

ad pepper media International N.V.
Leisteen 9
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ad pepper

3-Months-Report
1-2002



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pepper
The e-Advertising Network

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Dear shareholders,

all in all, the first quarter of the current fiscal year was a pleasing one for ad pepper media. Although the overall advertising market continued to be characterized by falling sales and the poor state of the overall economy, ad pepper media was able to escape this downward trend and to further reinforce and expand its position on the market. We are particularly pleased to report that the first national companies have broken even and that they are already showing excellent yields.

Even though sales are still showing a downward trend compared to the first quarter of the previous year due to the closure of some national companies, a closer look at the results in the various countries show significant increases in sales. This development is even clearer if we keep the comparable figures from the previous fourth quarter 2001 in mind. All key corporate indicators for the first quarter 2002 are showing positive growth. Our net result have improved by nearly 84%, and one can clearly see that if this type of progress continues the entire group will record positive earnings in the foreseeable future. The restructuring program was successfully concluded and the new direct marketing products are already bearing fruit – these already constitute the bulk of the Group's sales. Our strategic repositioning in the field of electronic direct marketing has proven correct, shown not only by the greatly

improved gross margins but also by the above average sales growth for our new products. Increasing in-house technology developments and additional strategic technology alliances have again improved our flexibility, productivity and innovative strength – our positioning as an independent supplier and user of the best technology in each particular case has also been confirmed.

We have achieved this overall development with an almost unchanged strong equity structure – which is unique in our market. With the wind of our existing capital in our sails, ad pepper media will also be able to actively pursue key strategic matters in future and to grow out of this period of market consolidation as a stronger company.

We would like to thank all of our employees who have brought about this development, and would like to thank our shareholders for the trust they have shown in our company – this makes us committed to continuing the path we have struck.

Hoofddorp, The Netherlands, May 23, 2002

The Managing Board

Ulrich Schmidt Hermann Claus Niels Nüssler

Earnings – First quarter of 2002

The first quarter of the current fiscal year continues to be characterized by reduced advertising sales on the market as a whole. In contrast to general market developments, which continue to be slow, ad pepper media has succeeded in increasing its sales to € 2.4 million in Q1 2002 – up 20% on the fourth quarter of 2001 (€ 2.0 million). These results are even more positive considering that a number of the national companies that were closed last year as part of the restructuring program no longer contributed to sales.

The effects of the 2001 cost-cutting program lowered operating costs by 64% from € 5.3 million in the previous quarter to € 1.9 million in the first quarter of 2002, thus generating a significant improvement in the quarter's results.

The operating loss (EBIT) totaled € -1.1 million, an improvement of 71% on the same period of the previous year (€ -3.6 million). The loss for the quarter before taxes is € -0.8 million, and is thus down 75% on the previous year value (previous year: € -3.1 million).

Earnings per share based on the weighted stock of outstanding shares for the first quarter of the current fiscal year totaled € -0.07. In the same period of the previous year it still totaled € -0.28.

The accumulated other comprehensive income, which resulted mainly from exchange rate fluctuations for USD, GBP and NOK totaled € -0.3 million in the first three months of the fiscal year 2002.

ad pepper media had cash and cash equivalents and marketable securities totaling € 30.0 million on March 31, 2002.

Company growth

After a year of consolidation, the restructuring phase was successfully concluded in 2001. The measures we put into place are taking effect and are substantially increasing our efficiency and productivity – which are crucial in highly competitive markets.

The positive result is due in particular to two key factors – cost cutting and improved gross margins. After concluding the restructuring program at the end of 2001, the company recorded a group-wide reduction in costs of 54% in the first quarter of 2002 compared to the same period of the previous year. The gross margin increased from 23.9% (Q1 2001) to 37.0% and also contributed to this positive development.

ad pepper media's focus on innovative direct marketing solutions for permission marketing has allowed the company to develop from a pure marketer of advertising space to become a full service provider for complex Internet marketing solutions and to establish itself in this role. The company is increasingly using its own technologies for this purpose. The company's reinforced market position and its flexible adjustment to meet market needs will have a substantially positive effect on its earnings in 2002.

Initial successes have confirmed the company's strategy. The company has already recorded positive operating results (EBIT) during the past quarter in Germany, Denmark and Spain.

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

Online advertising

The entire advertising market is currently continuing to go through a period of weakness. However, the economic recovery that is slowly starting to be seen is not yet showing any long-term positive effects on general media expenditure.

Growth in online advertising expenditure has thankfully been increasingly able to escape this downwards trend. The online advertising market was able to pick up slightly across Europe in the first quarter, which can be put down to an increasingly attractive cost-benefit ratio from interactive campaigns in particular.

The measurability of results and performance-related invoicing models are key factors behind this success, and these are growing in importance in difficult economic periods. These advantages will determine the long-term success of online advertising, as they have brought about true superiority over

other media. Interactive dialogue marketing will be a particular growth driver – this offers key competitive advantages thanks to new products, flexible technologies and its ability to be system-integrated. This interaction with end users allows high coverage, efficiency and cost advantages – advertising meets its targets more accurately with less effort. In saying this, a decisive factor is tailoring these advantages for the advertiser and designing integrated advertising concepts from individual campaigns.

ad pepper media is perfectly positioned strategically in this environment, and will thus be able to assist in influencing these developments.

Our shares

The price of ad pepper media's shares on the Neuer Markt of the Frankfurt stock exchange was able to avoid the downturn experienced by the NEMAX All Share Index during Q1 2002. The share price increased by 25% to € 1.28 in the first three months of the fiscal year, whereas the NEMAX All Share Index fell by 10% over the same period. ad pepper media believes that the increasing share price is evidence of the company's positive growth.

However, the current share price does not reflect the potential offered by ad pepper media's shares. The company's cash and cash equivalents (including marketable securities) totaling € 2.83 per share in circulation means that the shares are still greatly undervalued. ad pepper media is confident that the share price will again increase substantially as the

turnaround in the current fiscal year approaches. The market price will then also reflect the company's true potential.

Outlook

ad pepper media is looking to the future with confidence and is well equipped to deal with its demands. The completed restructuring program has enabled all of ad pepper media's national companies to work efficiently and competitively. New products have been successfully launched, and these, combined with existing offerings, mean that ad pepper media now offers an end-to-end chain of products and services for innovative Internet advertising. The existing structure and the margins which can be achieved mean that ad pepper media is one of the leading European advertising marketers and is recognized by the market as an established high-quality provider. In addition, the European structure opens up new opportunities for strategic alliances for ad pepper media every day – as the company can quickly ensure coverage and volume.

ad pepper media can still boast an excellent equity situation – this will guarantee not only our continued economic growth, but in particular our ability to act when we further expand our position on the market. The sales, product, technology and organizational strategies selected to date have proven to be right – which means that we will continue with

them. ad pepper media's strengths include our ability to adapt and our fast, flexible reactions to changed market conditions.

This won't change in the future. ad pepper media is continuing to work on expanding and constantly improving its existing product portfolio. New markets that come into being due to deregulation and the spread of new technologies will be observed in minute detail, valued and then aggressively penetrated by ad pepper media as soon as market-ready concepts are recognizable.

ad pepper media is convinced that clear targets and the right strategy will soon result in economic success and that the break-even point will come into reach. Our Managing Board and employees alike have firmly committed themselves to this goal.

In the interests of the company and, above all, our shareholders, ad pepper media will not give up until the company's key indicators reflect its true market potential.



Financial statement of operations

	Q1/2002	Q1/2001
Net Sales	2,402,977 €	2,794,432 €
Cost of Sales	-1,513,494 €	-2,126,452 €
Gross profit	889,483 €	667,979 €
Selling and marketing expenses	-1,126,982 €	-2,611,264 €
General and administrative expenses	-958,197 €	-1,789,191 €
Other operating income and expenses, net	138,810 €	275,509 €
Amortization and impairment of goodwill	0 €	-143,359 €
Restructuring expenses	0 €	0 €
Operating loss	-1,056,886 €	-3,600,327 €
Interest income and expenses, net	275,019 €	458,248 €
Loss before income taxes (and minority interest)	-781,867 €	-3,142,079 €
Income taxes	0 €	-1,704 €
Loss before minority interest	-781,867 €	-3,143,783 €
Minority interest	0 €	15,973 €
Net loss	-781,867 €	-3,127,810 €
Net loss per share (basic)	-0.07 €	-0.28 €
Weighted average shares outstanding (basic)	10,626,759	11,155,000


Balance Consolidated: Assets

	Balance to March 31, 2002	Balance to December 31, 2001
Current assets		
Cash and cash equivalents	26,014,683 €	28,074,757 €
Marketable securities	4,011,100 €	4,011,100 €
Trade accounts receivable	3,632,800 €	3,274,093 €
Prepaid expenses and other current assets	2,119,939 €	1,636,939 €
Total current assets	35,778,522 €	36,996,889 €
Noncurrent assets		
Plant and equipment	514,767 €	582,173 €
Intangible assets	623,382 €	644,603 €
Investments	45,859 €	45,632 €
Goodwill	1,233,239 €	1,233,239 €
Other assets	179,603 €	128,577 €
Total noncurrent assets	2,596,850 €	2,634,224 €
Total assets	38,375,372 €	39,631,113 €

Balance Consolidated: Liabilities and Shareholder's Equity

Current liabilities		
Trade accounts payable	1,237,766 €	1,868,174 €
Accrued expenses	2,842,162 €	2,572,345 €
Other current liabilities	632,697 €	696,694 €
Total current liabilities	4,712,625 €	5,137,213 €
Minority interest	4,254 €	4,254 €
Shareholder's equity		
Share capital	1,115,500 €	1,115,500 €
Treasury stock	-52,716 €	-53,316 €
Additional paid-in capital	57,153,616 €	57,146,956 €
Accumulated losses	-24,257,549 €	-23,475,682 €
Accumulated other comprehensive income/loss	-300,358 €	-243,812 €
Total shareholder's equity	33,658,493 €	34,489,646 €
Total liabilities and shareholder's equity	38,375,372 €	39,631,113 €



Statement of Cash Flows

	01.01.02-31.03.02	01.01.01-31.03.01*
Net loss	-781,867 €	-3,127,810 €
Loss attributable to minority interests	0 €	-15,973 €
Depreciation and amortization	115,019 €	292,449 €
Gain on sale of fixed assets	-216 €	0 €
Other noncash revenues and expenses	5,947 €	2,247 €
Gross-Cash-Flow	-661,117 €	-2,849,086 €
Increase/decrease in accounts receivable	-358,707 €	698,554 €
Increase/decrease in other assets	-483,000 €	414,619 €
Decrease in accounts payable	-630,408 €	-2,650,684 €
Increase in other liabilities	205,820 €	323,435 €
Net cash used in operating activities	-1,927,412 €	-4,063,163 €
Capital expenditures for intangible and fixed assets	-26,402 €	-128,234 €
Proceeds from sale of intangible and fixed assets	1,539 €	0 €
Capital expenditures for financial assets	-227 €	-5,013 €
Security payments	-51,026 €	0 €
Net cash used in investing activities	-76,116 €	-133,247 €
Sales/purchases of marketable securities	0 €	1,834,638 €
Long-term financial liabilities	0 €	465,372 €
Net cash provided by financing activities	0 €	2,300,010 €
Effect of exchange rate changes on cash and cash equivalents	-56,546 €	-237,852 €
Changes in cash and cash equivalents	-2,060,074 €	-2,134,252 €
Cash and cash equivalents at beginning of year	28,074,757 €	5,032,388 €
Cash and cash equivalents at end of year	26,014,683 €	2,898,135 €

* prior year's presentation amended



Net sales

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 table shows net sales in the individual regions:

Net sales	Q1/2002	Q1/2001
Central Europe (Germany, Austria, Switzerland, Slovakia)	€ 807,057	€ 1,049,007
Northern Europe (Denmark, Sweden, Finland, Norway)	€ 529,300	€ 988,515
Western Europe (United Kingdom, France, Spain, The Netherlands, Italy)	€ 1,066,620	€ 678,772
US	€ 0	€ 78,138
Total sales	€ 2,402,977	€ 2,794,432

Amortization/depreciation

Amortization/depreciation expense were as follows:

	Q1/2002	Q1/2001
Amortization of intangible assets (thereof goodwill)	€ 35,130 € (0)	€ 161,117 € (143,359)
Depreciation of property, plant and equipment	€ 79,889	€ 131,333
Total	€ 115,019	€ 292,450

Currency gains

The following net currency gains are included in the other operating income and expenses:

	Q1/2002	Q1/2001
	€ 26,048	€ 271,087

Earnings per share

Earnings per share is the net loss for the period divided by the weighted average number of shares in circulation.

	Q1/2002	Q1/2001
	€ -0.07	€ -0.28



Changes in equity

The company's equity changed as follows from January 1, 2002 to March 31, 2002:

	Capital stock	Treasury shares	Additional paid-in capital
Balance at January 1, 2002	€ 1,115,500	€ -53,316	€ 57,146,956
Acquisition of treasury shares	€ 0	€ 600	€ 6,660
Net profit/loss for the period	€ 0	€ 0	€ 0
Cumulated other comprehensive income	€ 0	€ 0	€ 0
Balance at March 31, 2002	€ 1,115,500	€ -52,716	€ 57,153,616
	Loss carried forwards	Currency translation differences	Total
Balance at January 1, 2002	€ -23,475,682	€ -243,812	€ 34,489,646
Acquisition of treasury shares	€ 0	€ 0	€ 7,260
Net profit/loss for the period	€ -781,867	€ 0	€ -781,867
Cumulated other comprehensive income	€ 0	€ -56,546	€ -56,546
Balance at March 31, 2002	€ -24,257,549	€ -300,358	€ 33,658,493

Other notes

Order book

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

Changes in costs and prices

The first quarter of the current fiscal year continues to be characterized by reduced advertising sales on the market as a whole. Despite the slow market growth, selling prices have stabilized and reached a level that is comparable with other media such as TV, radio and print. Purchasing prices for advertising space have continued to fall, which means that ad pepper media was able to significantly improve its margins in the first quarter of 2002. The effects of the cost-cutting program launched in 2001 led to a significant reduction in costs across the board.

Product development

After the successful market launch of the new products and solutions iLead and iOptin, so-called permission-based marketing products, in the nine core markets, the company focused on further developing these products. Together with its existing products, ad pepper media can thus offer its customers an end-to-end chain of products and services for innovative online advertising that is already in long-term use by many international groups.



Capital expenditure

Capital expenditure during the current fiscal year to March 31, 2002 totaled € 26,629. Of this total, € 12,483 was invested in office and operating equipment, € 13,919 was invested in software and € 227 was invested in other non-current assets.

Notes on subscription rights and options

The members of ad pepper media International N.V.'s Managing and Supervisory Boards held ad pepper media shares and some of the members held stock options on March 31, 2002. The individual holdings of shares and options by members of the Managing Board are as follows: Mr. Schmidt holds 627,197 shares and 53,000 options, Mr. Claus holds 36,808 shares and 43,000 options and Mr. Nüssler holds 38,113 shares and 28,000 options. Mr. Schmidt holds a majority interest in ViVa Media GmbH, which holds 19,413 shares. The members of the Supervisory Board held the following shares on March 31, 2002: Mr. Oschmann 112 shares, Mr. Dr. Niethammer 1,112 shares, Mr. Sexauer 292 shares and Mr. Andersen 680,000 shares. Mr. Oschmann indirectly holds a majority interest in EMA Electronic Media Advertising International B.V., which holds 4,743,201 shares.

Number of employees on the balance sheet date

As of March 31, 2002, ad pepper media had a total of 88 employees (March 31, 2001: 157 employees). This is an efficient number, which allows us to react quickly and flexibly on the market while keeping costs transparent.

Company key data

	Q1/2002 EUR million	Q1/2001 EUR million	Change %
Net sales	2.403	2.794	-14%
Gross margin	0.889	0.668	33%
Operating costs	1.946	4.268	-54%
EBIT	-1.057	-3.600	71%
Pre-tax earnings	-0.782	-3.142	75%

	Q1/2002 EUR	Q1/2001 EUR	Change %
Earnings per share	-0.07	-0.28	75%

	Q1/2002	Q1/2001	Change %
Employees at end of period	88	157	-44%

	31.3.2002 EUR million	31.12.2001 EUR million	Change %
Cash and cash equivalents	30.026	32.086	-6%
Equity	33.658	34.490	-2%
Total assets	38.375	39.631	-3%



Annual Report 2001

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



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