

## 3-Month-Report 2004



Global Reach.  
Local Touch.

### Overview of the main key figures

	Q1/ 2004 kEUR	Q1/ 2003 kEUR	change
Net sales	4,721	4,296	10%
Gross margin	2,178	2,013	8%
Operating costs	2,100	2,008	5%
EBIT	54	23	135%
Profit for the period	356	283	26%

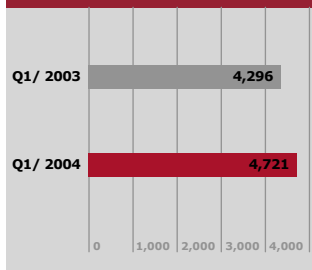
	March 31, 2004 kEUR	December 31, 2003 kEUR
Liquid resources*	26,542	27,018
Equity	36,204	35,658
Total assets	41,796	42,945

	Q1/ 2004 EUR	Q1/ 2003 EUR
Profit per share (basic)	0.03	0.03

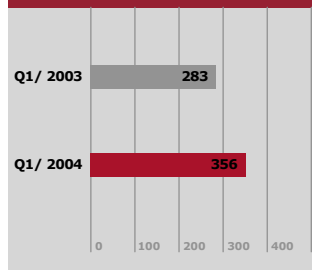
	March 31, 2004	March 31, 2003
Employees at end of period	113	93

\* including short-term liquid fixed asset securities and restricted cash

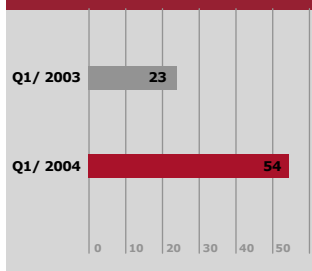
### Net sales (kEUR)



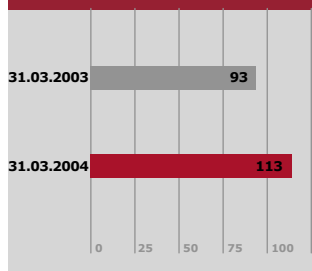
### Profit for the period (kEUR)



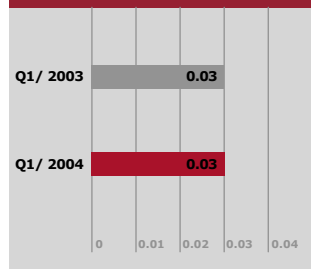
### EBIT (kEUR)



### Employees at end of period



### Profit per share (EUR)



Dear Shareholders,

Even if the new year needs its usual few weeks to get into gear, ad pepper media can be satisfied with the course of the financial year to date. Although the business climate continues to be sluggish, with a backlog of reforms and world political muddle, we succeeded in keeping to our course of growth, even with the online market getting off to a slow start in the new year.

However, optimism continues to predominate and company data published to date encourages hopes for a speedy improvement in the business climate. The online advertising market continues to promise far and away the highest growth rates, with its effectiveness and efficiency backed up by hard facts.

The first quarter for ad pepper media was good, as expected. With increased turnover (+10 percent compared with Q1/2003) it was possible to achieve significant gains, above all in EBIT (+135 percent compared with Q1/ 2003) and profit for the period (+26 percent compared with Q1/ 2003). The stable profit situation is particularly noteworthy in the context of increased investment in new products and technology. In a dynamic competitive field, only new features and improved handling procedures can guarantee a competitive edge to safeguard future earnings.

It is also encouraging to note the significant proportion of international campaigns, both in the media and direct marketing areas. With its widespread European coverage and the

global range of its networks, ad pepper media can also handle sophisticated, international campaigns with a high level of efficiency, and is gaining a rather unique status in the eyes of advertisers. The share of business from outside Europe is becoming increasingly important; apart from the USA, this comes mainly from Asia.

As a result, all major business indicators have developed positively, making ad pepper media optimistic that this trend will continue in the course of the year.

Our share price continued to profit from this trend, out-performing once again. This has resulted in a more and more favourable response, not only from private investors but, encouragingly, once more from international, institutional funds.

We shall be keeping to our chosen course and are confident of being able to use our hard work and forward thinking to bring our shareholders more reports of success in the future.

Thank you for your trust in us.

The Board  
ad pepper media International N.V.

Ulrich Schmidt    Hermann Claus    Niels Nüssler

## **Result – 1st quarter 2004**

ad pepper media International N.V. succeeded in continuing its positive trend for turnover and results from the 2003 fiscal year, even in the slow first quarter of 2004, due not least to consistently strict cost management, improved market coverage and customer service, as well as a steady expansion of international activities.

In the first quarter of 2004, ad pepper media achieved a turnover of kEUR 4,721 (Q1/ 2003: kEUR 4,296), a growth of 10 percent, compared with the same quarter in the previous year. The gross margin achieved in the first quarter of 2004 was kEUR 2,178 (Q1/ 2003: kEUR 2,013), a growth of 8 percent. In the first three months of the current fiscal year, ad pepper media increased its earnings before interest and taxes (EBIT) by 135 percent, from kEUR 23 to kEUR 54. With an extremely good financial result of kEUR 304 (Q1/ 2003: kEUR 257), the profits for the period increased by 26 percent, from kEUR 283 in the first quarter of 2003 to kEUR 356 in the first quarter of 2004.

As of March 31, 2004, ad pepper media continues to enjoy a comfortable stock of liquid funds, amounting to mEUR 27.2, including short-term liquid fixed asset securities and restricted cash. It was possible to raise the already high equity capital rate by four percentage points from 83 percent to its present figure of 87 percent, compared with December 31, 2003.

## **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. All together the Company's client portfolio is internationally structured and very diversified, and clients include Procter & Gamble, Quelle, Adidas, Toyota 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, being steadily improved and adjusted according to market requirements and customers' needs.

With 14 branch offices in 10 European countries, ad pepper media International N.V. has a broad-based sales network. This local presence facilitates the realization of the corporate philosophy of 'one client, one local contact'. By covering the most important European states ad pepper media has been successfully serving its international clientele since years.

## **Online advertising**

For seasonal reasons, the online advertising market got off to a slow start. Although many budgets had been approved or increased, they were being specifically allocated. Attention-gaining formats and environments in particular profit from more sophisticated media planning, with more professional performance measurement showing its effect. However, on the user side, a diminishing tolerance for intrusive or unauthorized advertising is clearly to be seen. The current debate on pop-up blockers and spam resulting from this trend suits ad pepper media just fine, as our formats are chosen to meet targets and are based on consent.

Basic doubt in the necessity for and effectiveness of online advertising is scarcely noticeable; the discussion is rather on the right type of campaign and how to integrate it. Nearly all major companies have considerably expanded their online sector, making it an integral part of their media planning.

While this continues to be on a modest level, it also holds out hope for future growth.

A specific demand for suitable products and solutions also results in quality assurance, not only on the provider side, but when it comes to price. Cut-price solutions and poor service can no longer keep up with the standard required and are increasingly being weeded out.

As well as the driving force of international campaigns, there has been increasing focus on regional markets. Small to medium-sized enterprises and regional marketers are discovering the advantages of interactive communication, so that B to B and E-Commerce in particular will be major growth areas in the coming years.

Large networked units, a high level of technological and organizational know-how, and solid roots in local markets are essential for the satisfactory handling of these requirement profiles.

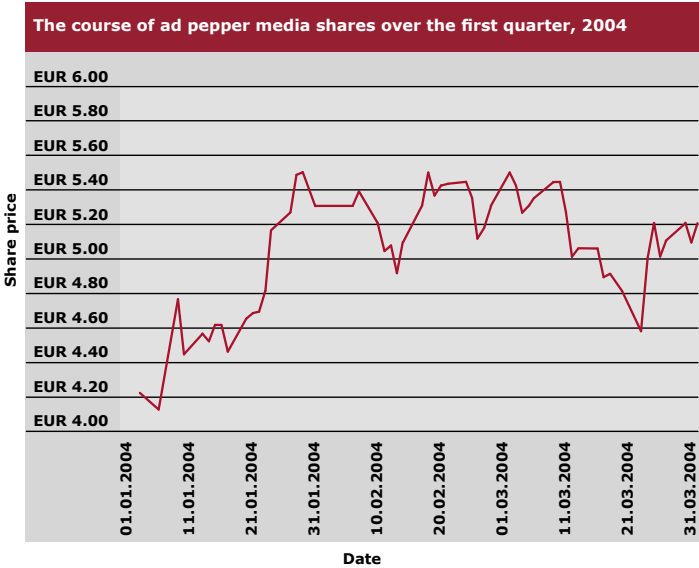
With its European structure and its local and international competence teams, ad pepper media is ideally positioned on the market and well prepared for any further rise in advertising expenditure.

**The share**

The share price for ad pepper media International N.V. showed an encouraging trend and a positive tendency in the first quarter of 2004. ad pepper media shares showed a 24 percent increase in value in the first quarter of 2004, with the price rising from EUR 4.20 on 2 January 2004 to EUR 5.20 on 31 March 2004. The shares reached their peak value of EUR 5.50, with a plus of 31 percent. Market capitalization at the end of the quarter was some mEUR 54 (with 10,390,972 shares).

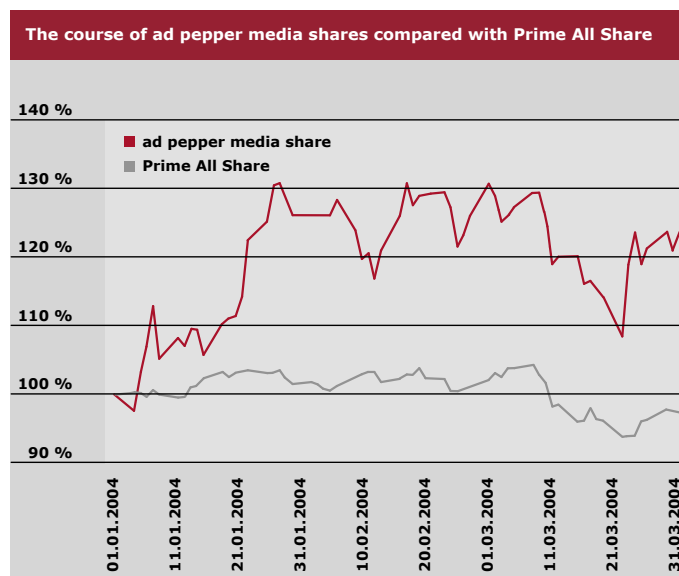
With a share price increase of 24 percent, ad pepper media shares clearly outpaced the development of the Prime All Share Index, which concluded the first three months of the fiscal year with a minus of 3 percent.

The company’s financial communications, intensified since the summer of last year, were further expanded in the first quarter of 2004, with the positive trend of the 2003 fiscal year and the strategy for 2004 being appropriately communicated to investors, analysts and opinion leaders.



ad pepper media plans to intensify and expand its dialogue with all target groups in the financial community this year, too.

Interested parties can find detailed information on the company at [www.adpepper.com](http://www.adpepper.com) (Investor Relations), where they can also download financial reports and statements. We are also available to our investors and other interested parties at all times by telephone or email.



## Prospect

Because of the continuing uncertain outlook for business development in Germany and Europe, it is hard to make forecasts for the current year. However, notwithstanding the difficult background, ad pepper media expects positive overall business development.

Growth rates in two figures are being forecast for the year 2004 for the Internet as an advertising medium, the indispensable fourth column in the media and marketing mix. According to all currently available indicators, last year's positive business development will continue in the current fiscal year, with ad pepper media facing the ambitious challenge of once again exceeding the growth rate of its sector. In the coming quarterly periods, we shall also be exploring new, targeted opportunities in order to expand the corporate value of the ad pepper media group, while again confirming the trust our investors place in us.

Consolidated Statements of Operations (US GAAP)		
	Q1/ 2004 EUR	Q1/ 2003 EUR
Net sales	4,721,171	4,295,869
Cost of sales	-2,542,720	-2,283,040
<b>Gross profit</b>	<b>2,178,451</b>	<b>2,012,829</b>
Selling and marketing expenses	-1,377,672	-1,076,714
General and administrative expenses	-757,137	-942,371
Other operating income and expenses, net	34,968	11,461
<b>Operating income</b>	<b>78,610</b>	<b>5,205</b>
Equity in earnings of affiliated companies	23,722	11,830
Foreign currency exchange gains and losses, net	-48,251	6,131
Interest income and expenses, net	304,494	257,076
<b>Income before income taxes (and minority interest)</b>	<b>358,573</b>	<b>280,243</b>
Income taxes	-2,603	0
<b>Income before minority interest</b>	<b>355,970</b>	<b>280,243</b>
Minority interest	0	2,261
<b>Net gain for the period</b>	<b>355,970</b>	<b>282,504</b>
Net gain per share (basic)	0.03	0.03
Net gain per share (diluted)	0.03	0.03
	Q1/ 2004 shares	Q1/ 2003 shares
Weighted average shares outstanding (basic)	10,355,743	10,509,459
Weighted average shares outstanding (diluted)	11,306,345	10,675,792

Consolidated Balance Sheets (US GAAP)		
	March 31, 2004 EUR	December 31, 2003 EUR
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	16,744,356	17,281,976
Marketable securities	1,008,000	1,002,400
Trade accounts receivable, net	7,542,742	8,447,743
Prepaid expenses and other current assets	1,530,598	1,387,513
<b>Total current assets</b>	<b>26,825,696</b>	<b>28,119,632</b>
<b>Non-current assets</b>		
Restricted cash	650,000	650,000
Equipment, net	454,631	428,679
Intangible assets, net	1,135,183	1,107,663
Goodwill	2,922,971	2,922,971
Investments in affiliated companies	798,073	774,352
Marketable securities	8,789,410	8,733,256
Other assets	220,138	208,835
<b>Total non-current assets</b>	<b>14,970,406</b>	<b>14,825,756</b>
<b>Total assets</b>	<b>41,796,102</b>	<b>42,945,388</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Trade accounts payable	1,729,874	2,846,872
Accrued expenses	2,448,283	3,509,336
Other current liabilities	1,378,510	895,710
<b>Total current liabilities</b>	<b>5,556,667</b>	<b>7,251,918</b>
<b>Minority interest</b>	<b>35,695</b>	<b>35,695</b>
<b>Shareholders' equity</b>		
Share capital	1,115,500	1,115,500
Treasury stock	-76,403	-79,973
Additional paid-in capital	56,650,813	56,584,792
Accumulated deficit	-21,698,460	-22,054,430
Accumulated other comprehensive income/ loss	212,290	91,886
<b>Total shareholders' equity</b>	<b>36,203,740</b>	<b>35,657,775</b>
<b>Total liabilities and shareholders' equity</b>	<b>41,796,102</b>	<b>42,945,388</b>



<b>Statement of Cash Flows (US GAAP)</b>		
	<b>01.01.04- 31.03.04 EUR</b>	<b>01.01.03- 31.03.03* EUR</b>
Net gain for the period	355,970	282,504
<b>Adjustments to reconcile net gain to cash used in/ provided by operations</b>		
Loss attributable to minority interests	0	-2,261
Depreciation and amortization	128,824	98,158
Gain/ loss on sale of equipment	-8,774	6,273
Exchange losses transferred from other comprehensive income	0	0
Other non-cash income and expenses	-23,721	-17,512
<b>Gross-cash-flow</b>	<b>452,299</b>	<b>367,162</b>
<b>Changes in operating assets and liabilities</b>		
Decrease in trade accounts receivable	905,001	668,993
Increase in prepaid expenses and other assets	-143,084	-277,861
Decrease in trade accounts payable	-1,116,999	-339,457
Increase/ decrease in accrued expenses and other liabilities	-578,253	238,033
<b>Net cash used in/ provided by operating activities</b>	<b>-481,036</b>	<b>656,871</b>
Capital expenditures for intangible assets and equipment	-186,590	-19,119
Proceeds from sale of intangible assets and equipment	13,068	4,000
Security payments	-11,303	-563
Cash paid for acquisition of shares in consolidated companies	0	-202,500
Proceeds from marketable securities	0	-3,915,750
<b>Net cash used in investing activities</b>	<b>-184,825</b>	<b>-4,133,932</b>
Sale of treasury stock	69,591	1,330
Purchases treasury stock	0	-370,821
<b>Net cash used in/ provided by financing activities</b>	<b>69,591</b>	<b>-369,491</b>
Effect of exchange rate changes on cash and cash equivalents	58,650	-26,600
Changes in cash and cash equivalents	-537,620	-3,873,153
<b>Cash and cash equivalents at beginning of year</b>	<b>17,281,976</b>	<b>20,833,667</b>
<b>Cash and cash equivalents at end of 1st quarter</b>	<b>16,744,356</b>	<b>16,960,514</b>

\* prior year's presentation amended

Statement of shareholders' equity						
	Share capital	Treasury stock	Additional paid-in capital	Accumulated deficit	Cumulative other comprehensive income/ loss	Total
	EUR	EUR	EUR	EUR	Unrealized exchange gain/ loss EUR	Differences from currency conversion EUR
<b>Balance at January 01, 2003</b>	1,115,500	-62,716	57,026,709	-24,180,665		15,724
Acquisition of treasury shares		-27,200	-588,647			
Issuance from treasury shares		9,943	146,730			
Net gain for the period				2,126,235		
Differences from currency conversion						-42,679
Unrealized exchange gain/ loss					118,841	
<b>Total comprehensive income/loss</b>						<b>2,202,397</b>
<b>Balance at December 31, 2003</b>	<b>1,115,500</b>	<b>-79,973</b>	<b>56,584,792</b>	<b>-22,054,430</b>	<b>118,841</b>	<b>-26,955</b>
<b>Balance at January 01, 2004</b>	1,115,500	-79,973	56,584,792	-22,054,430	118,841	-26,955
Issuance from treasury shares		3,570	66,021			
Net gain for the period				355,970		
Differences from currency conversion						56,975
Unrealized exchange gain/ loss					63,429	
<b>Total comprehensive income/loss</b>						<b>476,374</b>
<b>Balance at March 31, 2004</b>	<b>1,115,500</b>	<b>-76,403</b>	<b>56,650,813</b>	<b>-21,698,460</b>	<b>182,270</b>	<b>30,020</b>

### Business combinations

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 srl. by purchasing specific assets of the latter company. The business unit includes a 51 percent interest in Borsa del Banner srl. 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 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 average 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.

### Income tax

Due to tax loss carry forwards, no tax expense was recognized in the reporting period.

### Stock based compensations

In line with the intrinsic value method no expenses for the employee stock option plans were reported. 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:

		Q1/ 2004 EUR	Q1/ 2003 EUR
Net income	as reported	355,970	282,504
	pro forma expense	49,183	57,352
<b>Net income</b>	<b>pro forma</b>	<b>306,787</b>	<b>225,152</b>
Earnings per share (basic)	as reported	0.03	0.03
	pro forma	0.03	0.02
Earnings per share (basic)	as reported	0.03	0.03
	pro forma	0.03	0.02

### Comprehensive income

The accumulated other comprehensive income/loss comprises accumulated currency translation differences of EUR 30,020 (2003: EUR 91,886) and EUR 182,270 revaluation reserves for unrealized gains from “available-for-sale” securities (2003: EUR 0).

### 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, gross profits and equipment in the individual regions:

<b>Sales</b>		
	<b>Q1/ 2004 EUR</b>	<b>Q1/ 2003 EUR</b>
Central Europe (Germany, Austria, The Netherlands)	1,695,462	1,982,320
Northern Europe (Denmark, Sweden, Finland, Norway)	1,071,486	596,721
Western Europe (Great Britain, France, Spain, Portugal, Italy)	1,836,773	1,716,828
Other	117,450	0
<b>Total sales</b>	<b>4,721,171</b>	<b>4,295,869</b>

<b>Cost of sales</b>		
	<b>Q1/ 2004 EUR</b>	<b>Q1/ 2003 EUR</b>
Central Europe (Germany, Austria, The Netherlands)	1,075,422	1,095,499
Northern Europe (Denmark, Sweden, Finland, Norway)	603,500	527,664
Western Europe (Great Britain, France, Spain, Portugal, Italy)	837,094	659,877
Other	26,704	0
<b>Total cost of sales</b>	<b>2,542,720</b>	<b>2,283,040</b>

<b>Gross profit</b>		
	<b>Q1/ 2004 EUR</b>	<b>Q1/ 2003 EUR</b>
Central Europe (Germany, Austria, The Netherlands)	620,040	886,821
Northern Europe (Denmark, Sweden, Finland, Norway)	467,986	69,057
Western Europe (Great Britain, France, Spain, Portugal, Italy)	999,679	1,056,951
Other	90,746	0
<b>Gross profit</b>	<b>2,178,451</b>	<b>2,012,829</b>

<b>Equipment</b>		
	<b>March 31, 2004 EUR</b>	<b>March 31, 2003 EUR</b>
Central Europe (Germany, Austria, The Netherlands)	168,643	148,709
Northern Europe (Denmark, Sweden, Finland, Norway)	188,497	74,710
Western Europe (Great Britain, France, Spain, Portugal, Italy)	97,491	113,096
Other	0	0
<b>Total equipment</b>	<b>454,631</b>	<b>336,515</b>

### Own shares

ad pepper media International N.V. is authorized to acquire up to 1,115,500 own shares. As of March 31, 2004, the company held 764,028 treasury shares at a nominal value of EUR 0.10 each which equals 6.85 percent of the share capital. According to a shareholder resolution those shares can be used for acquisitions and stock option plans.

Of the treasury shares acquired by the company, in the first quarter of 2004 6,200 shares at an exercise price of EUR 1.33, 9,300 shares at an exercise price of EUR 2.73 and 20,200 shares at an exercise price of EUR 1.78 have been used for the execution of employee stock options.

### Occurrences since the end of the first quarter, 2004

No material facts or events are known to have arisen or occurred between the balance sheet date and the final preparation of the first quarter report.

### Stock option and share holdings

As of March 31, 2004, 1,698,750 stock options exist within the framework of pre-IPO as well as ongoing stock option plans. The exchange ratio for each of the stock options is one share per option. The exercise prices are in a range of EUR 1.33 and EUR 13.50.

The following table lists the individual holdings of shares and option rights of the members of the Supervisory and Managing Board as well as employees.

	Shareholdings as of March 31, 2004	Options as of March 31, 2004
<b>Members of the Managing Board</b>		
Ulrich Schmidt	618,397	368,000
Hermann Claus	51,808	243,000
Niels Nüssler	38,113	296,500
<b>Members of the Supervisory Board</b>		
Michael Oschmann	5,112	0
Dr. Günther Niethammer	1,112	15,000
Bernd Sexauer	292	0
Jan Andersen	574,600	0
Merrill Dean	0	0
<b>Associated companies</b>		
EMA B.V.	4,743,201	0
Viva Media Beteiligungsgesellschaft	10,000	0
Euroserve	18,780	0
<b>Employees</b>		776,250

### Number of Employees

As of end of the first quarter 2004, ad pepper media engaged 113 employees (March 31, 2003: 93 employees) in 10 European countries, substantially contributing to the company's success.

### Order book

As far as the number and booking volume of campaigns is concerned, ad pepper media is noting increasing orders. The interest in international campaigns continues to be high. Signs of recovery are also to be seen in the media business area. Orders placed in the media and direct marketing business areas show equally positive development.

### **Company Calendar**

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

6-Months-Report 2004: August 25, 2004

9-Months-Report 2004: November 24, 2004

Analyst conference: November 23/24, 2004  
German Equity Forum, Frankfurt

### **2003 annual report and the 3-Months-Report 2004**

We will gladly send you our 2003 annual report as well as our 3-Months-Report 2004 in German or English. These reports are also available for immediate download as PDF-files (Acrobat) at **www.adpepper.com**, Investor Relations, "Financial Reports".

### **Investor Relations**

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