

6-Month-Report 2004



Overview of the main key figures						
	Q2/ 2004 kEUR	Q2/ 2003 kEUR	change	1 HY 2004 kEUR	1 HY 2003 kEUR	change
Net sales	5,454	4,727	15%	10,175	9,022	13%
Gross margin	2,490	2,330	7%	4,669	4,343	8%
Operating costs	2,290	2,229	3%	4,414	4,219	5%
EBIT	200	101	98%	255	124	106%
Profit for the period	415	375	11%	771	657	17%
				June 30, 2004 kEUR	December 31, 2003 kEUR	
Liquid resources*				26,182	27,018	
Equity				36,590	35,658	
Total assets				41,386	42,945	
	Q2/ 2004 EUR	Q2/ 2003 EUR	change	1 HY 2004 EUR	1 HY 2003 EUR	change
Profit per Share (basic)	0.04	0.04	0%	0.07	0.06	17%
				June 30, 2004	June 30, 2003	
Employees at end of period				116	96	

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

Dear Shareholders,

the online advertising market is growing up and tends to become an established part of the overall advertising market. Despite economic slowdowns in many European countries and global insecurity, the expenditures for e-advertising have increased even further. In particular, the USA appears to be a leader in economic growth once again; the U.S. financial markets are already reflecting this optimism with some euphoria, as the stock market trend of many online business ventures shows. However, it can be seen clearly that proof of an established business model is not the only prerequisite to shareholder trust; actually, size, solid structures, and continuity form the basis of this confidence. Thus, the situation differs considerably from previous boom years, as only few companies are able to meet the criteria in demand today.

The results of the second quarter were exceptionally good for ad pepper media. Group turnover (+15%) and results (+11%) are on a strong rise; in particular, the EBIT experienced a profit performance of 98%, even if the basis, compared to the previous year, was still low. Notably, in the face of increased investments in new products and technologies, the improved profit situation is remarkable, and the future will see a further expansion of investment activities: we do not want to just maintain competitiveness, we want to strengthen it further.

The already considerable percentage of international ad campaigns is on a steady rise, with the percentage of orders from the USA now gaining more significance than ever. This is reflected in the trust of our clients in the efficiency of the international structure and modus operandi of the ad pepper media network. Due to its presence in many different marketplaces, ad pepper media is successfully bolstering weak economic cycles and market-related shortcomings.

The most important economic benchmark figures continue to point in the right direction, and despite the cost of added investments and strong competition, ad pepper media expects a stable profit situation for the remainder of the year, due not least to its consistently strict cost management.

The share price shows an excellent long-term trend, and in comparison to other market participants, there is still headroom for fantasies in the direction of further added value. In order to continue this trend, we will consequently keep on pursuing our proven successful strategy. Thus, we are confident of being able to bring you 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

Results – second quarter of 2004 and half year 2004

ad pepper media International N.V. was again able to capitalize on increased online advertising in the 2nd quarter of 2004 and continue the positive development of sales and results that had been achieved in the 1st quarter of 2004. With an increase of sales of 15% as compared with the same quarter of last year, profit performance was up by 98%. The impetus for this continual development is predominantly due to a sustained demand for international campaigns, in addition to increased orders from the USA.

ad pepper media achieved a group turnover of kEUR 5,454 in the 2nd quarter of 2004, a growth of 15% as compared with the same quarter last year (kEUR 4,727). Operating profit (EBIT) rose by 98% from kEUR 101 in the 2nd quarter of 2003 to kEUR 200 in the 2nd quarter of 2004. In comparison to the same quarter last year, the profit for the period rose by 11% to kEUR 415 (Q2/2003: kEUR 375), resulting in a profit per share of EUR 0.04 (Q2/2003: EUR 0.04).

Group turnover for the first six months of the current financial year was kEUR 10,175 (1 HY/2003: kEUR 9,022) – a rise of 13%. Due to the increase in sales and an additionally improved cost structure, ad pepper media succeeded in more than doubling EBIT for the first six months of 2004, achieving a figure of kEUR 255 (1 HY/2003: kEUR 124). Profit for the 1st half-year 2004 stood at kEUR 771 (1 HY/2003: kEUR 663), generating a 17% increase in profit per share from EUR 0.06 for the 1st half-year 2003 to EUR 0.07 for the 1st half-year 2004.

As at 30 June 2004, ad pepper media's stock of liquid assets amounted to EUR 26.2 million, including short-term liquid fixed asset securities and restricted cash.

Business development

In recent years, ad pepper media International N.V. has positioned itself as an international sales- and marketing organization for digital marketing solutions. Today, the company is capable of delivering tailor-made ad campaign strategies to

every part of the world. In Europe alone, the company could execute national and global interactive marketing campaigns across its exclusive representation network of over 650 websites, generating over 1.2 billion ad impressions per month. Add to this another three billion ad impressions in the USA via partners, and another billion in Asia. In addition, ad pepper media is capable, any time and on demand, of accessing several billion additional contacts provided by selected partnerships worldwide.

With 14 branch offices in ten European countries, ad pepper media International N.V. has a widely diversified sales and distribution network at its disposal, realizing national, pan-European, and international online marketing campaigns for medium-sized and large companies in the business divisions MEDIA, DIRECT MARKETING, and TECHNOLOGY. The activities on the U.S. market further gain significance as well, due to strongly increased demand.

Covering the most important European states, ad pepper media attends to its clientele successfully for five years by now. In general, the company's client portfolio is quite internationally structured and very diversified; clients include Dell, Procter & Gamble, Quelle, Deutsche Telekom, Toyota, Volvo, as well as Postbank, Barclays Bank, Nokia or Lufthansa.

Within each of the divisions, ad pepper media consistently expands its business activities, with currently more than a dozen efficient marketing solutions at its disposal. These can be further extended and adjusted, according to current market demands and customers' needs.

Online advertising

The range of e-advertising services becomes increasingly structured and better suited to demand. The strongly improved qualities and processes of Rich Media Formats have contributed significantly to their acceptance and utilisation. Simultaneously, an increase of the classical CPM budgets can be registered, leading not only to a stabilisation of price levels but to a large-scale increase of prices for qualitative inventory. Next to conventional branding budgets, campaigns

depending upon performance are still strongly in demand. However, the integration of different campaigns into one long-term online strategy is being implemented more and more. Emails and newsletters are at the heart of interactive communication, with visible progress in harmonising marketing objectives, formats, and distribution channels.

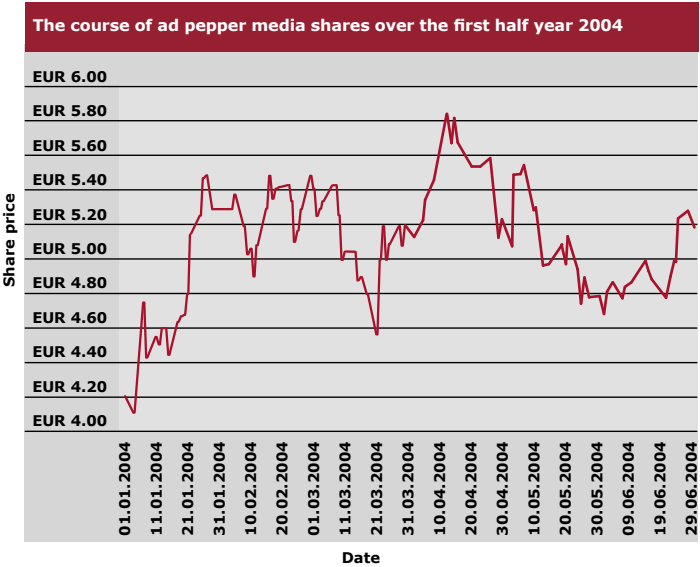
In addition, the Spam and pop-up discussions have resulted in positive effects and a higher level of professionalism in e-advertising; both transparency and user approval form the basis of long-term success.

Meanwhile, the necessity and efficiency of e-advertising is accepted on a broad basis; instead of debating on principles as heretofore, the emphasis now is on meeting the challenges of day trading. Nearly all major corporate businesses have considerably expanded their e-advertising budgets and plan to do so in the future as well. In particular, the comparably low basis is the reason for future hopes of growth. Especially the B to B and the e-commerce sectors will act so as to drive expansion – not merely on an international level but increasingly in regional areas as well.

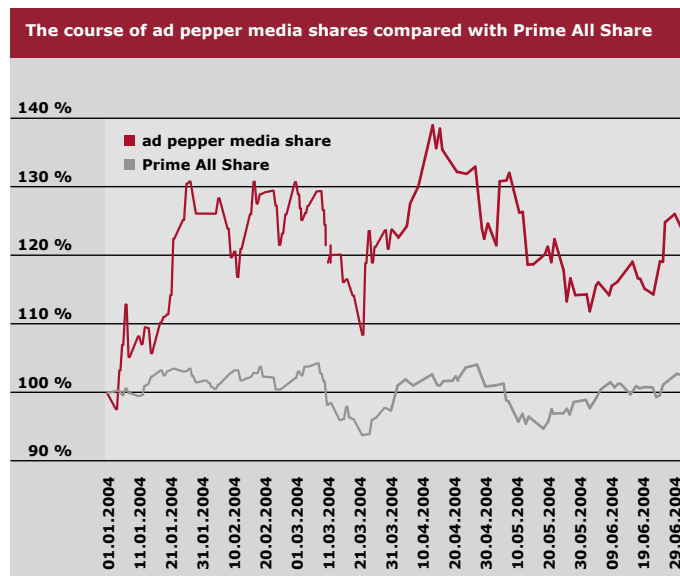
To be prepared for these market developments, it will require networked units with advanced technological and organizational know-how and a strong presence both at local and international level. In order to achieve this, ad pepper media has an ideal structure at its disposal, and will contribute to a positive market development in the future.

The share

On 13 April 2004, the ad pepper media share reached its peak value since 2001 with EUR 5.85 – a highest ever in three years. Directly related to this were high turnover figures throughout the first half of the month. However, in the second half of the month stronger profit taking ensued, resulting in a relapse of stock prices to the level of the beginning of the month. The share dropped back to EUR 5.24 by April 30th 2004. The first days in May saw another increase in the stock market price, but resistance setting in at EUR 5.50 could not be overcome. With turnover fluctuating considerably, the share price dropped below the 5 Euro mark in the last third of May. In June, business started out quietly, but by the end of the month a higher rating of shares could be registered, lifting the share price above the 5 Euro mark again. The share closed the 2nd quarter at EUR 5.20.



Compared with the development of the Prime All Share performance index, the ad pepper media share was able to disconnect from the general trend, showing up in a 24% increase of share prices in the first six months of 2004. The Prime All Share index closed the first half of the business year with a plus of merely 2%.



At several conferences during a Road Show held in June 2004 in the USA, the board of ad pepper media presented the company's business model and strategy to investors, analysts, and multipliers in Chicago and New York. The objective is to also intensify the financial communication in the upcoming quarters.

The Stadtparkasse Köln, The Equinet Investment Bank, Designated Sponsor for the ad pepper media share in Xetra Trading, and the Cazenove Investment Bank have published updates of their research studies in the 2nd quarter 2004. The studies of the Stadtparkasse Köln and of Equinet can be ordered via IR@adpepper.com on request.

Under **www.adpepper.com** (Investor Relations), interested parties can find comprehensive information about the company and download financial reports and news as well. In addition, we are always there to answer, by phone or email, questions of our investors and those interested in future investments.

Prospect

Because of the continuing uncertain outlook for business development in Germany and Europe, it is difficult to draw forecasts for the remainder of the year. However, notwithstanding the insecure background, ad pepper media expects a positive development of the advertising market in general.

Double digit growth rates are being forecast for the year 2004 for the Internet as advertising medium, the indispensable fourth column in the media- and marketing mix. According to all indicators currently available, the positive business trend of the first half year should continue throughout the second half of the year. The fourth quarter and its usually strong turnover figures will be of crucial importance for the overall annual financial statement. ad pepper media will meet the ambitious challenge of once again exceeding the growth rate of its sector. Due to steadily increasing demand for ad pepper media products and services in the USA, an expansion of sales, distribution and marketing activities is planned here as well.

In the upcoming quarterly periods we will be exploring new targeted opportunities to further increase company and shareholder value, thus confirming the trust our investors place in us once more.

Consolidated Statements of Operations (US GAAP)				
	Q2/ 2004 EUR	Q2/ 2003 EUR	1 HY 2004 EUR	1 HY 2003 EUR
Net Sales	5,453,746	4,726,551	10,174,917	9,022,420
Cost of sales	-2,963,324	-2,396,285	-5,506,044	-4,679,325
Gross profit	2,490,422	2,330,266	4,668,873	4,343,095
Selling and marketing expenses	-1,327,237	-1,222,612	-2,704,909	-2,299,326
General and administrative expenses	-1,047,715	-1,018,430	-1,804,853	-1,960,801
Other operating income and expenses, net	38,394	-8,430	73,363	3,030
Operating income	153,864	80,794	232,474	85,998
Equity in earnings of affiliated companies	37,591	16,348	61,312	28,178
Foreign currency exchange gains and losses, net	9,280	4,161	-38,971	10,292
Interest income and expenses, net	215,815	281,126	520,308	538,202
Income before income taxes (and minority interest)	416,550	382,429	775,123	662,670
Income taxes	-1,677	0	-4,280	0
Income before minority interest	414,873	382,429	770,843	662,670
Minority interest	0	-7,761	0	-5,500
Net gain for the period	414,873	374,668	770,843	657,170
Net gain per share (basic)	0.04	0.04	0.07	0.06
Net gain per share (diluted)	0.04	0.03	0.07	0.06
	Q2/ 2004 shares	Q2/ 2003 shares	1 HY 2004 shares	1 HY 2003 shares
Weighted average shares outstanding (basic)	10,409,776	10,458,446	10,382,597	10,483,552
Weighted average shares outstanding (diluted)	11,363,901	10,913,955	11,326,508	10,825,334

Consolidated Balance Sheets (US GAAP)		
	June 30, 2004 EUR	December 31, 2003 EUR
Assets		
Current assets		
Cash and cash equivalents	12,494,719	17,281,976
Marketable securities	0	1,002,400
Trade accounts receivable, net	8,054,458	8,447,743
Prepaid expenses and other current assets	1,539,141	1,387,513
Total current assets	22,088,318	28,119,632
Non-current assets		
Restricted Cash	650,000	650,000
Equipment, net	443,549	428,679
Intangible assets, net	1,188,065	1,107,663
Goodwill	2,922,971	2,922,971
Investments in affiliated companies	835,664	774,352
Marketable securities	13,037,656	8,733,256
Other assets	219,356	208,835
Total non-current assets	19,297,261	14,825,756
Total assets	41,385,579	42,945,388
Liabilities and shareholders' equity		
Current liabilities		
Trade accounts payable	1,631,233	2,846,872
Accrued expenses	2,430,316	3,509,336
Other current liabilities	698,050	895,710
Total current liabilities	4,759,599	7,251,918
Minority interest	35,695	35,695
Shareholders' equity		
Share capital	1,115,500	1,115,500
Treasury stock	-73,273	-79,973
Additional paid-in capital	56,701,667	56,584,792
Accumulated deficit	-21,283,587	-22,054,430
Accumulated other comprehensive income / loss	129,978	91,886
Total shareholders' equity	36,590,285	35,657,775
Total liabilities and shareholders' equity	41,385,579	42,945,388

Statement of Cash Flows (US GAAP)		
	01.01.04 - 30.06.04 EUR	01.01.03 - 30.06.03 EUR
Net gain	770,843	657,170
Adjustments to reconcile net gain to cash used in/ provided by operations		
Loss attributable to minority interests	0	5,500
Depreciation and amortization	277,592	208,446
Gain/ loss on sale of equipment	-8,984	6,267
Other non-cash income and expenses	-59,503	-191,632
Gross-cash-flow	979,948	685,751
Changes in operating assets and liabilities		
Decrease in trade accounts receivable	393,285	189,091
Increase in prepaid expenses and other assets	-151,628	-358,838
Decrease in trade accounts payable	-1,215,639	-712,951
Increase/ decrease in accrued expenses and other liabilities	-1,276,680	486,108
Net cash used in/ provided by operating activities	-1,270,714	289,161
Capital expenditures for intangible assets and equipment	-374,923	-166,919
Proceeds from sale of intangible assets and equipment	11,042	6,197
Security payments	-10,521	-2,693
Cash paid for acquisition of shares in consolidated companies	0	-271,200
Sales of marketable securities	1,000,000	0
Purchase of marketable securities	-4,314,280	-5,923,750
Net cash used in investing activities	-3,688,682	-6,358,365
Sale of treasury stock	123,575	0
Purchases treasury stock	0	-295,817
Net cash used in/ provided by financing activities	123,575	-295,817
Effect of exchange rate changes on cash and cash equivalents	48,564	-27,619
Changes in cash and cash equivalents	-4,787,257	-6,392,640
Cash and cash equivalents at beginning of year	17,281,976	20,833,667
Cash and cash equivalents at end of 2nd quarter	12,494,719	14,441,027

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	Differences from currency conversion	EUR
Balance at January 01, 2003	1,115,500	-62,716	57,026,709	-24,180,665	0	15,724	33,914,552
Acquisition of treasury shares		-27,200	-588,647				-615,847
Issuance from treasury shares		9,943	146,730				156,673
Net gain for the period				2,126,235			2,126,235
Differences from currency conversion						-42,679	-42,679
Unrealized exchange gain/ loss					118,841		118,841
Total comprehensive income/ loss							2,202,397
thereof 01.01.03 - 30.06.03							629,551
thereof 01.04.03 - 30.06.03							373,647
Balance at December 31, 2003	1,115,500	-79,973	56,584,792	-22,054,430	118,841	-26,955	35,657,775
Balance at January 01, 2004	1,115,500	-79,973	56,584,792	-22,054,430	118,841	-26,955	35,657,775
Issuance from treasury shares		6,700	116,875				123,575
Net gain for the period				770,843			770,843
Differences from currency conversion						48,564	48,564
Unrealized exchange gain/ loss					-10,472		-10,472
Total comprehensive income/ loss							808,935
thereof 01.04.04 - 30.06.04							332,561
Balance at June 30, 2004	1,115,500	-73,273	56,701,667	-21,283,587	108,369	21,609	36,590,285

Business combinations

In October 2003, ad pepper media Italy srl. acquired 100% 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% 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 srl. 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, merely local minimum 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:

		Q2/ 2004 EUR	Q2/ 2003 EUR	1 HY 2004 EUR	1 HY 2003 EUR
Net income	as reported	414,873	374,668	770,843	657,170
	pro forma expense	84,635	59,412	133,818	116,764
Net income	pro forma	330,238	315,256	637,025	540,406
Earnings per share (basic)	as reported	0.04	0.04	0.07	0.06
	pro forma	0.03	0.03	0.06	0.05
Earnings per share (diluted)	as reported	0.04	0.03	0.07	0.06
	pro forma	0.03	0.03	0.06	0.05

Comprehensive Income

The accumulated other comprehensive income/loss comprises accumulated currency translation differences of EUR 21,609 (1 HY/2003: EUR –11,895) and EUR 108,369 revaluation reserves for unrealized gains from “available for sale” securities (1 HY/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:

Sales				
	Q2/ 2004 EUR	Q2/ 2003 EUR	1 HY 2004 EUR	1 HY 2003 EUR
Central Europe (Germany, Austria, The Netherlands)	1,573,555	1,948,452	3,269,017	3,930,772
Northern Europe (Denmark, Sweden, Finland, Norway)	1,209,751	1,098,014	2,281,237	1,923,568
Western Europe (Great Britain, France, Spain, Portugal, Italy)	2,335,986	1,680,085	4,172,759	3,168,080
Other	334,454	0	451,904	0
Total sales	5,453,746	4,726,551	10,174,917	9,022,420

Cost of sales				
	Q2/ 2004 EUR	Q2/ 2003 EUR	1 HY 2004 EUR	1 HY 2003 EUR
Central Europe (Germany, Austria, The Netherlands)	1,032,058	1,045,242	2,117,949	2,140,741
Northern Europe (Denmark, Sweden, Finland, Norway)	656,906	453,302	1,249,938	980,966
Western Europe (Great Britain, France, Spain, Portugal, Italy)	1,256,595	897,741	2,093,689	1,557,618
Other	17,765	0	44,468	0
Total cost of sales	2,963,324	2,396,285	5,506,044	4,679,325

Gross profit				
	Q2/ 2004 EUR	Q2/ 2003 EUR	1 HY 2004 EUR	1 HY 2003 EUR
Central Europe (Germany, Austria, The Netherlands)	541,497	903,210	1,151,068	1,790,031
Northern Europe (Denmark, Sweden, Finland, Norway)	552,845	644,712	1,031,299	942,602
Western Europe (Great Britain, France, Spain, Portugal, Italy)	1,079,391	782,344	2,079,070	1,610,462
Other	316,689	0	407,436	0
Total gross profit	2,490,422	2,330,266	4,668,873	4,343,095

Equipment		
	June 30, 2004 EUR	June 30, 2003 EUR
Central Europe (Germany, Austria, The Netherlands)	171,233	133,532
Northern Europe (Denmark, Sweden, Finland, Norway)	91,996	97,210
Western Europe (Great Britain, France, Spain, Portugal, Italy)	180,320	134,175
Other	0	0
Total equipment	443,549	364,917

Own shares

ad pepper media International N.V. is authorized to acquire up to 1,115,500 own shares. As of June 30, 2004, the company held 732,728 treasury shares at a nominal value of EUR 0.10 each which equals 6.57% 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 six month of 2004 13,000 shares at an exercise price of EUR 1.33; 10,700 shares at an exercise price of EUR 2.73 and 43,300 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 second 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 second quarter report.

Stock options and shareholdings

As of June 30, 2004, 1,654,550 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 June 30, 2004	Options as of June 30, 2004
Members of the Managing Board		
Ulrich Schmidt	614,397	368,000
Hermann Claus	51,808	243,000
Niels Nüssler	38,113	296,500
Members of the Supervisory Board		
Michael Oschmann	5,112	0
Dr. Günther Niethammer	1,112	15,000
Bernd Sexauer	292	0
Jan Andersen	558,600	0
Merrill Dean	0	0
Associated companies		
EMA B.V.	4,743,201	0
Viva Media Beteiligungsgesellschaft	5,100	0
Euroserve	13,780	0
Employees		732,050

Number of Employees

By the end of the 2nd quarter 2004, ad pepper media engaged 116 employees (June 30th, 2003: 96 employees) in ten European countries, substantially contributing to the company's success. The higher number of employees is mainly due to the acquisition of the online business sector of the Italian marketer Clickit srl. in October 2003.

Order book

The order situation during the summer months gives a distorted picture each year as vacation periods differ from country to country. In terms of total order quantity, this year will also see more restrained activity in July and August. However, the high number of long-term direct marketing campaigns should provide for a stable turnover situation in the next quarter.

For the remainder of the year, though, it is already visible that the interest in cross-national campaigns is rising further. In addition, a definite stimulation of the media business is recognizable as the number and frequency of bookings, as well as the total order quantity, are on an overall increase. Orders placed in the direct marketing business sector show an equally positive trend.

Company Calendar

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

9-Month-Report 2004: November 23, 2004

Analyst conference: November 23, 2004
(German Equity Forum, Frankfurt)

2003 annual report and 2004 quarterly reports

We will gladly send you our 2003 annual report as well as our 2004 quarterly reports 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

ad pepper media International N.V.
Anna-Maria Schubert
Manager Investor Relations
Deutschherrnstraße 15-19

D- 90429 Nuremberg

Phone: +49 911 929 057 0
Fax: +49 911 929 057 312

Email: IR@adpepper.com
<http://www.adpepper.com>

Published by

ad pepper media International N.V.
Deutschherrnstraße 15-19
D- 90429 Nuremberg

Phone: +49 911 929 057 0
Fax: +49 911 929 057 312

Email: info@adpepper.com

Joint-stock company (N.V.)
Corporate seat: Hoofddorp, The Netherlands
Nuremberg branch
Prime Standard, Frankfurt Stock Exchange,
Security identification number: 940 883
HRA Nuremberg 17591
Ust-ID-Nr.: DE 210757424

Managing Board

Ulrich Schmidt, CEO
Hermann Claus, CFO
Niels Nüssler, CSO

Graphics and realization

R. Lamprecht

www.adpepper.com

ad pepper media International N.V.
TransPolis Gebouw
Polaris Avenue 57
NL-2132 JH Hoofddorp