

Avenue A Inc

Supplemental Financial Information - Annual

To assist in understanding how this change in revenue reporting impacts the company's financial statements, the following comparisons are provided:

The table below provides a reconciliation of revenue as reported to net revenue had the anticipated contract structure been in place historically:

	2002	2001	2000
Revenue, as reported	\$132,650	\$89,611	\$194,665
Less cost of media purchases (1)	\$(91,430)	\$(59,360)	\$(150,943)
Net revenue	\$41,220	\$30,251	\$43,722

The table below provides a reconciliation from the gross method to the net method of revenue and cost of revenue, and the related impact on gross profit:

	Gross Revenue Method	Reconciling Item (1)	Net Revenue Method
2002			
Revenue	\$132,650	\$(91,430)	\$41,220
Cost of revenue (2)	\$94,194	\$(91,430)	\$2,764
Gross profit	\$38,456		\$38,456
2001			
Revenue	\$89,611	\$(59,360)	\$30,251
Cost of revenue (2)	\$63,419	\$(59,360)	\$4,059
Gross profit	\$26,192		\$26,192
2000			
Revenue	\$194,665	\$(150,943)	\$43,722
Cost of revenue (2)	\$155,451	\$(150,943)	\$4,508
Gross profit	\$39,214		\$39,214

- (1) Reconciling item consists of the cost of the media purchased by Avenue A for its clients.
- (2) Under the gross revenue method, cost of revenue in 2002, 2001, and 2000, consists of \$91,430, \$59,360, and \$150,943 of media purchases, and \$2,764, \$4,059, and \$4,508 of non- media purchases, respectively. Under the net method, cost of revenue in 2002, 2001, and 2000 consists of only \$2,764, \$4,059, and \$4,508, respectively. Non- media purchases include the cost of delivering advertisements over the Internet, email delivery by third parties, and search engine optimization.

Avenue A Inc

Supplemental Financial Information - Quarterly

To assist in understanding how this change in revenue reporting impacts the company's financial statements, the following comparisons are provided:

The table below provides a reconciliation of revenue as reported to net revenue had the anticipated contract structure been in place historically for each quarter in fiscal years 2002, 2001 and 2000:

	Q1	Q2	Q3	Q4
2002				
Revenue, as reported	\$23,534	\$30,394	\$34,372	\$44,351
Less cost of media purchases (3)	\$(16,286)	\$(21,363)	\$(23,551)	\$(30,230)
Net revenue	\$7,248	\$9,031	\$10,821	\$14,121
2001				
Revenue, as reported	\$24,172	\$20,586	\$20,419	\$24,434
Less cost of media purchases (3)	\$(16,666)	\$(14,048)	\$(13,060)	\$(15,587)
Net revenue	\$7,506	\$6,538	\$7,359	\$8,847
2000				
Revenue, as reported	\$46,774	\$52,436	\$47,259	\$48,195
Less cost of media purchases (3)	\$(37,994)	\$(41,438)	\$(35,718)	\$(35,793)
Net revenue	\$8,780	\$10,998	\$11,541	\$12,402

The tables below provides a reconciliation from the gross method to the net method of revenue and cost of revenue, and the related impact on gross profit for each quarter in fiscal years 2002, 2001 and 2000:

	Gross Revenue Method	Reconciling Item (3)	Net Revenue Method
FY 2002			
Q1 2002			
Revenue	\$23,534	\$(16,286)	\$7,248
Cost of revenue (4)	\$16,719	\$(16,286)	\$433
Gross profit	\$6,815		\$6,815
Q2 2002			
Revenue	\$30,394	\$(21,363)	\$9,031
Cost of revenue (4)	\$22,031	\$(21,363)	\$668
Gross profit	\$8,363		\$8,363
Q3 2002			
Revenue	\$34,372	\$(23,551)	\$10,821
Cost of revenue (4)	\$24,241	\$(23,551)	\$690
Gross profit	\$10,131		\$10,131
Q4 2002			
Revenue	\$44,351	\$(30,230)	\$14,121
Cost of revenue (4)	\$31,203	\$(30,230)	\$973
Gross profit	\$13,148		\$13,148

Avenue A Inc

	Gross Revenue Method	Reconciling Item (3)	Net Revenue Method
FY 2001			
Q1 2001			
Revenue	\$24,172	\$(16,666)	\$7,506
Cost of revenue (4)	\$18,491	\$(16,666)	\$1,825
Gross profit	\$5,681		\$5,681
Q2 2001			
Revenue	\$20,586	\$(14,048)	\$6,538
Cost of revenue (4)	\$14,810	\$(14,048)	\$762
Gross profit	\$5,776		\$5,776
Q3 2001			
Revenue	\$20,419	\$(13,060)	\$7,359
Cost of revenue (4)	\$13,629	\$(13,060)	\$569
Gross profit	\$6,790		\$6,790
Q4 2001			
Revenue	\$24,434	\$(15,587)	\$8,847
Cost of revenue (4)	\$16,490	\$(15,587)	\$903
Gross profit	\$7,944		\$7,944
FY 2000			
Q1 2000			
Revenue	\$46,774	\$(37,994)	\$8,780
Cost of revenue (4)	\$38,515	\$(37,994)	\$521
Gross profit	\$8,259		\$8,259
Q2 2000			
Revenue	\$52,436	\$(41,438)	\$10,998
Cost of revenue (4)	\$42,050	\$(41,438)	\$612
Gross profit	\$10,386		\$10,386
Q3 2000			
Revenue	\$47,259	\$(35,718)	\$11,541
Cost of revenue (4)	\$37,459	\$(35,718)	\$1,741
Gross profit	\$9,800		\$9,800
Q4 2000			
Revenue	\$48,195	\$(35,793)	\$12,402
Cost of revenue (4)	\$37,427	\$(35,793)	\$1,634
Gross profit	\$10,768		\$10,768

Avenue A Inc

- (3) Reconciling item consists of the cost of the media purchased by Avenue A for its clients.
- (4) In 2002, under the gross revenue method, cost of revenue in Q1, Q2, Q3, and Q4 consists of \$16,286, \$21,363, \$23,551, and \$30,230 of media purchases, and \$433, \$668, \$690, and \$973 of non-media purchases, respectively. Under the net method, cost of revenue in 2002, 2001, and 2000 consists of \$433, \$668, \$690, and \$973, respectively. Non-media purchases include the cost of delivering advertisements over the Internet, email delivery by third parties, and search engine optimization.

In 2001, under the gross revenue method, cost of revenue in Q1, Q2, Q3, and Q4 consists of \$16,666, \$14,048, \$13,060, and \$15,587 of media purchases, and \$1,825, \$762, \$569, and \$903 of non-media purchases, respectively. Under the net method, cost of revenue in 2002, 2001, and 2000 consists of \$1,825, \$762, \$569, and \$903, respectively. Non-media purchases include the cost of delivering advertisements over the Internet, email delivery by third parties, and search engine optimization.

In 2000, under the gross revenue method, cost of revenue in Q1, Q2, Q3, and Q4 consists of \$37,994, \$41,438, \$35,718, and \$35,793 of media purchases, and \$521, \$612, \$1,741, and \$1,634 of non-media purchases, respectively. Under the net method, cost of revenue in 2002, 2001, and 2000 consists of \$521, \$612, \$1,741, and \$1,634, respectively. Non-media purchases include the cost of delivering advertisements over the Internet, email delivery by third parties, and search engine optimization.