

	2003 EUR	2002 EUR
Net income/loss for the year		
As reported	2,126,235	–704,983
Pro-forma expense	235,588	180,280
Pro-forma	1,890,647	–885,263
Earnings per share		
As reported	0.21	–0.07
Pro-forma	0.18	–0.08

Events after the balance sheet date
No material facts or events are known to have arisen or occurred between the balance sheet date and the final preparation of these financial statements.

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

We have audited the accompanying 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, 2003 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, 2003 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 02, 2004

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Hegenbarth Wirtschaftsprüfer	Eckert Wirtschaftsprüfer

Executive bodies of the Company

The Management Board of ad pepper media International N.V. comprised the following members in the financial year 2003:

Ulrich Schmidt, CEO (Chairman), Nuremberg, Germany

Hermann Claus, CFO, Celle, Germany

Niels Nüssler, CSO, Nuremberg, Germany

The Supervisory Board of ad pepper media International N.V. in fiscal year 2003 consisted of:

Michael Oschmann, Chairman, Nuremberg, Germany,
Managing director

Dr. Günther Niethammer, Nuremberg, Germany,
Partner

Bernd Sexauer, Frankfurt am Main, Germany,
Company director

Jan Andersen, Copenhagen, Denmark,
Managing director

Merrill Dean, Scottsdale, USA,
Managing director

Ad impression
Standard unit adopted by DMMV, GWA, VDZ, BDZV and VPRT industry associations at the end of 1998 as the binding unit to be used in future for measuring the performance of advertising media. In contrast to page impressions, this standard measures the number of times an advertising banner itself, rather than the page on which it is positioned is actually viewed.

Ad server
A central server that delivers banners to the website's advertising space independently of the web server for the site. Ad servers enable efficient banner management and uniform campaign management across different websites.

Banners
Ads displayed on a website. The commonest data formats until now are image files in GIF or JPEG format. Innovative banner types (see "Rich media") are gaining in importance, however. Banners contain hyperlinks to the advertiser's website.

Banner burnout
Describes the decline in a banner's advertising effectiveness, especially when expressed in falling click-through rates.

Click-through
A click on an advert hyperlink (e.g. a banner) that leads to the advertiser's website.

Click-through Rate
Ratio of click-throughs to ad impressions or ad views. Important benchmark for the efficiency of online advertising. However, click-through rate does not take into account other key criteria for advertising effectiveness, such as awareness, image, communicative performance and likeability.

Cost per click (CPC)
Billing unit for online advertising. What is billed is the number of click-throughs, i.e. how often users click on a banner and are taken to the advertiser's website.

Cost per thousand impressions (CPM)
Billing unit for online advertising, analogous to the Thousand-Contacts-Price (TCP). What is billed is the number of viewing contacts with a banner (see "Ad impression").

Cost per objective (CPO)
Billing unit for online advertising that depends on whether the advertiser has achieved certain targets (generating address material = cost per lead, sales = cost per sale).

eCRM
A customer relationship is managed by addressing customers directly via electronic advertising and products.

Frequency
Refers to how often a user is supposed to see a particular banner. One of the potential targeting criteria for countering banner burnout.

Interstitials
Ads loaded in between two websites.

Page impressions
Number of viewing contacts with a particular HTML page that could potentially carry ads within an online offering. Unlike “hits”, the respective page is counted as a separate unit, regardless of how many different elements it contains (graphics, etc.). See also “Page view”.

Page view
Outdated parameter for determining the coverage of an online offering. Provides information of little relevance compared to page impressions, because each frame in a particular online page generates a page view. Sites loaded from cache are not counted.

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

Rich media
Refers to a variety of technologies, such as Emblaze, Enliven, InterVu and Java, for creating innovative banner types. The efficiency of a banner is considerably enhanced by rich media due to the greater scope for creativity and the integration of interactive components.

Run of network (RON)
By booking several websites, the coverage of a campaign is increased. State-of-the-art ad serving technologies enable specific target groups to be targeted.

Run of site (ROS)
Campaign booking for a website, without specific sections of it being selected.

Site promotion
Advertising for websites on other websites, or in classical media.

Sponsoring
Alternative advertising option in addition to banner placement. Websites are linked exclusively to an advertiser’s messages and display the latter’s logo.

Traffic
Number of users visiting a website. There are various ways of measuring this parameter.

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Company Calendar

All financial and press data, which are relevant for the capital market, on a view

2004	
2003 Annual Report	23 March 2004
Analyst conference	23 March 2004
Annual Shareholders' Meeting	7 May 2004 (Hoofddorp, The Netherlands)
Quarterly report I/2004	26 May 2004
Quarterly report II/2004	25 August 2004
Quarterly report III/2004	24 November 2004
Analyst conference German Equity Forum, Frankfurt	23/24 November 2004

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The Annual Report is also available in German. An online version can be downloaded from www.adpepper.com.

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