

3-Months-Report 2006



Global Reach.
Local Touch.

Overview of the main key figures

	Q1/ 2006 kEUR	Q1/ 2005 kEUR	Change
Net sales	9,263	5,450	70%
Gross margin	4,393	2,384	84%
EBIT	6,248	-23	
Net gain	6,085	155	3,826%

	31.03.2006 kEUR	31.12.2005 kEUR	
Liquid resources*	27,924	17,536	
Equity	49,822	43,941	
Total assets	59,913	52,194	

	Q1/ 2006 EUR	Q1/ 2005 EUR	Change
Earnings per share (basic)	0.57	0.01	5,600%
	31.03.2006	31.03.2005	
Employees	160	132	

* Including short term liquid fixed asset securities and restricted cash

Dear shareholders,

ad pepper media has just accomplished the most successful quarter in the history of the Company. A 70 percent growth in turnover and profits of over 6 million EUR within three months clearly underline the strengths and correct strategic alignment of our Company.

The quarter kicked off with two major events outside operating business. The sale of interests by dMarc Broadcasting Inc. to search engine giant Google and the disposal of the minority interest in Falk eSolutions AG to DoubleClick, the global market leader in adserving, enabled generation of cash inflows totalling 16 million USD and extraordinary income, which could well increase significantly due to longstanding earn-out provisions. However, of particular interest regarding these transactions is the fact that leading American software companies are indirectly purchasing ad pepper media technology; clear evidence of just how far the Company has already come in its development as a marketing and technology Company. As such, it remains clear that these sales will strengthen our technological position in the long-term, while the cash inflows enable accelerated development of existing systems and products.

Our focus in the future will also centre on targeted purchases of complimentary companies and products. With the acquisition of Crystal Reference Ltd., we gained a further technology pearl. Crystal's sound scientific approach to language analysis combined with its excellent technology offers us access to the dynamic commercial field of search engine marketing, given that Crystal's patented semantic targeting stands head and shoulders above traditional search optimisation.

Alongside these exceptional events, the simultaneous and rapid development of operating ratios is also highly pleasing. In terms of our turnover development, we have significantly exceeded the market growth in our sector of classical online-advertising. Notwithstanding a larger premium share attributable to mediasquares, the increasingly optimised and wider application of our **webstats4U** software platform brought about an improvement in gross margin. These factors have also had a lasting effect on operating results in that, following adjustment for extraordinary items, we succeeded in generating a high, six-figure result.

ad pepper media is in an excellent position both in terms of the upcoming quarter and its long-term development. Numerous new products and services are in the pipeline that will enable us to provide customers and website partners alike with continually improved results. For all this we have our employees to thank, whose performance can be looked upon with pride by all our shareholders day in, day out; a task that is certain to prove even easier with the boost of a significantly increased share price.

We look forward to the exciting times and new challenges ahead, without for a moment allowing current successes to lure us into a false sense of security; but rather relying on them as an incentive to further justify the trust of our shareholders.

The Board
ad pepper media International N.V.

  
Ulrich Schmidt Hermann Claus Niels Nüssler

Result – first quarter of 2006

ad pepper media International N.V. has kicked off its 2006 fiscal year with considerable growth in turnover and an outstanding result, closing its first quarter with record figures.

Turnover for the first quarter of 2006 shows a 70 percent increase over the previous year's period, with 9,263 kEUR (Q1/2005: 5,450 kEUR), not only far exceeding growth in its own sector but also its own high expectations. At the same time, the Company succeeded in boosting its gross margin by 84 percent, from 2,384 kEUR in the first quarter of 2005 to 4,393 kEUR in the quarter under report, with the increased use of the Company's own **webstats4U** network. In particular, the extraordinary profits from the sale of the Company's stake in dMarc Broadcasting Inc. and Falk eSolutions AG raised earnings before interest and taxes (EBIT) enormously to 6,248 kEUR, after -23 kEUR in the first quarter of 2005. However, the trend in results without these special effects is also significant, with operating results of over 500 kEUR being achieved in this generally weak quarter. Profit before taxes for the first quarter of 2006 is 6,377 kEUR (Q1/2005: 161 kEUR). The consolidated gain for the first quarter amounts to 6,085 kEUR (Q1/2005: 155 kEUR).

At the cut-off date of 31 March 2006, the Company had liquid resources, including short-term liquidisable fixed asset securities and restricted cash, amounting to 27.9 million EUR. The change in liquidity compared with 31 December 2005 results principally from the sale of shares in dMarc and Falk eSolutions AG, as well as the acquisition of Crystal Reference Systems Ltd.

Business development

In the business sectors of **media, direct marketing** and **technology**, ad pepper media creates interactive and target-group-orientated marketing solutions to enable both advertisers and agencies to successfully implement their products and advertising strategies. As such, ad pepper media covers the complete spectrum of efficient online advertising as a comprehensive provider of great value reach products,

ranging from various effective branding solutions to new customer acquisition and customer loyalty initiatives.

At present, the Company has 18 offices in 11 European countries and one in the USA. Using first-rate technology, ad pepper media links thousands of small, medium and large websites into a premium quality advertising network that currently handles around 4 billion exclusive advertising hits each month, in addition to several billion advertising hits in more than 40 countries via its numerous international partnerships. The Company is marketing leading websites like sport1, map24, maximonline or DasTelefonbuch under the names of ad pepper media and mediasquares. With over 4 million own opt-in email profiles, ad pepper media also boasts one of the largest pan-European email databases.

As far as Company performance is concerned, the first quarter was exceptionally eventful. On 17 January 2006, Google announced the takeover of dMarc Broadcasting Inc. Part of the transaction comprised the disposal of a 7.8 percent interest by ad pepper media, which had already invested in dMarc Broadcasting Inc. at an early stage.

In mid-March 2006, ad pepper media announced the takeover of Crystal Reference System Ltd., including its business units Crystal Reference and Crystal Semantics. Crystal Reference (www.crystalreference.com) is a leading provider of reference works and knowledge databases, while Crystal Semantics (www.crystalsemantics.com) offers innovative technical solutions for contextual search and advertising products. This acquisition expands the ad pepper media product range with contextual targeting services for website administrators, advertisers, search engines and SEO providers, as well as for advertising networks and adserver providers.

Within the scope of the takeover of Falk eSolutions AG by DoubleClick announced on 17 March 2006, ad pepper media also sold its 25.1 percent share in the company. The successful strategic partnership and proven cooperation between ad pepper media and Falk eSolutions AG/DoubleClick will, nevertheless, continue unchanged. As one of the first customers, ad pepper media is switching to the integrated product "DART for Publishers".

ad pepper media is also constantly expanding its service spectrum within individual business sectors, developing new products and services to ensure constantly improved results for customers and website partners alike, and now has more than a dozen efficient marketing tools that can be extended and tailored to market requirements and customer needs.

Online advertising

For years, increasing worldwide user figures and particularly the disproportionate rise in online media consumption have been established facts justifying the exceptional growth predictions for the online advertising market in terms of both time and extent.

In this respect, the most dynamic areas of recent years have undoubtedly been those of search engines and affiliate marketing. Nevertheless, due to a host of limiting factors and increasingly tough competition, these are precisely the markets where consolidation and an attenuation of the growth curve will make their presence felt in future.

As a consequence, classical online advertising will benefit somewhat on account of the fact that prices and media share in this area still afford clear upward room for manoeuvre. Of particular interest, however, are current developments in the content area. Slowly but surely traditional portals and essentially static general interest websites are losing in significance. Publication of web content is moving more and more from editorial teams and large-scale units to the individual, be it through chat, communities, podcasting or blogs.

The content is highly diverse, if somewhat anarchic in cases. Nevertheless, the target groups are precisely those that advertisers want to and indeed must reach; consequently, anyone wishing to succeed in the long-term with their online media campaigns will need to adapt to this development.

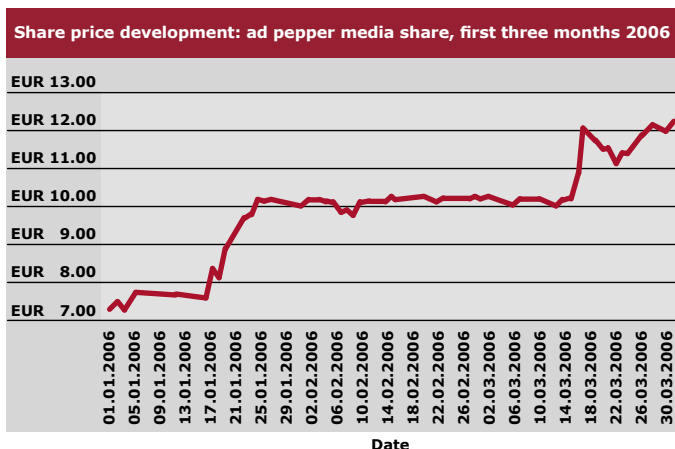
In this respect, technologies and services capable of organising and categorising the unimaginable volume of such individualised traffic while safeguarding quality and addressing the correct target group, will become increasingly important. These are precisely the functions ensured by the products of Crystal Reference, ad pepper media's most recent acquisition.

In view of all these aspects, ad pepper media is in an excellent position to extract long-term and also disproportionate benefit from this dynamic growth.

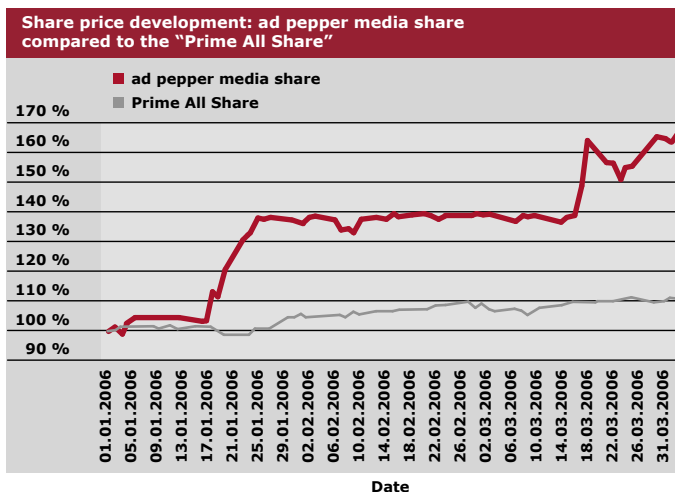
The share

Development in the share price of ad pepper media International N.V. in the first 3 months of 2006 was particularly pleasing for both the Company and shareholders alike.

Fired by the announcement of the sale of dMarc shares to Google, the price rose to over 10 EUR in January, an increase of 34.58 percent. In the following February the share price remained steady, moving between 10 EUR and 10.20 EUR. The sale of Falk shares to DoubleClick announced on 15 March 2006 triggered an upward shift, which was further boosted by the announcement of the acquisition of Crystal Reference Systems Ltd. on the following day. On 16 March 2006, the shares peaked for the month at 12.90 EUR - a new five-year high - equating to an increase in share price of 25 percent in just two days. Throughout the rest of the month the price slackened somewhat to 10.46 EUR, before rising once again following publication of provisional quarterly figures to see out the first quarter of 2006 at 12.20 EUR.



A comparison with the development of the Prime All Share Index shows that ad pepper media was able to significantly outperform the general business trend with a share price advance of 66 percent (as of 31 March 2006). On the same reporting date, the above-mentioned industry index registered an increase by merely 11 percent.



Under **www.adpepper.com** (Investor Relations), interested parties have the opportunity to obtain comprehensive Company information and to download financial statements and reports as well as press releases. In addition, we are always there to answer questions of our investors and parties interested in potential investments by phone or email.

Outlook

The rates of growth in turnover seen in the first quarter have once again demonstrated that ad pepper media's business model has been able to outstrip market growth. Orders received and the volume booked give rise to an expectation that this development will also continue in the upcoming quarters as compared to the equivalent quarters of last year. The Company's profit position is similarly expected to experience continued improvement.

This positive analysis is also shared by numerous investors and analysts; thereby also giving us reason to deduce that the price of ad pepper media shares will continue to rise.

Consolidated statements of operations (IFRS)		
	Q1/ 2006 EUR	Q1/ 2005 EUR
Net sales	9,263,428	5,450,119
Cost of sales	-4,870,922	-3,066,096
Gross profit	4,392,506	2,384,023
Selling and marketing expenses	-2,400,573	-1,597,331
General and administrative expenses	-3,426,213	-911,729
Other operating income	104,826	6,363
Other operating expense	-268,626	-31,282
Equity in earnings of affiliated companies	7,846,082	126,654
Earnings before interest and tax	6,248,002	-23,302
Financial gains	128,792	184,542
Income before income taxes	6,376,794	161,240
Income taxes	-291,426	-5,742
Consolidated net gain	6,085,368	155,498
Earnings per share (basic)	0.57	0.01
Earnings per share (diluted)	0.52	0.01
	Q1/ 2006 Shares	Q1/ 2005 Shares
Weighted average shares outstanding (basic)	10,692,757	10,468,442
Weighted average shares outstanding (diluted)	11,718,069	11,373,165

Consolidated balance sheets (IFRS)

	March 31, 2006 EUR	December 31, 2005 EUR
Assets		
Noncurrent assets		
Goodwill	8,236,923	6,781,488
Intangible assets	5,691,507	4,215,551
Equipment	492,220	449,219
Investment in affiliated company	0	1,208,486
Restricted cash	650,000	650,000
Marketable securities	4,263,750	4,258,500
Other financial assets	440,459	4,157,705
Deferred tax assets	5,373,506	5,590,230
Noncurrent assets, total	25,148,365	27,311,179
Current assets		
Marketable securities	2,542,500	5,599,802
Trade accounts receivable	10,176,246	10,457,259
Prepaid expenses and other current assets	1,577,952	1,798,300
Cash and cash equivalents	20,467,912	7,027,645
Current assets, total	34,764,610	24,883,006
Assets, total	59,912,975	52,194,185
Liabilities and shareholders' equity		
Shareholders' equity		
Share capital	1,115,500	1,115,500
Additional paid-in capital	60,022,302	59,942,263
Treasury stock	-754,719	-421,578
Accumulated deficit	-10,171,750	-16,257,118
Accumulated other comprehensive loss	-389,319	-438,269
Equity of the shareholders of the parent company	49,822,014	43,940,798
Minority interest	0	0
Shareholders' equity, total	49,822,014	43,940,798
Noncurrent liabilities		
Deferred tax liabilities	407,158	407,158
Noncurrent liabilities, total	407,158	407,158
Current liabilities		
Trade accounts payable	2,948,049	4,309,571
Other current liabilities	1,399,569	869,302
Income tax liabilities	180,597	110,597
Accrued expenses	5,155,588	2,556,759
Current liabilities, total	9,683,803	7,846,229
Liabilities, total	10,090,961	8,253,387
Liabilities and shareholders' equity, total	59,912,975	52,194,185

Statement of cash flows (IFRS)		
	01.01.06-31.03.06 EUR	01.01.05-31.03.05 EUR
Net gain	6,085,368	155,498
Adjustments to reconcile net gain to cash provided by operations		
Depreciation and amortization	373,684	175,193
Gain/loss on sale of equipment	-909	-1,605
Stock option expenses	80,039	43,219
Interest income and expenses	-128,792	-184,542
Income tax expense	291,426	5,742
Income from sale of investments	-7,811,082	0
Other non-cash income and expenses	273,050	-5,154
Gross-cash-flow	-837,216	188,351
Increase in trade accounts receivable	80,883	546,695
Increase/decrease in prepaid expenses and other assets	194,252	-118,415
Income taxes paid	-4,702	-5,742
Interest income received	23,231	63,632
Increase in trade accounts payable	-1,428,407	-713,425
Interest expenses paid	-2,358	-590
Increase in accrued expenses and other liabilities	2,692,460	43,754
Net cash provided by operating activities	718,143	4,260
Capital expenditures for intangible assets and equipment	-191,269	-418,186
Proceeds from sale of intangible assets and equipment	38,085	2,542
Capital expenditures in affiliated companies	0	-4,275
Proceeds from sale of investments	12,459,703	0
Security payments	-45,846	-103,746
Acquisition of subsidiary, net of cash acquired	-557,663	-62,800
Cash paid for acquisition of shares in consolidated companies	-1,455,435	-1,221,565
Sales of marketable securities	3,100,500	0
Purchase of marketable securities	0	-3,000,000
Net cash used in/provided by investing activities	13,348,075	-4,808,030
Sale of treasury stock	68,859	8,900
Purchases treasury stock	-402,000	0
Repayment of loan liabilities	-653,311	0
Repayment of granted loans	360,000	0
Net cash used in/provided by financing activities	-626,452	8,900
Effect of exchange rate changes on cash and cash equivalents	501	28,502
Changes in cash and cash equivalents	13,440,267	-4,766,368
Cash and cash equivalents at beginning of year	7,027,645	15,921,047
Cash and cash equivalents at end of first quarter	20,467,912	11,154,679

Statement of shareholder's equity

	Equity of the shareholders of the parent company						Minority interest	Total
	Share capital	Additional paid-in capital	Treasury stock	Accumulated deficit	Accumulated other comprehensive income/loss			
					Currency conversion	Market valuation "available for sale" securities		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 01.01.2005	1,115,500	59,727,358	-1,062,920	-19,650,744	-55,127	-23,048	35,695	40,086,714
Issuance of treasury shares			173,763					173,763
Net gain for the period				155,498				155,498
Stock option plans		43,219						43,219
Differences from currency conversion					28,502			28,502
Unrealized gain/loss on securities						-184,454		-184,454
Comprehensive income/loss, total								42,765
Balance at 31.03.2005	1,115,500	59,770,577	-889,157	-19,495,246	-26,625	-207,502	35,695	40,303,242
Balance at 01.01.2006	1,115,500	59,942,263	-421,578	-16,257,118	-6,901	-431,368	0	43,940,798
Issuance from treasury shares			-333,141					-333,141
Net gain for the period				6,085,368				6,085,368
Acquired minority interest								0
Stock option plans		80,039						80,039
Differences from currency conversion					501			501
Unrealized gain/loss on securities						48,449		48,449
Comprehensive income/loss, total								6,214,357
Balance at 31.03.2006	1,115,500	60,022,302	-754,719	-10,171,750	-6,400	-382,919	0	49,822,014

Basis for the preparation of the quarter-end financial reports

The current quarter-end financial reports for ad pepper media International N.V. were prepared according to the provisions of the International Financial Reporting Standards (IFRS) as applicable on the closing date and are presented in Euros. The comparative figures of previous periods were determined and adjusted accordingly. The quarter-end financial reports meet the requirements of IAS 34.

Accounting principles

The accounting principles applied to these interims financial statements do not materially differ from the principles as applied for the annual report as of December 31st, 2005.

Business combinations

With effect of March 31st, 2006, ad pepper media International N.V. acquired a 100 percent interest in Crystal Reference System Ltd. The provider of reference content and knowledge databases, who is based in Holyhead, Great Britain also brings its innovative contextual search and advertising technology into the business. The semantic analysis tool is considered to be the first method based on linguistic science. The Textonomy solutions have been proven to dramatically enhance search results and contextual advertising.

The preliminary purchase price as of March 31st, 2006 amounts to about 1.5 million EUR. Further payments which depend on the achievement of certain defined targets may still increase the final purchase price.

The purchase price allocation is still pending. The preliminary purchase price as of the reporting date has been allocated based on estimations as follows to the acquired assets and liabilities.

Carrying amounts of assets and liabilities on the acquisition date

	KEUR
Intangible assets	1,366
Equipment	39
Noncurrent assets, total	1,405
Trade receivables	20
Prepayments and other current assets	8
Cash	-8
Current assets, total	20
Assets, total	1,425
Loan liabilities	653
Trade liabilities	20
Other current liabilities	352
Accruals	12
Liabilities, total	1,037
Net assets	388

As the acquisition took place on March 31st, 2006, Crystal Reference has not yet contributed to the consolidated income of the first quarter. Assuming that the acquisition had been effective at beginning of the reporting period the proforma revenues would have been 9,313,428 EUR and the proforma net income 5,925,368 EUR.

In addition to the above disclosed material business combination, the following minor acquisition had been performed during the first quarter. ad pepper media as of January 1st, 2006 acquired through its Danish subsidiary 100 percent interest in GlobaseSolutions AS, Copenhagen, Denmark, which offers permission and multichannel-marketing solutions. The purchase price amounts to 0.5 million EUR. The purchase price allocation is still pending.

Segment Reporting

The various products and services of ad pepper media do not materially differ with regards to risk and income. Internal financial reporting as well as the management structure primarily focus on geographical regions. Accordingly, primary reporting is provided for the following summarized segments:

- Central Europe includes Germany, Netherlands and Slovakia
- Northern Europe includes Denmark and Sweden
- Western Europe includes Great Britain, France, Spain and Italy
- USA

Sales						
Sales Q1/2006 in kEUR	Central Europe	Northern Europe	Western Europe	USA	Consolidation	Group total
External sales	3,912	1,421	3,109	821	0	9,263
Intersegment sales	420	58	68	4	-550	0
Total sales	4,332	1,479	3,177	825	-550	9,263
Sales Q1/2005 in kEUR						
External sales	1,958	983	2,297	212	0	5,450
Intersegment sales	41	54	98	0	-193	0
Total sales	1,999	1,037	2,395	212	-193	5,450
Net gain/loss in kEUR						
Q1/2006	6,095	-220	-12	120	102	6,085
Q1/2005	271	-73	-106	-18	81	155

Own Shares

By shareholders' resolution, ad pepper media was authorized to repurchase treasury stock of up to 1,115,500 own shares. As of March 31st, 2006 the Company held 461,056 own shares at a nominal value of 0.10 EUR each which equals 4.13 percent of the share capital. According to a shareholder resolution those shares can be used for acquisitions or stock option plans.

Of the treasury shares acquired by the Company, in the first three month of 2006 200 shares each at an exercise price of 2.73 EUR respectively 1.33 EUR and 400 shares each at an exercise price of 1.78 EUR respectively 4.45 EUR have been used for the execution of employee stock options.

Sale of investments

During the reporting period, the 25.1 percent interest in Falk eSolutions AG were sold to DoubleClick. ad pepper media achieved proceeds of around 6.4 million EUR through this transaction. Said amount exceeds the book value of the investment as of the transaction date by roughly 5.2 million EUR.

Also in the first quarter of 2006, Google took over dMarc Broadcasting Inc., in which ad pepper media held a stake of 7.8 percent. In the frame of this transaction the reporting company received a cash inflow of 6.1 million EUR. The gain from the sale of the investment amounts to 2.7 million EUR.

Both deals also contain so-called earn-out components, which may, depending on the achievement of certain targets, result in significantly higher gains.

Occurrences since the end of the first quarter, 2006

On May 9th ad pepper media announced the acquisition of Webgains Ltd. in London. Founded in 2005, the company has focused on providing merchants and affiliates a unique mix of proprietary state of the art affiliate marketing technology and world-class customer service. The Webgains technology – which was designed as a highly scalable platform and ready for international expansion - brings to ad pepper media the fruits of many years experience in the affiliate marketing industry. The total purchase price ranges between 1.8 and 2.9 million GBP and consists of an initial payment in cash and shares and an additional earn-out component depending on achievement of various objectives.

The acquisition of Webgains will be combined with a capital increase, where ad pepper media is issuing up to 800,000 new shares within the next time (bringing up the amount of total issued shares from 11.155 million to 11.955 million) to cover among other purposes especially the payment of the Webgains purchase price.

Stock options and shareholdings

As of March 31st, 2006, 1,493,850 stock options exist within the framework of 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 1.33 EUR and 13.50 EUR.

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 31.03.2006	Options as of 31.03.2006
Members of the Managing Board		
Ulrich Schmidt	512,762	293,000
Hermann Claus	71,808	223,000
Niels Nüssler	38,113	296,500
Members of the Supervisory Board		
Michael Oschmann	7,786	0
Dr. Günther Niethammer	1,112	20,000
Jan Andersen	0	0
Merrill Dean	0	0
Associated companies		
EMA B.V.	4,743,201	0
Viva Media Beteiligungsgesellschaft	5,100	0
Euroserve	13,780	0
Grabacap AS	464,000	0
Employees		661,350

Number of employees

At the end of the 1st quarter 2006, ad pepper media engaged 160 employees (March 31st, 2005: 132 employees).

Company calendar

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

Quarterly report I/ 2006: May 31, 2006
Quarterly report II/ 2006: August 23, 2006
Quarterly report III/ 2006: November 27, 2006

Analyst's conference: November 27, 2006
(German Equity Forum, Frankfurt/Main)

2005 annual report and 2006 quarterly reports

We will gladly send you our 2005 annual report as well as our 3-Month-Report 2006 in German or English. These reports are also available for immediate download as PDF-files (Acrobat) at **www.adpepper.com**, Investor Relations, "Financial Reports".

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