ad pepper group
digital pioneers since 1999

ANNUAL REPORT

» 2021

» CONTENT

01	**Letter from the Board of Directors**	**7**
02	**Report of the Supervisory Board**	**11**
03	**Remuneration Report**	**17**
04	**Report of the Board of Directors**	**23**
04.1	Governance	25
	Our Governance Structure	27
	Comply or Explain	31
	Decree Article 10 Takeover Directive (Besluit Artikel 10 Overnamerichtlijn)	33
04.2	The ad pepper Share	37
04.3	Business Activity	41
	Disclaimer regarding Forward-looking Statements	43
	The ad pepper Group	43
	Segments of the ad pepper Group	45
	Employees and Values	48
04.4	Economic Development	49
	Macroeconomic Framework	51
	Presentation of Earnings Position	52
	Presentation of Financial and Net Asset Position	53
04.5	Risk Report	55
	Foreword	57
	Risk Classification	57
	Operational risk	57
	Strategic risk	60
	Financial risk	61
	Compliance risk	64
	Risk Appetite	65
	Evaluation of Risk Management System Effectiveness	67
	Opportunities and Outlook	68
04.6	Responsibility Statement	69
05	**Consolidated Financial Statements**	**73**
06	**Notes to the Consolidated Financial Statements**	**85**
07	**Statutory Financial**	**127**
08	**Other Information**	**141**
09	**At a Glance**	**153**
10	**Glossary**	**159**

» KEY FIGURES AT A GLANCE

	2021	2020
Gross sales[1] (kEUR)	111,593	101,344
Revenue	27,646	25,615
Gross profit (kEUR)	26,587	24,687
Gross margin (percent) in relation to gross sales	23.8	24.4
Gross margin (percent) in relation to revenue	96.2	96.4
EBITDA[2] (kEUR)	4,378	6,559
EBIT[3] (Operating profit) (kEUR)	3,194	5,448
EBT[4] (Income before taxes) (kEUR)	3,156	5,332
Net income (kEUR)	2,564	4,341
Earnings per share (basic, EUR)	0.08	0.17
Total assets (kEUR)	46,352	48,841
Shareholders' equity (kEUR)	20,088	20,838
Equity ratio[5] (percent)	43.3	42.7
Liquid funds[6] (kEUR)	23,761	25,342
Number of employees (as at 31 December)	249	231

1 Gross sales represent the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of gross sales information is not required under IFRS; however, it is voluntarily disclosed from 1 January 2018 onwards in the Consolidated Income Statement since management has concluded that the information is useful for users of the financial statements. Please refer to Note [6].

2 EBITDA is an alternative performance measure. It stands for earnings before interest, taxes, depreciation and impairment losses/loss reversals on property, plant and equipment, impairment losses on goodwill, and amortisation and impairment losses/loss reversals on other intangible assets. This performance indicator neutralises the effects of the financial result along with distortions of operational performance that result from divergent depreciation and amortisation methods and the exercise of measurement discretion. EBITDA is EBIT plus the amortisation of intangible assets and the depreciation of property, plant and equipment, plus impairment losses and minus impairment loss reversals, recognised in profit or loss during the reporting period.

	2021	2020
EBIT	3,194	5,448
Depreciation & Amortisation	1,184	1,111
EBITDA	4,378	6,559

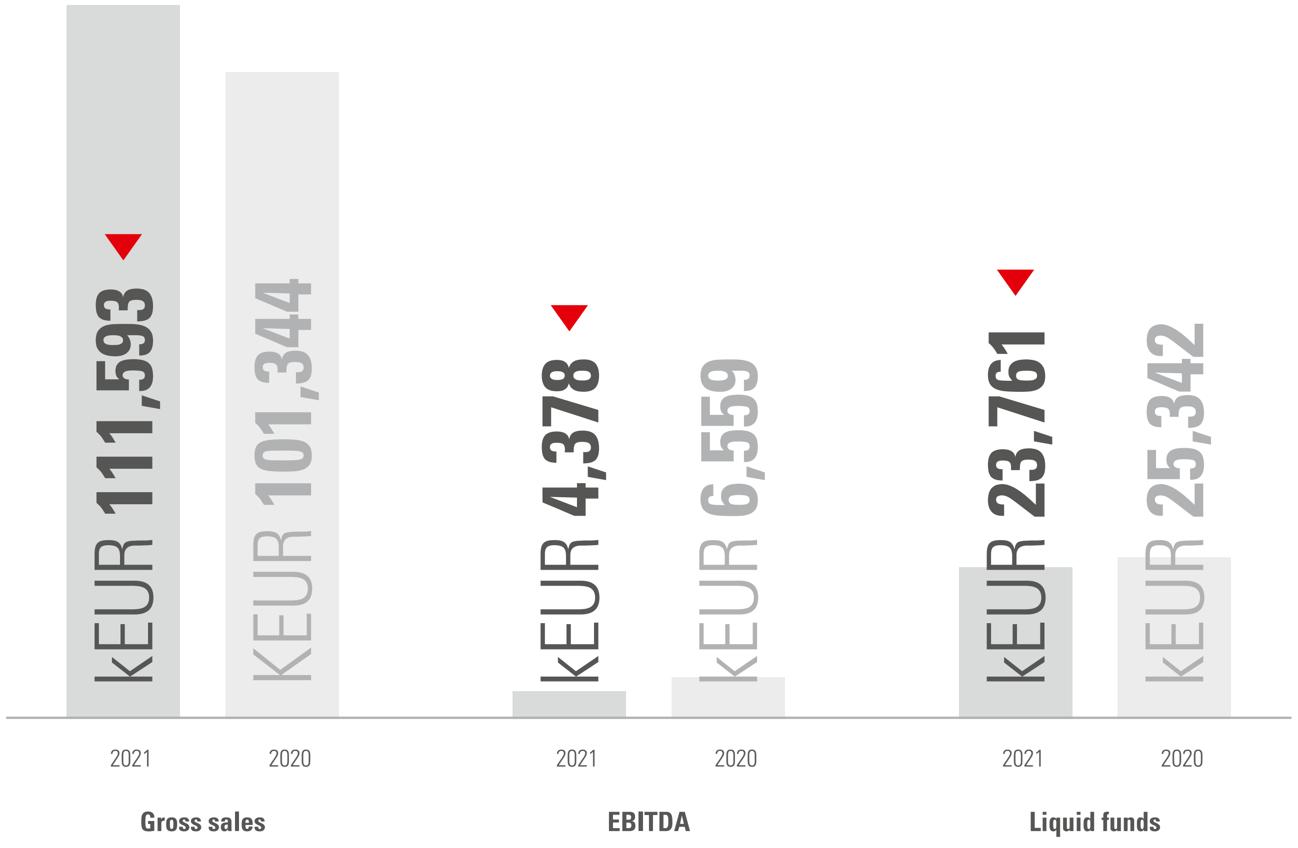
3 EBIT (earnings before interest and taxes) is an alternative performance measure and serves to present a company's performance while eliminating the effects of differences among local taxation systems and different financing activities.

4 Earnings before Tax.

5 Shareholders' Equity/Total Assets.

6 Liquid funds is an alternative performance mesasure and includes cash & cash equivalents and listed debt and marketeable securities.

	2021	2020
Cash and cash equivalents	20,704	24,330
Listed debt and marketable securities	3,057	1,012
Liquid funds	23,761	25,342



» 01

LETTER FROM THE BOARD OF DIRECTORS

» DEAR STAKEHOLDERS,

In a year of continued disruption and transition, our teams rose to the occasion and quickly adapted while not losing sight of the need to invest further in our future. Hence, 2021 has been another successful year with double-digit growth and high levels of profitability. Looking back, we have every reason to be proud of the results. With gross sales of EUR 111,593k (a 10.3 percent growth vs. 2020) and revenue of EUR 27,646k and growth of 8 percent, we managed to outperform an excellent previous year, a year which has seen unprecedented and unforeseen growth amid the COVID-19 crisis. As lockdowns became the new normal, businesses and consumers increasingly "went digital" by offering and buying more goods and services online, raising the share of e-commerce in global retail to levels never seen before. While 2021 saw an easing of pandemic restrictions in most markets where our Group operates, the trends described above are still intact and will remain so in the foreseeable future.

The performances of our three operating segments varied

While the Group achieved new revenue records, EBITDA fell somewhat short of the levels seen in the previous year. The main reason is subdued growth of our ad pepper segment, which saw a decline in revenue of 26 percent and in EBITDA of 68 percent largely due to the loss of a major client at the beginning of 2021. While new clients could be added in the course of 2021, we did not succeed to neutralise the impact on our revenue. On the other hand, our Webgains segment clearly saw another excellent year, benefitting most from higher levels of e-commerce activity triggered by COVID-19. Here, revenue rose by 18 percent to a new record figure of EUR 15,543k and EBITDA to EUR 3,474k, strengthening our position as one of the leading affiliate-platforms in Europe. Revenue in the ad agents segment also increased significantly by around 16 percent to a new record of EUR 8,166k, and the EBITDA of EUR 1,722k achieved in the reporting year clearly also marks a new all-time high.

Strong balance sheet and financial resources

Our balance sheet is strong and our financial resources are substantial: our cash balances are at comfortable levels and reached a new high of EUR 23,761k despite the new share buyback programme announced on 2 August 2021. Our equity ratio is at a solid 43.3 percent, the Company continues to have no liabilities to banks and we plan to continue financing our growth from our operating cashflow in the coming financial year. Based on the strong balance sheet and on the financial expectations for 2022, we therefore believe it is justified to assume that the Company's continued existence as a going concern is assured. We carefully review acquisitions and are more inclined to pursue them if they offer potential synergies.

01
LETTER FROM BOARD OF DIRECTORS

Putting our people first

In the financial year 2021, the Group as a whole hired 18 additional staff members and entered several new markets. Our first priority was, and continues to be, the health and safety of our employees. It was paramount that they could do their jobs safely, that they had the opportunity to work from home where possible, that social distancing rules were observed and that they were provided with adequate personal protective equipment. Our local teams meet regularly, both virtually and physically, to monitor and address employee health and wellbeing. We have invested in new technologies and remote learning capabilities, for instance, laying the foundation for future growth. With the confidence and experience we have gained as a management team over the past few years, we are well equipped to face the coming year.

We would like to take this opportunity to thank you, our stakeholders and shareholders, for your perseverance and patience. A very special thank you goes to our 249 employees and their families who have actively supported us and are highly motivated in their commitment to the future of the ad pepper Group. Our thanks also go to the Supervisory Board for the steady and constructive support provided. And of course, the strong performance achieved this year would not have been possible without our many long-standing and new clients, for whom we give our best every day. Thank you for the trust you have placed in us and for our excellent working relationships.

Yours faithfully,

The Board of Directors
ad pepper media International N.V.

Dr Jens Körner, CEO

Nuremberg, 29 March 2022

» 02

REPORT OF THE SUPERVISORY BOARD

» DEAR SHAREHOLDERS,

In the 2021 financial year, the Supervisory Board performed its duties pursuant to the law and the Articles of Association. It advised the Board of Directors on a regular basis, monitored the Board of Directors in its management of the business, and was involved in decisions of key importance for the Company and the Group.

Meetings in 2021

The Supervisory Board held four meetings in 2021. Moreover, we collectively and individually interacted with the CEO and with the senior management outside the formal Supervisory Board meetings. The Chairman of the Supervisory Board and the CEO met regularly for bilateral discussions virtually and in person about the progress of the Company on a variety of matters. The Supervisory Board meetings were well attended in 2021 with an attendance rate of 100 percent of each Supervisory Board member. Due to COVID-19, meetings were partly held online. On 7 December 2021 the audit committee reported to the Supervisory Board on the functioning, and the development of, the relationship with the external auditor. The Board of Directors kept the Supervisory Board informed about the status of discussions around the development and implementation of the strategy for 2021 and beyond. The Supervisory Board discussed the status of the implementation with the Board of Directors in its meetings and also discussed it with the senior management regularly, e.g. after a meeting of the Supervisory Board. The Supervisory Board discussed the manner in which the Board of Directors implemented the long-term value creation strategy, i.e. improving our financial performance, and the principal risks associated with it and hence complied with 1.1.3 of the Code. The Supervisory Board approved the financial plan for 2021 and discussed (potential) acquisitions and disposals with the Board of Directors. Topics discussed included annual and interim results, business implications of the COVID-19 pandemic, technological developments, the organisation of sales and marketing activities, Corporate Governance, investor relations, compensation and human resources. The Supervisory Board also met and engaged Ernst & Young Accountants LLP, appointed as independent auditor for the financial year 2021 by the Annual General Meeting of Shareholders (the "General Meeting") held on 18 May 2021 and discussed the outcome of the 2020 audit procedures on 22 March 2021.

In addition, the Supervisory Board discussed the general and financial risks of the business and the findings of an assessment of the internal risk management and control systems. Consistent with the requirements of the Dutch Corporate Governance Code, the work of the Supervisory Board and of the Board of Directors, as well as the work of the individual members of both boards, was discussed in the absence of the members of the Board of Directors.

The evaluation of the Supervisory Board is carried out by following a detailed questionnaire. The review and discussion included reviews of the composition and expertise of the Supervisory Board, its time management, its effectiveness, its dynamics and succession planning, as well as its organisation and meeting procedures, provision of information and performance of the Chairman and the individual members. The evaluation has shown that the Supervisory Board is functioning well and will continue to also regularly discuss its own effectiveness and value for the Company. The evaluation of the Board of Directors is based on an individual evaluation and discussion of its strength and weaknesses among the members of the Supervisory Board, including core abilities, risk assessment, business culture and human resources management.

Also in the past financial year, the Supervisory Board decided to be informed in greater detail by the management of each business unit (who attended the meetings of the Supervisory Board in rotating order) – among other things – about technical matters, clients, market trends and, once a year, by a Dutch law firm about the requirements of the Dutch Corporate Governance Code.

Remuneration of the Board of Directors (see also Remuneration Report)

On the basis of the Company's Articles of Association in their currently valid version, the compensation paid to members of the Board of Directors is determined by the General Meeting following submission of corresponding proposals by the Supervisory Board. Board of Directors' compensation consists of fixed and variable components. Variable compensation consists of annual performance-based payments (bonus), as well as long-term incentives such as stock options. The fixed compensation component is regularly determined in January/February of each year with retrospective effect as of 1 January of the respective year. The variable compensation component is pegged to previously agreed and measurable targets which can be controlled. The consolidated earnings budgeted for the following year are taken as the target. Members of the Board of Directors do not receive any guaranteed minimum bonus payments. Variable bonuses are usually paid during the first quarter following publication of the consolidated annual results.

In 2000, the ad pepper Group introduced a long-term incentive model in the form of stock option plans for employees in key positions, including members of the Board of Directors. Company stock options become exercisable once ad pepper's share price exceeds specified threshold, but only vest one year after issue. Option plan tranches were issued to members of the Board of Directors in 2000, 2001, 2002, 2003, 2008, 2013, 2017 and 2020. The ad pepper Group has no pension obligations to members of the Board of Directors.

The total sum and structure of the Board of Directors' compensation are designed to enable the Company to attract and retain suitably qualified executives. The compensation structure, pension scheme payments, and other financial obligations are designed to promote the Company's medium to long-term interests. The details of the compensation structure disclosed in this Annual Report reflect the size of the Company and take into consideration the fact that the Board of Directors currently consists of one member only (see also Note 39). Consequently, the Supervisory Board did not conduct a scenario analysis whereby different performance assumptions and corporate actions were examined. The compensation policy is expected to remain largely unchanged in 2022.

Composition of the Supervisory Board

The profile and composition of the Supervisory Board as a whole must be aligned with the profile and strategy of the Company. The Supervisory Board strives for a balanced distribution of specific expertise in relation to the business activities, strategy and long-term goals of the Company. Each member of the Supervisory Board must be capable of assessing the broad outline of the Supervisory Board's overall policy objectives. Given the size of the Company, the profile of the Supervisory Board provides, that the Supervisory Board shall at least have three members. Since the General Meeting of Shareholders which was held on 19 May 2020, where Mrs Dagmar Bottenbruch was elected as an additional member of the Supervisory Board, the Supervisory Board consists of four members. One Supervisory Board member holds long-term share positions. The following table shows the current composition of the Supervisory Board:

- **Michael Oschmann** (male, born 1969; German citizen)
  Supervisory Board Chairman throughout the entire financial year up to and including 31 December 2021
  Graduate in Business Administration, Managing Director of Telefonbuchverlag Hans Müller GmbH & Co. KG, Nuremberg
  Supervisory Board member since 10 January 2000; appointed until General Meeting 2025

- **Thomas Bauer** (male, born 1963; German citizen)
  Supervisory Board member throughout the entire financial year up to and including 31 December 2021
  CEO of Apotheker Walter Bouhon GmbH, Managing Director of Thomas Bauer GmbH, Nuremberg
  Supervisory Board member since 20 March 2013; appointed until General Meeting 2023

- **Dr Stephan Roppel** (male, born 1964; German citizen)
  Supervisory Board member throughout the entire financial year up to and including 31 December 2021
  Managing Director of baby-walz GmbH, Munich
  Supervisory Board member since 20 March 2013; appointed until General Meeting 2024

- **Dagmar Bottenbruch** (female, born 1960; German and US citizen)
  Supervisory Board member from 19 May 2020 up to and including 31 December 2020
  Managing Director of Segenia Capital Management GmbH, Frankfurt/Main
  Supervisory Board member since 19 May 2020; appointed until General Meeting 2024

The required Dutch gender diversity quota of 30 percent within the Supervisory Board is currently not met. In case of new appointments, the required quote will be taken into consideration.

02
REPORT OF THE SUPERVISORY BOARD

In view of Michael Oschmanns knowledge and experience as entrepreneur in online-marketing and services as well as the way he fulfils his role as a member of the Supervisory Board, he was reappointed at the 2021 General Meeting, in deviation of best practice provision 2.2.2 of the Dutch Corporate Governance Code, for a further period of another four years.

The Supervisory Board is a separate corporate body that is independent of the Board of Directors. Its independent character is also reflected in the requirement that members of the Supervisory Board can be neither a member of the Board of Directors nor an employee of the Company. In accordance with best practice provision 2.1.10 of the Dutch Corporate Governance Code the Supervisory Board declares that the independence requirements in best practice provisions 2.1.7 to 2.1.9 have been fulfilled, except that one of its members, Michael Oschmann, is not independent pursuant to best practice provision 2.1.8 vii. because he is Director of EMA Electronic Media Advertising International B.V., which holds more than 10 percent of the Company's share capital. On 30 March 2018, the Supervisory Board formed an audit committee currently consisting of Michael Oschmann, Dr Stephan Roppel and Thomas Bauer (Chairman). The Supervisory Board is aware of the fact that the ad pepper Group does not yet have an internal audit function and has discussed this with the Board of Directors. The Supervisory Board came to the conclusion that due to the size of the Company and the size of the Supervisory Board, the Company currently does not need an internal audit function, which may change in the future, however, depending on further Company growth. The Supervisory Board annually considers the need to establish an internal audit function.

Unqualified independent auditor's report on the Financial Statements

The independent auditor Ernst & Young Accountants LLP audited the financial statements of ad pepper media International N.V. for the 2021 financial year and issued an unqualified independent auditor's report.

The financial statements, the Report of the Board of Directors and the independent auditor's report were made available to the Supervisory Board for review. Meetings were held between the Company's audit committee and the auditors, who presented their audit plan, key findings of their audit and answered related questions. The Supervisory Board acknowledged and approved the findings of the audit. The Supervisory Board acknowledged and approved the audit results.

On 29 March 2022, the Supervisory Board discussed and approved the Consolidated Financial Statements prepared by the Board of Directors for the 2021 financial year.

Corporate Governance

ad pepper media International N.V. is a Company under Dutch law with subsidiaries in various countries. All business activities are performed in accordance with Dutch Company law and German capital market law, in particular the German Securities Trading Act (WpHG). Common shares are admitted to trading on the Prime Standard at of Frankfurt Stock Exchange. The Supervisory Board is committed to increasing shareholder value in the interests of all shareholders and has always set the highest standards for the Company's Corporate Governance principles. Although, consistent with its proprietary guidelines, the Company basically applies the requirements laid down in the Dutch Corporate Governance Code, deviations may nevertheless result on account of the legal requirements applicable to the ad pepper Group. In the Governance section of this annual report, the ad pepper Group reports in detail on compliance with the Dutch Corporate Governance Code.

The Supervisory Board has played a key role in supporting ad pepper Group's growth strategy during the year, as defined by the Board of Directors. We have assisted in evaluating acquisitions and refining the long-term value creation strategy. On behalf of the Supervisory Board, I would like to express our appreciation to all of the employees of ad pepper for their efforts and achievements throughout 2021.

For the Supervisory Board

Michael Oschmann,
Supervisory Board Chairman

Nuremberg, 29 March 2022

» 03

REMUNERATION REPORT

General

The Supervisory Board carefully studied the Dutch Act aimed to implement the Shareholder Rights Directive, as adopted by the Dutch Senate in November 2019, to identify any potential gap in our remuneration policy. The current remuneration policy has been accepted during the 2020 General Meeting.

The Supervisory Board is also mindful of the recommended changes to remuneration disclosure that form part of the Draft Guidelines to the Shareholder Rights Directive. These changes are intended to drive greater transparency and consistency of reporting regarding executive remuneration and may result in further updates to our remuneration disclosure in the Remuneration Report once the Guidelines are finalised. During the 2021 General Meeting, the Remuneration Report received a positive advisory vote of 97.27 percent. No questions were raised concerning its contents and none of our shareholders expressed a concern about the clarity or transparency of the Remuneration Report. Based on the positive advisory vote and the absence of any shareholder feedback, we have not proposed any changes to the structure and contents of the Remuneration Report this year.

The 2021 remuneration report will be submitted to the 2022 General Meeting for their advisory vote.

In the absence of a remuneration committee, the Supervisory Board in its entirety evaluates the remuneration policy on a routine basis to review its efficiency and effectiveness in supporting ad pepper's long-term strategy compared to relevant market practices and adjusts if and where appropriate. On an annual basis, the Supervisory Board sets the performance targets for the members of the Board of Directors, reviews their performance against these predetermined targets and determines the remuneration and benefits in line with contractual terms. The structure of the remuneration package for the Managing Board members is designed to balance incentives for short-term operational performance with incentives for long-term sustainable value creation while taking into account the interests of shareholders and other stakeholders. The remuneration policy is clear and understandable, focuses on long-term value creation for the Group, and takes into account the internal pay ratios within the Company. The full policy can be found on the Company's website.

The remuneration system is based on three pillars: firstly, a periodically paid remuneration designed to attract, retain and motivate the members of the Management Board as top-tier managers of an international company in a fast-moving commercial environment. Secondly, a clear performance-based remuneration and a highly detailed assessment based on ambitious internal financial targets ensure the focus is on the Company's goal of profitable growth on a long-term basis. Thirdly, a stock option based remuneration system that promotes a strong, long-term equity culture and, in this way, helps align the interests of shareholders, management and other stakeholders.

The present remuneration policy also takes account of the identity, mission and values of the Company and public support, by designing the policy and its implementation in such a way that the members of the Management Board receive a remuneration that is in accordance with the identity of the Company, with the main focus being the creation of long-term value for all stakeholders involved in the Company. In doing so, an explicit focus is placed on the social context and the society of which the Company is a part, taking into account the required competitiveness of the Company.

Periodically paid fixed remuneration (base salary)

The Board of Directors receive a fixed base salary, which is payable in twelve equal monthly instalments. The base salary of the members of the Management Board is determined on an annual basis by the Supervisory Board. The fixed remuneration is determined by the Supervisory Board, usually within the first three months of each calendar year and with retrospective effect as of 1 January of that year. The fixed remuneration is typically increased in line with the inflation rate, but the Supervisory Board may decide otherwise.

Performance-based variable remuneration (bonus)

The bonus of the Management Board is determined by the Supervisory Board. Consistent with the Management Board's remuneration policy, the Supervisory Board can choose from a number of financial as well as non-financial targets to use as measure for performance based variable remuneration. For 2021, in-line with the service agreement entered into with the Management Board, the Supervisory Board decided to use earnings before interest, taxation, depreciation and amortisation (EBITDA) as sole measure. In preceding years, earnings before taxation (EBT) was used as the key performance indicator. By using EBITDA, the Supervisory Board has now opted for a KPI that more closely reflects the Company's ability to generate operating cash flows.

The performance-based variable remuneration consists of two parts; a lump-sum part in the range of EUR 70k – EUR 110k based on the Company reaching the pre-set EBITDA target and a variable part, which is a percentage of EBITDA. The EBITDA target for 2021 was missed and based on the performance over 2021 the lump-sum part was only partly awarded and an extra amount of EUR 88k was attributable to the variable part.

The remuneration of the Management Board complied with the remuneration policy.

Medium- and long-term performance-related variable remuneration (stock options)

The Company aims for a business policy which takes into account the interests of the shareholders and its other stakeholders. The Company wishes to promote commitment of the members of the Management Board to build the shareholders' value on a long-term basis. The Company may therefore introduce one or more stock option plans for the members of the Management Board, which may or may not be linked to the performance of the Company. The exercise price of the stock options, the number of stock options and the other terms and conditions shall be laid down in the stock option plans. In 2020, new stock options were issued by the Company which grants 250,000 options to the Board of Directors (see also Note [38]). No stock options were granted in 2021.

Other benefits

The Company shall indemnify each (former) member of the Management Board who was or is involved, or threatens to become involved, in his/her capacity as (former) member of the Management Board, as a party to any past, present or anticipated future actions or proceedings of any nature whatsoever, against all conceivable financial loss or harm that he/she has in fact and in all reasonableness suffered in connection with the actions or proceedings. In addition, the Company has taken out insurance cover for them, such as personal accident insurance and directors & officers (D&O) insurance.

Other benefits may include but are not limited to life insurance, disability insurance, long-term health care insurance, company vehicle (with the tax on the pecuniary benefit from personal use being payable by the member concerned), cell phone usage and contributions to private pensions. However, the ad pepper Group therefore has no pension obligations towards members of the Board of Directors.

Severance payment

If the current Managing Director's service agreement is terminated by the Company without cause, the Managing Director shall be entitled to receive 75 percent of the base salary (i.e. without any performance-related components to which he would be entitled for the remainder of the term of his service agreement). No severance payment shall be made if the service agreement is terminated early at the initiative of the Managing Director, or in the event of seriously culpable or negligent behaviour on the part of the Managing Director concerned.

In line with the Dutch Corporate Governance Code, appointments of the Board of Directors will take place for a period of four years. The CEO's current term ends on 31 December 2023.

Change of control

In the event of a change of control, the CEO has the option of extraordinary termination of his employment contract for a period of 12 months after the change of control takes effect. In the event of extraordinary termination of his contract, the CEO is entitled to receive payment of compensation amounting to his respective annual target income through to the end of the contractually agreed term, amounting to a minimum of 150 percent of his current annual target income. A change of control in this respect arises when a shareholder gains control over the Company as defined by Paragraph 29 of the German Securities Acquisition and Takeover Act (WpÜG), i.e. acquisition of at least 30 percent of the voting rights in the Company.

Loans

Members of the Managing Board and Supervisory Board have not been provided with any loans.

Clawback Provisions

Performance-based variable remuneration is subject to claw back provisions pursuant to Dutch law.

Total Director's remuneration, broken down into its various components

	J. Körner, CEO (2021)	J. Körner, CEO (2020)
	kEUR	kEUR
Fixed remuneration		
Base salary	288	275
Fees	0	0
Other benefits[1]	3	20
Variable remuneration		
On-year variable	164	272
Multi-year variable[2]	183	211
Extraordinary items	**0**	**0**
Pension expenses	**0**	**0**
Total remuneration	**638**	**778**
Proportion of fixed and variable remuneration[3]	**45%/55%**	**38%/62%**

1 Contributions to private pension plan and health insurance.

2 Board of Directors holds SOP which are measured at the end of each reporting period at the fair value, see also Note [38].

3 Lower share of 2021 variable remuneration is driven by the 33 percent decrease of EBITDA, see also table "five year comparison.

The amounts shown in the tables are those recognised in profit or loss during the reporting period. Income resulting from the share-based payments is due to the decreased fair value of the cash-settled stock option plan and the corresponding adjustment of the liability through profit or loss.

Five-Year Comparison

	Annual change					
	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2020 vs 2021	2021 kEUR
Director's remuneration						
J. Körner, CEO[1]	-39%	-59%	+226%	+29%	-18%	638
Remuneration of the Supervisory Board	0%	0%	0%	-8.33%	+9.10%	24
Company's performance						
EBITDA	+26%	-39%	+158%	+87%	-33%	4,378

	Year					
	2016	2017	2018	2019	2020	2021
Average employee remuneration	42	61	56	69	66	55
Ratio CEO and average employee	17.7	7.4	3.3	8.6	11.7	11.8
Employees of the company*	10	10	11	11	13	12

*ad pepper media International N.V.

The average employee remuneration is obtained by dividing the total personnel expenses as stated in the notes of the respective Company's annual report (after subtracting the CEO's remuneration), by the reported average number of Full Time Equivalents ("FTE") (minus one).

Remuneration in Share Options to Board of Directors and members of Supervisory Board

	The main conditions of stock option plans				Information regarding the reported financial year				
	Plan	Grant date	Share options granted	Exercise Price (EUR)	Number of options outstanding	Number of options awarded	Number of options forfeited	Number of options exercised	Number of options outstanding
					01/01/2021	2021	2021	2021	31/12/2021
Board of Directors									
J. Körner	BoD 2020	10/2020	250,000	3.50	250,000	0	0	62,500	187,500
Supervisory Board									
T. Bauer	SB 2017	04/2017	10,000	1.9751	10,000	0	0	10,000	0
S. Roppel	SB 2017	04/2017	10,000	1.9751	10,000	0	0	10,000	0

The options granted under the SB 2017 and BoD 2017 plan expire 7 years after granting. The options grant the right to purchase shares at the exercise price (EUR 1.9751). These options may be exercised over a period of four years at 25 percent each year, but at the earliest one year after being granted. The options forfeit, if the holder terminates his employment contract with the Company for whatever reason, or if the employment contract is expiring and will not be prolonged by the parties. The options also forfeit, if the Company terminates the employment contract for an important reason or if a member of the Supervisory Board resigns. The options granted under the BoD 2020 plan expire 7 years after granting. The options grant the right to purchase shares at the exercise price (EUR 3.50). These options may be exercised over a period of four years at 25 percent each year, but at the earliest one year after being granted. The options forfeit, if the holder terminates his employment contract with the Company for whatever reason, or if the employment contract is expiring and will not be prolonged by the parties. The options also forfeit, if the Company terminates the employment contract for an important reason.

In the financial year 2021, a total of 461,384 shares of the Company have been repurchased and 32,400 shares have been issued in relation to exercise of the aforementioned rights.

Supervisory Board Compensation	2021	2020
	EUR	EUR
Michael Oschmann	6,000	6,000
Thomas Bauer	6,000	6,000
Dr Stephan Roppel	6,000	6,000
Dagmar Bottenbruch	6,000	4,000

Total remuneration for members of the Supervisory Board amounted to EUR 24k in the past financial year (2020: EUR 22k).

» 04

REPORT OF THE BOARD OF DIRECTORS

» 04.1

GOVERNANCE

» OUR GOVERNANCE STRUCTURE

Corporate information

ad pepper media International N.V. is a "naamloze vennootschap" (N.V.), a Dutch limited liability company, and is the parent company of the ad pepper Group (the "Group"). The Company's registered office address is Frankenstrasse 150C, 90461 Nuremberg, Germany. Its registration number with the Dutch trade register is 27182121.

The Company's Corporate Governance structure is based on the requirements of Dutch corporate law, the Dutch Act on Financial Supervision, and the Dutch Corporate Governance Code (the "Code").

The Company has a two-tier board structure consisting of a Board of Directors and a Supervisory Board. It is in the interest of the Group and all of its stakeholders that there is a clear division of responsibilities between the Board of Directors, the Supervisory Board and the General Meeting in a well-functioning system of checks and balances.

In this section, we address our overall Corporate Governance, and provide information on our compliance with the best practice provisions of the Code. Occasional deviations from the Code are explained and information on the reasons for any such deviations are provided at the end of this section. In case of any substantial changes to the Corporate Governance structure of the Company and its compliance with the Code, the shareholders shall be informed at a General Meeting.

Board of Directors

The Board of Directors is entrusted with the management of the Company, which means that, among other responsibilities, it defines the strategic direction, establishes the policies, and manages the Company's day-to-day operations under the supervision of the Supervisory Board. The members of the Board of Directors collectively manage the Company and are accountable to the Supervisory Board and to the General Meeting. In performing its duties, the Board of Directors is guided by the interests of the Company and its enterprise. The Board of Directors follows its own rules determined in the profile of the Board of Directors, which defines responsibilities, competencies and decision-making processes.

The Board of Directors provides the Supervisory Board timely with information and, if necessary, consults with the Supervisory Board on important matters and submits certain important decisions to the Supervisory Board for approval.

Members of the Board of Directors are appointed by the General Meeting, subject to the right of the Supervisory Board to make a binding nomination to appoint a Board of Directors member in accordance with the relevant best practice provisions of the Dutch Civil Code and the articles of association (the "Articles of Association"). Since 28 February 2017, the Company's Board of Directors consists of one "Director" (Chairman of the Board of Directors and CEO). The CEO has powers to represent the Company. However, in addition to the cases that legally require Supervisory Board, certain resolutions of the Board of Directors require approval by the Supervisory Board as laid out in the rules governing the internal organisation of the Board of Directors. Resolutions of the Board of Directors that require the approval of the Supervisory Board are only adopted after the Supervisory Board has given its approval to such proposed resolution.

Dutch law provides that a member of the Board of Directors of a Dutch public limited liability company may not participate in the adoption of resolutions (including deliberations in respect hereof) if he or she has a direct or indirect personal interest conflicting with the interests of that company or its enterprise. Pursuant to the Board of Directors by-laws, each member of the Board of Directors must immediately report any (potential) personal conflict of interest to the Supervisory Board and to the other members of the Board of Directors and must provide all information relevant to the conflict. The Board of Directors by-laws provide detailed rules under which circumstances a conflict of interest of a member of the Board of Directors exists, and determines that the Board of Directors member may not be present at the meeting discussing such matters. During 2021 no conflicts of interest were reported. There were furthermore no transactions as referred to in the best practice provisions 2.7.4 and 2.7.5.

Supervisory Board

The Supervisory Board should supervise the policies carried out by the Board of Directors and the general affairs of the Company and its affiliated enterprise. In so doing, the Supervisory Board should also focus on the effectiveness of the Company's internal risk management and control systems and the integrity and quality of the financial reporting. It offers advice to the Board of Directors. In discharging its duties, the Supervisory Board has regard for the interests of the Company and the business enterprise connected with it. The Supervisory Board meets at least four times a year and whenever a majority of its board members or its Chairman considers this to be necessary. Resolutions of the Supervisory Board may, instead of at a meeting, be passed in writing – including by telegram, facsimile or telex transmission, or in the form of a message transmitted by any accepted means of communication and received or capable of being produced in writing – provided that all Supervisory Board members are familiar with the resolution to be passed and none of them objects to this decision-

making process. The Supervisory Board passes its resolutions, inside as well as outside meetings, with an absolute majority of the votes of all the Supervisory Directors in office. In the event of an equal division of votes, the Chairman of the Supervisory Board has the casting vote

The Chairman of the Supervisory Board determines the agenda and chairs the meetings of the Supervisory Board, monitors the proper functioning of the Supervisory Board, arranges for the adequate provision of information to the members of the Supervisory Board and acts on behalf of the Supervisory Board as the main contact for the Board of Directors. Important topics and upcoming decisions are also dealt with in regular discussions and meetings between the Chairman of the Supervisory Board and the CEO. The Chairman of the Supervisory Board informs the other members of the Supervisory Board regularly on the outcome of his discussions and meetings. He also initiates the evaluation of the functioning of the Supervisory Board and the Board of Directors. All members have had sufficient time available for their duties relating to their membership of the Supervisory Board. Their availability for ad hoc calls, prompt response on emails and the fact that the members prepared the meetings well, regardless of their attendance at the meetings, and actively participated in the meeting discussions, demonstrate that they were all able to devote adequate attention to the Company.

On 10 December 2019, the Supervisory Board formed an audit committee currently consisting of Michael Oschmann, Dr Stephan Roppel and Thomas Bauer (chairman). No changes occurred in the year under review.

General Meeting

At least one General Meeting shall be held each year, at the latest six months after the close of the financial year. The agenda and the explanatory notes to the agenda are published in advance and posted on the Company's corporate website. The explanatory notes to the agenda contain all relevant information with respect to the proposed resolutions. All resolutions are made on the basis of the "one share, one vote" principle. The General Meeting reviews the Annual Report and decides on adoption of the financial statements and the dividend proposal, as well as on the discharge of the members of the Supervisory Board and the Board of Directors. The Board of Directors may add other items to the agenda of the General Meeting.

The Board of Directors shall be obliged to convene a General Meeting if one or more of the persons with meeting rights who alone or jointly represent(s) at least 10 percent of the issued share capital request(s) this in writing, stating the issues to be discussed. An extraordinary General Meeting may be convened by the Supervisory Board or the Board of Directors if deemed necessary.

Furthermore, General Meetings shall be held in the event referred to in Article 2:108a of the Dutch Civil Code and as often as a member of the Board of Directors or a Supervisory Board member considers it necessary.

The resolutions proposed in the agenda were adopted at the General Meeting of ad pepper media International N.V. held in Amsterdam on 18 May 2021 via video conferencing. In all, 10,327,220 voting rights, or 48.03 percent of the issued share capital and 49.83 percent of all shares with voting rights were represented at the General Meeting.

Alongside the presentation of the annual financial statements for the 2020 financial year, key agenda items also included the discharge of the members of management and the Supervisory Board, the re-appointment of Michael Oschmann as member of the Supervisory Board, the approval of the Stock Option Plan 2020 for members of the Management Board and the re-election of the auditor for the 2021 financial year as well as the authorisation to buy back treasury stock.

Long-term value creation

By bringing together three individual, strong segments in the area of performance marketing – each focused on advising, supporting and enabling its clients in their digital marketing strategy – and further developing these assets into relevant players – the Company focusses on above market average organic growth of these existing business lines and expanding the footprint of new services and products offered by those segments. At the same time, the Company strives to strengthen its operational and financial position, i.e. growing both top-line revenue and EBITDA as well as generating positive operative cash-flows each year. In the past financial year, the ad pepper Group showed positive revenue growth with high EBITDA-levels as well as positive operative cashflows and hence, the past financial year 2021 clearly contributed to the Company´s long-term value target.

Engaging and developing our staff is another cornerstone of our long-term value creation strategy, without which financial success would be non-existent. Never before have we seen more rapid and impactful change to global society. We stepped up to support the business in a year of constantly shifting priorities – at all times putting our staff first. We acted quickly and decisively when the pandemic emerged in 2020, setting up a global framework and regional crisis teams to implement global health, hygiene and wellbeing measures. We introduced travel restrictions, a work from home policy for office workers and a COVID-19 response guideline. Since many of our employees had to adapt to working remotely overnight, we had to find new ways to support their continued development and hence launched online learning platforms and initiatives in the respective markets, In addition, with health and wellbeing a priority, we focused on supporting peoples' mental health and emotional resilience.

Diversity

We aim for diversity on every level. We do not see diversity as merely a matter of gender or ethnicity but also of personality, skills and knowledge. We need men and women, people from different backgrounds and cultures. The ad pepper Group values this diversity and believes it contributes positively to the way we evaluate situations and make decisions. The more we utilise the differences between us and the more we can cooperate and learn from each other, the stronger we will be as a company that serves a highly diverse society and stakeholders. The Supervisory Board and the Board of Directors are fully aware that both boards currently lack gender diversity, we therefore do not have an even distribution of seats between men and women and that we do not have a diversity policy. We will take greater board-level gender diversity into account for future appointments without compromising our commitment to hiring the best qualified individuals for positions. In any future vacancies that arise, however, gender diversity will subsist to be one of the criteria in the selection process, and the Company shall continue to strive towards achieving a diverse composition of its boards within the next years.

Conflicts of interest

Under the criteria set out in the Dutch Corporate Governance Code, three of the four current members of the Company's Supervisory Board count as independent. Michael Oschmann, Supervisory Board Chairman of the Group, is not counted as independent in this respect as he is Managing Director of EMA Electronic Media Advertising International B.V., which holds more than 10 percent of the Company's share capital.

During 2021 no conflicts of interest were reported.

Insider trading policy

The ad pepper Group has a strict Code of Conduct on insider trading. The insider trading policy with regard to inside information and securities trading was adopted by the Board of Directors. This policy is publicly available on the Company's website. In accordance with applicable law and regulations (including the EU Market Abuse Regulation), the Company maintains insider lists and exercises controls around the dissemination and disclosure of potentially price-sensitive information. Transactions in the Company's shares carried out by the Board of Directors and the Supervisory Board members (including their closely associated persons) are as and when required, notified to the Dutch Authority for the Financial Markets (AFM), in accordance with the applicable provisions of the EU Market Abuse Regulation.

Substantial shareholdings

Shareholders owning 3 percent or more of the issued share capital of a listed company (a substantial shareholding or short position) must report this to the AFM as soon as this threshold is reached or exceeded. Subsequently, notifications to the AFM must be made as soon as a substantial shareholding or short position reaches, exceeds or falls below set thresholds. The thresholds are 3 percent, 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent, 40 percent, 50 percent, 60 percent, 75 percent and 95 percent of the Company's issued share capital. Shareholder's disclosures can be inspected in the register kept by the AFM and for the ad pepper Group the shareholdings as at 31 December 2021 are also disclosed on page 33 of this Annual Report.

Publication requirements under German law

In accordance with Section 26 (1) of the German Securities Trading Act ("Wertpapierhandelsgesetz"), the Company, in its capacity as a so-called domestic issuer ("Inlandsemittent") under the German Securities Trading Act, must publish any shareholding notifications under Dutch law immediately, but no later than three trading days after receiving them, via qualified media outlets. The Company must also transmit the notice to the German Federal Financial Supervisory Authority (BaFin) and to the German Company Register ("Unternehmensregister").

Internal audit function

The Supervisory Board annually considers the need to establish an internal audit function and following these discussions makes a recommendation to the Board of Directors. Considering the current size of the operations of the Company and taking into account its risk profile, the Supervisory Board advised to the Board of Directors that it does not yet deem it necessary to create an internal audit function.

Auditor

The independent auditor is appointed by the General Meeting. The Supervisory Board can nominate a candidate for this appointment, for which purpose the Board of Directors advises the Supervisory Board. The compensation of the independent auditor and any commissioning of the external auditor must be approved by the Supervisory Board following consultation with the Board of Directors. The independent auditor is required to attend the General Meeting and the Supervisory Board meeting at which the independent auditor's report on its audit of the financial statements is discussed.

Statement by the Board of Directors (Dutch Corporate Governance Code)

For the purpose of complying with best practice provision 1.4.3 of the Code the Management Board believes that, to the best of its knowledge:

- the Company's internal risk management and control organisation provides reasonable assurance that its financial reporting does not contain any errors of material importance;
- the internal risk management and control processes in relation to financial reporting functioned properly in 2021;
- the report provides sufficient insights into failings, if any (no failings in 2021), in the effectiveness of the internal risk management and control systems;
- the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- based on the strong balance sheet it is justified that the financial reporting is prepared on a going concern basis; and
- the report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report.

The Board of Management is responsible for the establishment and adequate functioning of a system of governance, risk management and internal controls in the Company. It reports on and is accountable for internal risk management and control systems to the Supervisory Board and its Audit Committee.

The Company has implemented a risk management and internal controls designed to provide reasonable assurance that strategic objectives are met by creating focus, integrating management control over the Company's operations, ensuring compliance with applicable laws and regulations and by safeguarding its assets and the reliability of its financial reporting and its disclosures. The Company's risk management approach is embedded in its periodic business planning and review cycle and forms an integral part of business management.

With respect to financial reporting a structured self-assessment and monitoring process is used company-wide to assess, document, review and monitor compliance with internal control over financial reporting.

It should be noted that the above does not imply that these systems and procedures provide certainty as to the realisation of operational and financial business objectives, nor can they prevent all misstatements, inaccuracies, errors, fraud and non-compliance with rules and regulations.

Remuneration Policy (see also chapter Remuneration Report)

General

The remuneration and the contracts between the Company and the members of its Management Board are determined by the Supervisory Board within the scope of the remuneration policy that has been adopted by the General Meeting.

The objective of the remuneration policy is to attract, retain and motivate the members of the Management Board as top-tier managers of an international company in a fast-moving commercial environment, while protecting and promoting the objectives of the Company and shareholders' value.

The remuneration for the members of the Management Board may consist of the following items:

- Periodically paid remuneration (fixed base salary)
- Short-term performance-related variable remuneration (bonus)
- Medium- and long-term performance-related variable remuneration (stock options)
- Remuneration payable in instalments
- Other benefits

Periodically paid fixed remuneration (base salary)

The base salary of the members of the Management Board is determined on an annual basis by the Supervisory Board. The fixed remuneration is determined by the Supervisory Board, usually within the first three months of each calendar year and with retrospective effect as of 1 January of that year. The fixed remuneration is typically increased in line with the inflation rate, but the Supervisory Board may decide otherwise.

Short-term performance-related variable remuneration (bonus)

Due to the business environment of the Company, it is difficult to link the variable remuneration to previously determined and influenceable long-term targets. The short-term variable remuneration for members of the Management Board should in principle consist of an annual performance-related bonus. The bonus is determined by the Supervisory Board on the basis of measurable and controllable targets such as the Company's income before taxation (EBITDA) or other financial or operational targets, as determined by the Supervisory Board.

Medium- and long-term performance-related variable remuneration (stock options)

The Company aims for a business policy which takes into account the interests of the shareholders and its other stakeholders. The Company wishes to promote commitment of the members of the Management Board to build the shareholders' value on a long-term basis. The Company may therefore introduce one or more stock option plans for the members of the Management Board, which may or may not be linked to the performance of the Company. The exercise price of the stock options, the number of stock options and the other terms and conditions shall be laid down in the stock option plans.

Remuneration payable in instalments

The members of the Management Board have entered into part-time employment contracts with the Company. Upon dismissal of a member of the Management Board, the Company is in principle obliged to pay his/her fixed and variable salary and other benefits for the remaining term of the contract, but the Supervisory Board is authorised to deviate from this principle.

Other benefits

The Company shall indemnify each (former) member of the Management Board who was or is involved, or threatens to become involved, in his/her capacity as (former) member of the Management Board, as a party to any past, present or anticipated future actions or proceedings of any nature whatsoever, against all conceivable financial loss or harm that he/she has in fact and in all reasonableness suffered in connection with the actions or proceedings.

Other benefits may include but are not limited to life insurance, disability insurance, long-term health care insurance, company vehicle and cell phone usage.

In general, the Company, its subsidiaries and the companies whose financial details are consolidated by the Company shall not grant loans, advances or guarantees to members of the Management Board, but the Supervisory Board may resolve that the Company shall do so if the Supervisory Board deems that the granting of loans, advances or guarantees is in the interest of the Company.

During 2021 the Company was in compliance with the remuneration policy.

» COMPLY OR EXPLAIN

Introduction

The Corporate Governance structure and compliance with the Code is the joint responsibility of the Board of Directors and the Supervisory Board. They are accountable for this responsibility to the General Meeting. We continue to seek ways to improve our Corporate Governance by measuring it against international best practice. The Code was last amended on 8 December 2016. The new Code took effect on 1 January 2017, and code can be found at www.mccg.nl.

Non-application of specific best practice provisions is not in itself considered objectionable by the Code and may well be justified because of particular circumstances relevant to a company. In accordance with Dutch law, we disclose in our Report of the Board of Directors the application of the Code's best practice provisions. To the extent that we do not apply certain best practice provisions, we state the reasons. We take a positive view of the Code and apply most of the best practice provisions. The following provides an overview of exceptions that we have identified:

Principle 1.3 Internal audit function

Given the size of the Company and its risk profile, the Company does not have an internal auditor function of its own. Nevertheless, the Board of Directors and the Supervisory Board may implement internal audits on a case-by-case decision using internal and external resources. This has not occurred during 2021. The Company thus does not fully comply with best practice provisions 1.3.1, 1.3.2, 1.3.3, 1.3.4, 1.3.5 and 1.3.6 of the Code.

Principle 2.1 Composition and size

Provision 2.1.1. states that the Supervisory Board should strive for a diverse composition with respect to nationality, age, gender, and educational and work background and should define specific targets to achieve this. The Supervisory Board believes that both the Board of Directors and the Supervisory Board are and will be composed in such a manner that the combination of experience, expertise and independence of its members satisfies the requirements set out in its profile. We believe that the composition of our boards allows them to properly and effectively carry out their duties. Our focus for new board members is on experience and education instead of explicit gender, age or nationality diversity targets. We therefore do not comply with best practice provision 2.1.5 of the Code. Finally, Michael Oschmann, Chairman of the Supervisory Board of the Group, cannot be regarded as independent as he is Managing Director of EMA Electronic Media Advertising International B.V. This company holds more than 10 percent of the Company's share capital.

Principle 2.2 Appointment, succession and evaluation

The current member of the Board of Directors is appointed for an indefinite period. The Company does not comply with best practice provision 2.2.1. Members of the Supervisory Board are appointed for a term of four years and can be reappointed. The Company has adopted a policy of remaining open to the possibility that a Supervisory Board member will be reappointed after the maximum term contained in provision 2.2.2 due to his or her great knowledge of the Company and high level of involvement. In addition, the Supervisory Board will retire by rotation and may be reappointed in order to ensure that the lowest possible number of Supervisory Board members retire from the Board at the same time. The latter is not posted on the Company's website. The Company therefore does not comply with best practice provisions 2.2.2 and 2.2.4. The Company does not have a selection and appointment committee and does not comply with provision 2.2.5. As the Supervisory Board currently has just four members, the number of committees must be reduced to the minimum required.

Principle 2.3 Organisation of the Supervisory Board and reports

If the Supervisory Board considers it necessary, it can, according to the Company's Articles of Association, install committees from among its members, such as an audit committee, remuneration committee, and a selection and appointment committee and shall draw up a set of regulations for each committee. The Supervisory Board consists of four members. The Company decided to not form a remuneration committee and a selection and appointment committee and it is instead the collegiate responsibility of the Supervisory Board to prepare the decision-making of the Supervisory Board and perform the tasks of these committees as set out in the Code, unless stated otherwise herein. The Company does therefore not fully comply with best practice provisions 2.3.2, 2.3.3, 2.3.4 and 2.3.5. The Supervisory Board, due to its size, did not nominate a vice-chairman and does therefore not fully comply with best practice provisions 2.3.6 and 2.3.7.

Principle 2.4 Decision-making and functioning

Due to its size, the Supervisory Board did not nominate a vice-chairman and does therefore not fully comply with best practice provision 2.4.3.

Principle 2.6 Misconduct and irregularities

The Company has no plans to establish "whistleblower" guidelines governing the reporting of misconduct by Company employees. Given the Company's small size, there are short lines of communication and the Board of Directors is highly involved in the day-to-day business and employees already have the possibility of reporting suspected irregularities at the Company on a general, operational and informal level without jeopardising their legal position. The Company therefore does not fully comply with best practice provision 2.6.1. However, a Code of Conduct, setting out business principles for our employees and rules of conduct, was adopted in 2007 which allows for the possibility of anonymously reporting concerns about actual or suspected non-compliance with the Company's standards stipulated in its Code of Conduct.

Principle 3.1 Remuneration policy – Management Board

In deviation of best practice provision 3.1.2 of the Code, options granted to members of the Board of Directors under stock option plan do not contain performance conditions and can be partly exercised after a period of one year. Although deviating from the code, the Company believes that the structure of the stock option plans serve its purpose to retain members of the board of directors and to align the interests of shareholders, management, Board of Directors and other stakeholders. In addition, the Supervisory Board did not conduct scenario analyses whereby the impact of different performance assumptions and corporate actions on variable remuneration of the board of directors was examined. The Supervisory Board concluded this is not necessary due to the simple structure of variable compensation.

Principle 3.2.1 Remuneration committee proposal

A remuneration policy has been implemented and approved by the General Meeting. However, given the size of the Company and the Supervisory Board, a remuneration committee has not been and is not intended to be established.

Principle 3.2.3 Severance payments

The compensation paid in the event of dismissal of Mr Körner may exceed one year's salary, however, severance pay will not be awarded if the agreement is terminated early at the initiative of the Board member, or in the event of seriously culpable or negligent behaviour on the part of the Management Board member. In the event of his contract being terminated without cause as defined by the applicable law, the Company would remain obliged to compensate such member for the remaining term of his employment agreement. The Company believes that the contractual arrangement is well justified due to the long tenure of this board member. The Company does therefore not comply with best practice provision 3.2.3. See also page 35 "payments to employees on termination of employment in connection with a public takeover bid".

Principle 3.3 Remuneration Supervisory Board

Supervisory Board members have been granted stock options. The Company does not comply with best practice provision 3.3.2 of the Code and deems this appropriate given the size of the Group and long-term involvement of the members of the Supervisory Board. Furthermore, the grant of 10,000 SOP for two Supervisory Board Members is regarded to be more symbolic rather than part of a regular remuneration.

Principle 3.4. Agreement of the Board of Directors Member

The existing contract with the Board of Directors does not contain any extraordinary elements; the remuneration essentially consists of fixed and variable remuneration. In the event of more complex contracts being concluded in the future, the Company will consider publishing a disclosure on its website.

Principle 4.2 Provision of information

While the Company focusses on the corporate calendar that covers all publication dates and planned conferences and will update investor presentations posted on the Company's website whenever new information is available so that no single investor can gain an information advantage, due to the size of the Company and owing to the large number of meetings not every single meeting with or presentation to analysts, investors and institutional investors can be made available to follow in real time. The Company also does not post a policy on bilateral contacts with the shareholders on its website. This is in deviation from best practice provisions 4.2.2 and 4.2.3.

» DECREE ARTICLE 10 TAKEOVER DIRECTIVE (BESLUIT ARTIKEL 10 OVERNAMERICHTLIJN)

Introduction

In accordance with Article 10 of the Takeover Directive (Dertiende Richtlijn), companies with securities that are admitted to trading on a regulated market are obliged to disclose certain information in their board reports. This obligation has been implemented in Dutch law through Decree Article 10 Takeover Directive. The Group must disclose certain information that might be relevant for companies considering making a public offer with respect to the Group. The information which the Group is required to disclose, including a corresponding explanatory section, is presented below.

Capital structure

The Company has only one class of shares (ordinary shares) which carry equal rights. As at 31 December 2021, the issued share capital amounts to EUR 1,075,000 and is divided into 21,500,000 common bearer shares with a nominal value of EUR 0.05 each.

Obligation of shareholders to disclose share ownership

The Dutch authority for the financial markets ("AFM") has to be notified of major shareholdings in respect of the Company in accordance with the Financial Market Supervision Act (Wet op het financieel toezicht), and the Ordinance to Disclose Major Shareholdings and Capital Investments in Institutions Issuing Securities (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen).

Due to the listing of the shares on the German Frankfurt Stock Exchange, the Company must also in its capacity as a so-called domestic issuer ("Inlandsemittent") under the German Securities Trading Act publish any shareholding notifications under Dutch law immediately, but no later than three trading days after receiving them, via qualified media outlets in accordance with Section 26 (1) of the German Securities Trading Act ("Wertpapierhandelsgesetz"). The Company must also transmit the notice to the German Federal Financial Supervisory Authority (BaFin) and to the German Company Register ("Unternehmensregister").

Michael Oschmann, Supervisory Board Chairman of the Group, holds more than 10 percent of the Company's share capital via EMA Electronic Media Advertising International B.V. and Euro Serve Media GmbH.

Share ownership as at 31 December 2021:

	Shares Number	Shares Percentage
EMA Electronic Media Advertising International B.V.*	9,486,402	44.12
Treasury stock	1,008,803	4.69
Euro Serve Media GmbH*	556,163	2.59
Subtotal		
Free float	10,448,632	48.60
Total	**21,500,000**	**100.00**

*As reported to the Company.

Appointment and dismissal of members of the Board of Directors

The members of the Board of Directors are appointed on the basis of binding nomination made by the Supervisory Board. Where no binding nominations have been made, the General Meeting is free to select. The General Meeting may at any time resolve that the list of candidates is not binding by adopting a resolution passed with an absolute majority of the votes cast, representing more than one-third of the issued capital. If at least an absolute majority of the valid votes cast supports the resolution to render the nomination non-binding, but the required quorum of one-third of the issued capital is not represented, then this resolution may nevertheless be adopted at a second meeting to be convened. At such meeting, the resolution may then be adopted with at least an absolute majority of the valid votes cast, but without any quorum requirement.

The General Meeting may at any time suspend or dismiss any member of the Board of Directors. The Supervisory Board is entitled to suspend any member of the Board of Directors, and is obliged to notify the member of the Board of Directors in writing and without delay of this suspension, stating the reasons for such move. Furthermore, the Supervisory Board is then obliged to convene a General Meeting to pass a resolution either on lifting the suspension of the member of the Board of Directors or on his dismissal.

Shareholders' agreement on limitations on exercise of voting rights

Each share issued by the Company entitles its bearer to one vote. There are no special statutory rights attached to the shares of the Company and no restrictions on the voting rights of the Company's shares exist. There is also no employee participation in capital that does not allow employees to directly exercise their controlling rights. As far as is known to the Group, there is no agreement involving a shareholder of the Group that could lead to any restriction on the transferability of shares or of voting rights on shares.

Appointment and suspension of Supervisory Board members

The General Meeting appoints Supervisory Board members and is entitled at any time to suspend or dismiss any Supervisory Board member. The appointment, dismissal, or suspension of a Supervisory Board member is decided by the General Meeting by way of an absolute majority of votes cast. The Supervisory Board consists of no fewer than three members, including a Chairman, who will retire by rotation as defined in writing by the Supervisory Board and may be reappointed in line with the respective legal requirements. In principle, the lowest possible number of Supervisory Board members should retire from the Board at the same time.

Amendments to Articles of Association

The Articles of Association may only be amended by a resolution of the General Meeting in response to a proposal submitted by the Board of Directors with the approval of the Supervisory Board. Where the Board of Directors has not submitted any such proposal, any resolution to amend the Articles of Association may only be adopted with a majority of at least two-thirds of the votes validly cast in a meeting in which at least three quarters of the issued share capital is represented.

Buyback of treasury stock by the Company

On 18 May 2021, the General Meeting authorised the Board of Directors for a period of 18 months to buy back stock shares up to a maximum amount of 50 percent of the share capital outstanding at that time. The purchase price per share must amount to no less than 80 percent and no more than 120 percent of the opening share price on the date of the respective buyback. The Board of Directors has passed a resolution on 2 August 2021 to make partly use of the authorisation of the Annual General Shareholders' Meeting by repurchasing up to a maximum of 500,000 of its own shares for a total maximum amount of up to EUR 3,000,000. The share buyback took place between 1 September 2021 and 21 February 2022. The total number of shares purchased under the share buyback program amounts to 500,000 shares at an average price of EUR 5.3638.

Payments to employees on termination of employment in connection with a public takeover bid

In the event of a change of control, there is the option of extraordinary termination for Mr Körner 12 months after the change of control takes effect. In the event of extraordinary termination of his contract, Mr Körner is entitled to receive payment of compensation amounting to his respective annual target income through to the end of the contractually agreed term, amounting to a minimum of 150 percent of his current annual target income. A change of control in this respect arises when a shareholder gains control over the Company as defined by Paragraph 29 of the German Securities Acquisition and Takeover Act (WpÜG), i.e. acquisition of at least 30 percent of the voting rights in the Company.

In 2000, the ad pepper Group introduced a long-term incentive model in the form of stock option plans for employees in key positions, including members of the Board of Directors.

» 04.2

THE AD PEPPER SHARE

04.2
THE AD PEPPER SHARE

» THE AD PEPPER SHARE

Capital structure

The Company's shares are traded on the Prime Standard of the Frankfurt Stock Exchange under the symbol "APM" and the ISIN code NL0000238145. The issued capital of ad pepper media International N.V. as at 31 December 2021 amounts to EUR 1,075,000 and is divided into 21,500,000 common bearer shares with a nominal value of EUR 0.05 each. As of 31 December 2021, the Company held 1,008,803 own shares (2020: 579,819).

The authorised share capital of the Company amounts to EUR 4,000,000, divided into 80,000,000 shares, with a par value of EUR 0.05 each. The Board of Directors is authorised, upon approval by the Supervisory Board, to issue shares until 15 May 2023, or to grant rights to subscribe for shares until the issued share capital amounts to EUR 2,000,000. No changes in share capital occurred during the year in review.

Key share figures	2021	2020
Outstanding shares*	20,491,197	20,920,181
Market capitalisation (in EUR)	127.7m	105.8m
Year end (in EUR)	5.94	4.92
Year high (in EUR)	6.82	5.10
Year low (in EUR)	4.65	2.30

*Total number of issued shares less own shares.

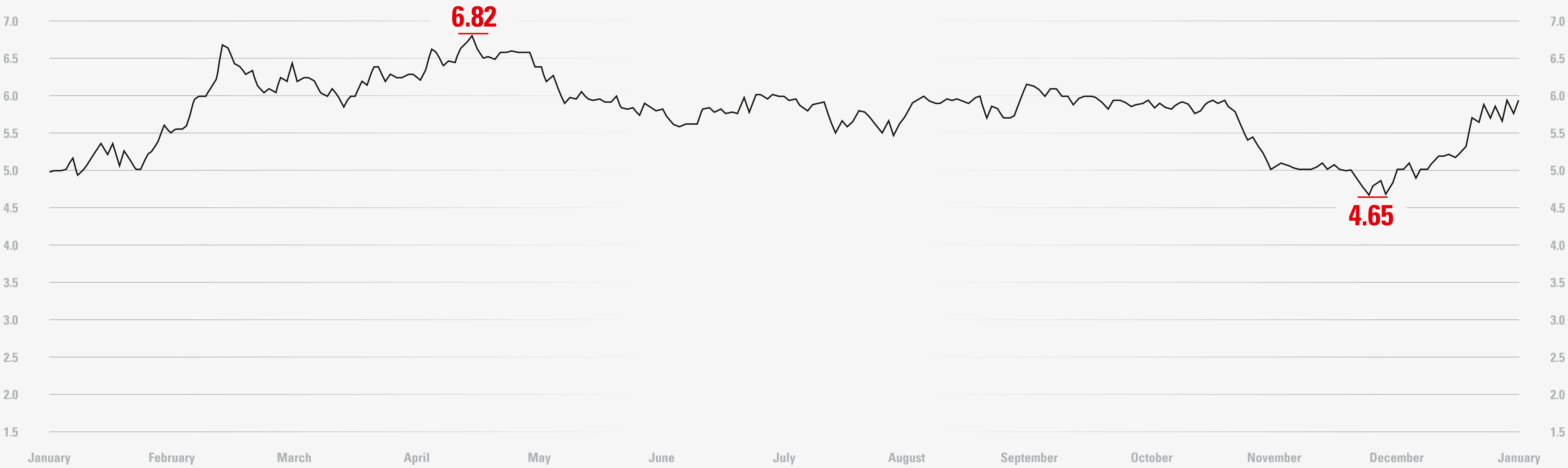
The ad pepper share started the year off with a share price of EUR 4.96 and reached a yearly high of EUR 6.82 on 19 April. The closing price at year end was EUR 5.94 and thus slightly the levels seen in the first half of the year, despite the announcement of a new share-buyback programme on 2 August 2021.

General Meeting

The resolutions proposed in the agenda were adopted at the General Meeting of ad pepper media International N.V. held in Amsterdam on 18 May 2021 via video conferencing. In all, 10,327,220 voting rights, or 48.03 percent of the issued share capital and 49.83 percent of all shares with voting rights were represented at the General Meeting.

Alongside the presentation of the annual financial statements for the 2020 financial year, key agenda items also included the discharge of the members of management and the Supervisory Board, the re-appointment of Michael Oschmann as Chairman of the Supervisory Board, the approval of the Stock Option Plan 2020 and the re-election of the auditor for the 2021 financial year as well as the authorisation to buy back treasury stock.

Share price performance in past 12 months (Xetra)



» 04.3

BUSINESS ACTIVITY

» DISCLAIMER REGARDING FORWARD-LOOKING STATEMENTS

This report of the Board of Directors includes forward-looking statements that are based on management estimations, which are valid as of the time when this management report was prepared. Such statements relate to future periods, or are characterised by terms such as "expect", "forecast", "predict", "intend", "plan", "estimate" and "anticipate". Forward-looking statements can entail risks and uncertainties. Many such risks and uncertainties are determined by factors that cannot be influenced by the ad pepper Group. As a consequence, actual results may differ significantly from those described below.

» THE AD PEPPER GROUP

ad pepper media International N.V. is the holding company of one of the leading international performance marketing groups. It was founded in 1999 and is thus one of the pioneers in the online marketing business. With eleven offices in Germany, Italy, France, Spain, Switzerland, the United Kingdom and the Netherlands the ad pepper Group globally develops performance marketing solutions for its customers.

The Company operates within the dynamic environment of digital commerce, which is characterised by dynamic growth in both consumer and advertising expenditure. Channels such as social media, search, video and mobile – to name just a few – continue to expand their market share.

The ad pepper Group works for large corporations and major SMEs based in Europe and abroad. Our clients operate primarily in the "Trade & Consumer Goods", "Financial Services", "Telecommunication & Technology" and "Transport and Tourism" sectors. The ad pepper Group aims for long-term client relationships: for some of its clients, the Company has been working for more than ten years.

As part of our long-term value creation strategy, we are focusing on organic growth in the existing business segments, while evaluating opportunities for inorganic growth through value-accretive acquisitions. Today, the Group divides its business into three reporting segments that work in close cooperation with the holding company and operate independently on the market: **ad pepper** (lead generation and audience targeting), **ad agents** (digital marketing agency), and **Webgains** (affiliate network). Within the framework of the overall governance of the Group, the holding company (admin) takes responsibility for know-how transfer between the segments, the strategic focus, as well as financing and liquidity. Part of our overall strategy is to support and strengthen each segment individually, as each business has its own distinctive culture, clients, product range and regional focus. The common umbrella across the three business segments is that we offer our clients performance-based solutions. This means that the advertiser only pays if there are measurable results (completion of specific actions). The most common models in performance-based marketing are: CPM (cost-per-mile), CPC (cost-per-click), CPL (cost-per-lead) and CPA (cost-per-acquisition).

The ad pepper Group also offers a broad range of services such as consulting and the development of strategies for the use of digital technology, the conception, implementation and execution of digital marketing and communication measures as well as consulting on digital media strategies and digital media technologies and tools. It can therefore not be ignored that due to the growing importance of digital processes for businesses, the sheer volume of budgets allocated to these, the rising amount of data and the ever-growing importance of analysing it (preferably in real time), a successful company in the field of digital marketing has to develop competencies that go beyond the effective allocation of digital media spend across multiple channels and managing the respective campaigns. It is therefore not surprising that – in some areas of our business – the ad pepper Group is competing more and more with well-known strategy and IT consultancies.

» SEGMENTS OF THE AD PEPPER GROUP

ad pepper

The Group's success story began with ad pepper in 1999. As a leading performance marketing company, it specialises in lead generation and targeting specific audiences. ad pepper works with its customers to develop online marketing strategies for over 50 countries worldwide. ad pepper also applies the latest technologies to each project. Whether at the local, national or international level, ad pepper helps its customers meet their goals by developing the most efficient online marketing strategies for their budget. By taking local conditions into consideration, ad pepper is able to optimise campaigns for the target markets. Whether they are working with an agency or a direct customer, their aim is always the same: to deliver the best possible results for the customer. What makes ad pepper different from its competitors? Many years of experience – and iLead. This unique platform enables them to generate customised campaigns that are adapted to their customers' markets in next to no time. And ad pepper designed the platform themselves. So far, they have used iLead to successfully launch and manage over 30,000 campaigns worldwide and generate millions of qualified leads.

Offices: Nuremberg / Madrid

Iñigo Abrisqueta
Chief Executive Officer
ad pepper Spain

Susanne Pilz
Managing Director
ad pepper Germany

Webgains

Webgains joined the ad pepper Group in 2006. Today, over 1,800 customers worldwide, from start-ups to global brands, rely on the services of Webgains registered and approved affiliate network to deliver sales in over 170 global markets. When it comes to designing local and international campaigns, Webgains not only benefits from its strong publisher network, but also, the extensive experience of over 100 highly motivated experts with excellent market knowledge and a work ethic to never stop learning.

Thanks to partnerships with over 250,000 publishers, Webgains' customers have access to one of the world's leading, performance affiliate marketing networks – offering the largest possible reach. Furthermore, Webgains has recently launched the Affiliate Discovery product to make smarter connections.

The current strategy focuses on a service-oriented and performance-differentiated approach. By investing in talent and technology, Webgains has created the optimum blend of human and artificial intelligence. High-tech advances make it easy to quickly roll out scalable, international campaigns. Meanwhile, customers can count on outstanding data security at all times and benefit from near real-time performance reporting.

Offices: Nuremberg / Madrid / Munich / Bristol / London / Paris / Milan / Amsterdam

Richard Dennys
Chief Executive Officer
Webgains

Ami Spencer
Chief Operating Officer
Webgains

ad agents

ad agents joined the ad pepper Group in 2007. Today it is one of Germany's most successful online and performance marketing agencies – and for a good reason. Their strategies are as unique as their personalised consulting and support services, which are always optimised to suit the situation and the specific requirements of ad agents' customers. ad agents maintains an overview of the entire digital advertising market and adapts their comprehensive service portfolio accordingly. Concept, management and optimisation: these factors are crucial for delivering an efficient marketing and sales solution. ad agents' digital marketing experts always find the perfect strategy for increasing our customers' brand awareness and turnover – across all digital channels and on all devices.

Customers benefit from their sixth sense for trends, their extensive experience and transparent reporting. For years, national and international companies from virtually every industry have relied on ad agents for their digital marketing activities. Why? Because their campaigns deliver outstanding results.

Exceptional quality always pays off: ad agents is a certified Google Premier Partner, Microsoft Advertising Elite Agency as well as a Facebook Marketing Partner and maintains strong partnerships with leading-edge technology providers.

Offices: Herrenberg / Pontresina

Dirk Lajosbanyai
Managing Director
ad agents

Wolfgang Schilling
Managing Director
ad agents

04.3
BUSINESS ACTIVITY

» EMPLOYEES AND VALUES

2021 has been a year of business-oriented headcount growth for the ad pepper Group. A total of 249 employees work in the three business units and the Group's holding company as at 31 December 2021 which is an increase of 8 percent or 18 employees compared to the figure at the end of December 2020. Also in 2021, travel restrictions were implemented and most of our employees had to adapt to working remotely. Therefore, we had to find new ways to support their continued development and hence made frequent use of online learning tools in the respective market. In addition, with health and wellbeing a priority, we focused on supporting peoples' mental health and emotional resilience.

Number of employees	31/12/21	31/12/20
	Number	Number
ad pepper	27	30
Webgains	115	100
ad agents	91	84
Administration	16	17

ad pepper's employees are the key to the Company's success. ad pepper strives to attract, develop and retain qualified and motivated people in a professional, safe and healthy work environment. ad pepper complies with all local laws relating to working hours, vacation laws and occupational health laws, also taking into account the psychosocial work environment. Regular team activities as well as physical activity are encouraged.

In our Code of Conduct, ad pepper defined a set of joined, equally important values that best express our focus on service/product leadership through innovation, long-term value creation and the creation of a fair, inspiring work environment for all our employees:

- Respect for people. We respect people, honour diversity, and treat each other fairly. These are the cornerstones of our culture and key to our ability to work successfully as a global team.
- Integrity. We operate with the highest standards of honesty and responsibility – as individuals and as a corporation – to be a role model through our business practices, community involvement and environmental stewardship.
- Our customers' success. We ensure our customers' continuous success by forging deep relationships founded on our commitment to meeting their diverse technology needs and a shared passion for excellence.
- Initiative and accountability. We deliver on our promises to our customers, stakeholders, and to each other by taking risks, seeking proactive solutions, and assuming ownership of the results.

The Management Board promotes and applies these values thoroughly in all personnel related processes such as hiring, promotions and the review of employee performance.

To the best of our knowledge, we have not identified incidences of non-compliance.

» 04.4

ECONOMIC DEVELOPMENT

» MACROECONOMIC FRAMEWORK

The ad pepper Group's core markets: Eurozone and UK

The global recovery is continuing but its momentum has eased and is becoming increasingly imbalanced according to the OECD'S latest Economic Outlook published in December 2021. The failure to ensure rapid and effective vaccination everywhere is proving costly with uncertainty remaining high due to the continued emergence of new variants of the virus, according to OECD.

Output in most OECD countries has now surpassed where it was in late-2019 and is gradually returning to the path expected before the pandemic. The Outlook projects a rebound in global economic growth to 5.6 percent in 2021 and 4.5 percent in 2022, before settling back to 3.2 percent in 2023, close to the rates seen prior to the pandemic. Likewise, OECD projects GDP growth for the euro area of 5.2 percent and 4.3 percent in 2022 with 2.5 percent expected for the year 2023. For the United Kingdom, growth is expected to be 6.9 percent (2021), 4.7 percent in 2022 and 2.1 percent in 2023.

The strong pick-up in activity seen earlier this year is losing momentum in many advanced economies. A surge in demand for goods since economies reopened, and the failure of supply to keep pace, have generated bottlenecks in production chains. Labour shortages, pandemic-related closures, rising energy and commodity prices, and a scarcity of some key materials are all holding back growth and adding to cost pressures. Inflation has increased significantly in some regions, early in this recovery phase.

Another risk, exposed by the emergence of the Omicron variant end of 2021, is a worsening health situation due to COVID-19 resulting in further restrictions that would jeopardise the recovery. Finally, a potential sharp slowdown in China has been identified by OECD, if activity in the property market declined abruptly amid concerns about the financial soundness of some of the largest real estate developers. The impact of such a slowdown would spread rapidly to other countries, particularly if it generated uncertainty in global financial markets and added to the current bottlenecks in supply.

Online advertising market

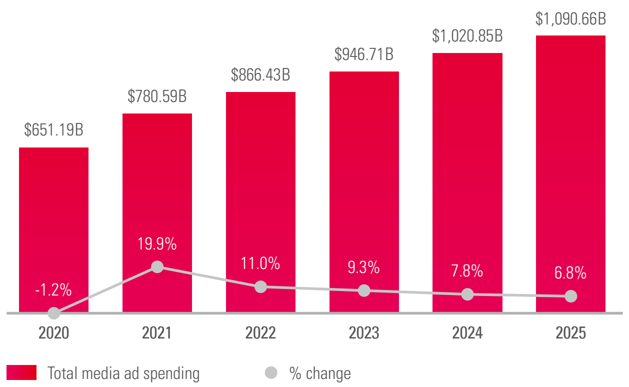
According to data presented by Statista, digital advertising spend has reached USD 389.29 billion in 2021, surpassing the digital ad spend of USD 332.84 billion in 2020. This was due to the increased use of digital marketing channels such as mobile, video content and voice search as a result of people remaining in their homes during the COVID-19 pandemic. In 2021, the sector receiving the most advertising spend, with almost 60 percent of all global ad spending, was digital promotion, while television received less than a quarter of advertising funds. The strongest driver in digital ad spend growth is the smartphone and the mobile revolution tied to it, meaning that consumers have spent more time browsing on their smartphones than on computers in 2021. Mobile internet ad spend has therefore reached a record high of USD 288 billion in 2021, corresponding to an increase of 26.6 percent compared to 2020.

With regard to the regions where this growth has occurred, the US and Europe led the way in 2021 with increases in digital ad spending of 37.5 percent and 27.4 percent respectively compared to the previous year, followed by emerging markets like India and Indonesia.

eMarketer's data on total ad spending in 2021, which includes both traditional and digital ad spending, show that their previous forecast of merely 15 percent growth has been surpassed with growth in international ad spending of 19.9 percent to USD 780.59 billion.

Source: eMarketer, Statista

Total media advertising spending worldwide from 2020 - 2025 (in billion U.S. dollars; change)

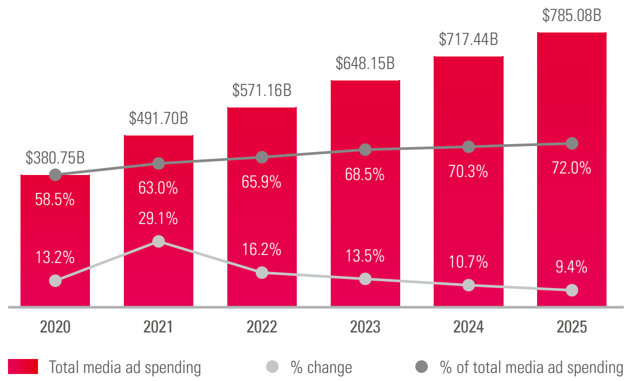


Note: includes digital (desktop/laptop, mobile, and other internet-connected devices), directories, magazines, newspapers, out-of-home, radio, and TV

Source: eMarketer

04.4
ECONOMIC DEVELOPMENT

Digital advertising spending worldwide from 2020 - 2025 (in billion U.S. dollars, change, change of total media ad spending)



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; excludes SMS, MMS and P2P messaging-based advertising

Source: eMarketer

» PRESENTATION OF EARNINGS POSITION

Development in gross sales, revenue and gross profit

The ad pepper Group increased its gross sales to a new high of EUR 111,593k in the 2021 financial year (2020: EUR 101,344k), equivalent to year-on-year growth of 10.3 percent. Revenue reached a record level too and amounted to EUR 27,646k in 2021 (2020: EUR 25,615k). Gross profit – alongside revenue our second most important key figure – showed group-wide growth of 7.7 percent and amounted to EUR 26,587k in 2021 (2020: EUR 24,687k).

The segments Webgains and ad agents were the growth drivers in 2021. Webgains segment saw revenue growth of 17.6 percent to EUR 15,542k (2020: EUR 13,220k) and thus benefitted also in 2021 from unprecedented levels of e-commerce activity partly fuelled by contact restrictions and quarantine measures in selected markets. For Webgains, the past financial year was also successful in terms of its gross profit. This came to EUR 14,987k in the past financial year (2020: EUR 12,733k), equivalent to growth of 17.7 percent.

ad agents, the second growth driver, once again positioned itself as a full-service digital agency with increased business activity in all areas. Revenue increased by EUR 1,102k or 15.6 percent to EUR 8,167k (2020: EUR 7,045k). In terms of gross profit EUR 7,762k for the 2021 financial year could be posted in the ad agents segment. This corresponds to an increase of 14.8 percent compared with the previous year (2020: EUR 6,826k) and thus once again outpaced the growth of the other segments.

The ad pepper segment reported a decrease in revenue to EUR 3,937k (2020: EUR 5,331k). Gross profit was lower too compared to last year with EUR 3,524k (2020: EUR 4,775k). The loss of a major client at the beginning of 2021 is the main reason for this development. In addition, supply-chain issues in the automotive sector dampened the need for digital advertising services from this industry particularly in the second half of 2021.

Development in operating expenses

Operating expenses at the ad pepper Group increased by 21.6 percent to EUR 23,393k (2020: EUR 19,239k). Operating cost at ad pepper Group largely consist of employment cost typically amounting to around 75 percent of total cost. In 2021 employment cost, largely driven by new hires, rose by 10.3 percent to EUR 16,553k (2020: EUR 15,005k). The increase of employment cost corresponds with the increase of headcount from 231 as per end of 2020 to 249 as per end of 2021 (+7.8 percent). A major contributing factor of this development was new hires in our new offices in Italy and Switzerland.

EBIT, EBITDA, and EBT

The Group's earnings before interest and taxes (EBIT) amounted to EUR 3,194k in the past financial year (2020: EUR 5,448k). Earnings before taxes (EBT) amounted to EUR 3,156k (2020: EUR 5,332k). Earnings before interest, taxes, depreciation and amortisation (EBITDA) at the Group came to EUR 4,378k in the past financial year (2020: EUR 6,559k). After the year 2020, which saw unprecedented levels of revenue growth and profitability, this is the second best operating earnings figure in the Company's history.

In terms of individual segments, ad agents posted new record results. ad agent's EBITDA grew by around 15.3 percent to EUR 1,722k (2020: EUR 1,497k). Excellent growth from existing clients was the main reason for this success while new clients contributed to this growth as well, particularly in the second half of the year 2021. The newly opened office in Switzerland provided additional growth stimulus. EBITDA margin of the ad agents segment amounted to 21.1 percent (2020: 21.1 percent).

Moving on to the next segment, Webgains achieved an EBITDA of EUR 3,474k and thus significantly lower than the previous year (2020: EUR 4,702k). Higher operating expenses in the tech department as well as new hires in the new offices are the main reason for this development, e.g. Italy and the Netherlands. EBITDA margin of the Webgains segment for 2020 was 22.3 percent (in relation to revenue) (2020: 35.6 percent).

The third operating segment, ad pepper, achieved an EBITDA of EUR 604k (2020: EUR 1,855k). The EBITDA achieved in 2021 is a reflection of a business year which saw budget cuts of companies active in particular in the automotive industry, as described above. In addition, the reduced EBITDA-level is a reflection of the loss of a major client which stopped booking digital services with the ad pepper segment in the course of the first quarter 2021. Nevertheless, EBITDA levels achieved by this segment in 2021 are satisfactory given the circumstances and EBITDA margin of 15.2 percent in 2021 was still superb (in relation to revenue) (2020: 34.8 percent).

» PRESENTATION OF FINANCIAL AND NET ASSET POSITION

Cash flow

The gross cash flow amounted to EUR 2,581k (2020: EUR 5,393k) while a figure of EUR 2,208k (2020: EUR 3,300k) was reported for cash flow from operations. The lower gross inflow of funds is particularly due to the decrease in net income for the period. Because of stable trade receivables and trade payables the operational cash flow was on equal level. The net cash flow from investing activities came to EUR -2,241k in the past financial year (2020: EUR -1,771k), mainly for investments made in listed marketable and debt securities. The cash flow from financing activities amounted to EUR -3,829k in 2021, as against EUR -2,196k in the 2020 financial year. It included outgoing cash of EUR -583k (2020: EUR -455k) occurred for dividends paid to non-controlling interests, cash outflow for share buyback of EUR -2,576k (2020: EUR -1,141k) as well as lease payments of EUR -757k (2020: EUR -763k).

Balance sheet structure

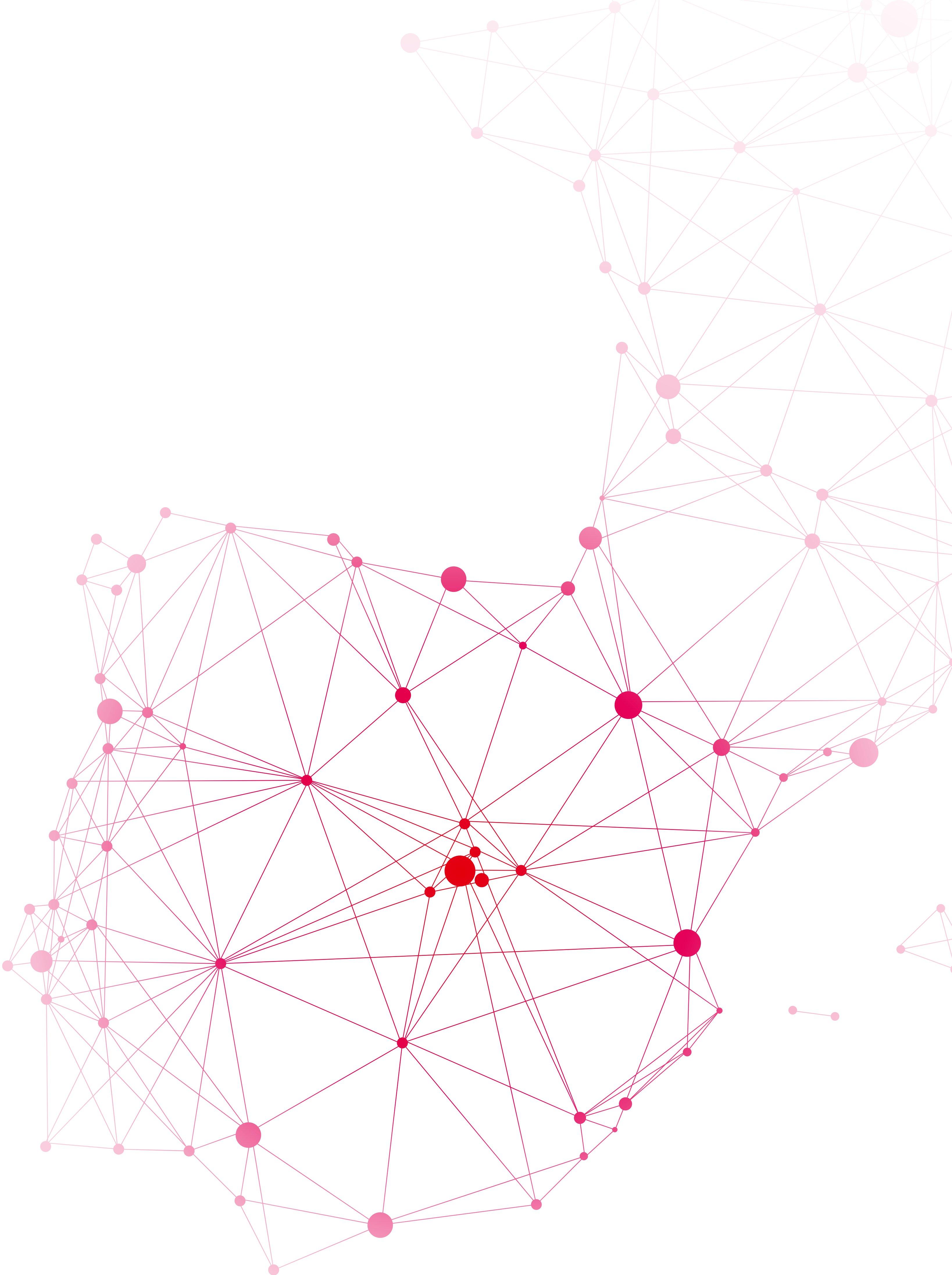
Total assets decreased by EUR 2,489k to EUR 46,352k (31 December 2020: EUR 48,841k). Current assets decreased by EUR 3,965k to EUR 40,753k (31 December 2020: EUR 44,718k) and non-current assets increased by EUR 1,476k to EUR 5,599k (31 December 2020: 4,123k). Right-of-use assets for capitalised leasing contracts for offices and vehicles amount to EUR 1,177k (31 December 2020: EUR 1,568k). Cash and cash equivalents amount to EUR 20,704k (31 December 2020: EUR 24,330k), investments in listed equity instruments amount to EUR 2,050k (31 December 2020: 0k) and in listed debt securities amount to EUR 1,007k (31 December 2020: EUR 1,012k). Trade receivables decreased by EUR 408k to EUR 19,319k (31 December 2020: EUR 19,727k).

On the equity and liabilities side, the Company's equity showed a decrease of EUR 750k to EUR 20,088k (31 December 2020: EUR 20,838k) which corresponds to an equity ratio of 43.3 percent (2020: 42.7 percent). Trade payables decreased by EUR 491k to EUR 20,247k (31 December 2020: EUR 20,738k). Long-term liabilities amount to EUR 946k (31 December 2020: EUR 1,242k). Of these, EUR 708k (31 December 2020: EUR 905k) relate to the lease liability for capitalised right-of-use assets. Current liabilities amount to EUR 25,318k (31 December 2020: EUR 26,761k). Of these, EUR 505k (31 December 2020: EUR 744k) relate to the lease liability for capitalised right-of-use assets. Liability for cash settled stock option plan amounts to EUR 155k (31 December 2020: EUR 305k).

The ad pepper Group was internally financed as of the balance sheet date. Its liquid funds (including securities measured at fair value) totalled EUR 23,761k at the end of December 2021 (31 December 2020: EUR 25,342k). The Company still has no liabilities to banks.

» 04.5

RISK REPORT



» FOREWORD

The German Corporate Sector Supervision and Transparency Act and the Dutch Corporate Governance Code lay down key requirements and obligations regarding risk management and control systems. In line with these requirements applicable in Germany and the Netherlands, the ad pepper Group operates a comprehensive and adequate risk management system. The regulations require the Board of Directors to ensure that the Company complies with all applicable laws and requirements, and to report to the Supervisory Board regularly on the internal risk management and control systems. The risk management system at the ad pepper Group identifies significant risks which could have implications for the Company. These risks are quantified and evaluated in terms of their potential implications. Finally, suitable measures are identified in order to counteract the risks in question.

Internal risk management and control system

The ad pepper Group is managed by a Board of Directors and Supervisory Board appointed by the General Meeting. The Supervisory Board responsibility is the oversight of the risk management system. Consistent with the requirements of the Dutch Corporate Governance Code, the Company has established a procedure for reporting actual or suspected irregularities within the Company and its affiliated enterprises. In addition, the Board of Directors has developed and implemented strategies, controls and mitigation measures to identify current and developing risks as part of the risk management system. Risk management policies and procedures are embodied in our Corporate Governance, Code of Conduct, and financial reporting controls and procedures. A variety of functional experts evaluate these business risks and aim to mitigate and manage these risks on an ongoing basis.

Identified risks are divided into four types:

- Catastrophic (loss of ability to achieve business objectives, e.g. worst-case scenario)
- Major (reduced ability to achieve business objectives)
- Moderate (disruption to normal planning with a limited effect on achievement of business strategy and objectives)
- Low (no material impact on the achievement of business strategy and objectives)

All identified risks are evaluated based on their likelihood of occurring and their potential impact (estimated in monetary terms) in disrupting our progress toward achieving our business objectives. The overall risk management goal is to identify risks that could significantly threaten our success and to allow management sufficient opportunity to successfully implement mitigation actions. The results of the risk assessment and any updates are reported to the Supervisory Board on a regular basis. A detailed review of all underlying business risks is completed every year. At least once a year, the Supervisory Board discusses the corporate strategy and business risks as well as the results of an assessment by the Board of Directors of the structure and operations of the internal risk management and control systems, including any significant changes.

In addition to the dedicated risk management system outlined above, the following elements also serve to identify risks within the Group:

- Operational planning, including updated intra-year forecasts
- Quarterly financial statements
- Monthly and quarterly reporting by subsidiaries (comparing target and actual results) to the Group

» RISK CLASSIFICATION

Risks are classified as operational, strategic, financial risks, compliance and assessed according to their probability of occurrence and their potential financial impact. The major risks for each classification are described below:

» OPERATIONAL RISK

Infrastructure risk

Our products and services are dependent on users having access to the Internet and in some cases also require substantial bandwidth. This access is at present made available by companies that have significant and growing influence on the market for broadband and Internet access, such as telephone companies, cable companies, and mobile communication providers. Some of these providers could start adopting measures to interrupt or impair user access to certain products, or they

could increase the costs of user access to such products by limiting or forbidding the use of their infrastructure for our products and services, or they could charge us or our users higher fees.

This could lead to a loss of members in our advertising network as well as advertising customers, and ultimately to increasing costs. This could impair our ability to win new users and advertising customers and thereby adversely affect our revenues and our growth. The availability of our products and services is dependent on the uninterrupted operation of our IT and communication systems. Any damage to or failure in our systems could interrupt our services, which could reduce our revenues and profits, and damage our brand. Our systems could be damaged by flood, fire, power outage, telecommunication failure, computer viruses, terrorist attacks, attacks preventing computers from accessing services, and other forms of attack on our systems. Our data centres could become the target of intrusion, sabotage or wilful vandalism, or they could be affected by faults occurring as a result of financial difficulties on the part of operators of data centres. Not all our systems are fully redundant and our natural disaster recovery plans cannot account for all eventualities. Natural disasters of this kind or operators of facilities we use deciding to shut down for financial reasons without reasonable notice and/or other unexpected problems at our data centres could lead to prolonged interruptions to our services.

In addition, in order to be successful, our network infrastructure must be efficient and reliable. The higher the user frequency and the complexity of our products and services, the more CPU performance we will need. We have invested heavily in acquiring and leasing data centres and equipment and updating our technology and the infrastructure of our network in order to cope with growing traffic and the launch of new products and services, and we expect to continue doing so. These investments are costly and complex and can lead to efficiency losses or downtime. If we fail to expand successfully or if efficiency losses or downtime occur, the quality of our products and services as well as customer satisfaction could suffer. This could damage our reputation and result in a loss of existing and potential customers, advertising clients, and members of our network. Cost increases, a lower frequency of use on the part of our partners in the advertising network, failure to adapt to new technologies, or changed business requirements could adversely affect our revenue and financial strength.

We also use other IT suppliers, including data centres and broadband providers. Any disturbance in network access or colocation services by these providers, or their inability to process current or larger data volumes could seriously damage our business. Furthermore, financial or other difficulties on the part of our providers could have an adverse impact on our business. We have witnessed interruptions and delays in these services and in these the availability of IT infrastructure and expect these in future, too. Faults, interruptions or delays in conjunction with these technologies and information services could harm our relations with users, adversely affect our brand, and expose us to liability risks. Finally, our systems are extremely dependent upon power supply. In the case of major power outage, we would have to resort to emergency power units. It may happen that such emergency power units do not work correctly and that there is insufficient in the case of a major power outage.

Technology risk

It is conceivable that technologies will be developed that block or suppress the display of our advertising on the Internet. Most of our revenues are generated in such a manner that advertising customers pay for their advertising to appear on websites. Technologies designed to block or suppress Internet advertising could thus have an adverse effect on our operating results. For instance, major players in the market such as the mobile operators or the providers of application ecosystems such as Apple and Google may decide to introduce ad blockers to their systems. These could seriously obstruct the delivery of advertisements to users of mobile apps and thus harm the business of the ad pepper Group.

In general, the market for Internet advertising is characterised by rapid technological change, developing industry standards, frequent introduction of new products and services, and changing customer behaviour. The introduction of new products and services, and the emergence of new industry standards can render existing products and services obsolete and impossible to sell or require unexpected investment in new technology. Our success will depend on our ability to adapt to rapid technological changes, to improve existing solutions, and to develop and launch a host of new solutions in order to meet our customers' and partners' continuously changing demands. Advertising customers, for instance, are increasingly demanding online advertising networks and advertising that go beyond pure stills, integrating "rich media", such as audio and video, interactivity and methods for more accurately targeted consumer contacts.

Our systems do not support all types of advertising formats. Equally, certain website operators within our network do not accept all of the advertising formats offered by us. Moreover, a further increase in fast and powerful Internet access could generate new products and services which are only possible with increasing bandwidth. If we fail to successfully adapt to such developments, there is a risk that we could lose customers and/or parts of the advertising space marketed by us. We procure most of the software used at our Company externally and we plan to continue buying technologies from third-party suppliers in future as well. We cannot definitively say whether such technologies will continue to be available in future either at all or on commercially reasonable terms. It is also possible that the trend towards marketing online advertising space via automated so-called ad exchanges will intensify further. By establishing and optimising demand-side platforms (DSPs) and/or supply-side platforms (SSPs), online networks such as the ad pepper Group may in future lose further relevance or even lose the basis of their business operations. We may also encounter problems which delay or prevent the successful design, development, introduction, or marketing of new solutions. Any solutions or improvements newly developed by us will have to fulfil the requirements of our present customers and prospective clients, and there is a risk that these will not meet with the desired acceptance on the market. If we fail to keep pace with technological developments and the launch of new industry standards at a reasonable cost, there is a risk that our expenditure will increase and that we will lose customers and advertising space.

Moreover, the number of people accessing the Internet using devices other than PCs, including mobile phones, PDAs and e-mail assistants, as well as TV receivers, has grown dramatically in recent years. If we do not succeed in future in securing an appropriate number of users of alternative devices and gaining the loyalty of these users for our products and services, or if we are too slow in developing products and technologies compatible with communication devices other than PCs, we will miss out on an increasingly important share of the market for online services.

Cybercrime, hacking, identity theft and risk of fraud

Increasing international networking and the related possibility of IT system abuse are resulting in cybercrime risks for the ad pepper Group, such as the failure of central IT systems, the disclosure or loss of the data integrity of confidential data from business activities, the manipulation of IT systems in process control, or an increased burden or adverse impact on IT systems as a result of virus attacks. In addition, complications with the changeover of IT systems could negatively impact the earnings situation. Cyber incidents, in general, may cause disruption and impact business operations, potentially resulting in financial losses, impediments of trading, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement of other compensation costs, or additional compliance cost.

In addition, the Group may be subject to fraudulent and malicious activities undertaken by persons seeking to use its platforms to divert or artificially inflate the buyer purchases through its platform, mainly through fraudulently generated advertising impressions overstating the performance of advertising impressions. As we do not own content, we rely in part on publishers for controls with respect to such activities. If fraudulent or other malicious activity is perpetrated by others, and the Group fails to detect or prevent it, the affected advertisers may experience or perceive a reduced return on their investment resulting in dissatisfaction with the Group's solution, refusal to pay, refund demands or loss of confidence of advertisers or publishers and ultimately withdrawal of future business.

Intellectual property rights risk

Our patents, trademarks, business secrets, copyrights, and other intellectual property rights constitute important assets for us. Various events beyond our control constitute a potential risk for our intellectual property rights. The same applies to our products and services.

Effective protection of intellectual property may not be available in every country where our products and services are distributed or offered via the Internet. Furthermore, the efforts which we have made to protect our property rights may be insufficient or ineffective. Any significant impairment of our intellectual property rights can adversely affect our business or our competitiveness. Moreover, the protection of our intellectual property rights is costly and time-consuming. Any increase in the unauthorised use of our intellectual property could lead to increased administrative costs and work, and adversely affect our results. Although we aim to obtain protection for our intellectual property, it is conceivable that we may not be able to adequately protect some of our innovations. Moreover, in view of the often considerable costs of patent and/or intellectual property protection, we may refrain from protecting certain innovations and/or intellectual property which could prove to be important at a later date.

It is also possible that the scope of patent and/or intellectual property protection could turn out to be insufficient or that a previously granted patent is deemed to be invalid or non-enforceable. Furthermore, as our Company grows, there is a growing probability that lawsuits related to intellectual property issues will be filed against us. Our products, services, and technologies may fail to fulfil the demands of third parties, and irrespective of their validity, defending such claims can be time-consuming and costly, whether in or out of court. Furthermore, in the event that claims against us are successfully upheld, it we may have to pay significant damages, or discontinue services or practices, which may result in be violations of third-party rights. We may also need to obtain licenses to continue our existing business operations; this may also involve considerable additional costs.

» STRATEGIC RISK

Personnel risk

Our future success is to a significant degree dependent on the continued service of the (single) member of our Board of Directors. If we lose the service of the (single) member of the Board of Directors, we may not be able to recruit suitable or qualified replacements and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth.

In general, highly qualified employees and management staff form the basis of any company's long-term economic success. Retaining employees at the Company on a long-term basis is a factor of the utmost importance for the ad pepper Group, as is attracting new, highly qualified employees. Any departure of large numbers of these employees over a short period and subsequent inability to find adequate replacements may inhibit the Company's business performance. Specifically, the Company cannot guarantee that it will be able to retain key top performers in the event of any further intensification in the competition for highly qualified employees, especially in the IT and Internet sectors.

A lack of qualified and motivated personnel could negatively impact our development and growth, increase our costs and harm our reputation. We face competition for qualified personnel, for example those in IT and marketing positions. In addition, to attract or retain qualified personnel, we might have to offer more competitive compensation packages and other benefits, which could lead to higher personnel costs.

We try to mitigate this risk through personnel development programmes in the respective segments as well as incentive systems. Supporting this is an established, thorough annual review process from which we derive individually tailored and future-variable qualification programmes as well as performance-related remuneration systems.

In addition, the ad pepper Group continues to closely monitor the development around COVID-19. The wellbeing of our employees and partners is our highest priority in this situation. Since early March 2020 we have encouraged all employees to work from home and continued to do so in 2021 which works out well given the nature of our business. Also, for the current business year, we do not expect major disruptions caused by COVID-19 in that respect.

Market risk

Our offering for advertisers and web publishers on the Internet covers products and services where pricing is largely based on cost per action (CPA), cost per lead (CPL), cost per download (CPD), cost per thousand impressions (CPM), or cost per click (CPC). Every field of our business is exposed to strong competition, mainly from large media and/or performance (digital) agencies or other advertising and affiliate networks offering similar online services and products. Beside this group of companies, we also compete with search engine providers, social media channels and marketplaces, such as Google, Facebook and Amazon, as well as large ad exchanges, i.e. marketplaces in which advertising space is auctioned in real time, similar to other market exchanges. Apart from this, we also compete with traditional advertising channels, such as direct marketing, TV, radio, cable, and print media, which are all striving to win a share of the total advertising budget for themselves.

Many existing and potential advertisers have competitive advantages over our Company due to such factors as longer company histories, higher public awareness levels, larger customer bases, better access to popular websites and significantly larger resources in terms of staff, finance, equipment, sales and marketing. These companies use their experience and resources in competition with us in different ways, such as pursuing more active M&A strategies, investing more in research and development, or competing more aggressively for advertising customers and websites. If our competitors succeed in offering similar or better services or more relevant advertising, this could lead to a significant loss of advertisers and web publishers and hence adversely affect our revenues.

Likewise, there is a risk to the Group's business (or parts thereof) if any or all of Google, Amazon, Facebook and other relevant players (i) cease to be a market leader in the online advertising industry (ii) were subject to adverse publicity or action impeding its provision of advertising services and infrastructure (iii) were to cease to regard the Group as a preferred partner (iv) were to expand its operations such that it competed directly with the Group or (v) otherwise ceased to be available as a technology provider to the Group. Moreover, Google recently announced that third-party cookies would be blocked in Chrome by 2022. As a result, third-party cookies will become effectively unusable for advertising measurement and many forms of third-party data already challenged by GDPR since May 2018, will cease to exist. While we expect the vast majority of our services and products to be unaffected, it can therefore not be excluded, that some of our business activities will not work beyond 2022. Unless we adapt to these changes, these businesses will be negatively affected.

In addition, the possibility of in-house handling of advertising network functions can represent a possible risk for the ad pepper Group both at the level of the attractiveness of its offering vis-à-vis advertisers as well as to its negotiating power vis-à-vis the providers of online advertising inventory.

Finally, online advertising markets are characterised by rapid technological change, the establishment of new industry standards, regular launches of new products and services, and rapidly changing customer requirements. The introduction of new products and services based on innovative technologies and the resultant establishment of new industry standards could mean that our existing products and services become obsolete and unsellable, thus forcing us to make unforeseen and unplanned investments. Insufficient flexibility in adapting to these changes can have adverse effects on our revenue, finance and asset position.

In general, we expect our sales growth to decline over the course of time as a result of base effects and increasingly tough competition. We also expect growing pressure on our operating margins as a result of increasingly tough competition and a general increase in expenditure in other areas of our business. Furthermore, the margin could fall as a result of our Company having to pay a higher share of our advertising revenue to our website partners within our website portfolio and/or affiliate network.

Dependency risk

The ad pepper Group and its segments have significant customer concentration, in terms of both advertisers and publishers (website owners), so economic difficulties or changes in the purchasing policies or patterns of its key customers could have a significant impact on the ad pepper Group's business and operating results. While the concentration of our business on a relatively small number of customers may provide certain benefits to us, such as potentially more efficient handling / decreased cost of sales, this concentration may expose the ad pepper Group to a material adverse effect if one or more of our large customers were to significantly reduce their business with us for any reason, or to favour competitors or new entrants. Customers do not make binding long-term commitments to the ad pepper Group regarding booking volumes and could seek to materially change the terms of their business relationship at any time. Any such change could significantly harm the ad pepper Group's business and operating results.

Platform risk

The Group's revenue growth depends partly on the ability to develop a reliable, scalable, secure, high-performance technology infrastructure that can efficiently handle increased usage globally. The platforms are scalable in principle. However, only the actual future expansion of the business will prove whether there is enough business available and the platforms scales well enough to cover the fixed cost base that has been built. Inability to develop a scalable platform may have significantly adverse consequences for our revenue as well as our asset and finance position.

» FINANCIAL RISK

Low profitability

We are exposed to risks that could prevent us from generating net profits in the future. These risks depend on several factors, including our ability to:

- maintain and expand our existing advertising space on websites of publishers and affiliates, owners of e-mail lists and newsletter publishers
- maintain and increase the number of advertising customers who use our products and services
- increase the number of products and services we offered
- adjust to changes in needs and habits of online advertising customers, also with a view to the technologies in demand on the market
- respond to challenges resulting from the large and growing number of competitors in the industry
- adapt to legal or regulatory changes with a view to the Internet as far as these concern use, advertising, and trade
- achieve sales targets for partners with whom we have agreed minimum guarantees
- generate revenue from services in which we have invested significant time and resources
- give priority to long-term goals over short-term results when necessary
- adapt to technological changes designed to obfuscate or block online advertising on desktop PCs or mobile devices
- adapt to changes in the competitive environment
- achieve sufficient profitability and reputation in the market on the basis of our investments in new technologies and related products/services.

Should we fail to successfully handle these risks and uncertainties, this could have significantly adverse consequences for our revenue as well as our asset and finance position, see also Note [40].

Risks of our M&A strategy

Historically, part of our Company's growth has resulted from mergers and acquisitions, and we will continue to consider acquisitions in future as well. Furthermore, we will continually review our portfolio of shareholdings to assess whether company acquisitions might be appropriate. Every acquisition or sale can have material consequences for our revenue and financial position. Furthermore, the integration of an acquired business or technology can cause unforeseen operational problems, expenditure, and risks. Areas in which we may face risks in this context include:

- implementation or modification of controls, processes, and strategies of acquired businesses
- diversion of management attention away from other business matters
- overvaluation of businesses acquired, acceptance of the acquired business's products and services by our customers
- cultural problems associated with the integration of the staff of acquired businesses into our Group
- continued employment of staff companies which we acquire
- integration of the accounting, management, and information systems as well as of the human resources administration and other administration systems of acquired businesses.

The integration of companies, products and personnel can constitute a considerable burden to our management and our internal resources. Acquisitions of foreign companies, in particular, are subject to additional risks. These include risks associated with integrating companies with different cultures and languages, exchange rate risks, and other country-specific economic, political and legal risks. In view of the number of acquisitions which we have completed in past years, the different customers and technological functionalities of the products and services acquired, future acquisitions may pose significantly bigger challenges with respect to products, sales, marketing, customer support, research and development, buildings, information systems, accounting, human resources and other integration aspects, and may delay or threaten the complete integration of the businesses acquired.

Likewise, divestment of companies and/or businesses can lead to liability vis-à-vis the buyer, or additional expenses, for instance through indemnity clauses and guarantee commitments or long-term supply contracts.

Currency risk

Since the ad pepper Group conducts a significant share of its business outside the euro area, exchange rate fluctuations can have a significant impact on results. Currency risks from financial instruments can impact accounts receivable, accounts payable, as well as cash and cash equivalents in a currency other than a company's functional currency. For the ad pepper Group, the currency risk from financial instruments is particularly relevant for GBP and, to a lesser extent, USD. No financial instruments are used to hedge currency risks.

Tax risk

Our future income tax payments may be adversely affected by lower-than-expected profits in jurisdictions with lower tax rates and higher profits in jurisdictions with higher tax rates. If the valuation of our deferred tax receivables and payables changes this could also mean additional tax expenditure.

Furthermore, the determination our tax provisions and other tax liabilities worldwide is a highly complex process, and in many instances the final amount of tax to be paid is uncertain. Although we consider our estimates to be realistic, the actual tax result can differ from the amounts shown in our financial statements and significantly influence our financial results in the period or periods to which such tax assessment applies. Our tax liability forecast can be examined by the responsible tax authorities at any time. Any negative outcome of such an examination can have an adverse effect on our financial, revenue, and asset situation. Additionally, all of our tax positions are subject to changes in tax laws, regulations, jurisdiction as well as tax-related accounting standards and their interpretations.

New accounting standards

The International Accounting Standards Board (IASB) or other organisations may publish new or revised directives, interpretations, or other guidelines which could influence International Financial Reporting Standards (IFRS). As a result, it may happen that an accounting rule is adopted for which no rules previously existed, or that an accounting rule previously open for interpretation is declared to be generally valid. It is also conceivable that valid methods may be replaced entirely. Such IFRS-related changes can have a significant impact on our finance, revenue and asset positions. Moreover, inability to adopt new accounting standards in time may severely damage our reputation.

Liquidity and cash flow risk

All of the Company's liquid funds and short-term marketable securities are essentially managed by financial institutions. Based on the development of our business, the liquidity of ad pepper media International N.V. can at present be regarded as secure and, despite future investment in new companies, sufficient to meet all future payment obligations. A moderate decline in liquid funds may arise if further investments are required in the future. Furthermore, the Company is dependent upon its customers' payment discipline. Our receivables are typically unsecured and result from sales which are predominantly generated with customers based in Europe. The Company checks its customers' creditworthiness on an ongoing basis and has made provisions for potential cases of default. Finally, negative developments on the capital markets can restrict our ability to obtain financing. The past economic and financial crisis during 2008/2009 led to certain restrictions on the availability of corporate finance and created a scenario such as that outlined above. Looking ahead, it is not possible to completely exclude future restrictions on our liquidity situation, especially in the case of a return to a scenario described above. Should one or more financial institution go bankrupt in such a scenario, this may have severe consequences for the Company's assets and financial position.

Working capital risk

The Group's operating results and cash flow vary from quarter to quarter due to the seasonal nature of advertising spending. In contrast to the higher advertising budgets spent during the fourth quarter, the third quarter of the calendar year is typically the slowest in terms of advertising spend (summer quarter). This affects the Group's operating results, cash flow and cash requirements. In addition, digital advertising spend is volatile and unpredictable. In periods of lower advertising spending this may have a material adverse effect on the Group's revenue. Similarly, if faced with spikes in advertising spend and traffic, the Group's platforms must be able to support increased traffic volumes and variety of advertising formats whilst maintaining a stable and effective infrastructure and reliable service to customers. This flexibility and stability require significant investments in both the Company's organisation and technology, which increase the cost base.

Capital risk

The price of our share at times experienced considerable fluctuation since its initial listing and will continue remain volatile in the future. The share price may move rapidly in response to factors beyond our control, including:

- fluctuations in our quarterly results or in the results of our competitors
- announcements of company sales and takeovers, new products, major contracts, business relationships or provision of capital
- recommendations by equity analysts or changed profit expectations
- publication of profits inconsistent with analysts' expectations
- number of shares outstanding
- share sales by us or our shareholders
- short-selling, hedging or other derivative transactions with shares

Furthermore, the stock market in general and the market for technology companies in particular have witnessed extreme share price and trading volume fluctuations often unrelated or disproportionate to the operational performance of these companies. These general market and industry factors can seriously damage the price of our share irrespective of our actual performance.

Lower (or volatile) share prices may lead to an inability to attract strong long-term investors and limit our ability to raise new equity and attract key personnel.

In addition, in the past, lawsuits have been filed against such companies after times of high price fluctuations on the overall market or in individual shares. In the event that such lawsuits are filed against us, this could lead to significant costs and distract management time and resources.

Finally, as of 31 December 2021, EMA Electronic Media Advertising International B.V., one of the Company's founding shareholders, owns shares representing around 44 percent of the share capital and typically more than 80 percent of the voting rights at the General Meeting. For the foreseeable future, EMA Electronic Media Advertising International B.V. will therefore continue to have significant influence on the management and on all matters requiring approval by the shareholders, including the election of board members, important Company transactions, such as mergers or the sale of the Company as a whole or in part. This concentration of control limits our shareholders' ability to influence Company matters and affects the liquidity of the ad pepper share traded on the stock exchange. In view of this, we may implement measures that our shareholders do not deem expedient. This in turn may have a lasting negative impact on our share price.

» COMPLIANCE RISK

Governance risk

Besides operational and fiscal risks, our business activity harbours a wide range of legal risks. Legal disputes and other proceedings may cause considerable damage to our business, our reputation or our brands, and entail high costs. We are subject to a variety of laws and regulations, many of which are not yet firmly established or are still developing. This includes wide-reaching legislation covering consumer protection, data protection, e-commerce and competition. Antitrust and competition claims or investigations may also require changes to our business operations. Any such risks are counteracted by internal and external law experts who thoroughly examine all contractual and regulatory matters. We endeavour to fulfil our obligations through constant monitoring and by avoiding conflicts arising from the violation of third-party rights or breach of regulatory provisions. No substantial litigation risks currently exist within the ad pepper Group.

Data risk

Websites usually install small files with an ID to identify a user, generally called "cookies", on a device. Cookies usually collect information about users so that websites can adapt their contents to user needs.

The Internet user's browser software forwards the cookie information to the website. Our business depends on the use of cookies to track the traffic of Internet users on the websites of our advertising customers, and to monitor and prevent fraud in our networks. Most of the latest Internet browsers enable Internet users to change their browser settings to prevent the storage of cookies on their hard disks. Internet users can also remove cookies from their hard disks at any time.

According to the General Data Protection Regulation ("GDPR"), which came into effect in May 2018 in Europe, and to the EU Privacy and Electronic Communications Directive, consent of data subjects is required for storing information like cookies for tracking or targeting purposes on an end-user's device. Therefore, the effectiveness of our technology may be impaired by regulations limiting or prohibiting the use of cookies. Furthermore, on the basis of the requirements set up by data privacy regulators, software manufacturers may provide new Internet browsers bearing default settings where cookies are not accepted and the user has to actively change such settings to accept cookies ("privacy by default"). If the use or effect of cookies were restricted, we would have to switch to other technologies in order to collect geographic or behaviour-related information.

Although such technologies exist, they are far less effective than cookies. Furthermore, we would have to develop or buy new technologies in order to prevent fraud in our networks. Replacing cookies could become time-consuming and requires considerable investment. Their development could turn out to be economically pointless or it may not be possible to implement them early enough in order to prevent the loss of customers or advertising space. The use of cookie technology or a comparable technology to collect information about Internet usage patterns may lead to lawsuits or investigations in future. Furthermore, many jurisdictions have detailed provisions concerning both the collection of personal data and the use of such data for direct marketing campaigns.

Since December 1st the so-called Telecommunications Telemedia Data Protection Act (Telekommunikation-Telemedien-Datenschutz-Gesetz, TTDSG) is applicable replacing the data protection requirements in the Telemedia Act. The TTDSG introduces a strict cookie opt-in requirement very much in line with the preconditions in the EU Privacy and Electronic Communications Directive. Prior to this the German High Court has outlined in 2020 consent requirements for storing cookies on devices following a decision of the European Court of Justice on this issue. According to these decisions, companies need consent for storing cookies on user devices irrespective whether this Cookie-ID is personal data or not. These verdicts are the main reason why the German legislator has introduced a strict consent requirement for storing data in an end-user's device. All in all, this leads to stricter data protection requirements that may have a negative impact on our business model. Namely, the upcoming European ePrivacy-Regulation may introduce stricter requirements. If adopted, such regulations would have a thorough impact on our business model.

Furthermore, we depend on an easy way to transfer personal data from the EU to UK. At the end of June 2021 the European Commissions adopted an adequacy decision for the United Kingdom under GDPR. This decision facilitates a data transfer between EU and UK. Otherwise, our clients will have to agree on Standard Contractual Clauses to legalise a data transfer to UK. The duration of this decision is limited to four years. As the UK-Government has already announced to review the UK-GDRP and to lower burdens for companies it is yet unclear whether this adequacy decision has a bright future.

Although we abide by the applicable laws in the different jurisdictions, we cannot rule out the possibility that changes in legislation may have significant repercussions for our business models and revenues. Any litigation or governmental action against us could become costly and time-consuming, or compel us to change our business practice and divert management attention away from other business fields.

In addition, the regulatory environment in Europe is ever changing. With the GDPR, which came into effect in May 2018 in Europe, as well as the EU e-commerce Directive, compliance obligations and financial penalties for non-compliance are increasing significantly and could potentially harm our business. The ad pepper Group has set up working groups in close cooperation with its external data protection officer to continuously identify adjustment needs to ensure compliance with GDPR requirements. Nevertheless, the security measures which have been or will be implemented may not be effective, and ad pepper's systems may be vulnerable to theft, loss, damage or interruption from a number of potential sources or events, including unauthorised access or security breaches, cyber-attacks, computer viruses, power loss, or other disruptive events. The ad pepper Group may not have the resources or technical sophistication to anticipate or prevent rapidly evolving forms of cyber-attacks.

Moreover, GDPR not only imposes new compliance obligations regarding the handling of personal data, it has also significantly increased financial penalties for non-compliance. Failure to comply with GDPR may lead to regulatory enforcement proceedings, which can result in monetary penalties of up to 20 percent of worldwide revenue, orders to discontinue certain data processing operations, private lawsuits, or reputational damage. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client or ad pepper data, or otherwise mismanages or misappropriates that data, we could be subject to significant litigation, monetary damages, regulatory enforcement proceedings, fines and/or criminal prosecution in one or more jurisdictions. These monetary damages may not be subject to contractual limit of liability or exclusion of consequential or indirect damages and could be substantial. In addition, our liability insurance may not cover us against claims related to security breaches, cyber-attacks or other breaches.

Violations of other legal requirements

The aim of compliance is to ensure irreproachable business conduct at all times and in all respects. Any failure to fulfil legal requirements and report obligations, any violation of the Corporate Governance Code or insufficient management transparency may pose a risk to the required compliance. For this reason, the ad pepper Group established a Group-wide Code of Conduct as well as an insider trading policy, which provides for the safety and support of employees in various professional situations. Despite comprehensive measures taken within the realignment of the compliance programme and our compliance organisation, it is impossible for us to protect us against all risks.

More generally, from time to time we are or may become involved in private actions, investigations and various other legal proceedings by employees, suppliers, competitors, government agencies or others. Failure to comply with laws and regulations can damage our reputation and have negative financial and operational consequences.

» RISK APPETITE

This section highlights those risks that the Group is willing to take, as well as those that are unacceptable. It includes a series of risk assertions which are aligned to our strategy, together with the risk parameters within which we expect to work. The Group operates in markets with high growth potential that are subject to volatility and intense competition. We will pursue ambitious growth targets and we are willing to accept certain levels of risk to increase the likelihood of achieving or exceeding our strategic objectives, subject to the parameters below.

The Board's appetite for risk varies depending on the risk type. The Group measures risk by estimating the potential for loss of profit, staff turnover and reputational damage. The Board has a low tolerance for finance- and compliance-related risk. Conversely, it has a higher tolerance for operational and strategic risk:

Operational risks are managed through the ongoing budgeting, forecasting and reporting process as well as training activities to constantly improve and update employees' skills. Infrastructure risks are mitigated by regular backups, redundant server structures and moving to the cloud. To reduce fraud risk, anti-fraud teams are tasked with identifying unusual patterns, ideally in the design phase of advertising campaigns.

The cost of these measures and control systems must be commensurate with the benefits achieved. Management generally considers the likelihood of risks in the operational and technology area as moderate while evaluating the financial impact of each event depending on the specific risk field. Management's risk appetite in this field is moderate and we seek to mitigate risks through contracts, service level agreements, insurance and cooperation with established partners.

As far as strategic risks are concerned, we try to mitigate the personnel risk by providing attractive remuneration package, creation of a positive working environment and structured individual development plan. We try to manage the dependency risks and platform risks by building and maintaining customer relationships. We develop online advertising strategies and regularly monitor progress for existing clients and identify and build relationships with new customers.

In general, management addresses market risks by actively monitoring the developments and evaluating the actual exposure to these risks. This includes participation in industry events, gaining information from analysts and research firms as well as creating business cases for new product developments. The ad pepper Group has a track record of identifying market changes early and investing into winning products and services ahead of time. We will, however, not pursue growth at all costs and expect sufficient margins. We will primarily pursue organic growth strategies to meet our growth objectives. We aim for sufficient operating margins whilst protecting the long-term viability of the Group. In general, management's risk appetite in this field is moderate.

In the field of financial risks, management addresses the low profitability risk mainly through transparency and the permanent review process in connection with monthly results, forecasting and budgeting. In the event of M&A, a dedicated programme management team will be established for the accelerating shareholder value creation transformation. Through strong due diligence processes and closely managed integration processes, we seek to reduce the probability of M&A-related risk. Currency risks, on the other hand, are sought to be minimised through natural hedging by increasing the Company's cost base in EUR. As far as Brexit uncertainty and political instability, in general, is concerned, the breadth of our service portfolio and our geographic reach help to mitigate our exposure to any particular localised risk. We monitor proposed changes in taxation legislation and new accounting standards to ensure these are taken into account when we consider our future business plans. We try to manage the working capital risk by increasing and diversifying our client base in a way, which allows us to become less dependent on fourth quarter gross sales. While the Group continues to be independent on external funding, the risk of not finding these funds is not regarded as imminent. Matters of substantial significance are also reviewed with the Supervisory Board through the two-tier board structure. Management realises that the expansion of the business does require some risk taking and evaluates its risk appetite as medium. Management therefore estimates this overall financial risk to be low.

As far as compliance risks are concerned as the Group is growing in a complex and rapidly changing environment and is in an ongoing process of establishing and improving its processes, regulatory violations may occur. Management's risk appetite is generally low and matters of substantial significance are also reviewed with the Supervisory Board through the two-tier board structure. The ad pepper Group is committed to complying with the laws and regulations of the countries in which we operate. However, with the General Data Protection and ePrivacy Regulation, compliance obligations and financial penalties for noncompliance are increasing significantly. Should the risk materialise, it would have a very high, potentially critical impact. We mitigate the risk by working with well-established external partners such as tax, legal and audit advisors in all countries we are operating, as well as building in-house capabilities through training and qualification measures for existing staff.

The following overview table shows a summary of risk type and respective risk appetite:

Risk category	Risk	Appetite
Operational risk	Infrastructure risk	Moderate
	Technology risk	Moderate
	Cybercrime, hacking, identity theft and risk of fraud	Low
	Intellectual property rights risk	Low
Strategic risk	Personnel risk	Low
	Market risk	Low
	Dependency risk	Moderate
	Platform risk	Moderate
Financial risk	Low profitability	Low
	Risks of our M&A strategy	Low
	Currency risk	Moderate
	Tax risk	Low
	New accounting standards	Low
	Liquidity and cash flow risks	Low
	Working capital risk	Moderate
	Capital risk	Low
Compliance risk	Governance risk	Low
	Data risk	Low
	Violations of other legal requirements	Low

» EVALUATION OF RISK MANAGEMENT SYSTEM EFFECTIVENESS

The ad pepper Group's long-term strategy is focused on creating value for our shareholders and stakeholders through profitable growth. In implementing this strategy, the Company has evaluated the relevant operational, strategic, financial and compliance risks as well as the risks and opportunities of future market trends for e-commerce in general and for digital advertising providers in particular. The Board of Directors is responsible for identifying and managing risks with appropriate measures. Significant issues are also reviewed with the Supervisory Board through the two-tier board structure. Internal controls have a high priority and are continuously assessed and further improved. Separation between executive and controlling functions and compliance with directives and operating instructions are an integral part of the internal control system and no risk with a significant impact were identified. The risk management and internal control systems, however, provide absolute assurance that errors, fraud losses, or unlawful acts will not occur. During the 2021 financial year, no significant shortcomings were found in the internal risk management and control system, and no risk with a significant impact were identified. From a current perspective, we foresee no risks that, even in conjunction with other risks, could threaten the continued existence of the ad pepper Group. Please also refer to the disclosure on page 77 in the Consolidated Financial Statements.

We are convinced that risk management has to be part of the mindset and working methods of our staff, and retaining control is of prime importance to us. The Company continued to work on optimising its risk management and internal control systems in 2021 while acknowledging that such systems cannot offer absolute assurance against errors of material importance. The Board of Directors is conscious that the Company does not yet have an internal audit function and has discussed this with the Supervisory Board. After an in-depth discussion the Board of Directors and the Supervisory Board concluded that the Company does not currently require an internal audit function, although this may change in future depending on further company growth. From its evaluations, the Board of Directors concludes that the risk management system as well as the control of the business processes and the internal control within the Company are sufficient, professional, appropriate and effective. The Board of Directors is of the opinion that the risk management system with its controls and processes provides an adequate level of assurance on the reliability of financial information and control information in accordance with relevant laws and regulations.

In the past financial year, the ad pepper Group and its external data privacy officer worked closely to ensure fulfilment of the obligations imposed by the European legislator through the GDPR. Regular meetings were held and results presented to the Board of Directors as well as the Supervisory Board.

The ad pepper Group operates an information protection management system based on ISO 27001 comprising security guidelines as well as organisational and technical measures to prevent and address IT security incidents. Also in 2021, ad pepper Group also implemented regular cyber security awareness trainings for all Group staff due to higher frequency of so-called fake-president-fraud attempts. The Group repeatedly pointed out that no employees, including Management Board members, are allowed to ask for payments/money transfers via email and nobody in the Group is allowed to circumvent the four-eyes-principle. As mistakes are always possible, the Company is aware that there is a risk that an employee might execute a payment within the maximum available overdraft limit.

» OPPORTUNITIES AND OUTLOOK

In 2021, the ad pepper Group achieved record revenues along with a satisfying level of profitability. Driven by a solid growth, we generated consolidated revenue of EUR 27,646k and EBITDA of EUR 4,378k. The ongoing digital transformation, focusing on the right customers with the right set of services and products and thanks to the hard work of around 250 staff members helped once again achieving one of the best financial performances in the Company's history, second only to the unprecedented business year 2020.

As mentioned before, we believe digitalisation is an ongoing, unstoppable trend. The digital transformation further accelerated and is an inevitable requirement for most businesses in order to generate growth and stay competitive. Most of our clients are B2C e-commerce clients who are continuously investing in digital solutions and looking for partners who can help achieve their business goals. This is a unique and tremendous opportunity for our Group.

However, negative effects on the wider market based on the spread and impact of COVID-19 and its variants cannot be excluded and may be outside of the Company's influence. The financial years 2020 and – to a lesser degree – also 2021 showed a substantial increase in user time spent on the Internet and on mobile devices along with increased e-commerce transactions and volumes, as outlined above. But some industries remain negatively impacted by the pandemic, e.g. travel/leisure as well as industries highly dependent on functioning supply chains like – for instance – the automotive industry. In addition, despite substantial advances in vaccine production and development, a dampening of consumer confidence and more cautious customer purchasing behaviour in an environment of overall lower growth and higher inflation cannot be excluded in the short to mid-term.

All in all, we are optimistic to achieve solid growth also in the year 2022. For our organic growth strategy, no additional financing is needed given the strong balance sheet. We will continue to hire new staff, invest in new products, services and markets. We will concentrate on lucrative customer groups, as well as on broadening and diversifying these customer groups, which was key also in the past financial year.

» 04.6

RESPONSIBILITY STATEMENT

» RESPONSIBILITY STATEMENT

In accordance with the EU Transparency Directive, as incorporated in Chapter 5.1A of the Dutch Financial Supervision Act (Wet op het financieel toezicht), the Board of Directors declares that, to the best of its knowledge:

- The Consolidated Financial Statements for the year ended 31 December 2021 give a true and fair view of the assets, liabilities, financial position and profit or loss of ad pepper media International N.V. and its consolidated companies.
- The report of the Board of Directors gives a true and fair view of the position as of the balance sheet date and the state of affairs during the 2021 financial year of ad pepper media International N.V. and its affiliated companies, of which the data has been included in the Consolidated Financial Statements.
- The report of the Board of Directors describes the principal risks that ad pepper media International N.V. faces.

Board of Directors
ad pepper media International N.V.

Dr Jens Körner, CEO

Nuremberg, 29 March 2022

» 05

CONSOLIDATED FINANCIAL STATEMENTS

» CONSOLIDATED INCOME STATEMENT

	Note	1/1 - 31/12/2021 kEUR	1/1 - 31/12/2020 kEUR
Gross sales[1]	[6]	111,593	101,344
Media cost[2]	[8]	-83,947	-75,729
Revenue		**27,646**	**25,615**
Cost of sales	[8]	-1,059	-928
Gross profit		**26,587**	**24,687**
Selling and marketing expenses	[9]	-15,739	-13,411
General and administrative expenses	[10]	-7,707	-7,108
Other operating income	[11]	530	1,514
Other operating expenses	[12]	-477	-234
Operating profit		**3,194**	**5,448**
Financial income	[13]	78	5
Financial expenses	[13]	-116	-121
Income before taxes		**3,156**	**5,332**
Income taxes	[14]	-592	-991
Net income		**2,564**	**4,341**
attributable to shareholders of the parent company		1,725	3,664
attributable to non-controlling interests		839	677
Basic earnings per share on net income for the year attributable to shareholders of the parent company	[15]	0.08	0.17
Diluted earnings per share on net income for the year attributable to shareholders of the parent company	[15]	0.08	0.17

Weighted average number of shares outstanding (basic)	**[15]**	**20,735,183**	**21,004,055**
Weighted average number of shares outstanding (diluted)	**[15]**	**20,977,243**	**21,135,862**

1 Gross sales represent the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of gross revenue information is not required under IFRS; however, it is voluntarily disclosed from 1 January 2018 onwards in the Consolidated Income Statement as management has concluded that the information is useful for users of the financial statements. Please refer to Note [6].

2 Media cost relates to payments made to suppliers of ad inventory (commonly referred to as media buys and publishers). Disclosure of media cost information is not required under IFRS; however, it is voluntarily disclosed from 1 January 2018 onwards in the Consolidated Income Statement as management has concluded that the information is useful for users of the financial statements. Please refer to Note [8]

» CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1/1 - 31/12/2021 kEUR	1/1 - 31/12/2020 kEUR
Net income	**2,564**	**4,341**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	236	-232
Revaluation of listed debt securities	-6	18
Other comprehensive income, net of tax	**230**	**-214**
Total comprehensive income	**2,794**	**4,127**
Attributable to non-controlling interests	839	677
Attributable to shareholders of the parent company	1,955	3,450

» CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

	Note	31/12/2021 kEUR	31/12/2020 kEUR
Non-current assets			
Intangible assets	[16], [17]	628	737
Property, plant and equipment	[17]	346	412
Right-of-use assets	[41]	1,177	1,568
Listed debt and marketable securities	[18]	3,057	1,012
Other financial assets	[19]	391	394
Total non-current assets		**5,599**	**4,123**
Current assets			
Trade receivables	[20]	19,319	19,727
Other receivables	[21]	398	340
Income tax receivables	[22]	306	292
Other financial assets	[23]	26	29
Cash and cash equivalents	[24]	20,704	24,330
Total current assets		**40,753**	**44,718**
Total assets		**46,352**	**48,841**

» CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

	Note	31/12/2021 kEUR	31/12/2020 kEUR
Equity attributable to shareholders of the parent company			
Issued capital	[25]	1,075	1,075
Share premium	[26]	63,782	63,782
Reserves	[27]	-46,182	-45,176
Total		**18,675**	**19,681**
Non-controlling interests	[28]	1,413	1,157
Total equity		**20,088**	**20,838**
Non-current liabilities			
Deferred tax liabilities	[14]	81	31
Other liabilities	[29], [41]	865	1,211
Total non-current liabilities		**946**	**1,242**
Current liabilities			
Trade payables	[30]	20,247	20,738
Contract liabilities	[31]	446	273
Other liabilities	[2], [32], [40]	2,286	2,841
Other financial liabilities	[33], [41]	1,609	2,090
Income tax liabilities	[14]	730	819
Total current liabilities		**25,318**	**26,761**
Total liabilities		**26,264**	**28,003**
Total equity and liabilities		**46,352**	**48,841**

» CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	1/1 - 31/12/2021 kEUR	1/1 - 31/12/2020 kEUR
Net income		**2,564**	**4,341**
Adjustments for:			
Depreciation and amortisation	[16], [17], [41]	1,184	1,111
Gain/loss on sale of fixed assets	[11], [12]	-10	-9
Share-based compensation	[38]	371	271
Gain/loss on sale of securities and other investments (after bank charges)	[18], [13]	5	0
Other financial income and financial expenses		33	116
Income taxes	[14]	592	991
Income from the release of accrued liabilities	[11], [37]	-982	-611
Other non-cash expenses and income		-195	-735
Cash settlement of stock option plans	[38]	-981	-82
Gross cash flow		**2,581**	**5,393**
Change in trade receivables	[20]	354	-4,865
Change in other assets		-82	-273
Change in trade payables	[30]	528	2,904
Change in other liabilities		-472	677
Income taxes received		268	30
Income taxes paid		-931	-450
Interest received		78	5
Interest paid		-116	-121

	Note	1/1 - 31/12/2021 kEUR	1/1 - 31/12/2020 kEUR
Net cash flow from/used in operating activities		**2,208**	**3,300**
Purchase of intangible assets and property, plant and equipment	[16], [17]	-299	-787
Proceeds from sale of intangible assets and property, plant and equipment	[11], [12]	57	10
Proceeds from sale of securities		0	0
Purchase of securities		-1,999	-994
Net cash flow from/used in investing activities		**-2,241**	**-1,771**
Issuance of shares		87	163
Payment of lease liabilities	[41]	-757	-763
Purchase of treasury shares		-2,576	-1,141
Dividends to non-controlling interests	[28]	-583	-455
Net cash flow from/used in financing activities		**-3,829**	**-2,196**
Net decrease/increase in cash and cash equivalents		-3,862	-667
Cash and cash equivalents at beginning of period		**24,330**	**25,229**
Effect of exchange rates on cash and cash equivalents		236	-232
Cash and cash equivalents at end of period	**[23]**	**20,704**	**24,330**

05
CONSOLIDATED FINANCIAL STATEMENTS

» CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2021

	Note	Balance at 1/1/2021	Profit for the period	Other comprehensive income	Total comprehensive income	Share-based payment	Dividends	Purchase of treasury shares	Cash settlement of SOP's	Issuance of shares	Balance at 31/12/2021
Issued capital (kEUR)	**[25]**	**1,075**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,075**
Share premium (kEUR)	**[26]**	**63,782**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**63,782**
Reserves	**[27]**										
Treasury reserve (kEUR)		-2,417	0	0	0	0	0	-2,576	0	87	-4,906
For employee stock option plans (kEUR)	[38]	2,663	0	0	0	164	0	0	0	0	2,827
Accumulated deficit (kEUR)	[2]	-44,051	1,725	0	1,725	0	0	0	-636	0	-42,962
Currency translation basis of preparation differences (kEUR)		-1,389	0	236	236	0	0	0	0	0	-1,153
Revaluation of listed debt securities (kEUR)	[18]	18	0	-6	-6	0	0	0	0	0	12
Subtotal reserves (kEUR)		**-45,176**	**1,725**	**230**	**1,955**	**164**	**0**	**-2,576**	**-636**	**87**	**-46,182**
Equity attributable to shareholders of the parent company (kEUR)		**19,681**	**1,725**	**230**	**1,955**	**164**	**0**	**-2,576**	**-636**	**87**	**18,675**
Non-controlling interests (kEUR)	[28]	1,157	839	0	839	0	-583	0	0	0	1,413
Total equity (kEUR)		**20,838**	**2,564**	**230**	**2,794**	**164**	**-583**	**-2,576**	**-636**	**87**	**20,088**

05
CONSOLIDATED FINANCIAL STATEMENTS

» CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2020

	Note	Balance at 1/1/2020	Profit for the period	Other comprehensive income	Total comprehensive income	Share-based payment	Dividends	Purchase of treasury shares	Cash settlement of SOP's	Issuance of shares	Balance at 31/12/2020
Issued capital (kEUR)	**[25]**	**1,075**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,075**
Share premium (kEUR)	**[26]**	**63,782**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**63,782**
Reserves	**[27]**										
Treasury reserve (kEUR)		-1,438	0	0	0	0	0	-1,142	0	163	-2,417
For employee stock option plans (kEUR)	[38]	2,558	0	0	0	105	0	0	0	0	2,663
Accumulated deficit (kEUR)	[2]	-47,715	3,664	0	3,664	0	0	0	0	0	-44,051
Currency translation differences (kEUR)		-1,157	0	-232	-232	0	0	0	0	0	-1,389
Revaluation of listed debt securities (kEUR)	[18]	0	0	18	18	0	0	0	0	0	18
Subtotal reserves (kEUR)		**-47,751**	**3,664**	**-214**	**3,450**	**105**	**0**	**-1,142**	**0**	**163**	**-45,176**
Equity attributable to shareholders of the parent company (kEUR)		**17,105**	**3,664**	**-214**	**3,450**	**105**	**0**	**-1,142**	**0**	**163**	**19,681**
Non-controlling interests (kEUR)	[28]	935	677	0	677	0	-455	0	0	0	1,157
Total equity (kEUR)		**18,040**	**4,341**	**-214**	**4,127**	**105**	**-455**	**-1,142**	**0**	**163**	**20,838**

» 06

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

» CORPORATE INFORMATION [1]

The Consolidated Financial Statements of ad pepper media International N.V. (the "Company") for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 29 March 2022. ad pepper media International N.V. is a public company incorporated in the Netherlands, domiciled at Frankenstrasse 150 C, 90461 Nuremberg, Germany and is the ultimate parent and controlling party of the ad pepper Group (the "Group"). The Company's shares are publicly traded under WKN 940883 (ISIN NL0000238145) on the Prime Standard of the Frankfurt Stock Exchange. The business activities of ad pepper media International N.V. involve holding investments in other entities whose objective is to market advertising space on the internet and providing services for the subsidiaries. Since its formation, the Group has been geared towards acting flexibly to meet the requirements of a whole range of different markets as an international Group.

The ad pepper Group is an international provider of interactive products and services for websites and advertisers. The Company currently markets campaigns and websites worldwide and operates from eleven offices in Europe. The ad pepper Group uses state-of-the-art technology to link thousands of small, medium and large websites to form a top-quality advertising network with global reach and a precise focus on its target groups. In addition to a regional, national and international marketing presence, website partners receive a large number of other important products and services such as traffic analysis and performance optimisation, provided by the ad pepper Group and its affiliated entities in a localised form.

» ACCOUNTING PRINCIPLES [2]

Basis of preparation

The Consolidated Financial Statements have been prepared on a historical cost basis, except for employee benefit liabilities, which have been measured at fair value. The Consolidated Financial Statements are presented in EUR. All values are rounded up or down to the nearest thousand euro (kEUR) or million euro (mEUR) except where indicated otherwise. Due to rounding, individual figures may not add up exactly to the totals stated. Based on the requirements of the Dutch Civil Code, a full Annual Report comprises reports from the Board of Directors and the Supervisory Board, Consolidated Financial Statements, Company Financial Statements and other information.

This report includes the reports from the Board of Directors and the Supervisory Board, Consolidated Financial Statements, Company Financial Statements and other information.

Statement of compliance

The Consolidated and Company Financial Statements of ad pepper media International N.V. and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), in conjunction with Part 9 of Book 2 of the Dutch Civil Code. The same accounting principles may be applied in the Company's Financial Statement and the Consolidated Financial Statements. If the accounting principles of the Company's Financial Statements differ from the accounting principles applied in the Consolidated Financial Statements, this is disclosed.

Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of ad pepper media International N.V. and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as those of the parent company, using consistent accounting policies. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All business combinations are accounted for under the acquisition method. In accordance with this method, the purchase price has been allocated to the fair value of the interest held in the net assets of the consolidated subsidiaries at the time of acquisition.

In doing so, all identifiable assets, liabilities and contingent liabilities are recognised at fair value and measured accordingly in the consolidated balance sheet. Following adjustments to the fair values of assets acquired and liabilities assumed, any resulting positive difference is capitalised in the balance sheet as goodwill. Situations in which the fair value of net assets is greater than the purchase price paid result in a negative difference. In the event that such difference remains following reassessment of the allocation of the purchase price or determining the fair value of acquired assets, liabilities and contingent liabilities, this is recognised immediately as income. The proportion of assets, liabilities and contingent liabilities of the subsidiary applicable to non-controlling interest is also recognised at fair value. All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognised in assets are eliminated in full.

Consolidated Group

The subsidiaries included in consolidation are as follows:

Entity	31/12/2021	31/12/2020
	Share in percent	Share in percent
ad pepper media GmbH, Nuremberg, Germany	100	100
ad pepper media France S.A.R.L., Paris, France	100	100
ad pepper media USA LLC, New York, USA	100	100
ad pepper media Spain S.A., Madrid, Spain	65	65
Webgains S.L., Madrid, Spain	65	65
Webgains Ltd., London, United Kingdom	100	100
ad agents GmbH, Herrenberg, Germany	60	60
ad agents AG, Pontresina, Switzerland	60	60
Webgains Italy S.r.l., Milan, Italy	100	100
Webgains GmbH Nuremberg, Germany	100	100
Webgains B.V., Amsterdam, Netherlands*	100	0

*Refer to Note [4].

Changes in accounting policies and estimates

The accounting policies adopted in the preparation of the Group's annual Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual Consolidated Financial Statements for the year ended 31 December 2020 except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the Consolidated Financial Statements of the Group.

Summary of new accounting policies

The following further amendments, improvements and interpretations to existing standards require first-time application in the financial year beginning 1 January 2021:

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform" (Phase 2) (publication: November 2020):** The objective of the second phase of the Board's project was to assist entities in providing useful information about the effects of the transition to alternative benchmark rates. The amendments affect the following key areas: changes in the basis for determining the contractual cash flows, hedge accounting and disclosures and had no impact on the Consolidated Financial Statements.
- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (publication: December 2020):** The new standard, effective for reporting periods beginning on or after 1 January 2021 replaces IFRS 4 Insurance Contracts and has no impact on the Group.
- **Amendment to IFRS 16 Leases COVID-19 Related Rent Concessions (publication October 2020):** On 28 May 2020, the IASB issued the COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. These amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this choice accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way they would account for the change under IFRS 16, if the change were not a lease modification. The amendment had a minor impact on the Consolidated Financial Statements.

New amendments and interpretations requiring application in financial years beginning after January 2021:

- **Amendments to IFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021":** The original amendment was issued on 28 May 2020 and was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, the IASB extended the period of application of the practical expedient to 30 June 2022. This amendment is not expected to have an impact on the Group.
- **Amendments to IFRS 3 Business Combinations (updating a reference without significant changes to its requirements); IAS 16 Property, Plant and Equipment (changes regarding proceeds from items produced), IAS 37 Provisions (changes regarding costs a company should include as the cost of fulfilling an onerous contract), Contingent Liabilities and Contingent Assets (changes regarding costs a company should include as the cost of fulfilling an onerous contract) and Annual Improvements 2018-2020.** These amendments are not expected to have an impact on the Group.
- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2:** Disclosure of Accounting Policies. These amendments are effective on 1 January 2023 and their impact on the Group is currently under evaluation.
- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates an Errors:** Definition of Accounting Estimates. These amendments are effective on 1 January 2023 and their impact on the Group is currently under evaluation.
- **IFRS 17 Insurance Contracts including Amendments to IFRS 17.** These amendments are effective on 1 January 2023 and will not have any impact on the Group.

Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, which are described below in Note [3], the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Judgements, estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date have been applied in particular to the assessment of revenue from contracts with customers (Note [5]), accrued liabilities for outstanding affiliate payments (Note [30]), incremental borrowing rates of right-of-use liabilities (Note [41]), the provision for expected credit losses of trade receivables (Note [40]), share based payments (Note [38]) and on the measurement of deferred tax assets on losses carried forward (Note [14]).

A) Judgements

Preparing the financial statements in accordance with the IFRS requires the Group management to make judgements in respect to the recognised amounts of revenue in all three operational segments. The Company assesses its revenue arrangement in its business units against specific criteria in order to determine if it is acting as principal or agent. The factors specified by IFRS 15 indicate that the Group does not control services before they are transferred to customers. Therefore, the Group determined that it is an agent in all its customer contracts and is recognising its revenue on a net basis, consequently excluding media cost owed to delivery partners from revenue and cost of sales respectively.

B) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Accrued liabilities

In measuring accrued liabilities for affiliate credits not yet disbursed in the Webgains segment, reference has been made to assumptions determined with the assistance of various controlling and reporting tools. Based on various evaluations, the ad pepper Group assesses the disbursement of credits for confirmed transactions that have not been called up more than one year after the closure of the programme as well as of credits of inactive publishers as unlikely and has reduced the accrued liability by the resultant amounts.

The provision for expected credit losses of trade receivables

An impairment analysis is performed at each reporting date using a matrix to calculate expected credit losses (ECL) for trade receivables. The provision is initially based on the Group's historical observed default rates and potentially adjusted with forward-looking information. At every reporting date, the historical observed default rates are updated, changes in the forward-looking estimates and evidence for impairment are analysed.

Share based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield, and assumptions about them.

06
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a Monte Carlo simulation model. For cash-settled share-based payment transactions, which have been reclassified from equity-settled stock options, the liability must be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. The assumptions and models used for estimating fair value for share-based payment and cash-settled transactions are disclosed in Note [38].

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available, against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. Further information is presented in the note on incomes taxes (Note [14]).

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease contracts for offices and cars. Therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available. The Group estimates the IBR using the market interest rate provided by its bank.

» SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [3]

Foreign currency translation

The Consolidated Financial Statements are presented in EUR, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions of foreign currencies are initially recorded at the functional currency rate applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange applicable at the balance sheet date. All differences are applied as either profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate applicable on the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate applicable on the date when the fair value was determined.

As at the reporting date, the assets and liabilities of those subsidiaries that have a functional currency other than the EUR are translated into the presentation currency of ad pepper media International N.V. (EUR) at the rate of exchange applicable at the balance sheet date, and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising from the translation are applied directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The significant foreign currency exchange rates developed as follows:

Foreign currency per EUR 1	Closing rate 31/12/21	Closing rate 31/12/20	Average rate 2021	Average rate 2020
USD	1.334	1.2281	1.1886	1.1250
GBP	0.8393	0.9031	0.8776	0.8874
CHF	1.0363	1.0857	1.2278	1.0826

Property, plant and equipment

Property, plant and equipment are stated at historical cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the line item will flow to the Group and the cost of the item can be reliably measured. Depreciation is calculated on a straight-line basis over the useful life of the assets. The estimated useful lives of the assets are between three and ten years. An item recorded under property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets have finite lives and are amortised using the straight-line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year-end. Gains or losses arising from derecognising an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- **Office space** 1 to 5 years
- **Vehicles** 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in other long-term and short-term other financial liabilities.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office space and cars (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Research and development costs

Research costs are expensed as incurred. An intangible asset resulting from the development of an individual project is only capitalised when it cumulatively meets the criteria for recognition stipulated in IAS 38. During the period of development, the asset is tested for impairment annually. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-monetary asset (property, plant and equipment; intangible assets, right-of-use assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the fair value of the asset or cash-generating unit less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. The valuation model is based on a discounted cash flow method.

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increased amount shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised on the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised for goodwill are not reversed for subsequent increases in its recoverable amount.

Other receivables

Other receivables consist mainly of security deposits made for rental agreements. Upon initial recognition, other receivables are measured at fair value. Subsequently, they are measured at amortised cost, after deduction of any write-downs. A write-down is applied when objective indications suggest that the receivable may not be fully collectible.

Investments and other financial assets

Financial assets within the scope of IFRS 9 Financial Instruments are classified and subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI, as appropriate. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Currently the most relevant to the group categories are:

- Financial assets at amortised cost (debt instrument), which includes trade receivables
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income are carried in the statement of financial position at fair value with net changes in fair value recognised in the other comprehensive income. This category includes listed debt investments.

A financial asset is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Fair value
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models. If the fair value of an unquoted equity instrument cannot be measured reliably, it is carried at cost.

Impairment of financial assets carried at amortised cost

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL in line with IFRS 9. A default on receivables expected over the respective term (stage 2 of the impairment model) is determined for trade accounts receivable based on historical default rates for a respective customer portfolio, adjusted for forward-looking factors specific to the debtors and the economic environment, based on segment and geographic allocation.

When actions such as insolvency or comparable proceedings have been initiated or other substantial indications that receivables are impaired become apparent like a deterioration of the payment behaviour, the receivables are individually tested for impairment (stage 3 of the impairment model). All receivables more than 90 days overdue are tested for impairment. Impaired debts are written off when they are deemed uncollectable. In the reporting year, bad debt allowance on trade receivables was applied at a rate of 50 percent after 120 days overdue, 75 percent after 240 days overdue, and 100 percent after one year overdue. However, in certain cases the Group may also consider a financial asset to be uncollectable when external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full, before taking into account any credit enhancements held by the Group.

The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. If the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the recognition of impairment, the impairment loss previously recognised is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Treasury shares

The Group's own equity instruments that are repurchased (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue, or cancellation of the Group's own equity instruments.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Provisions and accrued liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation although the respective due date or amount is still uncertain. If the effect of the time value of money is material, long-term provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

06
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Accrued liabilities are obligations to pay for goods or services received or delivered that have neither been paid, nor invoiced by the suppliers. Even though estimates are occasionally required to determine the amount or timing of accrued liabilities, the degree of uncertainty is generally much lower than for provisions. Accrued liabilities are recognised under trade payables.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract.

Financial liabilities

Financial liabilities are liabilities that must be settled in cash or other financial assets. Based on their nature, financial liabilities are measured at amortised costs and are derecognised upon settlement or cancellation.

Share-based payment transactions

Equity-settled transactions
Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using an appropriate pricing model, further details of which are given in Note [40]. The cost of equity-settled transactions (remuneration cost) is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are provided in Note [15]).

Cash-settled transactions
A liability is recognised for the fair value of cash-settled transactions. The fair value is measured at modification date and at each subsequent reporting date up to and including the settlement date, with changes recognised in employee benefits expense in profit or loss.

Revenue from contracts with customers
The Group is in the business of providing performance marketing services, in which third parties provide services to its customers. When another party provides goods or services to its customers, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company has concluded that it is acting as an agent in all of its revenue arrangements, as its role is restricted to arranging a third party that supplies ad inventory to deliver the ad to the end customer. Consequently, the Group records revenue at the net amount that it retains for its services, which is limited to campaign management, while media cost for ad inventory used is excluded from the revenue definition. For further explanations, please refer to Note [2].

Revenue from contracts with customers is recognised when the service is rendered. Depending on the requirements of the specific product, this usually occurs when successful transactions result from user action (CPA), ad impressions are generated (CPC) or personal data is provided (CPL). Gross sales represent the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of gross sales information is not required under IFRS, however, it is voluntarily disclosed in the Consolidated Income Statement, as management has concluded that the information is useful for users of the financial statements.

As all performance obligations have an original expected duration of less than one year and meet the requirement of the right to invoice practical expedient in IFRS 15.B16, the Company does not disclose the amount of the remaining performance obligations.

Rendering of services

Webgains
Revenue in this segment is generated by placing the merchant's advertising on publishers' websites (affiliate marketing). By using the Webgains technology platform, appropriate publishers are selected for placement of the advertisements on websites likely to drive traffic back to the merchant's website and consequently enhance the merchant's transaction values. The merchant pays us on a cost-per-action basis (CPA), which means that the merchant only pays when successful transactions result from the traffic. The price billed to the merchant consists of an override and a commission. The override is considered the amount the Group is entitled to for its services.

The commission is the amount paid to our publishers and is excluded under IFRS 15 from the revenue definition. Consequently, commission to publishers is also not included in the Group's cost of sales. The contractual agreement provides the customer with a recall period, where every occurred transaction can be cancelled within a certain period.

Depending on the industry the transaction occurred in, the recall periods range from 30 days in the fashion and beauty industry up to 360 days for insurance, travel and mobile sales. Based on historical data, the Group calculates at year-end the amount to be recognised as return assets and refund liabilities for transactions in the recall period.

ad pepper
Revenue in the ad pepper segment is generated by marketing internet advertising space. Advertising customers book units (ad impressions, ad clicks, registrations, mail-outs, transactions) via the Company, and these are then supplied over a period defined by the customer. ad pepper customers pay us on the basis of cost per click (CPC), cost per lead (CPL) or cost per impression (CPM). All of the three billing methods consist of media costs owed to ad pepper's delivery partners and a service charge as an amount levied by the Group for its services. The media cost is the amount paid to the delivery partners and is excluded under IFRS 15 from the revenue definition. Consequently, media costs are also not included in the Group's cost of sales.

In cases in which the campaign starts before the balance sheet date and lasts beyond this date, revenue is accounted proportionately based on the stage of completion at the end of the reporting period. Stage of completion is determined as the proportion of the costs incurred until the end of the reporting period in the total costs of the campaign, which can be reliably estimated.

ad agents
Revenue in the ad agents segment is mainly generated by providing search engine advertising. In these contractual agreements with clients where search engine providers are contracted by ad agents, and on its behalf the amounts billed to customers consist of media costs owed by ad agents to the search engine providers and a fee as a percentage of the media cost, the Group levies for its services. In other contractual arrangements, the search engine provider enters a direct contractual agreement with ad agents' client, so that media costs are not invoiced by ad agents but are charged from search engine provider to client directly. In this case, the amount billed to the customer consists only of the fee as a percentage of the media cost.

In both cases, the Group is only entitled to the service charge as a percentage of the media budget. Media costs billed to clients and owed to search engine providers for indirect billing agreements do not constitute revenue according to IFRS 15 and are consequently excluded from cost of sales.

Interest income
Interest income is recognised as it accrues using the effective interest rate method.

Current income tax

Current taxes are determined on the basis of annual earnings with due reference to national tax rates and tax legislation in the various tax jurisdictions valid as of the balance sheet date. Current income tax relating to items recognised directly in other comprehensive income is only recognised there and not in the income statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except for goodwill, whereon the recognition is not permitted. Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax relating to items recognised directly in other comprehensive income is only recognised there and not in the income statement. Deferred income tax assets and deferred income tax liabilities are offset if there is a legally enforceable right to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

» BUSINESS COMBINATIONS [4]

As in 2020, no business combinations occurred in the 2021 financial year.

The following subsidiaries have been incorporated in 2021:

	Country of Incorporation	Date of Incorporation	Date of Capital Contribution	Date of Commercial Register Entry
Webgains B.V.	Netherlands	18 November 2021	28 December 2021	18 November 2021

» REVENUE FROM CONTRACTS WITH CUSTOMERS [5]

Disaggregated revenue information

The following is a breakdown of the Group's revenue from contracts with customers, which is based on the invoicing country:

For the year ended 31 December 2021

Segments	ad pepper	Webgains	ad agents	Total
	kEUR	kEUR	kEUR	kEUR
Geographical markets				
Germany	2,262	2,648	7,197	12,107
United Kingdom	0	10,480	0	10,480
Spain	1,675	1,775	0	3,450
Other*	0	639	970	1,609
Revenue	**3,937**	**15,542**	**8,167**	**27,646**

For the year ended 31 December 2020

Segments	ad pepper	Webgains	ad agents	Total
	kEUR	kEUR	kEUR	kEUR
Geographical markets				
Germany	3,487	2,364	7,064	12,915
United Kingdom	0	9,102	0	9,102
Spain	1,844	1,228	0	3,072
Other*	0	526	0	526
Revenue	**5,331**	**13,220**	**7,064**	**25,615**

*Includes USA, which was presented separately in prior years.

06
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contract balances

	31/12/21	31/12/20
	kEUR	kEUR
Contract liabilities	**272**	**273**

Contract liabilities include short-term advances received from customers during 2021 to render SEA (Search Engine Advertising) services in the ad agents segment.

Performance obligations

Information about the Group's performance obligations is summarised below:

ad pepper
Service orders received from clients in accordance with framework agreements are generally short term in nature. The performance obligation is satisfied over time and usually occurs when the user provides personal data or when an impression is generated on the user's device. Revenue therefore accrues each time the ad is displayed or personal data is entered by the user. Clients are invoiced monthly for the service delivered during the month based on the agreed transaction price multiplied by the delivered amounts. Payment is generally due within 14 days of invoicing.

As all ads are placed on third-party ad inventory properties, the Group has no control over the advertising inventory before it is transferred to its customers, with the Group acting as an agent in all contractual arrangements.

ad agents
Service orders received from clients in accordance with annual framework agreements are generally short term in nature. The performance obligation resulting from each service order is satisfied over time and occurs when the user clicks on the phrase created and placed by ad agents on search engines. The customer pays on a CPC basis, which means that the customer pays ad agents only when a user clicks on the ad in the search engine. Clients are invoiced monthly for the services provided during the month as a percentage fee of the media budget used during the month or in case of indirect billing contracts as media budget used for third-party delivery partners plus a percentage fee of the media budget. The payments are due within 0 to 90 days from invoicing.

As all ads are placed on third-party ad inventory properties, the Group has no control over the advertising inventory before it is transferred to our customers, with the Group acting as an agent in all contractual arrangements.

Webgains
The performance obligation is satisfied over time and occurs when successful transactions result from traffic. Contracts with clients are generally concluded for periods of 12 months or less. The invoicing is transaction-based and is carried out monthly.

The contract provides the customer with a recall period, in which any transaction can be cancelled within a certain period. Depending on the industry, the recall periods range from 30 days in the fashion and beauty industry and up to 360 days for insurance, travel and mobile sales. Based on historical data, at year-end the Group calculates the amount to be recognised as return assets and refund liabilities for transactions in the recall period. As at 31 December 2021 and 31 December 2020, the Group's calculation resulted in amounts that have no material impact on the revenue recognised in the financial year.

As all performance obligations have an original expected duration of less than one year and meet the requirement of the right to invoice practical expedient in IFRS 15.B16, the Company does not disclose the amount of the remaining performance obligations.

» SEGMENT REPORTING [6]

IFRS 8 requires entities to report financial and descriptive information on their reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity for which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance.

Generally, financial information must be reported on the same basis as it is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. Financial information reported to the Group's chief operating decision-maker for the purposes of resource allocation and assessment of segment performance is focused on the category Segment profit, reflecting the EBIT (Earnings before interest and taxes) or EBITDA (Earnings before interest, taxes, depreciation and amortisation) earned by each segment as stipulated by the IFRS.

This is the measure reported to the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance. The basis of accounting for intersegment transactions is the "dealing at arm's length" principle.

Financial year 2021	ad pepper	Webgains	ad agents	Admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Gross sales*	**7,983**	**77,723**	**25,893**	**319**	**-325**	**111,593**
Thereof external	7,979	77,722	25,892	0	0	111,593
Thereof intersegment	4	1	1	319	-325	0
Revenue	**3,941**	**15,542**	**8,168**	**319**	**-324**	**27,646**
Thereof external	3,937	15,542	8,167	0	0	27,646
Thereof intersegment	4	0	1	319	-324	0
Gross profit	**3,524**	**14,987**	**7,762**	**319**	**-5**	**26,587**
Expenses (including cost of sales) and other income	-3,473	-12,615	-6,693	-1,990	319	-24,452
Thereof amortisation and depreciation	-136	-547	-247	-254	0	-1,184
Thereof other non-cash expenses	-5	-222	0	0	0	-227
Thereof other non-cash income	475	857	9	64	0	1,405
EBITDA	**604**	**3,474**	**1,722**	**-1,417**	**-5**	**4,378**
Operating profit	**468**	**2,927**	**1,475**	**-1,671**	**-5**	**3,194**
Financial income	0	6	0	74	-2	78
Financial expenses	-8	-28	-17	-65	2	-116
Income taxes	-155	-111	-326	0	0	-592
Net income for the year	**305**	**2,794**	**1,132**	**-1,662**	**-5**	**2,564**

Financial year 2020	ad pepper	Webgains	ad agents	Admin	Intersegment elimination	Group
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Gross sales*	**10,443**	**67,834**	**23,083**	**417**	**-433**	**101,344**
Thereof external	10,431	67,834	23,079	0	0	101,344
Thereof intersegment	12	0	4	417	-433	0
Revenue	**5,343**	**13,220**	**7,068**	**417**	**-433**	**25,615**
Thereof external	5,331	13,220	7,064	0	0	25,615
Thereof intersegment	12	0	4	417	-433	0
Gross profit	**4,787**	**12,733**	**6,765**	**417**	**-16**	**24,687**
Expenses (including cost of sales) and other income	-3,649	-8,984	-5,805	-2,147	417	-20,168
Thereof amortisation and depreciation	-173	-465	-233	-240	0	-1,111
Thereof other non-cash expenses	0	-108	-55	0	0	-163
Thereof other non-cash income	88	1,409	8	4	0	1,509
EBITDA	**1,867**	**4,702**	**1,497**	**-1,491**	**-16**	**6,559**
Operating profit	**1,693**	**4,237**	**1,264**	**-1,730**	**-16**	**5,448**
Financial income	0	4	0	2	0	6
Financial expenses	-14	-22	-19	-67	0	-122
Income taxes	-308	-321	-362	0	0	-991
Net income for the year	**1,371**	**3,897**	**883**	**-1,795**	**-16**	**4,341**

*Gross sales represent the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of gross revenue information is not required under IFRS; however, it is voluntarily disclosed from 1 January 2018 onwards in the Consolidated Income Statement since management has concluded that the information is useful for users of the financial statements

Geographical information

The Group operates in three principal geographical areas – the United Kingdom, Germany and Spain. The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below whereby non-current assets are shown exclusive of financial instruments:

	Revenue from external customers		Non-current assets	
	Year ended 2021	Year ended 2020	2021	2020
	kEUR	kEUR	kEUR	kEUR
Germany	12,107	12,915	1,161	1,679
United Kingdom	10,480	9,102	600	840
Spain	3,450	3,072	302	197
Other*	1,609	526	88	1
Total	**27,646**	**25,615**	**2,151**	**2,717**

*Includes USA, which was presented separately in prior years.

» NOTES TO THE INCOME STATEMENT [7]

The income statement was prepared using the function of expense method. The expenses include personnel expenses of EUR 16,553k (2020: EUR 15,005k) as well as depreciation and amortisation of EUR 1,184k (2020: EUR 1,111k), thereof EUR 698k (2020: EUR 740k) depreciation on right-of-use assets. Amortisation of intangible assets is included in selling expenses EUR 287k (2020: EUR 136k) and administration expenses EUR 26k (2020: EUR 28k). The personnel expenses include the employer's contribution to state pension schemes amounting to EUR 955k (2020: EUR 791k), which must be disclosed as employer's contribution to a defined contribution plan.

» MEDIA COST AND COST OF SALES [8]

Media cost	2021	2020
	kEUR	kEUR
ad pepper	4,043	5,101
ad agents	17,725	16,014
Webgains	62,179	54,614
Total media cost	**83,947**	**75,729**
COS	1,059	928
Total	**85,006**	**76,657**

Cost of sales predominantly comprises third-party data centre services, professional fees and other purchased services.

» SELLING AND MARKETING EXPENSES [9]

This item comprises all costs associated with attracting customers and orders. The expenses are broken down as follows:

	2021	2020
	kEUR	kEUR
Personnel costs	11,869	10,570
Facility costs	85	88
Advertising and sales promotion	370	259
Professional and other services	1,809	1,293
General operating costs (communication, travel, other supplies)	1,319	1,041
Other	287	160
Total	**15,739**	**13,411**

» GENERAL AND ADMINISTRATIVE EXPENSES [10]

The expenses are broken down as follows:

	2021	2020
	kEUR	kEUR
Personnel costs	4,684	4,434
Depreciation on right-of-use assets	674	720
Other facility costs	714	622
Professional and other services	938	795
General operating costs (communication, travel, other supplies)	657	438
Other	40	99
Total	**7,707**	**7,108**

» OTHER OPERATING INCOME [11]

Other operating income consists of the following:

	2021	2020
	kEUR	kEUR
Gains on sale of property, plant and equipment	57	10
Income from the release of accrued liabilities	449	472
Other	24	1,032
Total	**530**	**1,514**

Income from the release of accrued liabilities includes an amount of EUR 276k relating to reversals of non-disbursed affiliate credits in the Webgains segment that the ad pepper Group believes are unlikely to be paid out (2020: EUR 472k) and reversals of EUR 173k in connection with time-barred claims (2020: EUR 890k).

» OTHER OPERATING EXPENSES [12]

Other operating expenses consist of the following:

	2021	2020
	kEUR	kEUR
Foreign exchange losses	189	43
Expected credit losses on trade receivables	227	162
Other	61	29
Total	**477**	**234**

» FINANCIAL RESULT, NET [13]

Net financial income consists of the following:

	2021	2020
	kEUR	kEUR
Interest income	27	5
Gains from securities measured at "fair value through profit or loss"	51	0
Financial income	**78**	**5**
Interest expenses	-81	-69
Interest on lease liabilities	-35	-52
Financial expenses	**-116**	**-121**
Net financial result	**-38**	**-116**

» INCOME TAXES [14]

Income tax expenses	2021	2020
	kEUR	kEUR
Current income tax expenses	-545	-999
Deferred income tax income/(expense)	-47	8
Total	**-592**	**-991**

The current income taxes reported relate to the taxes paid or payable by individual local entities. The calculation of the deferred taxes was based on the country-specific tax rates. Due to the existing unused tax losses in ad pepper media International N.V., ad pepper media France S.A.R.L. and ad pepper media USA LLC, deferred tax assets of EUR 9,925k (2020: EUR 9,600k) were calculated on the basis of the unused tax losses of EUR 32,301k (2020: EUR 31,090k). Deferred tax assets from unused tax losses were recorded to the extent that it is probable that future taxable profit is available against which they can be utilised within a foreseeable planning period.

Thus, an amount of deferred tax assets of EUR 0k (2020: EUR 0k) has been recognised for the tax loss carry forwards. All of the available tax loss carry forwards are non-expiring.

In addition to the unused tax losses, the following significant deferred tax liabilities result from temporary differences:

Deferred tax liabilities	2021	2020
	kEUR	kEUR
Securities	0	0
Other	81	31
Total	**81**	**31**

Changes in deferred tax liabilities on temporary differences recognised in profit or loss amount to EUR 47k (2020: EUR 8k). The change in deferred tax assets on temporary differences is recognised in profit or loss. Deferred tax assets and liabilities are netted if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and if they relate to the same tax authorities and the same taxable entity. As a result, deferred tax assets of EUR 0k (2020: EUR 0k) and deferred tax liabilities of EUR 81k (2020: EUR 31k) were recognised in the statement of financial position. Deferred tax assets and liabilities are classified as non-current.

Deferred tax assets of EUR 0k (2020: EUR 0k) on tax losses are recognised for companies with a history of losses. No deferred tax liabilities were recognised as of 31 December 2021 (2020: EUR 0k) for taxes on non-distributed profits of subsidiaries. If deferred taxes were to be recognised for these temporary differences, only the source tax rates applicable in each case, where appropriate taking into account the German tax of 5 percent on the distributed dividends, would have to be applied for the computation.

ad pepper media International N.V. has its tax domicile in Germany and forms a fiscal unity with ad pepper media GmbH and Webgains GmbH. The reconciliation between expected income tax expense and actual income tax expense based on the German statutory tax rate (combined corporate income tax and trade tax on income) of 32.17 percent (2020: 32.17 percent) is as follows:

	2021	2020
	kEUR	kEUR
Expected income tax	-1,015	-1,715
Effect of lower tax rate in other jurisdication	373	453
Foreign tax from limited taxation	0	0
Tax-free gains	5	-13
Prior year income tax	178	1
Utilisation of previously unrecognised tax losses	86	390
Current year tax losses not recognised	-337	-28
Non-taxable stock option income/(expense)	135	-61
Non-tax-deductible expenses and other	-17	-18
Actual income tax expenses	**-592**	**-991**

» EARNINGS PER SHARE [15]

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The income and share data used in the computations of basic and diluted earnings per share are as follows:

	2021	2020
Net income attributable to shareholders of the parent company in kEUR	1,725	3,664
Number of shares at the beginning of the period	20,920,181	21,000,708
Number of shares at the end of the period	20,491,197	20,920,181
Weighted average number of shares outstanding (basic)	20,735,183	21,004,055
Basic earnings per share in EUR	0.08	0.17
Weighted average number of shares outstanding (diluted)	20,977,243	21,135,862
Diluted earnings per share in EUR	0.08	0.17

The weighted average number of shares outstanding in 2021 was calculated on a daily basis. In 2021, the options granted resulted in dilution of an average of 242,060 shares (2020: 131,808 shares). No new shares in ad pepper media International N.V. were admitted for trading on the Frankfurt Stock Exchange in 2021 (2020: 0 shares). In November 2020 and September 2021, the Company started a share repurchase programme. Until 31 December 2021 461,384 shares were acquired (2020: 252,527 shares).

32,400 treasury shares (2020: 172,000 shares) were sold in connection with the exercise of employee stock options. Diluted earnings per share are computed based on the weighted average number of ordinary shares outstanding, including the dilutive effect of shares to be issued in the future under certain arrangements such as option plans.

NON-CURRENT ASSETS

» INTANGIBLE ASSETS [16]

In 2021 and 2020, no software IT solutions were developed in-house for the Company's own use, and therefore none were capitalised. Expenses were related to maintenance. Additions mainly relate to an amount of EUR 178k in connection with the purchase of additional software for operational and administrative purposes. Software and databases are amortised over a useful life of three to five years. Trademarks are amortised over a useful life of 12 years.

06
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

» MOVEMENT SCHEDULE OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT [17]

	Historical cost					Accumulated depreciation/amortisation/impairment					Book value	
Financial year 2021	Balance at 1/1/2021	Additions	Disposals	Exchange differences	Balance at 31/12/2021	Balance at 1/1/2021	Depreciation/ amortisation	Disposals	Exchange differences	Balance at 31/12/2021	Financial year 31/12/2021	Previous year 31/12/2020
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Intangible assets												
Software	2,786	178	0	66	3,030	-2,052	-312	0	-40	-2,404	626	734
Brands and customer bases	644	0	0	0	644	-641	-1	0	0	-642	2	3
Total	**3,430**	**178**	**0**	**66**	**3,674**	**-2,693**	**-313**	**0**	**-40**	**-3,046**	**628**	**737**
Property, plant and equipment												
Other equipment, operational and office equipment	1,441	121	-39	39	1,562	-1,029	-176	0	-11	-1,216	346	412
Total	**4,871**	**299**	**-39**	**105**	**5,236**	**-3,722**	**-489**	**0**	**-51**	**-4,262**	**974**	**1,149**

	Historical cost					Accumulated depreciation/amortisation/impairment					Book value	
Financial year 2020	Balance at 1/1/2020	Additions	Disposals	Exchange differences	Balance at 31/12/2020	Balance at 1/1/2020	Depreciation/ amortisation	Disposals	Exchange differences	Balance at 31/12/2020	Financial year 31/12/2020	Previous year 31/12/2019
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Intangible assets												
Software	2,275	549	-1	-37	2,786	1,920	163	-1	-30	2,052	734	355
Brands and customer bases	644	0	0	0	644	640	1	0	0	641	3	4
Total	**2,919**	**549**	**-1**	**-37**	**3,430**	**2,560**	**164**	**-1**	**-30**	**2,693**	**737**	**359**
Property, plant and equipment												
Other equipment, operational and office equipment	1,465	238	-227	-35	1,441	1,074	208	-226	-27	1,029	412	391
Total	**4,384**	**787**	**-228**	**-72**	**4,871**	**3,634**	**372**	**-227**	**-57**	**3,722**	**1,149**	**750**

» NON-CURRENT SECURITIES [18]

Securities classified at "fair value through profit or loss"

	2021	2020
	kEUR	kEUR
Book value 1/1	0	0
Purchase	1,999	0
Unrealised gains recognised in profit or loss	51	0
Book value 31/12	**2,050**	**0**

Purchase includes investments in listed equity instruments only.

Securities classified at "fair value through other comprehensive income"

	2021	2020
	kEUR	kEUR
Book value 1/1	1,012	0
Purchase	0	994
Unrealised gains/losses (-) recognised in other comprehensive income	-5	18
Book value 31/12	**1,007**	**1,012**

The maturities of the listed debt securities as at the end of the period are as follows:

Fair value	31/12/21	31/12/20
	kEUR	kEUR
Due within one year	0	0
Due between one and five years	1,007	1,012
Due in more than five years	0	0
Total	**1,007**	**1,012**

Overview about debt and marketable securities:

2021	Debt securities	Marketable securities	Total
	kEUR	kEUR	kEUR
Book value 1/1	1,012	0	1,012
Purchase	0	1,999	1,999
Unrealised gains/losses (-)	-5	51	46
Book value 31/12	**1,007**	**2,050**	**3,057**

2020	Debt securities	Marketable securities	Total
	kEUR	kEUR	kEUR
Book value 1/1	994	0	944
Purchase	0	0	0
Unrealised gains/losses (-)	18	0	18
Book value 31/12	**1,012**	**0**	**1,012**

» OTHER FINANCIAL ASSETS [19]

Other financial assets consist of the following and are measured at amortised cost:

	31/12/21	31/12/20
	kEUR	kEUR
Deposits	391	394
Total	**391**	**394**

The maturities of the other financial assets as at the end of the period are as follows:

	31/12/21	31/12/20
	kEUR	kEUR
Due in between one and five years	391	394
Due in more than five years	0	0
Total	**391**	**394**

CURRENT ASSETS

» TRADE RECEIVABLES [20]

Trade receivables are initially measured at fair value and subsequently carried at amortised cost. Trade receivables consist of the following:

	31/12/21	31/12/20
	kEUR	kEUR
Trade receivables, gross	19,851	20,228
Provision	-532	-501
Trade receivables, net	19,319	19,727

Trade receivables are only due from third-party customers, are non-interest bearing and generally have a term of 0 to 90 days.

The provision is calculated on the basis of all information available to the Company and includes all expected credit losses on receivables as of 31 December 2021. For further information, please refer to Notes [3] and [40].

As at 31 December 2021, all campaigns were billed to the extent that revenue was recognised. Consequently, the amount of contract assets is nil.

» OTHER RECEIVABLES [21]

Other receivables consist of the following:

	31/12/21	31/12/20
	kEUR	kEUR
Value-added tax receivables	129	115
Prepayments	269	224
Other	0	1
Total	**398**	**340**

» INCOME TAX RECEIVABLES [22]

Income tax receivables include tax prepayments on capital gains of EUR 306k (2020: EUR 292k).

» OTHER CURRENT FINANCIAL ASSETS [23]

Other current financial assets consist of the following:

	31/12/21	31/12/20
	kEUR	kEUR
Interest receivables	0	1
Other	26	28
Total	**26**	**29**

» CASH AND CASH EQUIVALENTS [24]

This item includes cash at banks and cash in hand. For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at banks and on hand of EUR 20,704k (2020: EUR 24,330k).

EQUITY

» ISSUED CAPITAL [25]

No new shares in ad pepper media International N.V. were admitted for trading on the Frankfurt Stock Exchange in 2021 (2020: 0 shares). The issued capital of ad pepper media International N.V. comprises 21,500,000 (2020: 21,500,000) bearer shares each with a nominal value of EUR 0.05 and is fully paid in.

» SHARE PREMIUM [26]

The capital reserve mainly comprises the premium paid upon share issues.

» RESERVES [27]

Reserves include treasury reserves with a value of EUR -4,906k (2020: EUR -2,417k).

Under the shareholder resolution of 18 May 2021, the ad pepper Group was authorised to repurchase treasury stock of up to 50 percent of the issued capital within the following 18 months. The Company started a share repurchase programme in October 2020 and September 2021 and has acquired 461,384 shares (2020: 252,527 shares). As of 31 December 2021, the Company held 1,008,803 treasury shares (2020: 579,819) at a nominal value of EUR 0.05 each, which equals 4.69 percent (2020: 2.70 percent) of the share capital. According to a shareholder resolution, those shares can only be used for a stock option plan ("SOP") or the cancellation of shares. 32,400 shares were sold under the employee stock option plan (2020: 172,000 shares), 135,000 cash settlements of equity settled stock option plans occurred (2020: no shares).

Number of shares outstanding

The number of shares issued and outstanding as at 31 December 2021 totalled 20,491,197 (2020: 20,920,181). Each share has a nominal value of EUR 0.05.

Reserves include also the expenses incurred for stock option plans amounting to EUR 2,827k (2020: EUR 2,663k) and the currency translation reserve amounting to EUR -1,153k (2020: EUR -1,389k).

The total other comprehensive income recognised directly in equity and the corresponding income taxes are as follows:

2021	Before income taxes	Income taxes	After income taxes
Currency translation differences	236	0	236
Revaluation of listed debt securities	-6	0	-6
Total other comprehensive income	**230**	**0**	**230**

2020	Before income taxes	Income taxes	After income taxes
Currency translation differences	-232	0	-232
Revaluation of listed debt securities	18	0	18
Total other comprehensive income	**-214**	**0**	**-214**

The authorised share capital of the Company amounts to EUR 4,000,000, divided into 80,000,000 shares with a par value of EUR 0.05 each. The Board of Directors is authorised, upon approval by the Supervisory Board, to issue shares until 15 May 2023, or to grant rights to subscribe for shares until the issued share capital amounts to EUR 2,000,000.

» NON-CONTROLLING INTERESTS [28]

Non-controlling interests comprise non-controlling interests in two subsidiaries as at 31 December 2021 and 2020. They include non-controlling interests in ad agents GmbH and ad pepper media Spain S.A. These result from the acquisition of 60 percent of the shares in ad agents GmbH and from the sale of a 35 percent share in ad pepper media Spain S.A. in recent years. The net income/loss for the year for ad agents GmbH and ad pepper media Spain S.A. is allocated proportionately to the non-controlling interests. In 2021, non-controlling interests in ad pepper media Spain S.A. received a dividend payment of EUR 323k (2020: EUR 395k), while non-controlling interests of ad agents GmbH received a dividend in 2021 of EUR 260k (2020: EUR 60k).

Summarised financial information in respect of ad pepper media's subsidiaries that have material non-controlling interest as at 31 December 2021, reflecting 100 percent of the underlying subsidiary's relevant figures, is set out on the following page:

	ad agents GmbH		ad pepper media Spain S.A.	
	31/12/21	31/12/20	31/12/21	31/12/20
	kEUR	kEUR	kEUR	kEUR
Non-current assets	515	704	74	239
Current assets	4,557	4,364	1,465	3,362
Total assets	**5,072**	**5,068**	**1,539**	**3,601**
Non-current liabilities	120	278	2	146
Current liabilities	3,280	2,998	712	2,172
Total liabilities	**3,400**	**3,276**	**714**	**2,318**
Net assets	**1,672**	**1,792**	**825**	**1,283**
Equity attributable to owners of the Company	1,003	1,075	536	834
Non-controlling interests	668	717	289	449
Non-controlling interests in percent	40	40	35	35

	ad agents GmbH		ad pepper media Spain S.A.	
	2021	2020	2021	2020
	kEUR	kEUR	kEUR	kEUR
Revenue	7,197	7,064	1,675	3,072
Expenses	6,667	-6,180	1,211	-2,149
Net profit/(loss) for the year	**529**	**884**	**464**	**923**
Profit attributable to owners of the Company	318	530	302	600
Profit attributable to non-controlling interests	211	354	162	323
Other comprehensive income attributable to owners of the Company	0	0	0	0
Other comprehensive income attributable to non-controlling interests	0	0	0	0
Total comprehensive income/loss for the year	**529**	**884**	**464**	**923**
Net cash inflow/(outflow) from operating activities	884	-770	585	440
Net cash inflow/(outflow) from investing activities	-41	-214	-3	-55
Net cash inflow/(outflow) from financing activities	-814	-308	-935	-1,185
Total net cash inflow/(outflow)	29	-1,292	-353	-800

NON-CURRENT LIABILITIES

» OTHER LONG-TERM LIABILITIES [29]

Other long-term liabilities consist of the following:

	31/12/21	31/12/20
	kEUR	kEUR
Employee benefits liability	157	305
Lease liability	708	906
Total	**865**	**1,211**

The employee benefits liability relates to the obligation resulting from the cash-settled stock option plans. The increase was a non-cash change. For further details on cash-settled stock option plans, please refer to Note [38]. During the year, lease liabilities including interests were paid for an amount of EUR 792k (2020: EUR 762k). Please refer to Note [41] for cash flow and non-cash-flow changes. Reductions in other long-term liabilities resulted in cash-flow changes.

The maturities of the other long-term liabilities as of the end of the period are as follows:

	31/12/21	31/12/20
	kEUR	kEUR
Due in between one and five years	865	1,211
Due in more than five years	0	0
Total	**865**	**1,211**

CURRENT LIABILITIES

» TRADE PAYABLES [30]

Trade payables include accrued liabilities and are recognised at amortised cost. Accrued liabilities for affiliate credits not yet disbursed in the Webgains segment amount to EUR 16,015k (2020: EUR 16,928k).

» CONTRACT LIABILITIES [31]

Contract liabilities consist of short-term advances for search engine advertising services from clients in the ad agents segment.

	2021	2020
	kEUR	kEUR
At 1 January	273	146
Deferred during the year	425	387
Recognised as revenue during the year	-426	-260
At 31 December	**272**	**273**

» OTHER LIABILITIES [32]

Other liabilities consist of the following:

	31/12/21	31/12/20
	kEUR	kEUR
Value-added tax liabilities	1,725	2,281
Liabilities for payroll tax and social security contributions	392	365
Employee holiday accrual	169	195
Total	**2,286**	**2,841**

» OTHER FINANCIAL LIABILITIES [33]

Other financial liabilities consist of the following:

	31/12/21	31/12/20
	kEUR	kEUR
Bonuses and commissions	618	920
Accrued liabilities for outstanding invoices	474	412
Severance payments	0	0
Current lease liabilities	505	745
Other	12	13
Total	**1,609**	**2,090**

» RELATED PARTY DISCLOSURES [34]

Pursuant to the IAS 24 definition, the Board of Directors and members of the Supervisory Board have been identified as related parties. The compensation paid to all members of these boards is based exclusively on their functions as individuals in key positions. Further information about the compensation paid to these individuals can be found in Note [40]. All entities over which the Supervisory Board Chairman Michael Oschmann has significant influence are considered as related parties to the Company.

	Sales to related parties		Amounts owed by related parties*	
Entity with significant influence over the Group:	2021	2020	2021	2020
Ragnar Tessloff GmbH	0	0	0	0
Fairrank GmbH	0	1	0	0

*The amounts are classified as trade receivables (Note [20]).

Terms and conditions of transactions with related parties

The sales to related parties are made on terms equivalent to those that prevail in at arm's length transactions. Outstanding balances at the year-end are unsecured and interest free, and settlement occurs in cash. As at 31 December 2021, the Group recognised no provision for expected credit losses in respect of amounts owed by related parties.

» LITIGATION AND CLAIMS [35]

Neither the ultimate parent nor any of its subsidiaries are involved in any material litigation with third parties.

» CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS [36]

ad pepper media International N.V. has provided guarantees for all outstanding liabilities of its subsidiary, ad pepper media GmbH (register number: HRB 16494) as at 31 December 2021, until these are satisfied in full. As a result, the individual local statutory accounts of ad pepper media GmbH are exempt from audit under the requirements of Section. 264 para. 3 of the German Commercial Code (HGB). As at 31 December 2021, ad pepper media GmbH's outstanding liabilities amounted to EUR 1,860k (2020: EUR 6,234k).

ad pepper media International N.V. has provided guarantees for all outstanding liabilities of its subsidiary, ad agents GmbH (register number: HRB 16494) as at 31 December 2021, until these are satisfied in full. As a result, the individual local statutory accounts of ad agents GmbH are exempt from audit under the requirements of Section 264 para. 3 of the German Commercial Code (HGB). As at 31 December 2021, ad agents GmbH's outstanding liabilities amounted to EUR 4,069k (2020: EUR 3,992k).

ad pepper media International N.V. has provided guarantees for all outstanding liabilities of its subsidiary Webgains GmbH (registered number: HRB 37198) that existed as at 31 December 2021, until these are satisfied in full. As a result, the individual local statutory accounts of Webgains GmbH are exempt from audit under the requirements of Section 264 Par. 3 German Commercial Code (HGB). As at 31 December 2021, the outstanding liabilities of Webgains GmbH amount to EUR 4,407k (2020: EUR 0k).

Other financial obligations mainly result from short-term office leases and office equipment.

The future minimum payment obligations resulting from the contracts in place as at 31 December 2021 are as follows:

	< 1 year	> 1 year to 5 years	> 5 years	Total
	kEUR	kEUR	kEUR	kEUR
Other financial obligations	159	6	0	165

» ADDITIONAL CASH FLOW INFORMATION [37]

The following information is provided to supplement the statement of cash flows: Other non-cash expenses and income comprises expenses for allocation to and income from the release of valuation allowances on trade receivables and expenses from writing down receivables. This item also includes write-downs of affiliate credits not yet disbursed and reversals of time-barred claims.

» STOCK OPTION PROGRAMMES [38]

By doubling the number of options and halving the exercise price, all stock options programmes mentioned below were adjusted to the share split on 27 May 2009. Options granted under the Ongoing SOP are subject to the following provisions:

The options are granted to employees of the ad pepper Group. Altogether, 499,292 shares were reserved for the "Ongoing SOP 2001". The subscription ratio is one share per option right. The subscription price is based on the average share price on Xetra during the first ten trading days of May 2001 for the 2001 plan, or the first ten trading days in January for subsequent plans. Options can only be exercised when the share price has risen at least 10 percent above the subscription price, but no sooner than one year after the option has been granted. As a rule, the stock options granted do not expire. However, the options expire if an employee terminates his or her employment contract or if the Company terminates the employment for good cause.

In January 2003, the "Ongoing SOP 2003" for executives was replaced by the "Executive SOP 2003", the aim of which is to encourage executives to remain with the Company. Under this plan, a non-recurring issue of options was granted to executives; the exercise price for these options is also based on the average share price during the first ten trading days in January. 10 percent of the options may be exercised in each of the following ten years. Pursuant to the resolution of the General Meeting dated 2 May 2005, the exercise of these executive stock options can in particular cases also be settled in cash at the request of the ad pepper Group.

In 2004, an employee equity-participation programme involving 136,100 options was launched for executive employees 16 ("Ongoing SOP 2004"). The valuation was carried out by simulation (Monte-Carlo method). The option rights can be exercised one year after they were granted at the earliest. The fair values at the time of granting amounted to EUR 1.0585 per issued option. The maximum cost of the programme over the entire period is EUR 144k.

An employee equity-participation programme involving 300,000 options was launched for the members of the Board of Directors in 2017 ("Executive SOP 2017 BoD"). The plan retains the Company the right to fulfil its commitment to transfer shares by paying to the beneficiary a cash amount equal to the difference between the issue price and the average closing price on Xetra during the last ten trading days before exercising the option. The valuation was carried out by simulation (Monte-Carlo method). The volatility was calculated from the development of the Company's share price between 1 February 2011 and 28 February 2017. The options may be exercised over a period of four years at 25 percent each year, but at the earliest one year after being granted. The fair value of the individual tranches at the time of granting is between EUR 0.390 and EUR 0.654 per issued option. The maximum cost of the programme over the entire period is EUR 161k. In October 2018 after the first vested tranche was settled in cash, this plan was reclassified from an equity-settled into a cash-settled option plan. At modification date the Company recognised a liability for employee benefits based on the fair value of the cash-settled award, posting the corresponding debit of EUR 313k as equity.

The liability for the cash-settled SOP is measured at the end of each reporting period until settled, at the fair value. The original terms and conditions of Executive SOP 2017 BoD have not changed. The carrying amount of the liability relating to the cash-settled SOP 2017 BoD at 31 December 2021 was EUR 0k (2020: EUR 305k).

Furthermore, an employee equity-participation programme involving 150,000 options was launched for executive employees ("Executive SOP 2017 MD"). The plan retains the Company the right to fulfil its commitment to transfer shares by paying to the beneficiary a cash amount equal to the difference between the issue price and the average closing price on Xetra during the last ten trading days before exercising the option. The valuation was carried out by simulation (Monte-Carlo method). The volatility was calculated from the development of the Company's share price between 1 February 2011 and 28 February 2017. The options may be exercised over a period of four years at 25 percent each year, but at the earliest one year after being granted. The fair value of the individual tranches at the time of granting is between EUR 0.390 and EUR 0.654 per issued option. The maximum cost of the programme over the entire period is EUR 80k.

Furthermore, an employee equity-participation programme involving 30,000 options was launched for Supervisory Board members ("Executive SOP 2017 SB"). The plan retains the Company the right to fulfil its commitment to transfer shares by paying to the beneficiary a cash amount equal to the difference between the issue price and the average closing price on Xetra during the last ten trading days before exercising the option. The valuation was carried out by simulation (Monte Carlo method). The volatility was calculated from the development of the Company's share price between 1 February 2011 and 28 February 2017. The shares may be exercised over a period of four years, but at the earliest one year after being granted. The fair value of the individual tranches at the time of granting is between EUR 0.390 and EUR 0.654 per issued option. The maximum cost of the programme over the entire period is EUR 16k.

An employee equity-participation programme involving 250,000 options was launched for the members of the Board of Directors in 2020 ("SOP 2020 BoD"). The plan retains the Company the right to fulfil its commitment to transfer shares by paying to the beneficiary a cash amount equal to the difference between the issue price and the average closing price on Xetra during the last ten trading days before exercising the option. The valuation was carried out by simulation (Monte-Carlo method). The volatility was calculated from the development of the Company's share price between 1 October 2014 and 30 September 2020. The options may be exercised over a period of four years at 25 percent each year, but at the earliest one year after being granted. The fair value of the individual tranches at the time of granting is between EUR 0.735 and EUR 1.223 per issued option. The maximum cost of the programme over the entire period is EUR 250k.

In October 2021 after the first vested tranche was settled in cash, this plan was reclassified from an equity-settled into a cash-settled option plan. At modification date the Company recognised a liability for employee benefits based on the fair value of the cash-settled award, posting the corresponding debit of EUR 155k as equity.

The liability for the cash-settled SOP is measured at the end of each reporting period until settled, at the fair value. The original terms and conditions of Executive SOP 2020 BoD have not changed. The carrying amount of the liability relating to the cash-settled SOP 2020 BoD at 31 December 2021 was EUR 155k (2020: EUR 0k).

06
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

An employee equity-participation programme involving 440,000 options was launched for executive employees in 2020 ("SOP 2020 BoD"). The plan retains the Company the right to fulfil its commitment to transfer shares by paying to the beneficiary a cash amount equal to the difference between the issue price and the average closing price on Xetra during the last ten trading days before exercising the option. The valuation was carried out by simulation (Monte-Carlo method). The volatility was calculated from the development of the Company's share price between 1 October 2014 and 30 September 2020. The options may be exercised over a period of four years at 25 percent each year, but at the earliest one year after being granted. The fair value of the individual tranches at the time of granting is between EUR 0.735 and EUR 1.223 per issued option. The maximum cost of the programme over the entire period is EUR 441k.

	Ongoing SOP 2001	Ongoing SOP 2003	Ongoing SOP 2004	Executive SOP 2003	Executive SOP 2006	Executive SOP 2008	SOP 2017 (BoD, MD, SB)	SOP 2020 (BoD)	SOP 2020 (MD)
Share price when granted, in EUR	1.30	0.89	2.22	0.89	3.80	1.40	1.94	3.56	3.56
Date of grant	18/5/01	15/1/03	16/1/04	15/1/03	16/1/06	15/5/08	11/4/17	2/10/20	2/10/20
Exercise price, in EUR	1.365	0.89	2.225	0.89	3.795	1.50	1.9751	3.50	3.50
Risk-free interest rate, in percent	4.00	3.50	2.75	4.50	3.48	4.15	-0.36	-0.72	-0.72
Estimated term, in years	Do not expire	Do not expire	Do not expire	Do not expire	Do not expire	10	7	7	7
Future dividend, in EUR	0	0	0	0	0	0.04-0.06	0.05	0.05	0.05
Estimated volatility, in percent	93	73	40	53	56	50	51	48	48

The average share price during 2021 was EUR 5.74 (2020: EUR 3.66).

The personnel expense recognised for employee services received during the year is shown in the following table:

	2021	2020
Expense arising from equity-settled share-based payment transactions	165	105
Expense/(income) arising from the measurement of the liability for cash-settled share-based payment transactions	206	166
Total expense/(income) arising from share-based payment transactions	**371**	**271**

The following table shows the changes in the options during the financial year 2021:

	2021	2020	Weighted average exercise price 2021	Weighted average exercise price 2020
Options outstanding at the beginning of the financial year	922,400	479,400	3.14	1.258
Options granted during the financial year	0	690,000	0	3.50
Options forfeited during the financial year	0	0	0	0
Options exercised during the financial year	-304,900	-247,000	2.42	1.26
Options expired during the financial year	0	0	0	0
Options outstanding at the end of the financial year	617,500	922,400	3.49	3.14
Exercisable options as of 31 December	100,000	638,650	3.42	3.293
Range of exercise prices of outstanding options as of 31 December	1.9751-3.50	0.890-3.795	0	0

The weighted exercise price of stock options exercised during 2021 amounts to EUR 2.42 (2020: EUR 1.26). All outstanding stock option programmes have an expiration date. For the remaining stock option programme, the average remaining contractual life amounts to 6.0 years.

» TOTAL REMUNERATION OF KEY MANAGEMENT [39]

	2021	2020
	kEUR	kEUR
Short-term employee benefits	452	547
Post-employment benefits (pensions and health insurance)	3	20
Stock options	183	211
Total remuneration of key management	**638**	**778**

The amounts shown in the table above are recognised as expenses during the reporting period. Income resulting from the share-based payments is due to the decreased fair value of the cash settled stock option plan and the corresponding adjustment of the liability through profit or loss. Options to purchase shares of the Company held by the members of the Board of Directors have the following expiration dates and exercise prices:

	Expiration	Exercise price	31/12/21	31/12/20
		EUR	Number	Number
Executive SOP 2017 BoD	11/4/24	1.98	0	75,000
SOP 2020 BoD	2/10/27	3.50	187,500	250,000

» FINANCIAL INSTRUMENTS [40]

The classes of financial instruments within the meaning of IFRS 7.6 are defined in accordance with the categories of financial instruments in IFRS 9. IFRS 9 contains three categories for classifying financial assets: "measured at amortised cost", "measured at fair value through profit or loss" and "measured at fair value through other comprehensive income."

1. Capital risk management

The Group manages its capital with the aim of optimising returns on investments in business entities by optimising the debt equity ratio and maximising its shareholder value by maintaining a high credit rating and a good equity ratio. At the same time, the Group ensures that entities can operate under the going concern assumption. The capital structure of the Group consists of liabilities other than borrowings, cash and cash equivalents, securities measured at fair value through profit or loss and the equity attributable to the parent company's shareholders, consisting of issued shares in circulation, the capital reserve, retained earnings brought forward and other equity items.

Net indebtedness

The Group manages its capital structure and makes adjustments to it that take into account changes in the general economic environment. In order to maintain or adjust the capital structure, the Group can make dividend payments or pay back capital to the shareholders, issue new shares or buy back its own shares. No changes in the objectives, guidelines and procedures were made as at 31 December 2021 compared to 31 December 2020. Negative net indebtedness means that the Group is debt-free. Net indebtedness at the end of the year was as follows:

	31/12/21	31/12/20
	kEUR	kEUR
Current and non-current financial liabilities	22,564	23,734
Cash and cash equivalents	-20,704	-24,330
Listed debt and marketable securities	-3,057	-1,012
Net liabilities	**-1,197**	**-1,608**
Equity per balance sheet including non-controlling interest	20,088	20,838
Net indebtedness, in percent	**-6**	**-8**

2. Significant accounting policies

The rent and similar deposits referred to in Note [19], carried at their nominal amount of EUR 165k (2020: EUR 137k), are pledged as collateral for bank guarantees. The Group does not hold any collateral for credit facilities. Detailed information on the main accounting policies applied, including the recognition criteria, the measurement bases and the bases for the recognition of income and expenses, are presented separately for each category of financial assets, financial liabilities and equity instruments in the following section 3.

3. Categories of financial instruments

Carrying amount per category of financial instruments:

Financial assets	31/12/21	31/12/20
	kEUR	kEUR
Debt instruments at amortised cost	40,440	44,480
Debt instruments at fair value through other comprehensive income and marketable instruments at fair value through profit or loss	3,057	1,012
Total	**43,497**	**45,492**

Debt instruments at amortised cost include trade receivables (Note [20]), other non-current financial assets (Note [19]), current financial assets (Note [23]) and cash and cash equivalents (Note [24]). Debt instruments at fair value through other comprehensive income included investments in listed debt instruments as well as marketable instruments at fair value through profit and loss (Note [18]). Fair values of these instruments were determined by reference to published price quotations in an active market.

Financial liabilities	31/12/21	31/12/20
	kEUR	kEUR
Other financial liabilities measured at amortised cost	22,564	23,734
Total	**22,564**	**23,734**

Other financial liabilities measured at amortised cost include, lease liabilities (Note [41], trade payables (Note [30]) and other financial liabilities (Note [33]).

Due to the short-term maturities of cash and cash equivalents, trade receivables and payables, current financial assets and liabilities, their respective fair values approximate their carrying amounts. The fair values of non-current financial liabilities consisting exclusively of lease liabilities are based on carrying amounts, which are a reasonable approximation of fair value.

Hierarchical classification of fair values of financial instruments pursuant to IFRS 7 as at 31 December 2021:

	Fair Value 31/12/21	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income	1,007	1,007	0	0
Financial assets at fair value through profit and loss	2,050	2,050	0	0

Net gains and losses per category of financial instruments (IFRS 7.20 (a)):

Financial assets	31/12/21	31/12/20
	kEUR	kEUR
At fair value through profit and loss		
Unrealised gains	51	0
Total	**51**	**0**
At fair value through other comprehensive income		
Unrealised gains/losses (-)	-5	18
Total	**-5**	**18**

Unrealised losses result from the fair value changes of debt securities classified at fair value through other comprehensive income and unrealised gains result from the fair value changes of debt securities classified at fair value through profit and loss.

Interest income and expenses per category of financial instruments (IFRS 7.20 (b)):

Financial assets	31/12/21	31/12/20
	kEUR	kEUR
Measured at amortised cost	-76	-69
Measured at fair value through other comprehensive income	2	1
Measured at fair value through profit or loss	65	0

4. Objectives of financial risk management

The main financial liabilities used by the Group comprise trade payables and lease liabilities. The primary purpose of these financial liabilities is to finance the Group's business activities. The Group has various financial assets, such as trade receivables, cash and securities.

Group management monitors and manages the financial risks of the Group. These risks include the market risk (including exchange rate risks, interest rate-related fair value risks and price risks), the credit risk, the liquidity risk and interest rate-related cash flow risks. In addition, the management decides on the utilisation of derivative and non-derivative financial transactions and the investment of surplus liquidity in securities. The Group does not enter into any contracts with or deal in financial instruments, including derivative financial instruments, for speculative purposes.

5. Market risk

The Group's activities expose it primarily to financial risks from changes in exchange rates (see 6. below) and interest rates (see 7. below). Market risk positions are determined by means of sensitivity analysis. As no further investments in listed debt instruments are held by the Group, the market risk exposure in conjunction with interest rate risk of the Group decreased significantly. The nature and means of risk management and assessment, however, remain unchanged.

6. Foreign currency risk management

Certain transactions in the Group are denominated in foreign currencies. This can result in risk from fluctuations in exchange rate. The carrying amounts of the monetary assets and liabilities of the Group denominated in foreign currencies are as follows:

Financial assets	31/12/21	31/12/20
	kEUR	kEUR
USD	316	3,504
GBP	14,032	15,203
Total	**14,348**	**18,707**

Financial liabilities	31/12/21	31/12/20
	kEUR	kEUR
USD	13	1,358
GBP	11,358	11,366
Total	**11,371**	**12,724**

Foreign currency sensitivity analysis

The Group is primarily exposed to exchange rate risk from the currencies USD and GBP. The following table shows the sensitivity from the point of view of the Group, assuming a 10 percent rise or fall in the EUR against the respective foreign currency. The 10 percent shift represents management's assessment with regard to a reasonable possible change in the exchange rate. The sensitivity analysis only includes outstanding monetary positions denominated in foreign currency and adjusts their translation at the end of the period to reflect a 10 percent change in the exchange rates.

	Effect of USD +10% 31/12/21	Effect of USD +10% 31/12/20	Effect of GBP +10% 31/12/21	Effect of GBP +10% 31/12/20	Total 31/12/21	Total 31/12/20
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Net income for the year	-64	-68	-90	-137	-154	-205

	Effect of USD -10% 31/12/21	Effect of USD -10% 31/12/20	Effect of GBP -10% 31/12/21	Effect of GBP -10% 31/12/20	Total 31/12/21	Total 31/12/20
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Net income for the year	78	83	109	168	187	251

7. Interest rate risk management

The Group was exposed to interest rate risks in the period under review, because the parent company held investments at fixed interest rates. However, with the sale of the bond (see Note [18]), the risk exposure in this area was reduced to zero.

Interest rate sensitivity analysis

The sensitivity analyses described below were determined on the basis of the interest rate risk exposure for non-derivative financial instruments on the balance sheet date.

In 2021, an increase or decrease in the interest rate of 50 basis points, which was assumed by the management for the interest rate risk, would have increased/decreased the other comprehensive income of the Group by EUR 7k (2020: EUR 12k).

8. Credit risk management

Credit risk is the risk of loss for the Group should contractual parties not meet their contractual obligations. Business relationships are only entered into with creditworthy counterparties, and, where appropriate, the Group obtains collateral to reduce the risk of loss due to the non-fulfilment of obligations. The Group only enters into business relationships with entities that are rated "investment grade" or above. If such information is not available, the Group makes use of other available financial information and its own trading records in order to evaluate its major customers. The risk exposure of the Group and the credit ratings are continuously monitored. The Group has trade receivables with a large number of customers spread over various sectors and geographical territories. Continuous credit assessments are carried out with regard to the financial condition of the receivables.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due for every single customer, reflecting reasonable and supportable information that is available at the reporting date about past events and current conditions and customer-specific, forward-looking information from the client-facing account manager. If a customer defaults, all outstanding amounts relating to that counterparty are subject to an allowance calculation. The default is primarily determined on the basis of individual assessment – prompted by noticeable changes in payment behaviour, or application for bankruptcy. Individual assessment is generally supported by the information provided by the client-facing account manager.

Generally, trade receivables are considered at 100 percent in the credit loss allowance if they are past due for more than one year. Trade receivables are written off and derecognised if there is good reason to assume that the outstanding amount is unrecoverable in part or in whole, for example after completion of insolvency proceedings.

The Group is not exposed to any significant credit risks relating to a single contractual party or group of contractual parties with similar characteristics. The reported carrying amount reflects the maximum credit risk of the Group. The Group defines contractual parties as those with similar characteristics if they are related parties. The concentration of credit risk from customer relationships did not exceed 3.3 percent (2020: 3.1 percent) of the financial gross asset values at any time during the reporting period. The carrying amount of the financial assets included in the Consolidated Financial Statements less any impairment losses represents the Group's maximum credit risk. Any collateral is ignored. There are no credit derivatives for hedging outstanding amounts from customers, nor have there been.

The expected loss rates (stage 2 of the impairment model) amount to 0 percent for the segments ad agents and ad pepper media. The expected loss rate for the Webgains segment is 0.5 percent. The Company abstains from disclosing an ECL table, as the application of the expected loss rates results in immaterial amounts for the Group. The Company tests for impairment (stage 3 of the impairment model) if there are substantial indications that receivables may be uncollectable, e.g. deterioration of payment behaviour or initiation of insolvency proceedings. An account of individual value adjustments is only maintained for trade receivables.

The reconciliation of changes in the loss allowance is as follows:

Loss allowance	2021	2020
	kEUR	kEUR
Balance at beginning of year	501	432
Allowances in the period		
Additions	428	467
Reversals	-181	-335
Consumption	-216	-63
Balance at end of period	**532**	**501**

The analysis shows that allowances were set up on a gross receivables amount of EUR 655k (2020: EUR 616k). For all other financial assets, no material credit losses are anticipated despite trade receivables that are subject to the impairment model acc. to IFRS 9.5.5.

9. Liquidity risk management

The Group monitors the risk of liquidity shortage on a continuous basis with the help of a liquidity planning tool. This tool takes into account the maturities of financial investments and financial assets (e.g., receivables, other financial assets) and expected cash flow from operating activities. The Group's aim is to maintain a balance between continuous coverage of funding needs and the necessity of flexibility.

The maturities of the financial liabilities of the Group as at 31 December 2021 are presented below. The information is based on contractual, undiscounted payments.

Financial liabilities 31/12/21	< 1 mth.	> 1 mth., < 3 mth.	3 mth. to 1 year	1 to 5 years	> 5 years	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Lease liabilities	42	85	369	741	0	1,237
Trade payables	19,737	510	0	0	0	20,247
Other financial liabilities measured at amortised cost	823	565	0	221	0	1,609
Total	**20,602**	**1,160**	**369**	**962**	**0**	**23,093**

The lease liabilities disclosed in the above table are the gross amounts.

Financial liabilities 31/12/20	< 1 mth.	> 1 mth., < 3 mth.	3 mth. to 1 year	1 to 5 years	> 5 years	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Lease payables	63	125	555	953	0	1,696
Trade payables	20,513	225	0	0	0	20,738
Other financial liabilities measured at amortised cost	975	890	0	225	0	2,090
Total	**21,551**	**1,240**	**555**	**1,178**	**0**	**24,524**

» LEASES [41]

The Group has lease contracts for office space (lease terms between 4 and 9 years) and cars (3 years). The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below.

The Group also has certain leases for office equipment with low value and/or lease terms of 12 months or less. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Right-of-use assets			Lease liabilities
	Office space	Cars	Total	
	kEUR	kEUR	kEUR	kEUR
As at 1 January 2021	**2,621**	**222**	**2,843**	**-1,650**
Additions	245	45	290	-290
Disposal	0	-29	-29	0
Exchange rate difference	71	0	71	-30
Subtotal	**2,937**	**238**	**3,175**	**-1,970**
Depreciation expense as at 1 January 2021	-1,162	-113	-1,275	0
Depreciation expense	-625	-74	-699	0
Disposal	0	29	29	0
Exchange rate difference	-53	0	-53	0
Depreciation expense as at 31 December 2021	**-1,840**	**-158**	**-1,998**	**0**
Payments	0	0	0	792
Interest expense	0	0	0	-35
As at 31 December 2021	**1,097**	**80**	**1,177**	**-1,213**

The amounts recognised in profit or loss, are as follows:

	2021	2020
	kEUR	kEUR
Depreciation expenses of right-of-use assets	698	740
Interest expense on lease liabilities	35	53
Expense relating to short-term leases (included in administrative expense)	63	24
Expenses relating to leases of low-value assets (included in administrative expenses)	0	0
Total amount recognised in profit or loss	**796**	**817**

Rental agreements for the office leases in Nuremberg, Herrenberg and Madrid contain extension options on automatic annual renewal terms. These options have not been executed so far, also due to uncertainties in conjunction with COVID 19. Therefore, these options are not considered in the valuation process. There are no purchase options or restrictions imposed by lease arrangements.

06
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

» EVENTS AFTER THE BALANCE SHEET DATE [42]

Up until the day of authorisation for issuance, there were no events that would have exerted substantial influence on the net assets, financial position or results of operations as at 31 December 2021.

» APPLICATION OF ART. 264 PAR. 3 OF GERMAN COMMERCIAL CODE (HBG) [43]

The following German subsidiaries in the legal form of capital corporation as defined in Section. 264a made use of the exemption clause included in Section 264 para. 3 of the German Commercial Code:

- ad pepper media GmbH, Nuremberg
- Webgains GmbH, Nuremberg
- ad agents GmbH, Herrenberg

Nuremberg, March 2022

The Board of Directors of ad pepper media International N.V. comprised the following members in the financial year 2021:

Dr Jens Körner,
CEO
Nuremberg, Germany

The Supervisory Board of ad pepper media International N.V. in the financial year 2021 consisted of:

Michael Oschmann (Chairman)
Thomas Bauer
Dr Stephan Roppel
Dagmar Bottenbruch

» 07

STATUTORY FINANCIAL

STATEMENTS AND NOTES OF THE HOLDING COMPANY AD PEPPER MEDIA INTERNATIONAL N.V. (THE "HOLDING COMPANY")

» BALANCE SHEET OF THE HOLDING COMPANY (AFTER PROFIT APPRIOPRIATION) – ASSETS

	Note	31/12/21 kEUR	31/12/20 kEUR
Non-current assets			
Intangible fixed assets	[2]	136	243
Tangible fixed assets	[3]	373	503
Financial fixed assets	[4], [5]	9,073	7,688
Total non-current assets		**9,583**	**8,434**
Current assets			
Receivables due from subsidiaries	[6]	2,482	2,222
Prepaid expenses and other current assets	[7]	253	198
Cash and cash equivalents	[8]	7,951	10,408
Total current assets		**10,686**	**12,828**
Total assets		**20,269**	**21,262**

» BALANCE SHEET OF THE HOLDING COMPANY (AFTER PROFIT APPRIOPRIATION) – EQUITY AND LIABILITIES

	Note	31/12/21 kEUR	31/12/20 kEUR
Equity attributable to shareholders of the parent company			
Issued capital	[9]	1,075	1,075
Share premium	[9]	63,782	63,782
Other reserves	[9]	-46,182	-45,176
Total equity		**18,675**	**19,681**
Non-current liabilities	[10]	360	608
Provisions	[11]	269	42
Current liabilities	[12]	965	931
Total liabilities		**1,594**	**1,581**
Total equity and liabilities		**20,269**	**21,262**

» PROFIT OR LOSS ACCOUNT OF THE HOLDING COMPANY

	Note	1/1 - 31/12/21	1/1 - 31/12/20
		kEUR	kEUR
Revenue*		**319**	**417**
Other operating income		1,846	2,452
Selling and marketing expenses	[14]	-824	-607
General and administrative expenses		-1,740	-2,239
Other operating expenses		-37	-2
Earnings before interest and tax (EBIT)		**-436**	**22**
Interest income		73	2
Interest expenses		-65	-67
Loss before taxes		**-427**	**-43**
Share in result of subsidiaries and participations		2,153	3,707
Net result for the year		**1,725**	**3,664**

*Revenue relates solely to license fee charged to subsidiaries.

» NOTES TO THE STATUTORY FINANCIAL STATEMENTS OF THE HOLDING COMPANY

[1] Basis of preparation and significant accounting policies

The Company Financial Statements for ad pepper media International N.V. (Commercial Register No. 27182121) have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch Civil Code, the same accounting principles may be applied in the Company's financial statement and the consolidated financial statements. The Holding Company's financial data is included in the Consolidated Financial Statements. The notes to the Company's balance sheet and income statement are limited to items that differ from the corresponding items in the Consolidated Financial Statements and that are of material significance.

The Holding Company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the Consolidated Financial Statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred to the Holding Company, liabilities incurred to the former owners of the acquired company, and the equity interests issued by the Holding Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities, and determination of profit based on the principles applied in the Consolidated Financial Statements. If the valuation of a subsidiary based on the net asset value is negative, it will be stated at nil. If and insofar as the Holding Company has the firm intention of enabling the participation to settle its debts, a provision is recognised for this. When the Holding Company ceases to have control over a subsidiary, any retained interest is re-measured to fair value, with the change in carrying amount to be accounted for in the income statement. When parts of investments in consolidated subsidiaries are bought or sold, and such transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold is directly recognised in equity.

Unrealised gains on transactions between the Holding Company and its investments in consolidated subsidiaries are eliminated in full, based on the consolidation principles. The Holding Company Financial Statements are presented in EUR, which is the Holding Company's functional currency. The amounts are in thousands of EUR (rounded to the nearest thousand), unless otherwise stated. There have been no changes to the accounting policies of the Holding Company. Due to rounding up or down, individual figures may not add up exactly to the totals stated.

[2] Intangible fixed assets

	Trade-marks	Software	Total
	kEUR	kEUR	kEUR
Book value at 1/1/20	**4**	**177**	**181**
Additions	0	153	153
Disposals	0	0	0
Amortisation	-1	-90	-91
Book value at 31/12/20	**3**	**240**	**243**
Purchase value	644	1,726	2,370
Accumulated amortisation	-641	-1,487	-2,128
Book value at 1/1/21	**3**	**240**	**243**
Additions	0	0	0
Disposals	0	0	0
Amortisation	-1	-106	-107
Book value at 31/12/21	**3**	**133**	**136**
Purchase value	644	1,726	2,370
Accumulated amortisation	-641	-1,593	-2,234
Book value at 31/12/21	**3**	**133**	**136**

Intangible assets are amortised over a useful life of three years.

[3] Tangible fixed assets

Tangible fixed assets can be specified as follows:

	31/12/21	31/12/20
	kEUR	kEUR
Tangible fixed assets	60	79
Right-of-use assets	313	424
Total	**373**	**503**

Tangible fixed assets	2021	2020
	kEUR	kEUR
Book value at 1/1	**79**	**24**
Additions	4	80
Disposals	0	0
Depreciation	-23	-25
Book value at 31/12	**60**	**79**
Purchase value	280	277
Accumulated depreciation	-220	-198
Book value at 31/12	**60**	**79**

Right-of-use assets	2021	2020
	kEUR	kEUR
Book value at 1/1	**424**	**530**
Additions	6	11
Disposals	0	0
Depreciation	-117	-117
Book value at 31/12	**313**	**424**
Purchase value	658	652
Accumulated depreciation	-345	-228
Book value at 31/12	**313**	**424**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the capitalised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term. Right-of-use assets are subject to impairment.

The depreciation percentages used for tangible assets range from 12.5 percent to 33.3 percent.

[4] Financial fixed assets

	31/12/21	31/12/20
	kEUR	kEUR
Subsidiaries at net asset value	5,397	6,457
Listed debt and marketable securities	3,057	1,012
Loans	500	100
Other	119	119
Total	**9,073**	**7,688**

Investments in subsidiary companies consist of the following:

	31/12/21	31/12/20
	kEUR	kEUR
Subsidiaries at net asset value	5,397	6,457
Provisions for subsidiaries	-269	-42
Total	**5,129**	**6,415**

The movements during the year are as follows:

	Subsidiary companies			
	Investments	Loans	Financial assets including investments	**Total**
	kEUR	kEUR	kEUR	kEUR
Book value at 1/1/20	**3,717**	**0**	**119**	**3,836**
Additions	0	100	0	100
Dividends and repayments	-824	0	0	-824
Share of net profit	3,707	0	0	3,707
Investments in subsidiaries	50	0	0	50
Translation adjustments	-235	0	0	-235
Book value at 1/1/21	**6,415**	**100**	**119**	**6,634**
Additions	0	400	0	400
Dividends and repayments	-3,552	0	0	-3,552
Share of net profit	1,990	0	0	1,990
Investments in subsidiaries	20	0	0	20
Translation adjustments	256	0	0	256
Book value at 31/12/21	**5,129**	**500**	**119**	**5,748**

[5] Marketable securities

	31/12/21	31/12/20
	kEUR	kEUR
Due within one year	0	0
Due within one and five years	1,007	1,012
Due in more than five years	0	0
Total	**1,007**	**1,012**

Securities measured at fair value through other comprehensive income
In the reporting period, no securities measured at fair value through other comprehensive income were acquired (2020: EUR 994k). Unrealised losses of EUR 6k (2020: unrealised gains EUR 18k) were recognised in other comprehensive income. For further information on investments made please refer to Note [18] of the Consolidated Financial Statements.

Securities measured at fair value through profit or loss
In the reporting period, securities measured at fair value through profit or loss were acquired for EUR 1,999k (2020: EUR 0k). Purchases include investments in listed equity instruments only. Realised gains of EUR 51k (2020: EUR 0k) were recognised in profit or loss.

In 2021 the Company did not sell marketable financial assets. In 2020 the Company sold financial assets of EUR 2,152k and realised losses of EUR 122k in the profit or loss.

For further information on investments made please refer to Note [18] of the Consolidated Financial Statements.

[6] Group companies

The receivables from Group companies mature within one year.

[7] Prepaid expenses and other current assets

	31/12/21	31/12/20
	kEUR	kEUR
Income tax receivables	128	118
Other receivables	125	80
Total	**253**	198

07
STATUTORY FINANCIAL

[8] Cash and cash equivalents

No restrictions on cash exist at balance sheet date.

[9] Shareholders' equity

	Note	Balance at 1/1/2021	Profit for the period	Other comprehensive income	Total comprehensive income	Share-based payment	Dividends	Purchase of treasury shares	Cash settlement of SOP's	Issuance of shares	Balance at 31/12/2021
		kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Issued capital	**[25]**	**1,075**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,075**
Share premium	**[26]**	**63,782**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**63,782**
Reserves	**[27]**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Treasury reserve		-2,417	0	0	0	0	0	-2,576	0	87	-4,906
For employee stock option plans	[38]	2,663	0	0	0	164	0	0	0	0	2,827
Accumulated deficit	[2]	-44,051	1,725	0	1,725	0	0	0	-636	0	-42,962
Currency translation basis of preparation differences		-1,389	0	236	236	0	0	0	0	0	-1,153
Revaluation of listed debt securities	[18]	18	0	-6	-6	0	0	0	0	0	12
Subtotal reserves		**-45,176**	**1,725**	**230**	**1,955**	**164**	**0**	**-2,576**	**-636**	**87**	**-46,182**
Total equity		**19,681**	**1,725**	**230**	**1,955**	**164**	**0**	**-2,576**	**-636**	**87**	**18,675**

	Note	Balance at 1/1/2020	Profit for the period	Other comprehensive income	Total comprehensive income	Share-based payment	Dividends	Purchase of treasury shares	Cash settlement of SOP's	Issuance of shares	Balance at 31/12/2020
		kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Issued capital	**[25]**	**1,075**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,075**
Share premium	**[26]**	**63,782**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**63,782**
Reserves	**[27]**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Treasury reserve		-1,438	0	0	0	0	0	-1,142	0	163	-2,417
For employee stock option plans	[38]	2,558	0	0	0	105	0	0	0	0	2,663
Accumulated deficit	[2]	-47,715	3,664	0	3,664	0	0	0	0	0	-44,051
Currency translation differences		-1,157	0	-232	-232	0	0	0	0	0	-1,389
Revaluation of listed debt securities	[18]	0	0	18	18	0	0	0	0	0	18
Subtotal reserves		**-47,751**	**3,664**	**-214**	**3,450**	**105**	**0**	**-1,142**	**0**	**163**	**-45,176**
Total equity		**17,105**	**3,664**	**-214**	**3,450**	**105**	**0**	**-1,142**	**0**	**163**	**19,681**

Issued capital

At the end of 2021, the issued capital of ad pepper media International N.V. comprises 21,500,000 (2020: 21,500,000) bearer shares with a nominal value of EUR 0.05 each.

Additional paid-in capital

Proceeds from the issuance of shares increased the additional paid in capital by the amount by which they exceeded the par value of the shares. Furthermore, it also includes expenses incurred for stock option plans.

Treasury reserves

Purchase of treasury shares
By a shareholders' resolution dated 18 May 2021, the Board of Directors was authorised to repurchase treasury stock of up to 50 percent of the issued capital within the following 18 months. The Board of Directors made partial use of this authorisation on 2 August 2021 to repurchase up to a maximum of 500,000 of its own shares for a total maximum amount of up to EUR 3,000,000. The share buy-back will take place between 1 September 2021 and 17 November 2022. As a consequence, as of 31 December 2021, 461,384 shares with a value of EUR 2,576,000 were repurchased under this buy-back programme.

By a shareholders' resolution dated 19 May 2020, the Board of Directors was authorised to repurchase treasury stock of up to 50 percent of the issued capital within the following 18 months. The Board of Directors made partial use of this authorisation on 19 October 2020 and repurchased up to a maximum of 500,000 of its own shares for a total maximum amount of up to EUR 2,250,000. The share buy-back took place from 19 October 2020 until 9 April 2021. During this period, the Company bought back 447,236 shares with a value of EUR 2,249,994.

Number of shares outstanding
The numbers of shares issued and outstanding as at 31 December 2021 totalled 20,491,197 (2020: 20,920,181). Each share has a nominal value of EUR 0.05.

Authorised capital

The authorised share capital of the Holding Company amounts to EUR 4,000,000, divided into 80,000,000 shares, with a par value of EUR 0.05 each. The Board of Directors is authorised, upon approval by the Supervisory Board, to issue shares until 15 May 2023, or to grant rights to subscribe for shares until the issued share capital amounts to EUR 2,000,000.

Proposed appropriation of the result for the financial year 2021

The Board of Directors, with the approval of the Supervisory Board, proposes to allocate the result for the financial year 2021 amounting to EUR 1,725k to the accumulated deficit without payment of dividend. The financial statements reflect this proposal.

[10] Non-current liabilities

	31/12/21	31/12/20
	kEUR	kEUR
Employee benefits liability	155	293
Lease liability	205	315
Total	**360**	**608**

The employee benefits liability relates to the obligation resulting from the cash-settled option plan. For further details on cash-settled stock option plans, please refer to Note [38] of the consolidated financial statements.

[11] Provisions

	31/12/21	31/12/20
	kEUR	kEUR
Subsidiaries	269	43
Total	**269**	**43**

Provisions for subsidiaries relate to subsidiaries with a negative net asset value. For further information please refer to Note [4].

07
STATUTORY FINANCIAL

[12] Current liabilities

	31/12/21	31/12/20
	kEUR	kEUR
Accrued expenses	234	137
Other current liabilities	612	675
Lease liabilities	119	119
Total	**965**	**931**

Other current liabilities comprise mainly VAT payables and bonus accruals.

[13] Contingent liabilities

Contingent liabilities mainly result from rented offices and office equipment. The rent deposit for the office facilities in Nuremberg, which is carried at its nominal value of EUR 119k (2020: EUR 119k), is pledged as collateral for bank guarantees.

ad pepper media International N.V. has provided guarantees for all outstanding liabilities of its subsidiary ad pepper media GmbH (registered number: HRB 16494) that existed as at 31 December 2021, until these are satisfied in full. As a result, the individual local statutory accounts of ad pepper media GmbH are exempt from audit under the requirements of Section 264 Par. 3 German Commercial Code (HGB). As at 31 December 2021, the outstanding liabilities of ad pepper media GmbH amount to EUR 1,860k (2020: EUR 6,234k).

ad pepper media International N.V. has provided guarantees for all outstanding liabilities of its subsidiary ad agents GmbH (registered number: HRB 16494) that existed as at 31 December 2021, until these are satisfied in full. As a result, the individual local statutory accounts of ad agents GmbH are exempt from audit under the requirements of Section 264 Par. 3 German Commercial Code (HGB). As at 31 December 2021, the outstanding liabilities of ad agents GmbH amount to EUR 4,069k (2020: EUR 3,992k).

ad pepper media International N.V. has provided guarantees for all outstanding liabilities of its subsidiary Webgains GmbH (registered number: HRB 37198) that existed as at 31 December 2021, until these are satisfied in full. As a result, the individual local statutory accounts of Webgains GmbH are exempt from audit under the requirements of Art. 264 Par. 3 German Commercial Code (HGB). As at 31 December 2021, the outstanding liabilities of Webgains GmbH amount to EUR 4,407k (2020: EUR 0k).

The future minimum payment obligations resulting from the contracts for short-term rent and other agreements in place as at 31 December 2021 are as follows:

	2021	2020
	kEUR	kEUR
No later than 1 year	87	54
Later than 1 year and no later than 5 years	4	0
Later than 5 years	0	0

[14] Other operating income

Other operating income mainly includes management and shared services charged to subsidiaries of EUR 1,103k (2020: EUR 886k) and other income resulting from the profit distribution agreement with the subsidiary ad pepper media GmbH of EUR -163k (2020: EUR 1,566k) and Webgains GmbH of EUR 906k (2020: EUR 0k).

[15] Employee information

At the end of the financial year, the Holding Company employed 17 people (2020: 18). All employees are employed outside the Netherlands.

	2021	2020
	kEUR	kEUR
Wages and salaries	1,116	1,414
Stock option expenses/income	371	271
Social security costs	196	181
Other employment expenses	13	23
Total	**1,696**	**1,889**

These costs are included in the cost of sales, selling expenses, and general and administrative expenses. Pension costs included in social security costs amount to EUR 70k (2020: EUR 66k).

The average number of personnel employed during the year was:

	2021	2020
	FTEs	FTEs
IT	2	2
Marketing	1	1
Administration	14	14
Total	**17**	**17**

[16] Information relating to the Board of Directors and Supervisory Board

Associated companies	Shares	Stock options	Shares	Stock options
	2021	2021	2020	2020
EMA Electronic Media Advertising Int. B.V.	9,486,402	0	9,486,402	0
Euro Serve Media GmbH	556,163	0	556,163	0

The ultimate shareholders of both associated companies are Michael and Constanze Oschmann.

[17] Independent auditor's fees

2021	Fee Ernst & Young Accountants LLP	Fee other Ernst & Young offices	Total fee Ernst & Young
	kEUR	kEUR	kEUR
Audit of financial statements	215	215	215
Other services	0	0	0
Total	**215**	**0**	**215**

2020	Fee Ernst & Young Accountants LLP	Fee other Ernst & Young offices	Total fee Ernst & Young
	kEUR	kEUR	kEUR
Audit of financial statements	85	120	205
Other services	0	0	0
Total	**85**	**120**	**205**

[18] Events after the balance sheet date

Up until the day of authorisation for issuance, there were no events that would have exerted substantial influence on the net assets, financial position or results of operations as at 31 December 2021.

07
STATUTORY FINANCIAL

The Board

Dr Jens Körner
(Chief Executive Officer)

Nuremberg, 29 March 2022

The Supervisory Board

Michael Oschmann
Thomas Bauer
Dr Stephan Roppel
Dagmar Bottenbruch

» 08

OTHER INFORMATION

» OTHER INFORMATION

Statutory arrangements for appropriation of results

According to Article 15 of the Holding Company's articles of association, the Annual General Meeting of shareholders determines the appropriation of the Holding Company's net result for the year and the previous year.

Independent auditor's report

The independent auditor's report on these financial statements is included on the following pages.

INDEPENDENT AUDITOR'S REPORT

To: the shareholders and supervisory board of ad pepper media International N.V.

» REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2021 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements 2021 of ad pepper media International N.V. based in Amsterdam. The financial statements comprise the consolidated and statutory financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of ad pepper media International N.V. as at 31 December 2021 and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- the accompanying statutory financial statements give a true and fair view of the financial position of ad pepper media International N.V. as at 31 December 2021 and of its result 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021
- the following statements for 2020: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the balance sheet of the holding company as at 31 December 2021
- the profit and loss account of the holding company for 2021
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. *Our responsibilities* under those standards are further described in the *Our responsibilities for the audit of the financial statements* section of our report.

We are independent of ad pepper media International N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Ad pepper media International N.V. is the head of a group of companies that provides online marketing services. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	€ 276,000 (2020: € 250,000)
Benchmark applied	Approximately 1% of revenue
Explanation	We have applied this benchmark based on our professional judgement and taking into account the expectations of users of the financial statements. Revenue was concluded to be the most appropriate measure as it is considered to be reflective of the growth in and development of the company's activities.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons. We agreed with the supervisory board that misstatements in excess of € 13,800, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Ad pepper media International N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements. While the entities in the group operate in various countries, their financial information is managed centrally. We have performed our audit procedures over the financial information of all entities in the group on a consolidated basis.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a listed client. We included specialists in the areas of information technology, share based payments and income tax.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility
Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks
We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section '04.5 Risk report' for management's risk assessment and section '02 Report of the supervisory board' in which the supervisory board reflects on this risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls and when identifying and assessing fraud risks we presumed that there are risks of fraud in revenue recognition. We describe the audit procedures responsive to the risk of management override of controls and the presumed risk of fraud in revenue recognition in the description of our audit approach for the key audit matter 'Risk of inappropriate revenue recognition, including the risk of management overriding revenue recognition controls '.

We considered available information and made enquiries of relevant executives, directors and the supervisory board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations
We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes and inspection of other relevant documents regarding compliance with laws and regulations and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in section '01 Letter from the board of directors' and in the management statements in section '04.1 Governance' management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the specific assessment with management exercising professional judgment and maintaining professional skepticism. We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on the company's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matters did not change.

Risk of inappropriate revenue recognition, including the risk of management overriding revenue recognition controls (see note 5 to the consolidated financial statements)

Risk	Recognizing revenue is a routine process for the company, with a high number of transactions during the year. Revenue is an important performance indicator to the board of directors, the supervisory board as well as to other stakeholders and, therefore, we believe it to be subject to a higher risk of manipulation. As a result, we consider this a key audit matter.
Our audit approach	We have analyzed the company's revenue recognition policies and procedures for the various sources of revenue. We evaluated the design and implementation of internal controls embedded in revenue recognition processes, including internal controls related to IT processes relevant to revenue recognition for Webgains. In the latter IT specialists were involved as well. We discussed with and challenged management in their evaluation of revenue arrangements and the related analysis of recognizing revenue as principal or agent. We validated management's analysis based on inspection and interpretation of agreements with both customers and suppliers. We applied a data-analytics driven audit approach to revenue in which we verified that revenue recognized during the year subsequently resulted in cash receipt. We also performed testing of revenue related accounts such as trade receivables and we tested appropriate cut-off of revenue between 2021 and 2022. Finally, we used data analysis to identify and address high-risk journal entries and we performed procedures to evaluate key accounting estimates for management bias in respect of revenue recognition.
Key observations	We conclude that the revenue for 2021 has been appropriately recognized and disclosed in the financial statements.

» REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The annual report contains other information in addition to the financial statements and our auditor's report thereon. Such other information consists of the Report of the Supervisory Board, the Report of the Board of Directors, the letter from the Board of Directors, the remuneration report and other information.

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 for the management board report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code for the remuneration report.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. Management and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code.

» REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS AND ESEF

Engagement

We were engaged by the supervisory board as auditor of ad pepper media International N.V. on 27 July 2018, as of the audit for the year 2018 and have operated as statutory auditor since.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

Our services are only related to the audit of the financial statements.

European Single Electronic Reporting Format (ESEF)

Ad pepper media International N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in the XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by ad pepper media International N.V., complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered Accountants), included amongst others:
- obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF
- examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

» DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 29 March 2022
Ernst & Young Accountants LLP

Signed by G.M.J. Bloetjes

» 09

AT A GLANCE

» ADDRESSES

The ad pepper Group subsidiaries operate in the following countries:

ad pepper media International N.V.

Group headquarters Nuremberg
Frankenstrasse 150 C
90461 Nuremberg
GERMANY

Phone +49 (0) 911 929057-0

France

Webgains France SARL
21 Boulevard Haussmann
75009 Paris
FRANCE

Germany

ad pepper media GmbH
Frankenstrasse 150 D
90461 Nuremberg
GERMANY

ad agents GmbH
Am Joachimsberg 10-12
71083 Herrenberg
GERMANY

Webgains GmbH
Frankenstrasse 150 C
90461 Nuremberg
GERMANY

Webgains GmbH
Frauenstraße 17
80469 München
GERMANY

Spain

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» DATES AND CONTACTS

Company calendar

All financial and press data relevant for the capital market at a glance:

Annual Report 2021	29 March 2022
Annual General Meeting (Amsterdam, The Netherlands)	17 May 2022
Quarterly Report I/2022	25 May 2022
Quarterly Report II/2022	25 August 2022
Quarterly Report III/2022	24 November 2022

09
AT A GLANCE

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Disclaimer

This Annual Report contains forward-looking statements which are based on current assumptions and assessments made by the management of ad pepper media International N.V. These statements are not to be understood as a guarantee that such expectations will in fact materialise. Future developments and the results actually achieved by ad pepper media International N.V. and its affiliated companies depend upon a number of risks and uncertainties and may therefore deviate significantly from the forward-looking statements. Several of these factors are beyond ad pepper media's control and cannot be precisely estimated in advance, such as the future economic environment and the actions of competitors and other market players. There are no plans to update the forward-looking statements nor does ad pepper media International N.V. undertake any separate obligation to do so.

Our 2021 Annual Report as well as the Interim Financial Reports for 2021 are available at **www.adpeppergroup.com** under:
Investor relations / Publications / Financial reports.

» 10

GLOSSARY

» GLOSSARY

Non-IFRS financial measures

EBIT:
Income before Interest and Tax.

EBITDA:
Income before Interest, Tax, Depreciation and Amortisation.

EBT:
Income before Tax.

Equity ratio:
Shareholders' Equity/Total Assets.

Gross sales:
Gross sales represent the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of gross sales information is not required under IFRS; however, it is voluntarily disclosed from 1 January 2018 onwards in the Consolidated Income Statement since management has concluded that the information is useful for users of the financial statements.

Liquid funds:
Cash & cash equivalents including listed debt securities.

Media cost:
Media cost relate to payments made to suppliers of ad inventory (commonly referred to as media buys and publishers). Disclosure of media cost information is not required under IFRS; however, it is voluntarily disclosed from 1 January 2018 onwards in the Consolidated Income Statement as management has concluded that the information is useful for users of the financial statements.

Business terms

Ad:
Short for advertisement in print or on TV or otherwise.

Ad spending:
The amount of money spent on advertising for a product or activity.

Advertiser:
Advertisers/Merchants (providers and operators of the program) advertise their products and services on the affiliates' websites and pay them a commission on sales generated.

Affiliate:
Website that adds banners/buttons/text links that link through to merchant sites, in order to earn commission based on leads/sales generated.

Affiliate marketing:
Affiliate marketing is a form of internet advertising where-by online vendors (merchants) place advertising banners on partner websites (affiliates) in order to reach more customers. Whenever a user clicks on the banner and buys the product or carries out a pre-defined action, the website operator who displayed the ad receives a commission. This commission is based on the sales rate of the products and services referred by the affiliate.

Affiliate network:
Affiliate networks facilitate cooperation between merchants and affiliates, act as providers of technological and/or other services who take over tracking and invoicing on behalf of affiliates and merchants. Also frequently known as affiliate platform.

Audience targeting:
Audience targeting is the ability to take your full audience of prospective customers and segment it into groups based on different criteria, including online behavioural characteristics, demographics, interests, and intent. Audience targeting helps more effectively deliver personalised and optimised experiences based on customer needs and interests.

Cookie:
Small text file used to enhance the user experience of websites by storing settings entered on site, for instance a country selection on an entry page. Used on most programs for tracking sales.

CPA:
Cost per acquisition – a billing method whereby the advertising customer only pays for their online ad when a user carries out a particular action that has been pre-defined by the advertiser (user makes purchase or registers for a newsletter, for example). Also known as pay per action.

CPC:
Cost per click – billing unit for online advertising. Costs are calculated according to the number of times a user clicks on an ad (website banner). Also known as pay per click.

CPL:
Cost per lead – fee per dataset. Also known as PPL (pay per lead).

CPM:
Cost per mile – shows the costs per 1,000 ad views (see ad impression) for an advertising booking.

Cybercrime:
Criminal activities carried out by means of computers or the internet.

Display advertising:
Delivery of ads to the target group, avoidance of waste coverage, and the efficient management of digital advertising activities in accordance with customer-defined KPIs.

e-commerce:
The electronic commerce describes every type of transaction on the internet. The most well-known type of e-commerce is online shopping, although it is much more than marketing and sales online; various online services, service and management of business transaction processes are also part of e-commerce.

Hacking:
The gaining of unauthorised access to data in a system or computer.

Identity theft:
The fraudulent practice of using another person's name and personal information in order to obtain credit, loans, etc.

Lead:
A successfully established contact between a product or service provider and a potential customer.

Lead generation:
A successfully established contact between a product or service provider and a potential customer. A 'qualified lead' signifies that the customer has confirmed interest, for example through registering for a newsletter or submitting a contact form.

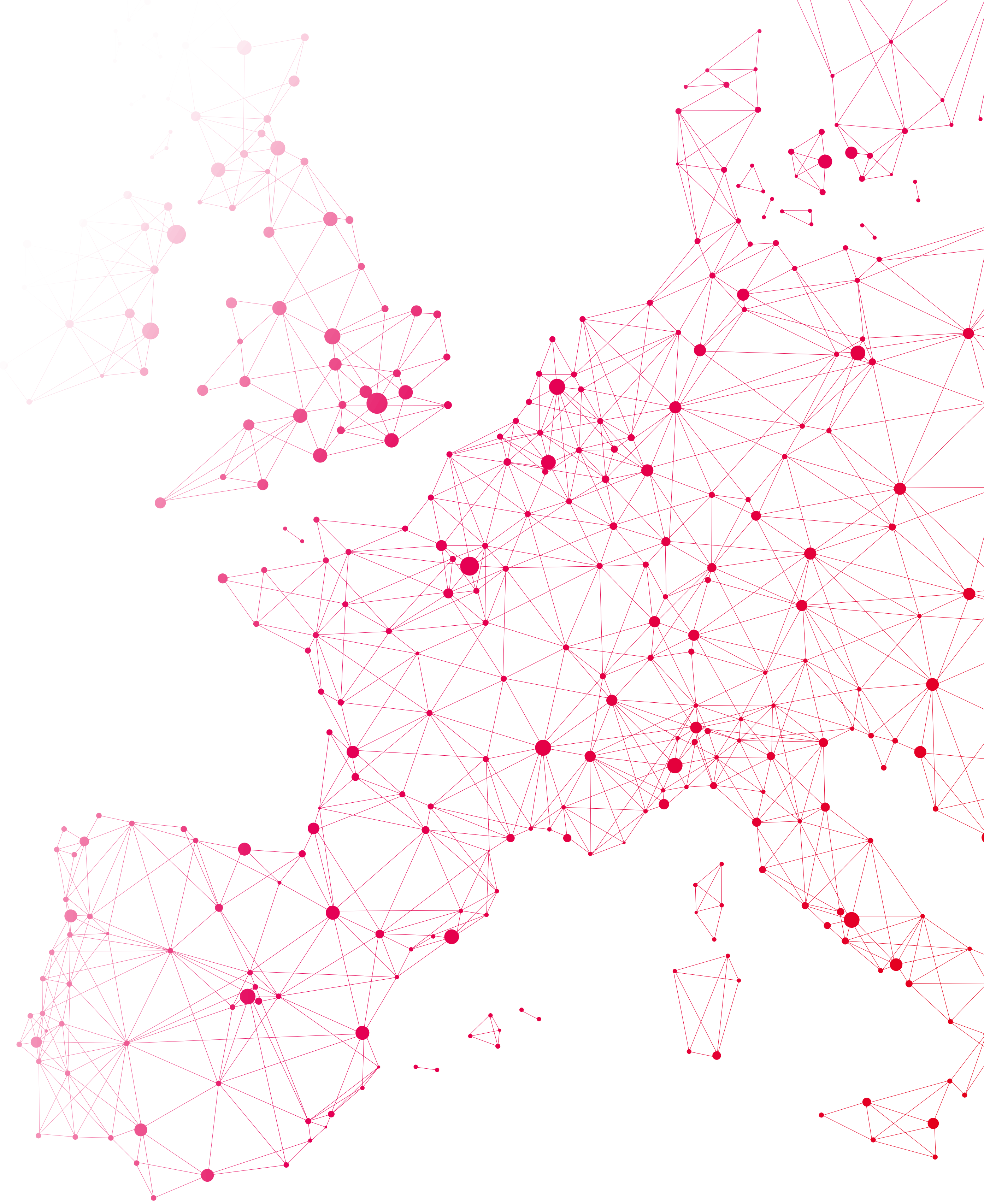
Performance marketing:
Online marketing tools used to calculate success rates. Search engine marketing, affiliate marketing, and e-mail marketing all fall under the category of performance marketing, as do banner ads, which are delivered in a targeted manner with fees based on success rates ('cost per click,' 'cost per sale,' 'cost per lead').

Publisher:
Website operators are generally known as publishers. They play a particular role in affiliate marketing. This is where the publishers take on the functions of distribution partners (affiliates).

Risk of fraud:
The possibility of an organisation being subject to fraudulent activity.

SEA:
Search Engine Advertising – Search engine marketing covers all marketing activities related to search engines. This includes paid keyword advertising, improved ranking within the search results, and affiliate marketing.

SEO:
Includes all measures designed to feature websites as high as possible on the result pages of search engines.



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