

FortuneCity Reports 2001 Operating and Financial Results

Net loss reduced 51% compared with 2000

Growth in Paid Services Spearheads turnaround

March 28, 2002 - New York, NY - FortuneCity.com Inc. (Neuer Markt - FCT), (www.fortunecity.com), the Internet services company, today announced operating and financial results for the business year ending December 31, 2001.

Overview

In 2001 FortuneCity dedicated itself to making sweeping changes to its business plan and conserving its financial resources. The focus of this transition was to reduce the Company's reliance on advertising revenue by building and selling subscription-based services. While FortuneCity began to shift its business model, many of its competitors disappeared. Today, the business is focused on three services, the sale and delivery of online advertising and interactive marketing services; the sale of web hosting solutions; and the sale of internet domain names and email services.

The online advertising sales group remained the largest contributor to revenue. The sales team was restructured during the later part of the year to sell advertising not only for the Company but also for third party publishers and websites. The Company believes that it can capitalize on the currently depressed online advertising sales market by representing third party online publishers. Many of the largest rep firms have retrenched or closed despite the continued increase in people using the internet and the time they spend online. The fact remains that the internet is and will continue to be an important advertising medium. Nevertheless, during 2001 the Company's revenue fell relative to the prior year.

The Ampira Hosting platform was launched during 2001 to sell web services including hosting, domain and email services. In parallel, the original FortuneCity free web homepage service offering was scaled back. In the first quarter of 2001, the Company acquired the web hosting and domain registration business iReg. This acquisition allowed FortuneCity to quickly enter the paid hosting market and to establish a base of paying customers. The Company has since developed an automated billing and provisioning system, which along with the existing storage and server infrastructure previously used for the free services, will allow it to efficiently grow the shared server hosting customer base with minimal additional capital expenditure. The original FortuneCity continues to offer a scaled back free web hosting service supported by advertising. The advertising impressions are used to promote the new paid service offerings and are sold as part of the Ampira Media network.

Revenues

Total revenues for 2001 decreased 61% to \$ 4.5 million from \$ 11.5 million in 2000. Revenues in 4Q2001 were \$ 0.8 million compared with \$ 2.5 million in 4Q2000. Revenues were negatively impacted in 4Q2001 due to the continued slowdown in online advertising. Revenues from advertising related sales represented 88% of total revenue. New subscription services represented 11% of total revenue in 2001 as compared to 0% in 2000.

Net Loss

Net loss without the restructuring charges for the year ended December 31, 2001 was US\$ 17.7 million, compared with US\$ 36.3 million in the prior year. The net loss before restructuring and impairment charges for the three months ended December 31, 2001 decreased 56% from US\$ 8.0 million in the comparable period in 2000 to US\$ 3.5 million. The decrease in the net loss was primarily attributed to the reduction in salaries and related costs and a reduction in the bandwidth expense.

Cash Position and Burn Rate

At December 31, 2001 FortuneCity's Consolidated Balance Sheet included \$ 8.7 million in cash, cash equivalents and short-term investments. Also, the Company continues to be virtually debt free.

The Company consumed 49% less cash in the 4Q2001 as compared to the 1Q2001: \$ 2.4 million in 4Q2001 compared to \$ 3.2 million in the 3Q2001, \$ 3.0 in 2Q2001 and \$ 4.7 in 1Q2001. As a result of the reorganization, reduction in marketing expenditures and other efficiency improving measures, the Company anticipates a further reduction in its quarterly cash consumption.

The Company anticipates that for the year 2002 as a whole, its cash consumption will continue to be reduced. A number of significant cost reduction plans are being implemented presently that should continue this trend. The total number of employees has fallen from 149 at year-end 2000 to 47 at December 31, 2001.

FORTUNECITY.COM INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2001 AND 2000
(in U.S. dollars)

<u>ASSETS</u>	<u>2001</u>	<u>2000</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,334,224	\$ 4,711,141
Short-term investments	316,400	17,244,061
Accounts receivable, net of allowance for doubtful accounts of \$362,126 and \$270,552, respectively	497,611	2,279,777
Prepaid expenses and other current assets	<u>326,796</u>	<u>736,846</u>
Total current assets	9,475,031	24,971,825
INVESTMENTS IN AFFILIATES	234,851	1,160,651
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of \$8,322,362 and \$4,794,729, respectively	4,295,625	9,802,805
GOODWILL AND OTHER INTANGIBLES, net of accumulated amortization of \$5,052,909 and \$4,746,978, respectively	<u>5,223,331</u>	<u>15,613,463</u>
Total assets	<u>\$ 19,228,838</u>	<u>\$ 51,548,744</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 870,842	\$ 2,582,629
Accrued expenses	1,428,720	3,943,277
Capital lease obligations	87,591	100,270
Other current liabilities	<u>986,600</u>	<u>1,721,118</u>
Total current liabilities	3,373,753	8,347,294
LONG-TERM LIABILITIES:		
Capital lease obligations	32,808	117,750
Other long-term liabilities	<u>456,090</u>	<u>382,005</u>
Total liabilities	<u>3,862,651</u>	<u>8,847,049</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock; \$.01 par value; 80,000,000 shares authorized; 30,518,841 and 30,478,835 shares issued and outstanding, respectively	305,189	304,789
Treasury stock; 363,815 and 3,299,961 shares, respectively	(402,661)	(3,652,313)
Additional paid-in capital	119,649,915	120,913,703
Accumulated deficit	(101,446,080)	(73,152,884)
Deferred compensation	-	(76,605)
Accumulated other comprehensive loss	<u>(2,740,176)</u>	<u>(1,634,995)</u>
Total stockholders' equity	<u>15,366,187</u>	<u>42,701,695</u>
Total liabilities and stockholders' equity	<u>\$ 19,228,838</u>	<u>\$ 51,548,744</u>

The accompanying notes are an integral part of these consolidated balance sheets.

FORTUNECITY.COM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000
(in U.S. dollars)

	<u>2001</u>	<u>2000</u>
REVENUES	\$4,495,693	\$11,498,970
COST OF REVENUES	<u>7,027,465</u>	<u>10,362,407</u>
Gross (loss) profit	(2,531,772)	1,136,563
OPERATING EXPENSES:		
Sales and marketing	4,990,092	20,179,367
Product development	2,010,549	5,635,908
General and administrative	4,833,486	8,012,530
Amortization of intangible assets	3,260,985	3,559,384
Impairment of long-lived assets and restructuring costs	<u>10,545,285</u>	<u>5,453,716</u>
Total operating expenses	<u>25,640,397</u>	<u>42,840,905</u>
Operating loss	(28,172,169)	(41,704,342)
GAIN ON SALE OF SUBSIDIARIES, net	171,799	-
INTEREST INCOME, net	<u>483,759</u>	<u>1,869,600</u>
Loss before provision for income taxes and equity in losses of affiliates	(27,516,611)	(39,834,742)
EQUITY IN LOSSES OF AFFILIATE:		
Equity loss from operations	(51,229)	(365,569)
Amortization of goodwill inherent in investment in affiliate	-	(1,007,016)
Loss on sale of investment	<u>(725,356)</u>	<u>(558,745)</u>
Net loss	<u>\$(28,293,196)</u>	<u>\$(41,766,072)</u>
NET LOSS PER SHARE, BASIC AND DILUTED	\$ (0.97)	\$ (1.41)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	29,224,535	29,576,167

The accompanying notes are an integral part of these consolidated statements.

FORTUNECITY.COM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000
(in U.S. dollars)

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (28,293,196)	\$ (41,766,072)
Adjustments to reconcile net loss to net cash used in operating activities-		
Depreciation and amortization	4,058,367	4,073,816
Amortization of intangibles and deferred compensation	3,337,590	3,377,930
Equity in losses of affiliates and amortization of related inherent goodwill	51,229	1,372,585
(Gain) loss on disposal of assets/subsidiaries	(80,503)	361,094
Loss on sale of investment	725,356	558,745
Restructuring reserve and impairment charges	10,545,285	5,104,220
Changes in operating assets and liabilities-		
Decrease in-		
Accounts receivable	1,737,675	708,588
Prepaid expenses and other current assets	410,453	583,176
Other assets	-	-
(Decrease) increase in-		
Accounts payable	(1,643,537)	(844,581)
Accrued expenses	(2,757,573)	(256,039)
Other liabilities	23,764	316,112
Net cash used in operating activities	<u>(11,885,090)</u>	<u>(26,410,426)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(318,675)	(6,642,245)
Restricted cash	-	383,750
Acquisition of businesses, net of cash acquired	(150,000)	(34,700)
Purchases of short-term investments	(3,999,036)	(68,872,987)
Proceeds from maturity of short-term investments	20,926,697	99,945,326
Proceeds from sale of investment in affiliate	200,000	256,025
Investments in affiliates, net	<u>(267,134)</u>	<u>(182,817)</u>
Net cash provided by investing activities	<u>16,391,852</u>	<u>24,852,352</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuances of common stock, net of offering costs	-	(1,004)
Proceeds from issuances of common stock warrants	-	-
Proceeds from exercise of options	5,002	103,575
Purchases of treasury stock	-	(1,260,318)
Payments under long-term obligations	<u>(851,643)</u>	<u>(418,956)</u>
Net cash used in financing activities	<u>(846,641)</u>	<u>(1,576,703)</u>
EFFECTS OF FOREIGN EXCHANGE		
Increase (decrease) in cash and cash equivalents	<u>(37,038)</u>	<u>(819,129)</u>
	3,623,083	(3,953,906)
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,711,141</u>	<u>8,665,047</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 8,334,224</u>	<u>\$ 4,711,141</u>

The accompanying notes are an integral part of these consolidated statements.