



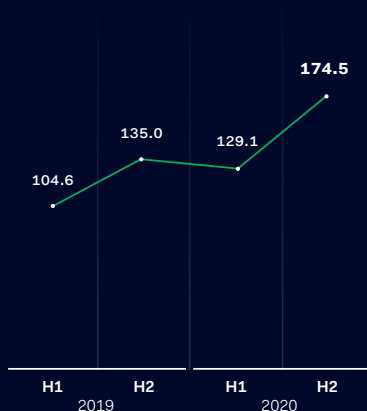
H2 2020

Shareholder letter

adyen

Summary

*Historical figures have been adjusted since prior publications of results.



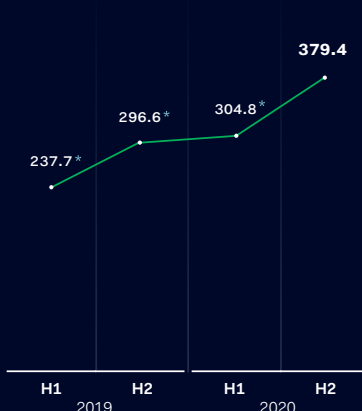
Processed volume

H2 ↗ 29% YOY

€174.5 BN

FY ↗ 27% YOY

€303.6 BN



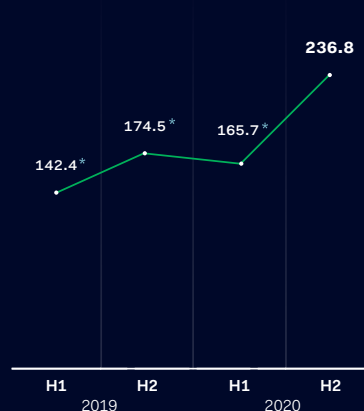
Net revenue

H2 ↗ 28% YOY

€379.4 MN

FY ↗ 28% YOY

€684.2 MN



EBITDA

H2 ↗ 36% YOY

€236.8 MN

FY ↗ 27% YOY

€402.5 MN



Business resilience amid global pandemic

- » Substantial net revenue growth (70%) in North America
- » Strong growth in online retail due to accelerated digitization of global commerce
- » Surging ecommerce volumes alongside store reopenings



Strong performance across growth pillars

- » Well-diversified merchant base compensated for declining travel volumes in enterprise
- » Momentum in unified commerce due to acceleration of longer-term tailwinds
- » Growing the mid-market merchant portfolio



Merchant-driven innovation on the single platform

- » Building IdentityRisk — sub-seller fraud checks on Adyen for Platforms
- » Scaling Adyen Issuing — rolling out over 30,000 cards with a single merchant
- » Launched mobile Android POS devices



Scaling the Adyen team and culture

- » Growing the team to 1,747 FTE — focus is on scaling the culture
- » The team's wellbeing as a focal point during COVID-19
- » Global expansion - opening an office in the Middle East

Continued profitable growth and business resilience amid challenging year

Dear shareholders,

February 10, 2021

The business has proven resilient in the second half of the year. Despite the continued impact of COVID-19 on the world economy, we experienced substantial growth as online retail and digital goods volumes surged while the decrease in travel volumes persisted. Amid the constantly shifting environment of the pandemic, we focused on best helping our merchants. We were able to help move volumes online swiftly when stores closed and facilitated safe operations in reopening scenarios, as all our point-of-sale (POS) devices enable contactless payments.

The business' resilience over the period was fueled by the continued diversification of our merchant base across verticals and regions. Most notable is the pace at which North American net revenue contributions grew. With a 70% year-on-year increase, net revenue contributions from the region rose to 20% of total net revenue in H2 2020, compared to 15% in H2 2019.

Historically, we have mainly helped North American merchants process payments outside of their home markets, mainly due to the North American payments market's relatively static nature. In recent years, we saw complexity increase, especially in the domain of unified commerce. This allowed us to board domestic volumes that previously might have been out of reach. Illustrative is how we partnered with DICK'S Sporting Goods to process their in-store, in-app, and online volumes. These are volumes that would not have been a logical fit in prior years — we are now seeing that shift.

At the start of the period, total processed volume recovered to pre-pandemic levels and trended upward since. The uptick in online retail volume that followed physical store closures in the first half of the year was a trend that persisted in the second half — now alongside recovering in-store¹ volumes. In the travel vertical, volumes remained below pre-pandemic levels as macroeconomic conditions directly impacted this space. During the shopping holiday season, spanning across days such as Singles' Day, Black Friday, and Cyber Monday, we recorded peak volumes on the platform. Platform reliability is highly important during the online retail season, as we build to help our merchants capitalize on the increased traffic this period brings.

POS volume for the second half was €21.3 billion, comprising 12% of total processed volume, compared to €18.2 billion and 13% in H2 2019. For the full year, POS volume was €32.2 billion and 11% of total processed volume, compared to €29.2 billion and 12% in 2019, respectively. We consider these growing POS volumes amid world-wide store closures as a testament to the strength of our offering in this space. In line with that growth, we saw the roll-out of POS projects return to usual speed during the second half of 2020, following earlier delays after initial lockdown restrictions in H1.

¹ In-store retail volume is not a proxy for total point-of-sale volume

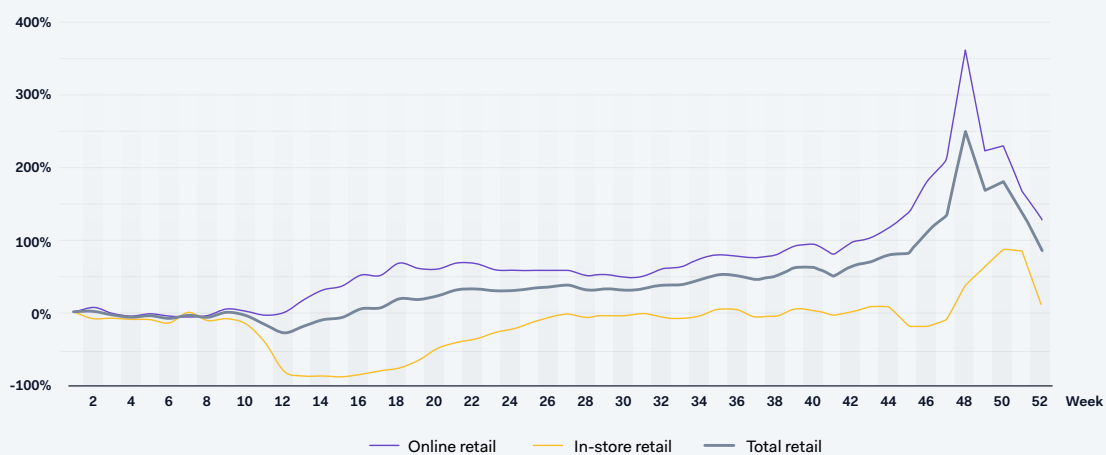
Figure 1

Weekly total processed volume and weekly travel volumes indexed to the first week of January



Figure 2

Weekly retail processed volumes indexed to the first week of January

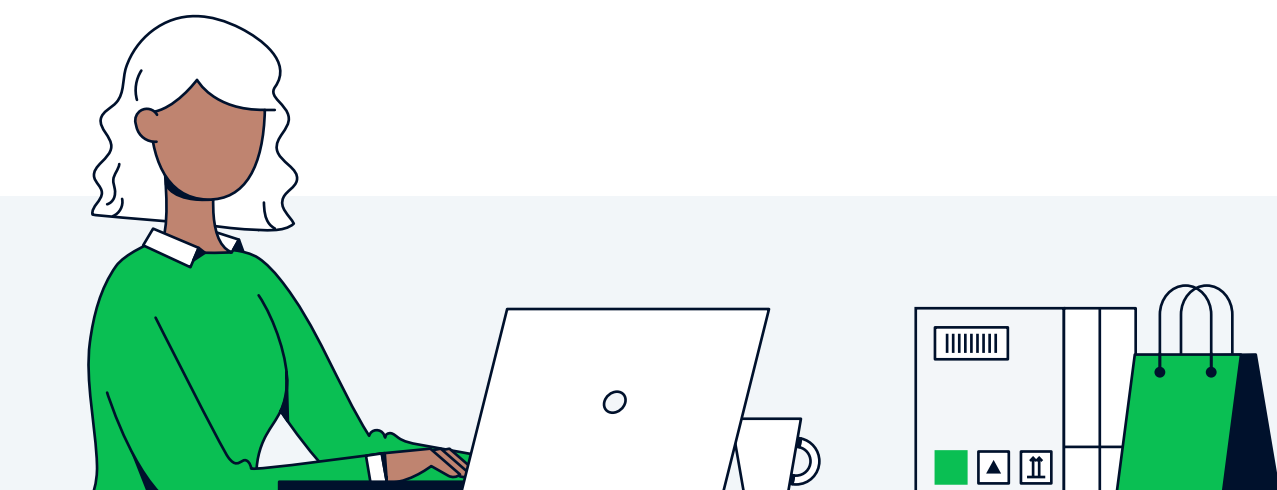


Full-stack volume² share for H2 2020 was 82%, up from 73% in H2 2019. For the full year this was 80%, up from 72% in 2019. This increase is mainly driven by the decline in airline volumes during the period — these are volumes for which we tend not to do acquiring.

Amid the ever-changing environment of the pandemic, we also saw several longer-term trends persist. Some were even accelerated due to COVID-19 — including the shift from cash to cashless economies and the digitization of global commerce. Several longer-term trends on the platform persisted too — with overall merchant concentration further declining, volume churn remaining below 1%, and existing merchants continuing to make up over 80% of our growth.

We continue to build Adyen for the long term — with a singular focus on helping our merchants grow. As such, retaining the flexibility to invest in our global presence, the team, and the platform remains essential to us. Following this philosophy, and in anticipation of further growth, we opened an office in Dubai and expanded our acquiring footprint to include Puerto Rico. We also continued to build the team across regions — growing the Adyen team to 1,747 FTE.

² Full-stack volume is volume for which we are part of the money flow, and therefore are paying out to our merchants





Solid volume contributions across merchant base

Enterprise merchants in online verticals continued to be our main growth driver. We work hand-in-hand with these merchants across regions and product lines to ensure their growth is never held back by their payments set-up. We continued to see increasing diversification across our enterprise merchant base, which helped us during a year where COVID-19 impacted everyone. We see this as a proof point of the business' resilience going forward.

We also continued to roll out Adyen for Platforms during the second half of the year. Adyen for Platforms allows us to provide the long tail of the market with access to the full power of the Adyen platform through enterprise-level partnerships. By partnering with merchants like Modernizing Medicine, a business technology provider to over 150,000 medical practitioners, we deliver SMEs the payment technology required to successfully operate their businesses. To further enhance our offering for platform merchants, we continue to build for its scalability — most notably with automated information and verification checks and extensive sub-seller fraud controls implemented over the full year.

In the unified commerce space, the convergence of the offline and online channels continued to be a major theme — shoppers expect a single brand experience, regardless whether they are buying online or offline. During the period, we saw the historical trend of merchants adding a second channel on our platform speed up. Illustrative to this development, and the land-and-expand approach with existing merchants that we have employed since foundation, is how we have grown our partnership with H&M. In 2018, we started a global partnership across key markets in Europe and North America, focusing on online volumes. Today, we are proud to announce that we are rolling out our full unified commerce offering across Europe, the US, Canada and Puerto Rico with them.

Within the retail vertical, we started at the high end of the market where there was more complexity to solve for — e.g. creating personalized shopper journeys. In recent years, we have successfully moved into retail more broadly, as shoppers across the spectrum are increasingly expecting seamless experiences across channels. We continued to add household names to the platform from all ends of the retail segment — including Boulanger, Ralph Lauren, and Gianvito Rossi.



As the COVID-19 pandemic continued, the day-to-day of many merchants in the in-store retail and quick-service restaurant verticals were impacted by the closure of physical outlets. We saw that unified commerce merchants could more easily adapt to the current environment — as offering in-app and online ordering, as well as curbside pick-ups were essential to keeping sales up. Our unified commerce offering has proven to be especially well-suited for facilitating these experiences, and made renowned players like Hungry Jack's opt for the solution. In post-pandemic reopening scenarios, we view the need for contactless payment set-ups as an opportunity to showcase the strength of our unified commerce offering.

We experienced initial traction in the hospitality vertical in the second half of the year — with merchant wins ranging from high-end boutique resort QC Terme to international hotel group Yotel. The fact that hotel and resort guests increasingly expect state-of-the-art experiences with seamless booking, check-in, and check-out across channels helps us — offering multi-channel experiences has always been our strength in retail, and now helps us move into new verticals.

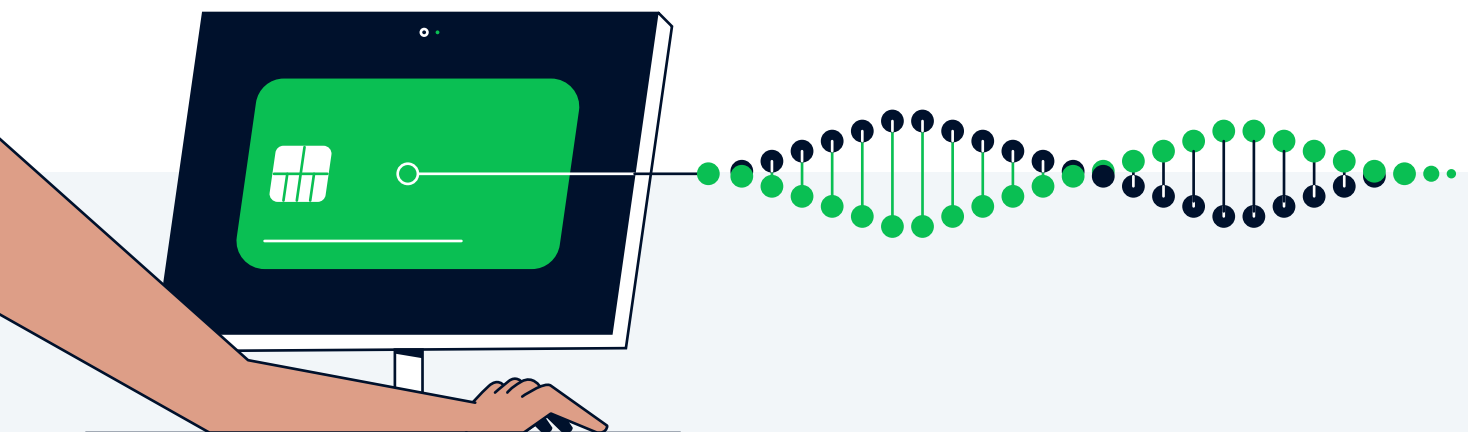
In the mid-market segment, we are increasingly moving toward an approach that encompasses all down-market segments from enterprise. We go to market with a direct sales approach in the higher end of mid-market, while enabling marketing-driven strategies and engagement via partnerships and system integrator communities to reach down the long tail of the market. To service businesses of all sizes, our lower-touch approach through partnership models provides us comfort on scalability, without compromising on organizational efficiency or culture.

Merchant-driven innovation on the single platform

Product innovation on the single platform continued to be a co-creative process with our merchants, despite the pandemic. The workstreams that make up the Adyen product organization work directly with our merchants, ergo can efficiently prioritize their needs. To ensure that we address our merchants' needs at speed, company-wide strategy is set annually based on these workstreams' goals.

This merchant-centered approach to product development is clearly reflected in how we built the Network Token Optimization feature of our RevenueAccelerate product in partnership with Microsoft. Through EMVCo-certified cloud tokens, the feature enables a more secure way of obtaining payment approval — without having to send or store sensitive data such as PANs (primary account numbers). By deciding whether to seek approval via a token or a PAN via smart transaction routing, the feature facilitates higher authorization rates for our merchants.

Another example of our merchant-driven innovation is IdentityRisk, a support tool that enables sub-seller fraud checks at scale for platform merchants. We were already helping our merchants identify shopper fraud with our RevenueProtect product, and now offer this functionality on the sub-seller level as well. Improving effectiveness and reducing time spent on sub-seller fraud checks, the feature increases operational scalability for merchants running platforms.





Adyen Issuing was implemented at scale in the second half of the year, as we are now rolling out 30,000 cards with Glovo — an on-demand courier service. The extensive use of the product by Glovo couriers allows us to iterate based on real-world use cases. This is an exciting avenue for growth — and we are just at the beginning here.

On point-of-sale hardware, we launched Android-based mobile POS devices during the second half. These devices integrate the hardware and software that historically would complicate in-store operations (e.g. inventory management software, customer loyalty programs, staff communication tools) in one device. Due to its all-in-one function, these smartphone-sized, portable terminals significantly enhance in-store efficiency. We see potential use cases range from merchants avoiding in-store queuing, to streamlining in-store operations or facilitating curbside pick-ups.

The trend towards stronger authentication across the payments landscape continued in 2020. The PSD2 (Payments Services Directive 2) regulation is now gradually being enforced in Europe, and we are ready to help our merchants adapt by using our 3DS2 tool. The feature, which we were first-to-market with, is built to facilitate uplifts in conversion and authorization rates in this new environment. We expect that the regulation will bring conversion rates down across the industry, but there are efficiency gains to be made in solving for this reality most elegantly.

Lastly on product, we are proud to mention our donation tool Adyen Giving. Adyen Giving facilitates direct donations to our merchants' preferred charities in the checkout process via a two-transaction logic. This natural extension of the payment flow enables fundraising at scale and simplifies the charitable donation process for our merchants, their shoppers, and good causes. To ensure the full donation amount goes to its beneficiary, we take on the cost of the donation transaction if the beneficiary supports at least one of the United Nations' Sustainable Development Goals.

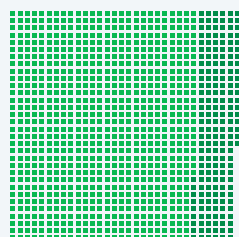


Total FTE



Europe

Amsterdam



Berlin



Brussels



Hong Kong



Melbourne



Mumbai



Madrid



Manchester



Shanghai



Singapore



Sydney



London



Munich



Paris



Stockholm



Tokyo



Milan



Warsaw



Asia Pacific

North America

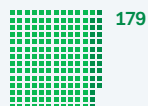
Boston



New York



San Francisco



Toronto

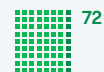


Latin America

São José



São Paulo



Mexico City



Figure 3

Adyen's 2020 FTE growth

Scaling the Adyen team — for now from a distance

We are building Adyen for the long term, and therefore continuously invest in offering our merchants the best technology and support. This approach is reflected in how we are building the team, with 43% of new hires in commercial roles and 42% of hires in tech. Paving the way for long-term growth, we added 299 FTE in the second half of the year. The Adyen team now totals 1,747 FTE.

With the amount of hires made during the year, largely in a work-from-home setting, ensuring that we did not compromise on culture was at the center of attention. Senior management continued to dedicate significant time to the hiring process and virtually met every new hire before joining the team. Additionally, we launched board-led training sessions for new and existing team leads and continued our online onboarding and training programs. Considering that new joiners have not been able to work from our offices, we took an additional level of scrutiny and regularly assessed our absorption rate.

To best help our merchants, we need a team that includes different perspectives and realize that inclusion should be designed for. This is something that is also represented in the Adyen Formula. To ensure that we go about building equitable teams, we thoroughly reviewed and redesigned our recruitment and interviewing processes in the second half of the year.

As we reflect on a challenging year, wherein the wellbeing of the team was a focal point, we realize that the shift towards an online environment also brought valuable lessons. Perhaps paradoxically, the team felt more global than ever. Videoconferencing turned out to be a great equalizer across time zones, with location increasingly irrelevant, as the number of cross-continent meetings and global team events steeply increased during the pandemic. We are incredibly proud of the flexibility of the team. These are lessons here that will be vital to Adyen going forward, no matter how the upcoming years develop.

Discussion of financial results

Robust volume growth from existing merchants

We processed €174.5 billion in the period, up 29% year-on-year. For the full year, processed volume was €303.6 billion, up 27% year-on-year.

POS processed volume was €21.3 billion in the second half of the year, making up 12% of processed volume. For the full year, this was €32.2 billion and 11% of total volume. Lockdown restrictions strongly impacted in-store volume throughout the year.

Solid net revenue growth due to continued diversification across regions

Net revenue was €379.4 million³ in the second half of the year⁴, up 28% year-on-year. For the full year net revenue was up 28% as well, totaling €684.2 million.

On net revenue growth, North America (70%) outpaced APAC (30%), Europe (22%), and LATAM (6%). The delta in growth rates is mainly driven by the impact of COVID-19 on our merchant mix.

Net revenue contributions continued to diversify across regions in the second half of the year, with Europe remaining the largest contributor to net revenue at 62%, followed by North America (20%), APAC (9%), and LATAM (8%).

Take rate was 21.7 bps in H2 2020, down from 22.0 bps in H2 2019. For the full year, take rate was 22.5 bps, up from 22.3 bps in 2019. Take rate continues to not be a driving for us, as the low cost of operating the Adyen platform allows for focusing on incremental net revenue.

³ Historical figures have been adjusted since prior publications of results. Please refer to note 1 of the financial statements on page 31 and 32 for a full reflection of adjusted numbers.

⁴ On a constant currency basis, H2 2020 gross revenue of 2,081 million would have been 6% higher than reported. Net revenue of €379.4 million would have been 9% higher than reported. Please refer to Note 1 of the Interim Condensed Consolidated Financial statements for further detail on revenue breakdown.



Figure 4

Adyen's net revenue in key regions (by billing address in EUR millions) in H2 2019 and H2 2020

Investing in a global Adyen for the long term

Total operating expenses were €157.7 million in the second half of the year, up 18% year-on-year, and representing 42% of net revenue. For the full year, operating expenses were €310.3 million, up 29% year-on-year, and representing 45% of net revenue. This increase is mainly driven by employee benefits.

Employee benefits were €92.4 million in H2 2020, up 37% from €67.6 million H2 2019. For the full year, employee benefits were €180.0 million, up 47% from €122.4 million for full year 2019.

Other operating expenses were €50.3 million in the second half of 2020, down 8% from €54.7 million in the second half of 2019. This drop is mainly due to the decrease in travel expenses following global travel restrictions caused by the COVID-19 pandemic.

Sales and marketing expenses totaled €18.2 million for the period, down 3% from €18.7 million in H2 2019, as our focus shifted from physical events in enterprise to running online marketing campaigns.

FY 2020 other operating expenses were €101.9 million, up 7% from €95.1 million for FY 2019 operating expenses. Of these, sales and marketing expenses were €39.6 million, up 23% from €32.3 million for FY 2019.

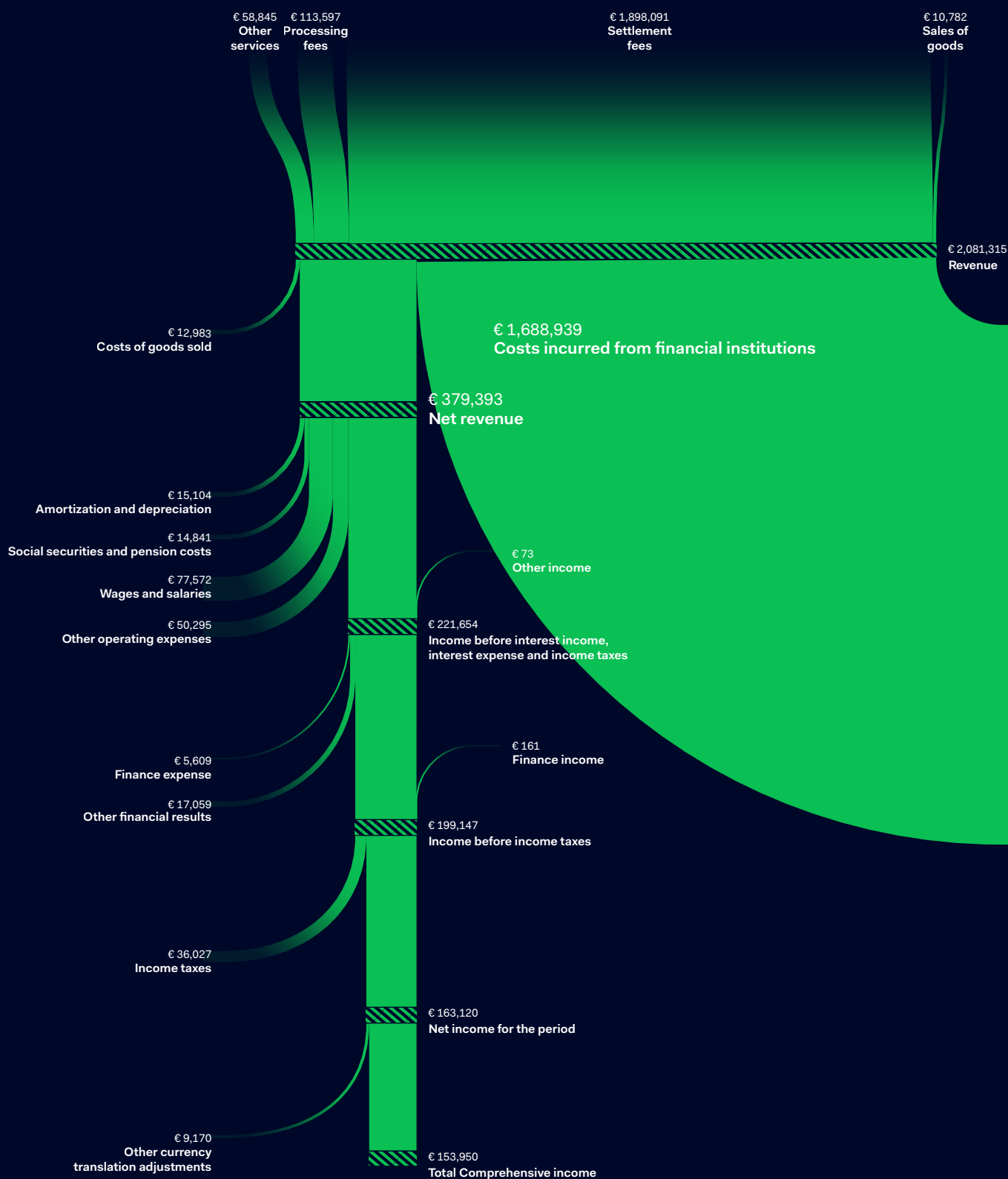


Figure 5

H2 2020 Consolidated statement of comprehensive income
All amounts in EUR thousands unless otherwise stated

EBITDA reflecting sustained profitability amid investments in long-term growth

EBITDA for H2 2020 was €236.8 million, up 36% year-on-year from €174.5 million in H2 2019. For FY 2020, EBITDA was €402.5 million, up 27% year-on-year from €316.9 million in 2019.

EBITDA margin was 62% in the period, and 59% for the full year.

Net income

Net income for the second half of 2020 was €163.1 million, up 27% from €128.4 million in the second half of 2019. For the full year, net income was €261.0 million, up 11% from €234.3 million in 2019.

Full year net income was impacted by the movement in other financial results, largely caused by the increase in value of the derivative liabilities as a result of the increase in the Adyen share price.

Solid free cash flow conversion

Free cash flow conversion was €217.0 million in the second half of 2020, up 37% from €158.1 million in the second half of 2019. For the full year, free cash flow conversion was €371.1 million, up 29% from €287.1 million in 2019.

Free cash flow conversion ratio⁵ was 92% in the second half of 2020, up from 91% in H2 2019. Free cash flow conversion ratio was 92% for FY 2020, up from 91% in FY 2019.

CapEx remains stable as investments in scalability continues

In the second half of 2020 CapEx were 4% of net revenues, slightly up 4% year-on-year from H2 2019. For the full year, CapEx were 3% of net revenue, 14% down from full year 2019.

⁵ ((EBITDA-CapEx-Lease Payments)/EBITDA)

Financial objectives

We have set the following financial objectives, wherein EBITDA margin guidance has been updated since prior publications. Other objectives remain unchanged since IPO.

Net revenue growth: We aim to continue to grow net revenue and achieve a CAGR between the mid-twenties and low-thirties in the medium term by executing our sales strategy.

EBITDA margin: We aim to improve EBITDA margin, and expect this margin to benefit from our operational leverage going forward and increase to levels above 65% in the long term.

Capital expenditure: We aim to maintain a sustainable capital expenditure level of up to 5% of our net revenue.

On EBITDA margin — given the substantial growth and operating leverage we have seen since IPO, combined with our continued focus on the scalability of our single platform, we expect this upward trend to continue to levels of over 65% in the long term. We are still at an early stage of building Adyen, and view the short-term flexibility to invest in longer-term opportunities key to reaching this objective.

We will host our earnings call at 3pm CET (9am ET) today (February 10) to discuss these results.

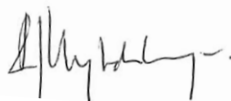
To watch a live video webcast, please visit our [Investor Relations page](#). A recording will be available on the website following the call.

As an appendix to this letter, please find attached three one-page updates on our growth pillars (Enterprise, Unified Commerce and Mid-Market) and our H2 2020 financial statements.

Sincerely,



Pieter van der Does
CEO

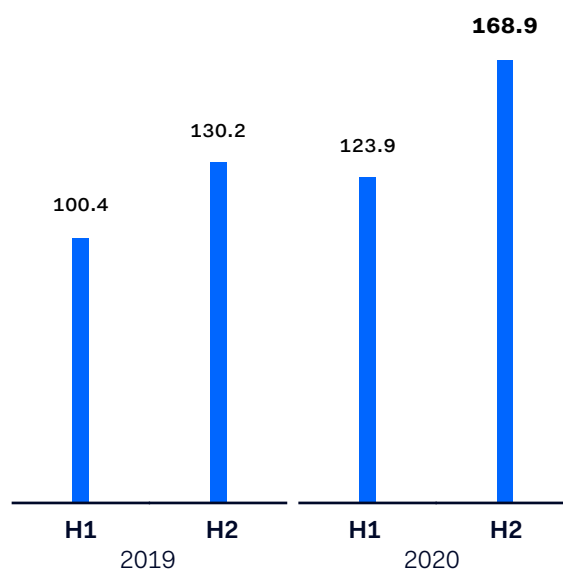


Ingo Uytdehaage
CFO



Enterprise

The enterprise space continued to drive the majority of our growth. Our continued success in this space stems from our ability to solve for our merchants' payment complexities and how we build trusted partnerships with them. We consistently grow with them as they expand to new regions, sales channels, and product lines.



Enterprise volume in EUR billions



Despite the COVID-19 pandemic, we continued to add merchants to the single platform with onboarding timelines largely unaffected.



The longer-term trend toward online commerce was accelerated due to the COVID-19 pandemic, leading to surging online retail volumes on the single platform.



The further diversification of our merchant base across regions and verticals in this space highlights the strength of our industry-leading technology.



We continued to expand our product portfolio to meet these merchants' long- and short-term needs, and invested in the scalability of our offering for platforms.



Unified commerce

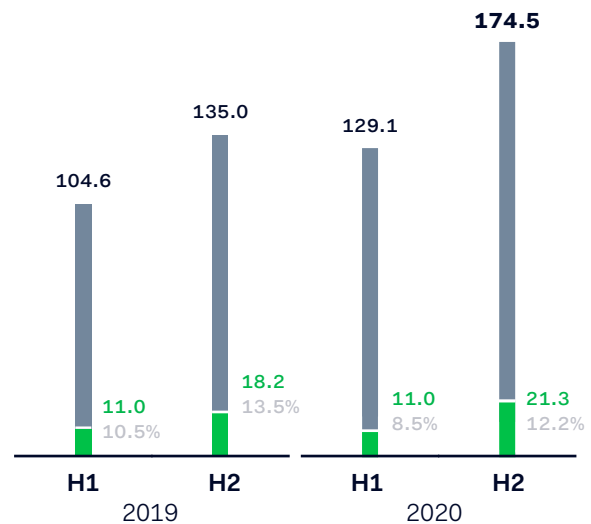
The pandemic further accelerated the trend of merchants opting for a unified commerce approach. We saw that unified commerce merchants were more resilient when dealing with the challenges of the pandemic due to the flexibility of quickly shifting volumes between sales channels.



Continued success on all ends of the retail vertical was prevalent, as all types of shoppers increasingly expect seamless experiences across sales channels.



Our unified commerce offering is well-suited to help QSR merchants offer in-app and online ordering, as well as curbside pick-ups, which became necessities over the period.



POS volume evolution, including share of total processed volume in EUR billions



We saw emerging traction across all ends of the hospitality space — with international hotel chains to boutique resorts focusing on offering state-of-the-art visitor experiences.



When lockdown restrictions ease, we are fully prepared to support our merchants in reopening safely as our full range of POS terminals facilitates contactless payments.



RALPH LAUREN

QC TERME

Yotel

Columbia

FOSSIL

boulanger

Gianvito Rossi

Mid-market

We remain focused on building out our mid-market offering, and supporting these merchants in growing their business while solving for their payment complexities that arise along the way. In line with previous periods, we saw numerous mid-market merchants organically graduate into the enterprise segment.



We continue to dedicate resources to building simplified integrations to the single platform, in order to accelerate onboarding timelines.



We continue to invest in processes that allow us to cater to businesses of all sizes — whether it is through higher-touch direct sales, or a lighter-touch approach through partnerships and plugins.



Mid-market volume in EUR billions. We define mid-market merchants as merchants processing up to €25 million annually on our platform. In H2 2020, 4,278 merchants met this definition.



Through engagement via partnerships and system integrator communities, we build for accessibility to merchants down the long tail of the market.



To best help merchants in this segment, growing the mid-market sales, customer success and product teams remained a focal point in hiring.





Interim Condensed Consolidated Financial Statements

H2 2020 Adyen N.V.



Consolidated statement of comprehensive income

For the six months ended December 31, 2020 and Restated December 31, 2019*

(all amounts are in EUR thousands unless otherwise stated)

	Note	H2 2020	H2 2019 Restated*
Revenue	1	2,081,315	1,512,618
Costs incurred from financial institutions	1	(1,688,939)	(1,207,445)
Costs of goods sold	1	(12,983)	(8,540)
<i>Net revenue</i>		<i>379,393</i>	<i>296,633</i>
Wages and salaries	3	(77,572)	(55,438)
Social securities and pension costs	3	(14,841)	(12,194)
Amortization and depreciation	11,12	(15,104)	(11,988)
Other operating expenses	4	(50,295)	(54,661)
Other income		73	203
Income before net finance income/(expense) and income taxes		221,654	162,555
Finance income		161	292
Finance expense		(5,609)	(2,299)
Other financial results	5	(17,059)	2,856
Net finance income/(expense)		(22,507)	849
<i>Income before income taxes</i>		<i>199,147</i>	<i>163,404</i>
Income taxes	6	(36,027)	(34,957)
Net income for the period		163,120	128,447
<i>Net income attributable to owners of Adyen N.V.</i>		<i>163,120</i>	<i>128,447</i>
<i>Other comprehensive income</i>			
Items that may be reclassified to profit or loss			
Currency translation adjustments subsidiaries		(9,170)	177
<i>Other comprehensive income for the period</i>		<i>(9,170)</i>	<i>177</i>
Total comprehensive income for the period (attributable to owners of Adyen N.V.)		153,950	128,624
Earnings per share (in EUR)			
- Net profit per share - Basic	13	5.39	4.33
- Net profit per share - Diluted	13	5.32	4.22

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

*The comparative information is restated on account of correction of error (Refer to 'Correction of prior period error' note).

Consolidated balance sheet

As at December 31, 2020, 2019 Restated* and January 1, 2019 Restated*
(all amounts are in EUR thousands unless otherwise stated)

	Note	31/12/2020	31/12/2019 Restated*	01/01/2019 Restated*
Intangible assets		9,970	7,640	5,059
Plant and equipment	11	35,746	30,219	23,921
Right-of-use assets	12	124,328	59,695	-
Other financial assets at FVPL	10	20,883	44,088	30,378
Contract assets	1.1	124,113	140,000	140,791
Deferred tax assets	6	106,337	71,633	8,297
Total non-current assets		421,377	353,275	208,446
Inventories	2	19,548	7,020	7,864
Receivables from merchants and financial institutions		883,939	443,333	355,596
Trade and other receivables		75,079	46,927	42,334
Current income tax receivables	6	8,794	-	-
Financial asset at amortized cost		-	-	4,418
Other financial assets at amortized cost	10	12,238	13,031	9,842
Cash and cash equivalents		2,737,486	1,745,388	1,231,916
Total current assets		3,737,084	2,255,699	1,651,970
Total assets		4,158,461	2,608,974	1,860,416
Share capital	7	304	301	296
Share premium	7	194,608	179,296	160,209
Treasury Shares		-	-	(4,804)
Other reserves		149,931	129,230	69,472
Retained earnings		873,291	609,507	376,999
Total equity attributable to owners of Adyen N.V.		1,218,134	918,334	602,172
Derivative liabilities	10	68,400	35,800	23,800
Deferred tax liabilities	6	23,924	26,214	23,777
Lease liability	12	118,051	50,903	-
Total non-current liabilities		210,375	112,917	47,577
Payables to merchants and financial institutions		2,588,863	1,459,226	1,162,329
Trade and other payables		111,547	88,105	32,495
Lease liability	12	13,434	10,791	-
Current income tax payables	6	16,108	19,601	15,479
Deferred revenue		-	-	364
Total current liabilities		2,729,952	1,577,723	1,210,667
Total liabilities and equity		4,158,461	2,608,974	1,860,416

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

*The comparative information is restated on account of correction of error (Refer to 'Correction of prior period error' note).

Consolidated statement of changes in equity

For the periods ended December 31, 2020 and 2019 Restated*
(all amounts are in EUR thousands unless otherwise stated)

	Note	Share capital	Share premium	Treasury shares	Other reserves			Retained earnings	Total equity
					Legal reserves	Share-based payment reserve	Warrant reserve		
Balance - January 1, 2019 (as previously reported)		296	160,209	(4,804)	6,582	8,671	54,219	357,231	582,404
Adjustment for correction of error								19,768	19,768
Balance - January 1, 2019 (restated)		296	160,209	(4,804)	6,582	8,671	54,219	376,999	602,172
Net income for the year (restated)									
Currency translation adjustments					(81)			234,284	234,284
Total comprehensive income for the period		-	-	-	(81)	-	-	234,284	234,203
Adjustments:									
Intangible assets					2,581			(2,581)	-
Other adjustments					13			(13)	-
Transactions with owners in their capacity as owners:		-	-	-	2,594	-	-	(2,594)	-
Statutory tax rate change							(818)	818	-
Deferred tax on share-based compensation			255			60,389			60,644
Repurchase of depositary receipts				(18,323)					(18,323)
Options exercised			4,346			(4,346)			-
Proceeds on issuing shares	7	5	15,332						15,337
Movement resulting from treasury shares			(846)	23,127					22,281
Share-based payments						2,020			2,020
		5	19,087	4,804	-	58,063	(818)	818	81,959
Balance - December 31, 2019		301	179,296	-	9,095	66,734	53,401	609,507	918,334

	Note	Share capital	Share premium	Legal reserves	Other reserves	Share-based payment reserve	Warrant reserve	Retained earnings	Total equity
Balance - January 1, 2020		301	179,296	9,095		66,734	53,401	609,507	918,334
Net income for the year									
Currency translation adjustments				(11,764)				261,019	261,019
								54	(11,710)
Total comprehensive income for the period		-	-	(11,764)		-	-	261,073	249,309
<i>Adjustments:</i>									
Intangible assets				2,330				(2,330)	-
Other adjustments				(1,165)		1,165		5,041	5,041
				1,165		1,165		2,711	5,041
<i>Transactions with owners in their capacity as owners:</i>									
Deferred tax on share-based compensation			(321)			32,158			31,838
Options exercised			2,795			(2,795)			-
Proceeds on issuing shares	7	3	12,838						12,841
Share-based payments						771			771
		3	15,312	-		30,135	-	-	45,450
Balance - December 31, 2020		304	194,608	(1,504)		98,034	53,401	873,291	1,218,134

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

*The comparative information is restated on account of correction of error (Refer to 'Correction of prior period error' note).

Consolidated statement of cash flows

For the six months ended December 31, 2020 and 2019 Restated*
(all amounts are in EUR thousands unless otherwise stated)

	Note	H2 2020	H2 2019 Restated*
Income before income taxes		199,147	163,404
<i>Adjustments for:</i>			
- Finance income		(161)	(292)
- Finance expenses		5,609	2,299
- Other financial results	5	17,059	(2,856)
- Depreciation of plant and equipment	11	5,890	4,857
- Amortization of intangible fixed assets		1,391	1,178
- Depreciation of right-of-use assets	12	7,824	5,952
- Share-based payments	3	4,355	1,803
<i>Changes in working capital:</i>		-	
- Inventories	2	(5,880)	855
- Trade and other receivables		2,982	(190)
- Receivables from merchants and financial institutions		(302,331)	(82,079)
- Payables to merchants and financial institutions		770,201	271,151
- Trade and other payables		2,370	45,995
- Contract assets	1.1	8,272	1,333
Cash generated from operations		716,728	413,410
Interest received		161	292
Interest paid		(5,609)	(2,299)
Income taxes paid	6	(34,139)	(18,772)
Net cash flows from operating activities		677,141	392,631
Purchases of plant and equipment	11	(12,044)	(9,388)
Capitalization of intangible assets		(3,585)	(2,367)
Net cash used in investing activities		(15,629)	(11,755)
Share premium paid by the shareholders		3,669	12,050
Other movements resulting from depositary receipts (treasury shares)		-	22,281
Lease payments	12	(4,172)	(4,733)
Net cash flows from financing activities		(503)	29,598
Net increase in cash, cash equivalents and bank overdrafts		661,009	410,474
Cash, cash equivalents and bank overdrafts at beginning of the period		2,080,368	1,337,687
Exchange losses on cash, cash equivalents and bank overdrafts		(3,891)	(2,773)
Cash, cash equivalents and bank overdrafts at end of the period		2,737,486	1,745,388

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

*The comparative information is restated on account of correction of error (Refer to 'Correction of prior period error' note).

Notes to the interim condensed consolidated financial statements

General information

Adyen N.V. (hereinafter 'Adyen') is a licensed Credit Institution by De Nederlandsche Bank (the Dutch Central Bank) and registered in the Netherlands under the company number 34259528. The Credit Institution license includes the ability to provide cross-border services in the European Economic Area. Adyen N.V. directly or indirectly owns 100% of the shares of its subsidiaries, and therefore controls all entities included in these interim condensed consolidated financial statements. Adyen shares are traded on Euronext Amsterdam, where the Company is part of the AEX Index.

All amounts in the notes to the interim condensed consolidated financial statements are stated in thousands of EUR, unless otherwise stated.

Basis of preparation

The interim condensed consolidated financial statements for the period July 1, 2020 to December 31, 2020 have been prepared in line with the accounting and recognition principles included in the Adyen annual consolidated financial statements of 2019, in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the European Union (EU-IFRS). This report should, therefore, be read in conjunction with the annual consolidated financial statements, as well as our H1 2020 interim condensed consolidated financial statements.

The following periods have been presented for the interim condensed consolidated financial statements ended December 31, 2020:

Interim condensed consolidated financial statements	Current period	Comparative period
Statement of comprehensive income	July 1 – December 31, 2020	July 1 – December 31, 2019
Balance sheet	As at December 31, 2020	As at December 31, 2019
Statement of changes in equity	January 1 – December 31, 2020	January 1 – December 31, 2019
Statement of cash flows	July 1 – December 31, 2020	July 1 – December 31, 2019

Impact of COVID-19:

In connection with the COVID-19 pandemic and its effect on the macroeconomic landscape, Management has assessed its impact on the Adyen business. Adyen has merchants operating across many sectors and geographies, impacted in varying amounts by this situation. Due to this well-diversified merchant portfolio, top-line growth continued during the year. Management was thus able to continue to invest in the team and in providing solutions to better serve merchants.

Management has deemed no significant impact on the realizability of assets that rely on future profitability, such as deferred tax asset positions. During the second half of 2020, Management reassessed the expected credit loss model for Trade and other receivables, with no changes to the accounting policy disclosed in the financial statements for the year ended December 31, 2019.

In addition, Adyen did not see a material increase in counterparty credit risk, nor recognized material losses related to its merchant portfolio. All topics mentioned above continue to be monitored timely due to the fast-changing environment linked to the pandemic, and will be further elaborated on in the annual consolidated financial statements for the year ended December 31, 2020, in case of any material changes.

Relevant accounting policies

Significant and other accounting policies that summarize the measurement basis used and are relevant to understanding the financial statements are provided throughout the notes to the interim condensed financial statements.

Significant accounting estimates or judgements

A number of accounting policies involve a higher degree of judgement or complexity. The estimates applied are more likely to be materially adjusted due to inaccurate estimates and or assumptions applied. The areas involving significant estimates or judgments are:

- Principal versus agent for revenue out of settlement fees – refer to Note 1 'Revenue and segment reporting'
- Realization of deferred taxes related to share-based compensation – refer to Note 6 'Income taxes'
- Fair value accounting of financial liabilities– refer to Note 10 'Financial instruments'

New standards adopted by Adyen

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Adyen annual consolidated financial statements for the year ended December 31, 2019.

Adyen has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. A number of new or amended standards became applicable for the current reporting period. Adyen did not change its accounting policies or make retrospective adjustments as a result of new accounting standards made applicable on January 1, 2020.

The qualitative impact assessment of the first-time application on January 1, 2020 of new amendments is disclosed in Note 14 'New standards adopted by Adyen'.

Correction of prior period error

During the second half of 2020, Adyen determined that since 2018, fees charged to Adyen for refused or cancelled transactions had been erroneously recognized twice in the accounting books. These relate to certain costs charged by card schemes for transactions which are not fully completed (i.e. either refused, or initially authorized and then cancelled or expired). This fee is passed on by Adyen to the merchant, which, in the normal course of business, would translate into the recognition of a cost and revenue amount for Adyen. Since 2018, the fees for refused or cancelled transactions were erroneously double booked as costs. As this type of fee is not related to settlement, there was no cash component of the transaction and, as such, payouts to merchants were not affected.

As a result, the line items "costs incurred from financial institutions" and "payables to merchants and financial institutions" have been overstated and "current income tax expense" and "current income tax payables" has been understated which overall led to understatement of net revenue and equity.

The error has been corrected in this period's interim condensed consolidated financial statements by restating each of the affected financial statement line items for prior periods on the interim condensed consolidated financial statements. The following tables summarize the impact on Adyen's interim consolidated balance sheet and statement of comprehensive income.

Adjustment to the interim consolidated statement of balance sheet (extract)

	31/12/19 (Previously Reported)	Adjustment	31/12/19 (Restated)	01/01/19 (Previously Reported)	Adjustment	01/01/19 (Restated)
Payables to merchants and financial institutions	1,521,377	(62,151)	1,459,226	1,186,861	(24,532)	1,162,329
Current income tax payables	7,463	12,138	19,601	10,715	4,764	15,479
Total current liabilities	1,627,736	(50,013)	1,577,723	1,230,435	(19,768)	1,210,667
Net Assets	868,321	50,013	918,334	582,404	19,768	602,172
Retained earnings	559,494	50,013	609,507	357,231	19,768	376,999
Total equity attributable to the owners of Adyen N.V.	868,321	50,013	918,334	582,404	19,768	602,172

Adjustment to the interim consolidated statement of comprehensive income (extract)

	H2 2019 (Previously Reported)	Adjustment	H2 2019 (Restated)
Costs incurred from financial institutions	(1,228,493)	21,048	(1,207,445)
Net revenues	275,585	21,048	296,633
Income before income taxes	142,356	21,048	163,404
Income taxes	(30,831)	(4,126)	(34,957)
Net Income for the period	111,525	16,922	128,447

Earnings per share

- Net profit per share - Basic	3.76	0.57	4.33
- Net profit per share - Diluted	3.67	0.55	4.22

Key disclosures

1. Revenue and segment reporting

The breakdown of revenue from contracts with customers per type of goods or service is as follows:

Types of goods or service (in EUR '000)	H2 2020	H2 2019 Restated
Settlement fees	1,898,091	1,355,262
Processing fees	113,597	96,977
Sales of goods	10,782	7,295
Other services	58,845	53,084
Total revenue from contracts with customers	2,081,315	1,512,618
Costs incurred from financial institutions	(1,688,939)	(1,207,445)
Costs of goods sold	(12,983)	(8,540)
Net revenue	379,393	296,633

Net revenue

Adyen's total revenue contains scheme fees, interchange and mark-up for which Adyen acts as a principal. The Management Board monitors net revenue (net of interchange, scheme fees (costs incurred from financial institutions) and costs of goods sold) as a performance indicator. Adyen considers net revenue to provide additional insight to its users to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Net revenue is a non-IFRS measure, reference is made to paragraph 1.3. for further explanation on the non-IFRS measures reported by Adyen.

The breakdown of revenue from contracts with customers based on timing is as follows:

Timing of revenue recognition (in EUR '000)	H2 2020	H2 2019
Goods and services transferred at point in time	2,077,503	1,508,451
Services transferred over time	3,812	4,167
Total revenue from contracts with customers	2,081,315	1,512,618

1.1. Long-term merchant contract

In 2018, Adyen entered into a long-term contract with a merchant for the provision of payment services that resulted in the initial recognition of contract assets settled with a cash advance and issue of warrants over Adyen's shares. Refer to note 10 'Financial instruments' for more information on the warrants. The following table summarizes the movement in the contract assets balance:

Contract assets (in EUR '000)	Monetary component	Non-monetary component	Total contract assets
Balance - July 1, 2019	61,158	79,259	140,417
<i>Movements:</i>			
Amortization for the period	(987)	(346)	(1,333)
Exchange differences	916	-	916
Balance - December 31, 2019	61,087	78,913	140,000
Balance - July 1, 2020	59,313	78,268	137,581
<i>Movements</i>			
Amortization for the period	(6,460)	(1,812)	(8,272)
Exchange differences (refer note 5)	(5,196)	-	(5,196)
Balance - December 31, 2020	47,657	76,456	124,113

The contract assets were not impaired at December 31, 2020 and 2019 as the remaining estimated (net) benefits from the merchant contract exceeded the contract assets balance at year-end.

The monetary component of the contract assets is in scope of impairment under IFRS 9; however, due to low credit risk, the expected credit loss on the contract asset is deemed not significant.

1.2. Segment reporting

The following table summarizes Adyen's geographical breakdown of its revenue, based on the billing location as requested by the merchant for the periods indicated:

Revenue - Geographical breakdown (in EUR '000)	H2 2020	H2 2019
Europe	884,837	812,991
North America	919,886	465,656
Asia-Pacific	145,149	115,901
Latin America	128,833	114,965
Rest of the World	2,610	3,105
Total revenue from contracts with customers	2,081,315	1,512,618

1.3. Non-IFRS financial measures

Non-IFRS financial measures are disclosed in addition to the statement of comprehensive income, in order to provide relevant information to better understand the underlying business performance of the company. Furthermore, Adyen has provided guidance on several of these non-IFRS measures. Adyen reports on the following additional financial measures that are directly derived from the statement of comprehensive income or statement of cash flows:

- Net revenue: revenue net of interchange, scheme fees (costs incurred from financial institutions) and costs of goods sold;

The geographical breakdown of net revenue and related year-on-year growth is as follows (based on the billing location as requested by the merchant for the periods indicated):

Net revenue - Geographical breakdown and year-on-year growth (in EUR '000)	H2 2020	YoY %	H2 2019 Restated	YoY %
Europe	233,921	22%	192,206	41%
North America	77,342	70%	45,564	54%
Asia-Pacific	35,888	29%	27,717	29%
Latin America	31,880	6%	30,113	53%
Rest of the World	361	-65%	1,033	23%
Total net revenue from contracts with customers	379,393	28%	296,633	43%

- EBITDA: "Income before net finance income/(expense) and income taxes" less "Amortization and depreciation" on the consolidated statement of comprehensive income;
- EBITDA margin: EBITDA as a percentage of net revenue;
- CapEx: Capital expenditures consisting of the line items "Purchases of plant and equipment" and "Capitalization of intangible assets" on the consolidated statement of cash flows;
- Free cash flow: EBITDA less CapEx and "lease payments" on the consolidated statement of cash flows; and
- Free cash flow conversion ratio: free cash flow as a percentage of EBITDA.

Selected non-IFRS financial measures (in EUR '000)	H2 2020	H2 2019 Restated
Income before net finance income/(expense) and income taxes	221,654	162,555
Amortization and depreciation	15,104	11,988
EBITDA	236,758	174,543
Net revenue	379,393	296,633
EBITDA margin (%)	62%	59%
Purchases of plant and equipment	12,012	9,388
Capitalization of intangible assets	3,585	2,367
CapEx	15,597	11,755

EBITDA	236,758	174,543
CapEx	(15,597)	(11,755)
Lease payments	(4,172)	(4,733)*
Free cash flow	216,989	158,055
Free cash flow	216,989	158,055
EBITDA	236,758	174,543
Free cash flow conversion ratio (%)	92%	91%

*H2 2019 comparatives have been updated to reflect the definition of free cash flow adopted in the current year by adjusting for lease payments. The effect was a decrease in free cash flow of EUR 4,733 for the period.

2. Inventories

Inventories (in EUR '000)	H2 2020	H2 2019
Balance – July 1	13,668	7,875
Purchases during the period (products for resale)	19,072	7,935
Costs of goods sold	(12,983)	(8,540)
Expense recognized in other operating expenses	(209)	(250)
Balance – December 31	19,548	7,020

For the six months ended December 31, 2020, Adyen performed an impairment test on inventories and determined the net realizable value of part of its inventory was lower than cost. Therefore, a write-off of EUR 209 (2019: EUR 250) was recognized within miscellaneous operating expenses (refer to note 4).

3. Employee benefit expense

3.1. Employee benefits

The regional breakdown of FTE per office as at December 31, 2020 and 2019 is as follows:

FTE per office	31/12/2020	31/12/2019
Amsterdam	1,010	660
San Francisco	179	127
Singapore	96	78
London	84	63
São Paulo	72	56
New York	53	40
Paris	43	33
Berlin	36	32
Other	174	93
Total	1,747	1,182

The employee benefits expense can be specified as follows:

Employee benefits (in EUR '000)	H2 2020	H2 2019
Salaries and wages	71,373	53,933
Share-based compensation	6,199	1,505
Total wages and salaries	77,572	55,438
Social securities	12,847	10,826
Pension costs - defined contribution plans	1,994	1,368
Total social securities and pension costs	14,841	12,194

3.2. Share-based payments

The share-based compensation expense can be specified as follows:

Share-based compensation (in EUR '000)	H2 2020	H2 2019
Equity-settled	563	698
Cash-settled	5,636	807
Total share-based compensation	6,199	1,505

Adyen considers its employees and culture as core to its growth. As part of the total remuneration package, Adyen has two types of share-based payments:

- I. Equity settled option plan (granted until 2018);
- II. Cash-settled option plan (granted from 2018 onwards).

The nature, accounting policies and key parameters of the share-based payments plans are described in more detail in the 2019 annual consolidated financial statements.

4. Other operating expenses

The other operating expenses can be specified as follows:

Other operating expenses (in EUR '000)	H2 2020	H2 2019
Sales and marketing costs	18,192	18,735
Advisory costs	7,576	12,625
IT costs	7,448	7,496
Travel and other staff expenses	2,942	6,992
Contractor costs	4,364	1,142
Office costs	1,380	1,755
Housing costs	1,983	822
Miscellaneous operating expenses	6,410	5,094
Total other operating expenses	50,295	54,661

5. Other financial results

The other financial results can be specified as follows:

Other financial results (in EUR '000)	H2 2020	H2 2019
Exchange gains/(losses)	(9,513)	1,466
Fair value re-measurement of financial instruments		
Derivative liabilities	(7,700)	(2,500)
Other financial assets at FVPL	154	3,890
Total other financial results	(17,059)	2,856

The exchange losses in the last six months of 2020 mainly relate to the contract assets (EUR 5,196 – refer to note 1.1 'Long-term merchant contract'), other financial assets at FVPL (EUR 1,056), and other financial assets at amortized cost (EUR 717 – refer to note 10 'Financial instruments'). The change in fair value of the derivative liabilities is mainly linked to the Adyen share price increase throughout the last six months of 2020. More information on the valuation of the derivative liabilities is disclosed in note 10 'Financial instruments'.

6. Income taxes

6.1. Income tax expense

The tax on Adyen's income before income taxes differs from the amount that would arise using the statutory tax rate in the Netherlands. The effective tax rate of Adyen for the six months ended December 31, 2020 is 18.09% (H2 2019 restated: 21.39%) which differs from the statutory tax rate in the Netherlands of 25% (2019: 25%) due to the application of the innovation box, tax rate differences on foreign operations and other adjustments (such as non-

deductible expenses). The innovation box is a Dutch tax incentive whereby a portion of qualifying profits derived from innovative activities are taxed at a lower rate than the headline corporate tax rate in the Netherlands. The effective tax rate decreased for the six months ended December 31, 2020, mainly due to the application of the innovation box regime.

Effective tax calculation (in EUR '000)	H2 2020	H2 2019 Restated
Income before income taxes	199,147	163,404
Statutory tax rate in the Netherlands (%)	25%	25%
Income taxes based on statutory tax rate in the Netherlands	49,787	40,851
<i>Tax effects of:</i>		
Innovation box	(12,012)	(6,844)
Other adjustments (such as prior period and non-deductible amounts)	(1,748)	950
Effective tax amount	36,027	34,957

Current income tax receivables/(payables) (in EUR '000)	31/12/2020	31/12/2019 Restated
Current income tax receivables	8,794	-
Current income tax payables	(16,108)	(19,601)

Income tax expense in the statement of comprehensive income can be specified as follows:

Income taxes (in EUR '000)	H2 2020	H2 2019 Restated
Current income tax expense	38,544	34,319
Deferred income tax expense	(2,517)	638
Total tax expense	36,027	34,957

6.2. Deferred taxes

Changes in tax rate

In 2019, the Dutch Government substantively enacted a change in the statutory tax rate decreasing it from 25% in 2019 to 21.7% in 2021. During 2020, this statutory change was reversed meaning that the headline Corporate Income Tax rate will remain 25% going forward. As a result, Adyen has remeasured the relevant deferred tax balances as per December 31, 2020 using the updated headline statutory tax rate (25%) and has made an adjustment to the deferred tax position based on the updated information. The impact of the remeasurement is accounted for in the statement of comprehensive income.

Deferred tax assets

In the deferred tax assets an amount of EUR 43,085 (2019: EUR 29,163) recognized relates to net operating losses carried forward and a further EUR 17,100 (2019: EUR 7,769) of the deferred tax assets relates to the recognized derivative liabilities.

Throughout the year Adyen has reassessed the recoverability of deferred tax asset on windfall benefits linked to the share-based compensation plan in the United States. Adyen continues to recognize a deferred tax asset to be realized against future profits, on a going concern basis, as carryforward losses have no expiration date. For the exercised options, the balance as per December 31, 2020 is EUR 41,806 (2019: EUR 28,380). This includes the impact of options exercised in 2020 and in previous years. For the future tax deductions related to options granted, vested, however not exercised yet, Adyen has recognized a deferred tax asset in the amount of EUR 40,463 (2019: EUR 31,739). The deferred tax asset only relates to the Federal tax deductions as there is no statutory limitation to the period in which these losses can be utilized.

In addition to the deferred tax asset in the United States, Adyen recognized a deferred tax asset in the United Kingdom of EUR 4,056 (2019: EUR 1,711).

The full deferred tax asset related to future tax deductions and carry forward losses was recognized directly in equity in amount of EUR 32,158 (2019: EUR 60,119).

Deferred tax liability

The deferred tax liability consists mainly of the deferred tax on the non-monetary part of the contract asset of EUR 19,114 (2019: EUR 16,319) and on the Visa Inc. preferred stock of EUR 4,527 (2019: EUR 9,567).

The deferred taxes are presented as non-current on the Adyen balance sheet.

Capital management and financial instruments

7. Capital management

Adyen's objective when managing capital is to safeguard its ability to continue as a going concern. Furthermore, Adyen ensures that it meets regulatory capital requirements at all times.

Capital management (in EUR '000)	31/12/2020	31/12/2019
Share capital	304	301
Share premium	194,608	179,296
Total	194,912	179,597

In 2020, 295,289 (2019: 507,056) additional shares were issued. The additional issued shares were a result of exercises of options granted to employees. The number of outstanding ordinary shares as of December 31, 2020 is 30,356,236 (December 31, 2019: 30,060,947) with an absolute nominal value EUR 0.01 per share. The total number of authorized shares as of December 31, 2020 is 80,000,000 (December 31, 2019: 80,000,000).

The following reserves are considered to be non-distributable: legal reserves (in accordance with Dutch Law), share-based payment reserve, warrant reserve, and total comprehensive income for the current period. The total of distributable reserves amounts to EUR 790,775 (2019 restated: EUR 554,820). The legal reserves restricted for distribution in accordance with Dutch Law amounts to EUR 14,853 (2019: 43,616).

Net income is added to retained earnings reserve and the current dividend policy is to not pay dividends, as retained earnings are used to support and finance the growth strategy.

8. Cash and cash equivalents

As at December 31, 2020, EUR 1,483,845 (December 31, 2019: EUR 1,005,265) represents cash held at central banks.

9. CRR/CRD IV regulatory capital

The following table shows the calculation of regulatory capital as at December 31, 2020. The regulatory capital is based on the CRR/CRD IV scope of consolidation, which is the same as the IFRS scope of consolidation as included in the annual consolidated financial statements.

Own funds (in EUR '000)	31/12/2020	31/12/2019 Restated	01/01/2019 Restated
EU-IFRS equity as reported in consolidated balance sheet	1,218,134	918,334	602,172
Net profit not included in CET1 capital (not yet eligible)	(261,019)	(234,284)	(150,914)
<i>Regulatory adjustments:</i>			
Warrant reserve	(53,401)	(53,401)	(54,219)
Intangible assets	(9,970)	(7,640)	(5,059)
Deferred tax asset that rely on future profitability	(93,788)	(61,725)	(1,895)
Prudent valuation	(89)	(80)	(54)
Total own funds	799,867	561,204	390,031

10. Financial instruments

Other financial assets at fair value through profit or loss ('FVPL') (Visa Inc. preferred shares)

Adyen has recognized and classified the convertible ('Series C') preferred Visa Inc. shares within the FVPL category. The balance of other financial assets at FVPL as per December 31, 2020 is EUR 20,883 (December 31, 2019: 44,088). The fair value of the level 2 preferred shares in Visa Inc. is based on the quoted price of Visa Inc. common shares, adjusted for lack of marketability, multiplied by an initial conversion rate of preferred shares into common shares. The conversion rate may fluctuate in the future. The adjustment for lack of marketability is determined using an option pricing model technique which relies on observable market data of the underlying Visa Inc. common shares, as well as a presumed length of holding period restriction on the preferred shares.

During the six months ended December 31, 2020, Visa Inc. effected a partial conversion of 50% of the Series C preferred stock into Series A preferred stock. The Series A preferred stock are convertible into Visa Inc. common stock and are freely tradeable upon conversion. Adyen converted and sold all Series A preferred stock prior to the current year-end at fair market value. At year-end, Adyen recognized the proceeds receivable within trade and other receivables for the amount of EUR 23,440. No conversion took place in 2019.

The Visa Inc. preferred shares carry the right to receive discretionary dividend payments presented as other Income in the statement of comprehensive income (during the last six months of 2020: 162, and 2019: nil).

Other financial assets at amortized cost (US and UK Government Bonds)

Adyen has the intent and ability to hold the bonds to maturity and Adyen, therefore, applies a hold-to-collect business model. The fair value (level 1) of these debt instruments at amortized cost approximates the carrying value due to the short-term nature of the instruments. The balance of other financial assets at amortized cost as per December 31, 2020 is EUR 12,238 (December 31, 2019: 13,031).

During the six months ended December 31, 2020, Adyen recognized finance income of EUR 124 and exchange losses of EUR 717 relating to the bonds (during the six months ended December 31, 2019: EUR 264 finance income and EUR 328 exchange gains, respectively).

Financial assets impairment

During the six months ended December 31, 2020, Adyen deducted EUR 608 (during the six months ended December 31, 2019: added EUR 1,180) from its trade receivable loss allowance based on the calculations from its IFRS 9 expected credit loss model for trade receivables. The expected credit loss model was updated at year-end to reflect reasonable and supportable information available on credit risk of the trade receivables balance. The impact of COVID-19 on the expected credit loss allowance was not significant and the increase in the loss allowance year-over-year is mainly driven by an increase in the trade receivables balance. During the last six months of 2020, Adyen wrote off trade receivables balances for an amount of EUR 2,357 (during the six months ended December 31, 2019: nil). Adyen did not reverse any impairment losses in 2019 and 2020.

Derivative liabilities (warrants)

As part of the merchant contract previously mentioned, Adyen recognized derivative liabilities measured at fair value through profit or loss, classified as a level 2 fair value instrument.

Derivative liabilities relating to the warrants were recognized initially at fair value and are subsequently stated on the balance sheet at fair value, with movements recognized in profit or loss (other financial results). The warrants vest in four tranches, each linked to a milestone of processed payments volume. Each milestone is deemed achieved at the moment that the processed merchant volume exceeds the milestone amount in a single calendar year following the Issue date (January 31, 2018). Only two warrant tranches may vest in a single calendar year, and upon vesting, each entitles the warrant holder to acquire 1.25% of Adyen's issue-date diluted share volume at any time prior to the warrant expiration date (January 31, 2025). As per December 31, 2020, none of the four warrant tranches related to the derivative liabilities vested (2019: none). The derivative liabilities balance as per December 31, 2020 is EUR 68,400 (December 31, 2019: 35,800). The change in fair value of the derivative liabilities is mainly linked to the Adyen share price increase throughout the last six months of 2020, as well as a change in estimate of the probability of vesting.

After the IPO (on June 13, 2018), the derivative liabilities relating to tranches 1 and 2 were reclassified as a warrant reserve in equity in the amount of EUR 68.2 million. As per December 31, 2020, the warrant equity reserve was

carried at historic cost (net of deferred tax) while the derivative liabilities relating to tranches 3 and 4 were carried at fair value on Adyen's balance sheet.

The derivative liabilities are valued using a Black-Scholes-Merton option pricing model ("OPM") technique. The OPM takes into consideration various observable market and contractual data as well as management estimates, including the probability of vesting based on achievement of milestones in line with the fulfilment of the payment services to be provided to the merchant.

Adyen carried out a sensitivity analysis of the derivative liabilities with respect to the Adyen share price, noting that a 5% increase or decrease in the underlying Adyen share price would result in an increase or decrease of approximately EUR 3 million (2019: EUR 2 million) of the value of the derivative liabilities, all other circumstances considered equal.

Other disclosures

11. Plant and equipment

Plant and equipment (in EUR '000)	H2 2020	H2 2019
<i>Machinery and equipment</i>		
Cost	59,599	46,281
Accumulated depreciation	(29,945)	(20,664)
Balance – July 1	29,654	25,617
Additions	12,044	9,388
Disposals	-	(377)
Depreciation for the period	(5,890)	(4,857)
Other movements (e.g. exchange differences)	(62)	448
Balance – December 31	35,746	30,219
Cost	70,040	55,587
Accumulated depreciation	(34,294)	(25,368)
Balance – December 31	35,746	30,219

Adyen did not recognize an impairment loss or reverse any impairment loss on plant and equipment during the six months ended December 31, 2020 (during the six months ended December 31, 2019: nil).

12. Leases

Adyen's leases relate to offices and data centers across locations where it operates. During the first six months of 2020, due to its rapid growth, Adyen has signed a new contract for a second office location in the city of Amsterdam.

Right-of-use assets (in EUR '000)	H2 2020	H2 2019
<i>Offices and data centers</i>		
Cost	146,948	62,625
Accumulated depreciation	(18,058)	(5,173)
Balance – July 1	128,890	57,452
Additions	4,767	8,712
Depreciation for the period	(7,824)	(5,952)
Other movements (e.g. exchange differences)	(1,505)	(517)
Balance – December 31	124,328	59,695
Recognized right-of-use asset	149,732	70,849
Accumulated depreciation	(25,404)	(11,154)
Balance – December 31	124,328	59,695
Lease liability (in EUR '000)	H2 2020	H2 2019
Balance – July 1	132,698	58,548
Additions	4,767	8,712
Lease instalments	(5,350)	(5,327)
Interest expense	1,178	594
Other movements (e.g. exchange differences)	(1,808)	(833)
Balance – December 31	131,485	61,694
Current portion	13,434	10,791
Non-current portion	118,051	50,903

13. Share information

Adyen presents basic and diluted earnings per share (EPS) data for its ordinary shares. The calculation of earnings per share is as follows:

- 1) Basic EPS: dividing the net income attributable to owners of Adyen N.V. by the weighted average number of ordinary shares outstanding during the period.
- 2) Diluted EPS: determined by adjusting the basic EPS for the effects of all dilutive potential ordinary shares, which in the case of Adyen only relates to share options.

Share information	H2 2020	H2 2019 Restated
Net income attributable to owners of Adyen N.V. (in EUR '000)	163,120	128,447
Weighted average number of ordinary shares	30,246,923	29,732,937
Dilutive effect of share options	420,676	794,693
Weighted average number of ordinary shares for diluted net profit for the period	30,667,599	30,667,599
1) Net profit per share – Basic	5.39	4.33
2) Net profit per share – Diluted	5.32	4.22

14. New standards adopted by Adyen

Adyen has adopted the following accounting standards, interpretations and amendments (collectively, "amendments") issued and made effective from January 1, 2020:

- Amendments to IFRS 3, 'Business combinations' – Definition of a business;
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' – Definition of material;
- Amendments to IFRS 9, IAS 39 and IFRS 17 – Interest rate benchmark reform;
- Amendments to references to the Conceptual Framework in IFRS.

Adyen has taken into consideration the changes of each one of the above-mentioned amendments, and concluded that the amendments do not have a material impact on the financial statements.

15. Related party transactions

During 2020, Adyen entered into related party transactions with Stichting Administratiekantoor Adyen (STAK), employees and Supervisory Directors. The transactions with employees and STAK are related to option exercises, and the transactions with Supervisory Board relate to services rendered throughout the year. The respective outstanding balances as at December 31, 2020 and 2019 are:

Related party balances (in EUR '000)	31/12/2020	31/12/2019
Supervisory Board	-	(97)
Employees (STAK)	20	18

There were no other transactions with related parties during the period ended December 31, 2020 (2019: nil).

16. Contingencies and commitments

Adyen has no contingent liabilities in respect to legal claims.

Adyen N.V. and Adyen International B.V. are included in a fiscal unity for corporate income tax purposes. Under the Dutch Tax Collection Act, the members of the fiscal unity are jointly and severally liable for any taxes payable by the fiscal unity.

In the U.S., Adyen holds licenses to operate as a money transmitter (or its equivalent), which, among other things, subjects Adyen to reporting requirements, bonding requirements, limitations on the investment of customer funds and inspection by state regulatory agencies.

Adyen has EUR 32,344 of outstanding bank guarantees and letters of credit as at December 31, 2020 (December 31, 2019: EUR 23,892). In addition, Adyen has an intra-day credit facility of EUR 307 million (December 31, 2019: EUR 274 million) which is not used as at December 31, 2020.

Adyen has setup a collateral account in which Brazilian Government bonds were deposited by a partner financial institution, in order to decrease its exposure to this counterparty in Brazil. As at December 31, 2020 the total collateral was EUR 37,533 (BRL 239,091) (December 31, 2019: EUR 51,685 (BRL 233,486)).

17. Events after the balance sheet date

There are no events after the reporting period.

18. Other information

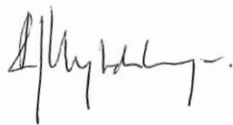
The interim condensed consolidated financial statements for the period July 1, 2020 to December 31, 2020 have been prepared in line with the accounting and recognition principles included in the Adyen annual consolidated financial statements of 2019, in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the European Union (EU-IFRS).

The interim condensed consolidated financial statements are unaudited.

Amsterdam, February 10, 2021



Pieter van der Does
CEO



Ingo Uytdehaage
CFO

Statement by the Management Board

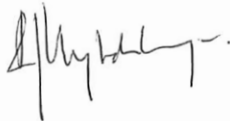
As is required by section 5.25d of the Dutch Financial Supervision Act (Wet op het financieel toezicht) we state that according to the best of our knowledge:

1. The interim condensed consolidated financial statements present a true and fair view of the consolidated assets, liabilities, financial position and the profit or loss of Adyen N.V.; and
2. The interim consolidated financial statements provide a true and fair view of the information required pursuant to article 5.25d paragraph 8 and 9 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

Amsterdam, February 10, 2021



Pieter van der Does
CEO



Ingo Uytdehaage
CFO

This shareholder letter contains information that qualifies, or may qualify, as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.