

H2 2021

Shareholder letter



adyen



Strong growth across regions

- » Share of net revenue from regions outside of EMEA was over 40% for the first time in Adyen's history
- » Continued investment in the global team, offices, and payment method connections to bolster this growth
- » North America net revenues grew 74% in 2021 – an acceleration off a broader base



Expansion in product-market fit for the business

- » The institutionalization of digital transformation has shifted merchant priorities
- » Platforms increasingly omnipresent across regions
- » Proliferation of new payment methods and tools has led to democratization of access to digital economies



Continued evolution of product suite

- » Merchant demand continues to drive our product development objectives
- » We built Score to combat the multi-sided fraud problem faced by platforms
- » A new range of handheld Android terminals help merchants run a lean in-store set-up



Hiring with sustainable growth in mind

- » The team now comprises 2,180 FTE across 27 offices around the world
- » Investments in wellbeing initiatives to help alleviate the impact of lockdown- and travel restrictions
- » We would have liked to hire more in 2021, and have plans to ramp up hiring this year

* Comparative figures have been restated on account of our previously disclosed accounting adjustment. Refer to our annual consolidated financial statements of 2020 for details on the correction.

New horizons for an increasingly global Adyen

Dear shareholders,

February 9, 2022

The results for the past half year were strong, and the indicators of sustainable profitable growth remain intact. Having achieved new milestones of scale in 2021, our view of the prospects of our business are as strong as ever.

In the second half of 2021 we processed €300.0 billion for our merchants, up 72% year-on-year, with net revenues of €556.5 million, up 47% year-on-year. Combined with our first half numbers, this has led to strong results for the full year: 2021 processed volume surpassed the half-a-trillion threshold at €516.0 billion. Net revenues for the year were over €1.0 billion, and 2021 EBITDA margin was 63%.

As in previous periods, the results were bolstered by the unrelenting rise of online commerce globally, and an increasing need for merchants to implement unified commerce shopper journeys. These are further supported by the progressive disappearance of cash, and the democratization of access to global economies through digital tools and payment methods.

The increasing pervasiveness of unified commerce shopper journeys is reflected in the 97% year-on-year growth of point-of-sale (POS) volumes on our platform in H2 2021. These totaled €41.8 billion and comprised 14% of total processed volumes. This growth is a continuation of a longer-term trend, as POS growth has outpaced the growth of online volumes since we've begun reporting on these metrics, with lockdown-dominated 2020 as the lone exception.

We've always taken a long-term view of the business. This has been true since the foundation of the company. Still, as we operate a culture where our day-to-day focus is primarily on our merchants' growth, and on continuously solving shorter-term problems, it's humbling to take stock of the scale at which we now operate - without having had the need to alter the way in which we work together.

This scale does not change our priorities. We will continue to follow the same course, in an industry buoyed by many long-term tailwinds. We will continue to invest in the team, in the product, and in the scalability of our operations. A noteworthy once-off investment was made in the expansion of our Amsterdam offices, resulting in a €7.7 million expense that pushed our CapEx to 6% of net revenues in the second half. Full year CapEx was 5% of net revenues.

The area in which we've arguably evolved the most as a business recently is in platforms. These platforms operate across a wide range of verticals and offer turnkey solutions to smaller businesses. As we can offer the leading onboarding, pay-in and pay-out solution to these platforms across regions and channels, we're now increasingly able to help businesses of all sizes grow.

When it comes to building Adyen for the long term, it's not just about market shifts and merchant needs. Operationally, it's essential that we identify bottlenecks for future growth in order to sustain and accelerate from our current pace. One of these potential bottlenecks is in the hiring of talent. Macro conditions (e.g. the war on talent) and a refusal to lower the bar for new hires in order to achieve scale in the form of quick additions has resulted in a growth of 226 FTE during the period. We don't believe it's in our interest to mortgage the long-term for short-term gains in FTE count.

That said, all things being equal, we would have liked to hire more during the period. Accordingly, we've invested in our recruitment infrastructure and in two new tech hubs to help ramp up hiring during 2022. These tech hubs – one in Chicago and one in Madrid – should provide us with increased global coverage and scale as we build out a technical organization that has historically operated primarily out of Amsterdam. On December 31, 2021, the Adyen team totaled 2,180 FTE.

On the aforementioned indicators of sustainable growth – in line with previous periods, more than 80% of our growth came from existing merchants, volume churn was minimal at <1%, and net revenue concentration during the period decreased.

The metric perhaps worth celebrating even more than the previously discussed volumes and net revenues, is the fact that the share of regions outside EMEA was above 40% for the first time since we started reporting these splits. We view the continued regional diversification of Adyen's net revenues as a great positive for the continued growth of the business.





Full-stack volume¹ was 81% for the second half and 82% for the full year.

On take rate – in line with previous periods we saw a decline in take rate, now at 18.6 bps for the second half of 2021 and 19.4 bps for the full year. The gradual decline in take rate illustrated below is a natural consequence of our business model and the execution of our strategy of onboarding profitable volume at scale – which has always predominantly come from enterprise merchants. A more minor but still relevant contributor to lower take rates is a rising average transaction value (ATV), as illustrated below. This is a result of an evolution in our merchant mix, and an increased exposure to retail.

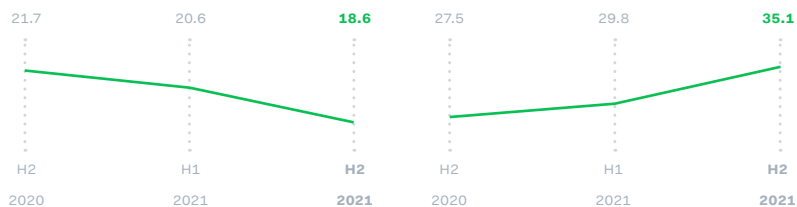


Figure 1

Take rate evolution since H2 2020 (bps)

Figure 2

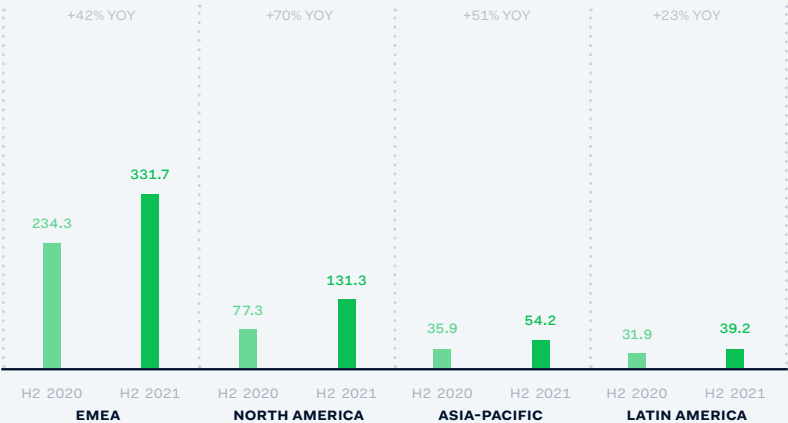
ATV evolution since H2 2020 (in EUR)

¹ Full-stack volume is volume for which we are in the money flow, and are therefore paying out to merchants.

EBITDA margin displays an increase in profitability despite continued investment in the business (as illustrated by significant OpEx and CapEx during the period). This trend underscores the operating leverage inherent to our platform. EBITDA margin for the second half came in at 64%, compared to 62% for H2 2020, and 61% for H1 2021.

We have endeavoured in these letters and through other methods of investor outreach to provide you with the necessary context on what we mean when we say that our focus during the pandemic has been, as it was prior to the pandemic, on the day-to-day realities of our merchants around the world. Having shown over the past periods that the business is resilient despite volumes fluctuating between industries due to lockdown restrictions, we want to take the opportunity to deepen the context by providing a regional view of what the pandemic has meant for our merchants' realities across the globe since its onset in Q1 2020. As much commentary has been provided by us from a global perspective, we've asked Adyen's regional presidents for more granular insight below.

Figure 3
Net revenue per region (in EUR millions). Comparative figures have been updated to reflect the Net Revenue geographical breakdown as disclosed further in note 1.3 Non-IFRS financial measures, in the H2 2021 interim condensed consolidated financial statements.



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Select merchant wins
from the region.

Warren Hayashi, APAC

APAC is perhaps the most fragmented region globally when it comes to market maturity and payment method mix, but we're now seeing signs of convergence through digitalization. This is happening everywhere. Payment cultures are turning digital, allowing us to help our merchants expand across the region quicker than ever before. As this trend has allowed merchants to look beyond their own borders more easily, we've become a very logical partner.

On the payment method front, we've seen an acceleration in the rise of non-card options. In an environment where online commerce spiked, these payment methods proved to be a good option in getting first-time online buyers and the underbanked online quickly. BNPL (buy now, pay later) options are springing up across the region, and easy-access payment methods are seeing huge local success – like GrabPay and GoPay.

We're seeing an unprecedented transformation in commerce across the region. This is most apparent in the significant change to what stores and retail interactions look like today. Self-checkout has become ubiquitous and delivery is increasingly a daily interaction. These changes to retail seem permanent. The better shopper experience and the lower operational costs of self-checkout in an era of labor shortage make these very attractive for merchants.

This innovation in the space is not slowing down, and our quick time to market should allow us to be there at the forefront. There is permanence in changes to other industries too. In-app payments in airlines and contactless check-in and check-out processes in hotels. It's hard to imagine these going away.



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Select merchant wins
from the region.

Alexa von Bismarck, EMEA

Initially, the impact of COVID on merchants was dramatic. However, it has since proven to be a chance for businesses to build more robust foundations. Changing market conditions have accelerated digitalization. This has resulted in businesses now planning for resilience. We're also seeing that the companies we helped during the early stages of the pandemic – supporting them through difficult times – are now powering a significant portion of our growth in the region. These enduring partnerships are definitely paying off.

In many urban spaces we're seeing the rise of ultra-fast delivery services, bringing smaller goods from local stores to consumers almost instantly. There is a boost for the fast and no or low-touch ways to pay, and with that contactless payments have surged across Europe. Moreover, autonomous store concepts are increasingly popping up – allowing for a checkout-free shopping experience. For all these different environments and scenarios, our speed to market and technology are key assets.

Over the past two years overall, we've seen digital and online commerce become more dominant, as well as a heavy decline in the use of cash – especially in traditionally cash-dominant markets like Germany. The landscape is further completed by the increasing relevance of unified commerce and the rise of the platforms at the forefront of these shifts in consumer preferences. This has widened our natural customer fit from digital native companies to a much larger group of business types and industries.

The rise of new payment methods like BNPL, changing shopper demands and movements in the regulatory landscape have further complicated an already complex landscape. As we've seen before with previous shifts – where industries change, we're able to help.





Select merchant wins
from the region.

Davi Strazza, Latin America

COVID has definitely accelerated the shift toward online commerce that was already happening – we saw a lot of first-time online shoppers since the start of the pandemic. Debit cards, the point-of-entry for most consumers going online in Brazil, saw a big spike. Government credits, too, were made available on this payment method.

This digitalization has resulted in new payment methods rapidly gaining share. Pix, a bank-to-bank payment method created by the Central Bank of Brazil, is one example of a new option taking share from traditionally dominated payment methods like Boletão – and doing so extremely quickly. We were able to help our merchants through this shift by immediately implementing these new payment methods. Our speed here and continued investment in the region has resulted in us now increasingly being able to land local brands.

Alongside the shift to online traffic, we saw a substantial increase in contactless transactions. Industries were quickly disrupted due to the increased need for contactless shopper journeys and delivery options.

At a macro level, Mexico is seeing the same trend as the rest of the region, with millions of consumers buying online for the first time – this has made delivery a hugely popular option across verticals. We currently have a leading position in this shift – as we've partnered with the merchants at the vanguard of this change.

These trends across Latin America are permanent. Consumers won't go back to the legacy payment methods and journeys. Like in any environment of disruption, our rapid rate of innovation helps position us as the logical partner for merchants and payment methods leading the way.





Select merchant wins
from the region.

Brian Dammeir, North America

Initially when the pandemic hit, businesses whose existence was threatened were quickest to adapt and our focus was on helping them weather the storm. This was most true for businesses in retail and food and beverage. We saw delivery, contactless and online commerce, and curbside pickup spring up at scale across this group of merchants.

Now, as we exit the reaction phase of COVID, we're seeing a second wave of innovation as merchants across other verticals – e.g. hospitality, large-format retail, leisure – are increasingly aware of the impact of consumer preference shifts. This has sparked a profound digital transformation across these industries as well as those first impacted by COVID. The mandate from boardrooms is clear – and we now see our customers structurally changing their businesses and technology stacks to embrace unified commerce and this newfound urgency for digital transformation. This shift was already happening, but has been accelerated drastically due to COVID. We're meeting the moment for these customers as financial technology is a core piece of any transformation strategy fit for this age. Our newly acquired federal branch license should help us be able to fully meet these merchants' needs.

It's also worth touching on the increasing universality of SaaS platforms. These platforms tend to focus on a particular vertical, providing turnkey solutions and allowing smaller business owners to stay at the forefront of innovation. As transformation continues in the coming years we expect many more of these players to come into the market and have Adyen be their solution of choice. The end result is that we're powering transformation across all size segments – from enterprise directly to the smallest sellers via platforms.





Consistent trends in a changing world

Consistent with historical trends, enterprise merchants onboarded in previous periods continued to drive the majority of volume growth in the second half of the year. We're able to consistently win additional volume across our merchant base through the successful execution of our strategy – building long-lasting partnerships with leading brands. Once merchants are onboarded, they're able to expand globally and across sales channels effortlessly. Moreover, they have the peace of mind that comes with our promise of a subscription to innovation – ensuring that they're ahead of any would-be fraudster, regulatory shift, or change in payment method mix. This subscription to innovation is critical in an environment where digital transformation is now increasingly becoming institutionalized.

As outlined in the regional commentary, offering unified commerce shopper journeys has become essential for merchants. It's the unified commerce native businesses, and those quickest to adapt, that have lasted and been successful through the pandemic. We're able to effectively provide more businesses with access to our leading unified commerce solution than ever before – through platforms and partnerships.

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Initially for platforms, we were primarily an online partner. Today, our unified commerce solution for platforms is one of our major differentiators. This allows sellers on the platforms we partner with to offer their buyers unified commerce journeys of the same quality as leading enterprise businesses around the world. There is more room to grow here, as these platforms are constantly looking to deepen their relationships with the sellers on their platforms.

Specifically for the mid-market, we've continued to invest in partnerships and platforms in order to guarantee that we build to benefit all merchants. To this end, we launched our partner portal during the period – streamlining the referral process for businesses and partners alike. Our commitments to improved merchant education and onboarding experiences are helping to ensure that the platform is increasingly accessible and intuitive to merchants of all sizes.



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Select merchant wins
from the period.



Products built for tomorrow's economies

We continue to work co-creatively with our merchants in our product development. The pandemic has not changed this. Similarly, our annual plans are set in a bottom-up manner based on merchants' needs. This merchant-centered approach – central to our strategy – has allowed us to react quickly to shifts in the industry and in merchant expectations.

An example of the efficacy of this approach is the launch of the smaller handheld range of all-in-one Android POS devices, allowing merchants to quickly launch in-store payments without the need for separate cash registers. Not only do these terminals help lower the barrier to launching an in-store channel – they also provide merchants with the option of running an increasingly light, unburdened set-up. This is a space that has evolved immensely over the past decade.

When it comes to the platform businesses that we discussed earlier in this letter, one aspect that is often less highlighted is fraud – which becomes exponentially more complex here when compared to traditional enterprise business. In enterprise, buyer-side fraud is the main issue, which is an area in which tooling is more developed. In platforms, you're dealing with a new problem: multi-sided fraud. There are many buyers and sellers on these platforms, and both numbers are constantly growing. The business that runs the platform is not a party in these buyer-seller transactions, it orchestrates and facilitates the interaction – that's inherent to the business model.

However, the business does run the financial and reputational risk of any malicious behavior that takes place on their platform. This reality is why we launched Score, which employs network analysis and machine learning to work continuously to spot multi-sided fraud. First of its kind, it allows merchants to achieve huge efficiencies in their compliance operations while remaining in control. In an environment where compliance is often viewed as a cost center, these efficiencies and the boost to loss prevention makes this an especially attractive proposition. Due to Score and other investments in our capabilities to help platforms deepen relationships with their merchants, we're bullish on our prospects in this space.

Investing in the continued growth of the company

We opened one new office in the second half of 2021 – in Malaysia – while investing significantly in another, on Rokin in Amsterdam. Hiring for the period continued to be primarily in tech and commercial functions. We were able to add 226 FTE to the team during the second half of the year. The team totalled 2,180 FTE at the end of the period, up from 1,954 FTE at the end of June, and 1,747 FTE end of year 2020. We continue to pursue a hiring strategy of sustainable growth at scale, keeping our rate of absorption in mind. While keeping the bar high for talent joining the team, we do hope to ramp up hiring in 2022 as outlined previously.

We began this letter by noting the scale at which we now find ourselves. We're seeing very solid traction in the verticals and regions in which we now operate, and the business is profitable and growing at a great pace – testament to the extraordinary work put in by the team.

As our merchant base develops and evolves, we're seeing the need for more products built with technology at their core. Digitalization is now increasingly at the center of strategy-setting for business across verticals, and we're positioned to continue to be the leading partner for growth in this new age.

We look forward to expanding on these additional merchant needs and where we plan to focus our resources in the coming years at our upcoming Capital Markets Day. We do hope to see you there, albeit virtually.



Total FTE

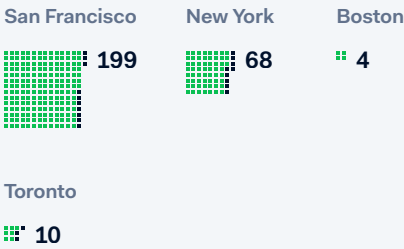


EMEA



Asia-Pacific

North America



Latin America

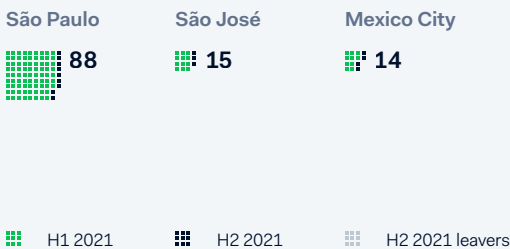


Figure 4

H2 2021 FTE growth

Discussion of financial results

Processed volume for the second half of 2021 was €300.0 billion, up 72% year-on-year. For the full year, processed volume was €516.0 billion, up 70% compared to €303.6 billion in 2020.

Of these volumes, POS accounted for 14% - totaling €41.8 billion. This is up 97% year-on-year as we continue to scale our capabilities in this space.

Net revenues were €556.5 million² for the period, up 47% year-on-year. As mentioned, net revenue contribution from non-EMEA regions came in at over 40% for the first time since we started reporting these splits. The regional diversification of our net revenues is evidence of the success of our global approach.

Net revenues for the full year were €1.0 billion, up 46% year-on-year. These were accompanied by a full year take rate for 2021 of 19.4 bps.

Operating expenses for H2 2021 came in at €218.0 million, up 38% year-on-year and comprising 39% of net revenues. The largest contributor to these were employee benefits – which totaled €121.5 million, growing 31% year-on-year. It is our intention to ramp up hiring during the following periods. Of the other operating expenses, sales and marketing expenses were €19.1 million, up 5% year-on-year as our event marketing operations especially are still hampered by lockdown restrictions around the world.

Included in the operating expenses is a €13.0 million one-off operational loss arising from a difference in currency rates in the Lebanese Pound: merchant funds were settled to Adyen at a rate requested from the schemes to be used by the Lebanese central bank, while funds were still being paid out to the merchants at the official exchange rate.

Full year OpEx of €406.8 million was up 31% year-on-year.

The operational leverage inherent to our business model and platform was illustrated by the 64% EBITDA margin for the period. For the full year, this number was 63%.

H2 2021 EBITDA was €357.3 million, up 51% year-on-year. Full year EBITDA was €630.0 million for 2021, up 57% year-on-year.

Net income was €264.9 million for the second half of the year, up 62% year-on-year.

CapEx were €32.6 million for the period, as we dealt with a significant one-off in the investment in new offices in Amsterdam. Consequently, CapEx was 6% of net revenues. Without this one-off, CapEx would have come in under 5% of net revenues.

H2 2021 free cash flow was €320.2 million, up 48% year-on-year. Free cash flow conversion ratio was 90%.

² On a constant currency basis, net revenue of €556.5 million would have been 4% lower than reported. Please refer to Note 1 of the interim condensed consolidated financial statements for further detail on revenue breakdown.

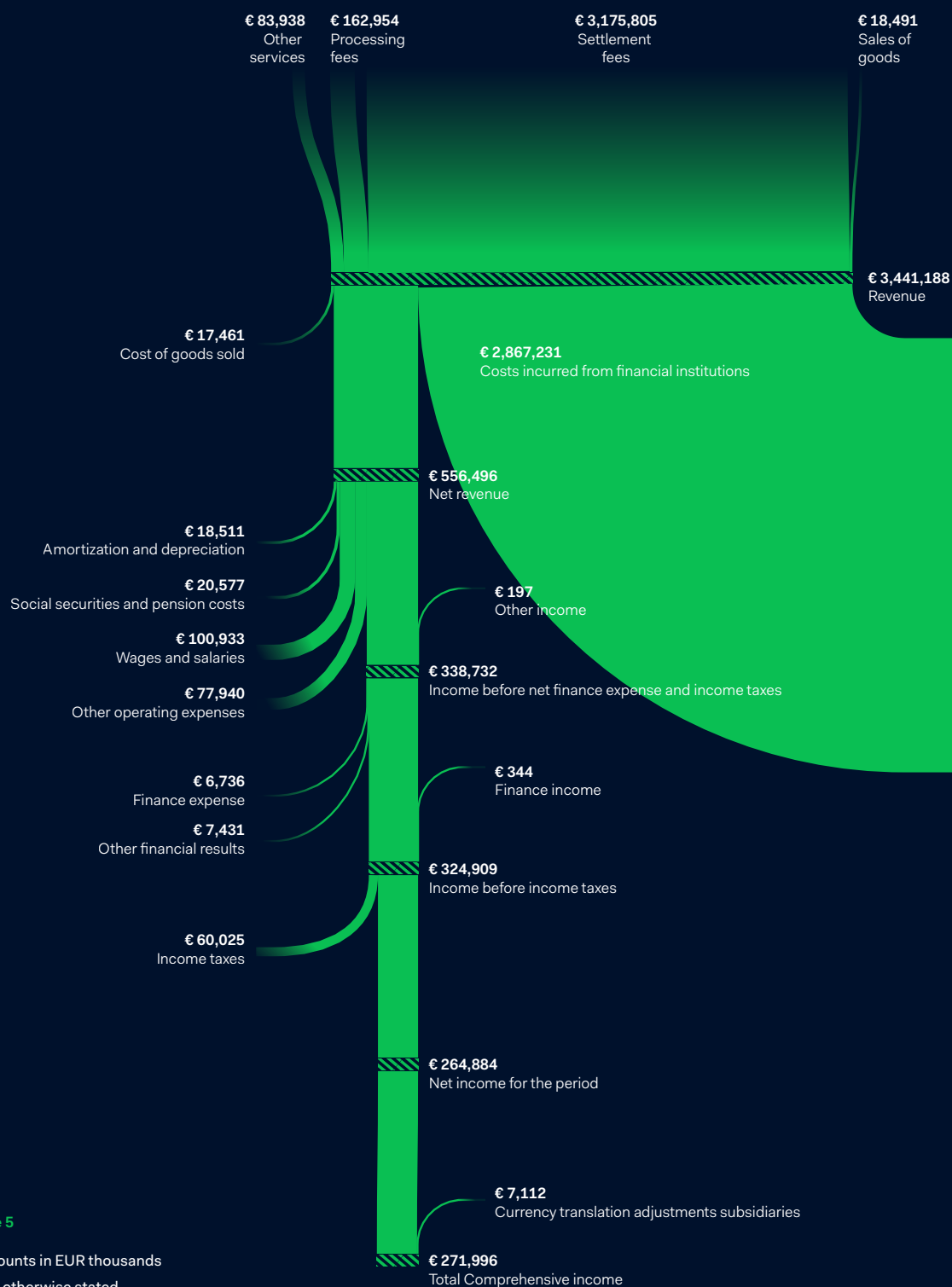


Figure 5

All amounts in EUR thousands
unless otherwise stated

Financial objectives

We've not seen any developments in the business over the second half of 2021 that would lead us to updating our guidance. Therefore, the financial objectives below remain unchanged from the last time we published results.

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.

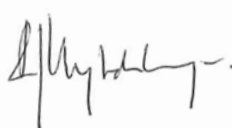
We will host a video call at 3 PM CET (15.00) this afternoon to discuss these results. To watch the live stream, please visit our [Investor Relations](#) page. A recording will be made available on the same page following the call.

Sincerely,



P.W. van der Does

CEO



I.J. Uytdehaage

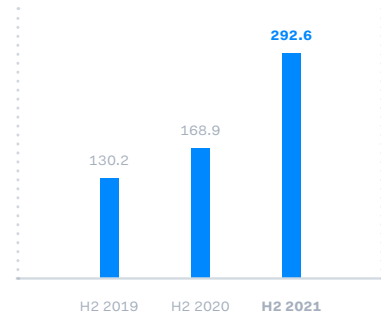
CFO

Enterprise

The enterprise segment continues to drive the largest share of our growth. By building trusted partnerships with these merchants, we are consistently able to win additional volume through implementing new sales channels, geographies, and product lines with them. We see this as a result of our product development strategy — driven directly by merchant needs.

Figure 6

Enterprise volume in EUR billions.

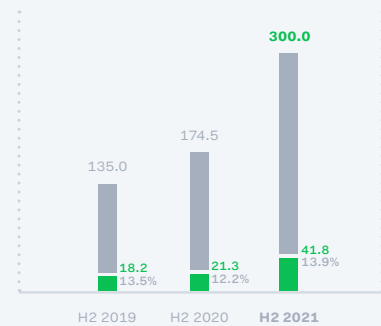


Unified commerce

As shopper preferences continue to shift towards a unified experience, a multi-channel strategy is becoming business critical for businesses globally. By integrating the online and offline channels in a single platform, we are at the forefront of the new era of commerce with our unified commerce solution.

Figure 7

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

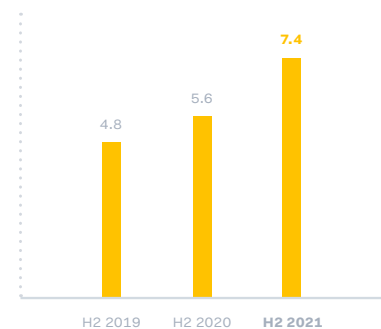


Mid-market

In mid-market, we build to offer the full strength of the Adyen solution to merchants of all sizes via simplified integrations. Our value proposition to these merchants is grounded in our ability to future-proof their payments set-up through access to the single platform, which leaves space to focus on growing their business.

Figure 8

Mid-market volume in EUR billions. We define mid-market merchants as merchants processing up to €25 million annually on our platform. In H2 2021, 4,910 merchants met this definition.



**Interim Condensed Consolidated
Financial Statements**

H2 2021 Adyen N.V.



Consolidated statement of comprehensive income

For the six months ended December 31, 2021 and 2020

(all amounts are in EUR thousands unless otherwise stated)

	Note	H2 2021	H2 2020
Revenue	1	3,441,188	2,081,315
Costs incurred from financial institutions	1	(2,867,231)	(1,688,939)
Costs of goods sold	1	(17,461)	(12,983)
<i>Net revenue</i>		556,496	379,393
Wages and salaries	3	(100,933)	(77,572)
Social securities and pension costs	3	(20,577)	(14,841)
Amortization and depreciation	11,12	(18,511)	(15,104)
Other operating expenses	4	(77,940)	(50,295)
Other income		197	73
Income before net finance expense and income taxes		338,732	221,654
Finance income		344	161
Finance expense		(6,736)	(5,609)
Other financial results	5	(7,431)	(17,059)
Net finance expense		(13,823)	(22,507)
<i>Income before income taxes</i>		324,909	199,147
Income taxes	6	(60,025)	(36,027)
Net income for the period		264,884	163,120
<i>Net income attributable to owners of Adyen N.V.</i>		264,884	163,120
<i>Other comprehensive income</i>			
Items that may be reclassified to profit or loss			
Currency translation adjustments subsidiaries		7,112	(9,170)
<i>Other comprehensive income for the period</i>		7,112	(9,170)
Total comprehensive income for the period (attributable to owners of Adyen N.V.)		271,996	153,950
Earnings per share (in EUR)			
Net profit per share - Basic	13	8.68	5.39
Net profit per share - Diluted	13	8.63	5.32

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

Consolidated balance sheet

As at December 31, 2021 and 2020

(all amounts are in EUR thousands unless otherwise stated)

	Note	December 31, 2021	December 31, 2020
Intangible assets		9,841	9,970
Plant and equipment	11	72,981	35,746
Right-of-use assets	12	128,063	124,328
Other financial assets at FVPL	10	22,504	20,883
Contract assets	1.1	79,341	124,113
Deferred tax assets	6	127,782	106,337
Total non-current assets		440,512	421,377
Inventories	2	22,138	19,548
Receivables from merchants and financial institutions		633,249	883,939
Trade and other receivables		56,852	75,079
Current income tax receivables	6	6,761	8,794
Other financial assets at amortized cost	10	—	12,238
Cash and cash equivalents	9	4,616,094	2,737,486
Total current assets		5,335,094	3,737,084
Total assets		5,775,606	4,158,461
Share capital	7	310	304
Share premium	7	335,725	194,608
Other reserves		137,457	149,931
Retained earnings		1,336,922	873,291
Total equity attributable to owners of Adyen N.V.		1,810,414	1,218,134
Derivative liabilities	10	81,700	68,400
Deferred tax liabilities	6	16,401	23,924
Lease liability	12	119,968	118,051
Cash-settled share-based payment plan		5,601	—
Total non-current liabilities		223,670	210,375
Payables to merchants and financial institutions		3,608,531	2,588,863
Trade and other payables		100,116	111,547
Lease liability	12	22,996	13,434
Current income tax payables	6	9,879	16,108
Total current liabilities		3,741,522	2,729,952
Total liabilities and equity		5,775,606	4,158,461

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

Consolidated statement of changes in equity

For the years ended December 31, 2021 and 2020

(all amounts are in EUR thousands unless otherwise stated)

	Note	Share capital	Share premium	Other reserves			Retained earnings	Total equity
				Legal reserves	Share-based payment reserve	Warrant reserve		
Balance - January 1, 2020		301	179,296	9,095	66,734	53,401	609,507	918,334
Net income for the year							261,019	261,019
Currency translation adjustments				(11,764)				(11,764)
Total comprehensive income for the year		—	—	(11,764)	—	—	261,019	249,255
<i>Adjustments:</i>								
Intangible assets				2,330			(2,330)	—
Other adjustments				(1,165)	1,165		5,095	5,095
		—	—	1,165	1,165	—	2,765	5,095
<i>Transactions with owners in their capacity as owners:</i>								
Deferred tax on share-based compensation	6		(321)		32,159			31,838
Options exercised			2,795		(2,795)			—
Proceeds on issuing shares	7	3	12,838					12,841
Share-based payments	3.2				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

	Note	Share capital	Share premium	Other reserves			Retained earnings	Total equity
				Legal reserves	Share-based payment reserve	Warrant reserve		
Balance - January 1, 2021		304	194,608	(1,504)	98,034	53,401	873,291	1,218,134
Net income for the year							469,717	469,717
Currency translation adjustments				11,373				11,373
Total comprehensive income for the year		—	—	11,373	—	—	469,717	481,090
<i>Adjustments:</i>								
Intangible assets				(129)			129	—
Other adjustments							59	59
		—	—	(129)	—	—	188	59
<i>Transactions with owners in their capacity as owners:</i>								
Equity transfer on exercise of warrant	7		34,100			(26,700)	(7,400)	—
Deferred tax on share-based compensation	6		—		5,548			5,548
Options exercised			1,732		(1,732)			—
Proceeds on issuing shares	7	6	105,285					105,291
Share-based payments	3.2				292			292
Other adjustments						(1,126)	1,126	—
		6	141,117	—	4,108	(27,826)	(6,274)	111,131
Balance - December 31, 2021		310	335,725	9,740	102,142	25,575	1,336,922	1,810,414

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

Consolidated statement of cash flows

For the six months ended December 31, 2021 and 2020

(all amounts are in EUR thousands unless otherwise stated)

	Note	H2 2021	H2 2020
Income before income taxes		324,909	199,147
<i>Adjustments for:</i>			
– Finance income		(344)	(161)
– Finance expenses		6,736	5,609
– Other financial results	5	7,431	17,059
– Depreciation of plant and equipment	11	8,433	5,890
– Amortization of intangible fixed assets		1,453	1,391
– Depreciation of right-of-use assets	12	8,625	7,824
– Equity-settled share-based compensation *	3.2	89	563
– Cash-settled share-based payment plan		859	—
<i>Changes in working capital:</i>			
– Inventories	2	(4,093)	(5,880)
– Trade and other receivables		3,353	2,982
– Receivables from merchants and financial institutions		72,262	(302,331)
– Payables to merchants and financial institutions		810,986	770,201
– Trade and other payables *		(24,546)	6,162
– Amortization and additions of contract assets	1.1	30,870	8,272
<i>Cash generated from operations</i>		<i>1,247,023</i>	<i>716,728</i>
Interest received		344	161
Interest paid		(6,736)	(5,609)
Income taxes paid	6	(30,805)	(34,139)
Net cash flows from operating activities		1,209,826	677,141
Purchases of plant and equipment	11	(31,592)	(12,044)
Capitalization of intangible assets		(1,024)	(3,585)
Net cash used in investing activities		(32,616)	(15,629)
Proceeds from issues of shares	7	101,578	3,669
Lease payments	12	(4,419)	(4,172)
Net cash flows from financing activities		97,159	(503)
Net increase in cash, cash equivalents and bank overdrafts		1,274,369	661,009
Cash, cash equivalents and bank overdrafts at beginning of the period		3,344,906	2,080,368
Exchange losses on cash, cash equivalents and bank overdrafts		(3,181)	(3,891)
Cash, cash equivalents and bank overdrafts at end of the period		4,616,094	2,737,486

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

* The comparative information is updated to align with the current period presentation of trade and other payables and cash-settled share-based payment plan.

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 and has a credit rating of A-, per S&P rating agency.

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, 2021 to December 31, 2021 have been prepared in line with the accounting and recognition principles included in the Adyen annual consolidated financial statements of 2020, in accordance with International Financial Reporting Standards and IFRS IC interpretations as endorsed by the European Union (EU-IFRS). This report should, therefore, be read in conjunction with the 2020 annual consolidated financial statements, as well as our H1 2021 interim condensed consolidated financial statements.

The following periods have been presented for the interim condensed consolidated financial statements ended December 31, 2021:

Interim condensed consolidated financial statements	Current period	Comparative period
Statement of comprehensive income	July 1 – December 31, 2021	July 1 – December 31, 2020
Balance sheet	As at December 31, 2021	As at December 31, 2020
Statement of changes in equity	January 1 – December 31, 2021	January 1 – December 31, 2020
Statement of cash flows	July 1 – December 31, 2021	July 1 – December 31, 2020

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 2021, 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, 2020.

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, 2021, 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 these 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, 2020.

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, 2021.

The qualitative impact assessment of the first-time application on January 1, 2021 of new amendments is disclosed in note 16 'New and amended standards adopted by Adyen'.

Key disclosures

1. Revenue and segment reporting

The company derives revenue from settling and processing payments, sales of goods such as the sale of point of sale (POS) terminals, and other payment specific services.

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

Types of goods or services (in EUR '000)	H2 2021	H2 2020
Settlement fees	3,175,805	1,898,091
Processing fees	162,954	113,597
Sales of goods	18,491	10,782
Other services	83,938	58,845
Total revenue from contracts with customers	3,441,188	2,081,315
Costs incurred from financial institutions	(2,867,231)	(1,688,939)
Costs of goods sold	(17,461)	(12,983)
Net revenue	556,496	379,393

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 – refer to note 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 2021	H2 2020
Goods and services transferred at a point in time	3,435,817	2,077,503
Services transferred over time	5,371	3,812
Total revenue from contracts with customers	3,441,188	2,081,315

1.1 Contract assets

In 2018, Adyen entered into a long-term contract with eBay 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 (derivative liabilities).

In addition, during 2021, Adyen capitalized contract costs (other contract assets) relating to multi-year service contracts with its merchants. These costs mainly relate to integration and development fees that are directly incremental to obtain the multi-year contracts and do not represent separate performance obligations. Consistent with the long-term contract with eBay, Adyen will amortize these costs against revenue (settlement fees) on a pro rata basis as the related revenue is recognized.

The following table summarizes the movement in the contract assets balance:

Contract assets (in EUR '000)	Monetary component	Non-monetary component	Other contract assets	Total contract assets
Balance - 1 July, 2020	59,313	78,268	—	137,581
<i>Movements:</i>				
Amortization for the period	(6,460)	(1,812)		(8,272)
Exchange differences	(5,196)			(5,196)
Balance - December 31, 2020	47,657	76,456	—	124,113
Balance - July 1, 2021	31,949	71,780	4,444	108,173
<i>Movements:</i>				
Additions			4,385	4,385
Amortization for the period	(25,017)	(9,719)	(520)	(35,256)
Exchange differences (note 5)	2,039			2,039
Balance - December 31, 2021	8,971	62,061	8,309	79,341

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. The contract assets were not impaired at December 31, 2021 and 2020.

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. During H2 2021, Adyen updated the geographical breakdown (including comparatives) by reallocating the revenue from the Rest of the World to the other existing regions. This update resulted in the following changes to revenue per region in H2 2020: Europe, the Middle East, and Africa (formerly 'Europe') (EUR 2,583), Latin America (EUR 27), and Rest of the World (EUR (2,610)).

Revenue - Geographical breakdown (in EUR '000)	H2 2021	H2 2020
Europe, the Middle East, and Africa (EMEA)	1,341,421	887,420
North America	1,681,460	919,886
Asia-Pacific	254,733	145,149
Latin America	163,574	128,860
Total revenue from contracts with customers	3,441,188	2,081,315

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). During H2 2021, Adyen updated the geographical breakdown (including comparatives) by reallocating the net revenue from the Rest of the World to the other existing regions. This update resulted in the following changes to net revenue per region in H2 2020: Europe, the Middle East, and Africa (formerly 'Europe') (EUR 344), Latin America (EUR 18), and Rest of the World (EUR (362)).

Net revenue - Geographical breakdown and year-on-year growth (in EUR '000)	H2 2021	YoY%	H2 2020	YoY%
Europe, the Middle East, and Africa (EMEA)	331,740	42%	234,265	21%
North America	131,349	70%	77,342	70%
Asia-Pacific	54,186	51%	35,888	29%
Latin America	39,221	23%	31,898	6%
Total net revenue from contracts with customers	556,496	47%	379,393	28%

- **EBITDA:** "Income before net finance 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 2021	H2 2020
Income before net finance expense and income taxes	338,732	221,654
Amortization and depreciation	18,511	15,104
EBITDA	357,243	236,758
Net revenue	556,496	379,393
EBITDA margin (%)	64%	62%
Purchases of plant and equipment	31,592	12,012
Capitalization of intangible assets	1,024	3,585
CapEx	32,616	15,597
EBITDA	357,243	236,758
CapEx	(32,616)	(15,597)
Lease payments	(4,419)	(4,172)
Free cash flow	320,208	216,989
Free cash flow	320,208	216,989
EBITDA	357,243	236,758
Free cash flow conversion ratio (%)	90%	92%

2 Inventories

Inventories (in EUR '000)	H2 2021	H2 2020
Balance - July 1	18,048	13,668
Purchases during the year (products for resale)	22,731	19,072
Costs of goods sold	(17,461)	(12,983)
Expense recognized in other operating expenses	(1,180)	(209)
Balance - December 31	22,138	19,548

During 2021, Adyen recognised inventory price variances of EUR 1,180 (other operating expenses) related to purchases of POS terminals from resellers at higher than standard price.

3 Employee benefit expense

3.1 Employee benefits

The regional breakdown of FTE per office as at December 31, 2021 and 2020 is as follows:

FTE per office	December 31, 2021	December 31, 2020
Amsterdam	1,262	1,011
San Francisco	199	179
Singapore	101	96
London	98	84
São Paulo	88	72
New York	68	53
Paris	51	43
Berlin	48	36
Stockholm	33	25
Madrid	32	22
Other (17 offices)	200	126
Total	2,180	1,747

The employee benefits expense can be specified as follows:

Employee benefits (in EUR '000)	H2 2021	H2 2020
Salaries and wages	94,240	71,373
Share-based compensation	6,693	6,199
Total wages and salaries	100,933	77,572
Social securities	17,532	12,847
Pension costs - defined contribution plans	3,045	1,994
Total social securities and pension costs	20,577	14,841

3.2 Share-based payments

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

Share-based compensation (in EUR '000)	H2 2021	H2 2020
Equity-settled	89	563
Cash-settled	6,604	5,636
Total share-based compensation	6,693	6,199

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

- I. Equity settled option plan (granted until 2018);
- II. Cash-settled share-based payment plan (granted from 2018 onwards); and
- III. Depositary receipts award plan for directors and employees (granted from 2018).

Adyen has granted the possibility to purchase Depositary Receipts at fair market value to directors and to employees as part of their remuneration from 2018. The underlying shares of the Adyen are held by an administration foundation that, in turn, issues the Depositary Receipts to the employees. Each Depositary Receipt issued represents the economic interest of one underlying STAK ("Stichting Administratie Kantoor Adyen N.V.") share. The related employee benefits expense is presented in salaries and wages.

There is a lock-up period but no vesting condition attached to the Depositary Receipts award plan. Thus there was no revised estimate of the number of Depositary Receipts expected to vest or relating income statement impact in 2021.

The nature, accounting policies and key parameters of the equity and cash-settled option plans are described in more detail in the 2020 annual consolidated financial statements.

4. Other operating expenses

The other operating expenses can be specified as follows:

Other operating expenses (in EUR '000)	H2 2021	H2 2020
Sales and marketing costs	19,145	18,192
IT costs	12,059	7,448
Advisory costs	9,035	7,576
Travel and other staff expenses	7,524	2,942
Contractor costs	4,962	4,364
Office costs	2,395	1,380
Housing costs	3,632	1,983
Miscellaneous operating expenses	19,188	6,410
Total other operating expenses	77,940	50,295

Miscellaneous operating expenses in H2 2021 includes a loss arising from a difference in currency rates in Lebanese Pound (LBP): merchant funds were settled to Adyen at a rate requested from the schemes to be used by the Lebanese central bank, while funds were still being paid out to the merchants at the official exchange rate. This led to a EUR 13,028 one-off operational loss. Adyen has not recognized an asset for potential recovery of the funds.

5. Other financial results

The other financial results can be specified as follows:

Other financial results (in EUR '000)	H2 2021	H2 2020
Exchange losses	(94)	(9,513)
<i>Fair value re-measurement of financial instruments:</i>		
Derivative liabilities	(5,600)	(7,700)
Other financial assets at FVPL	(1,737)	154
Total other financial results	(7,431)	(17,059)

Exchange losses of EUR 3,158 were incurred during the last six months of 2021, mainly relating to Adyen's foreign-denominated cash balances. These were set-off by exchange gains related to contract assets (EUR 2,039 — refer to note 1.1 'Contract assets') and other financial assets at FVPL (EUR 1,025). The change in fair value of the derivative liabilities in H2 2020 and 2021 was mainly linked to the Adyen share price increase over the period as well as a revision of valuation inputs; namely, the estimate of the probability of vesting and discount for lack of marketability. 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, 2021 is 18.47% (December 31, 2020: 18.09%) which differs from the statutory tax rate in the Netherlands of 25% (2020: 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 taxable profits derived from innovative activities are taxed at a lower rate than the headline corporate tax rate in the Netherlands, thereby reducing the effective tax rate.

Effective tax calculation (in EUR '000)	H2 2021	H2 2020
Income before income taxes	324,909	199,147
Statutory tax rate in the Netherlands (%)	25%	25%
Income taxes based on statutory tax rate in the Netherlands	81,227	49,787
<i>Tax effects of:</i>		
Innovation box	(19,405)	(12,012)
Other adjustments (such as prior year and non-deductible amounts)	(1,797)	(1,748)
Effective tax amount	60,025	36,027

Current income tax receivables/(payables) (in EUR '000)	December 31, 2021	December 31, 2020
Current income tax receivables	6,761	8,794
Current income tax payables	(9,879)	(16,108)

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

Income taxes (in EUR '000)	H2 2021	H2 2020
Current income tax expense	70,882	38,544
Deferred income tax expense	(10,857)	(2,517)
Total income taxes	60,025	36,027

6.2 Deferred income taxes

Changes in tax rate

During 2021, the Dutch Government substantively enacted a change in the statutory tax rate, increasing it from 25% to 25.8%, applicable from the year 2022. As a result, Adyen has remeasured the relevant deferred tax balances as per December 31, 2021, using the updated headline statutory tax rate (25.8%) 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 21,079 (December 31, 2020: EUR 17,100) of the deferred tax assets relates to the recognized derivative liabilities.

Deferred tax asset linked to windfall benefits

Throughout the period Adyen has reassessed the recoverability of deferred tax assets on windfall benefits linked to the share-based compensation plan in the United States and United Kingdom. Adyen continues to recognize a deferred tax asset to be realized against future taxable profits, on a going concern basis, as these carry forward losses have no expiration date. Deferred tax assets include tax losses carried forward relating to options exercised in the United States and United Kingdom (December 31, 2021: EUR 86,277; December 31, 2020: EUR 42,244) and windfall benefits relating to options granted and vested, however not yet exercised (December 31, 2021: EUR 12,808; December 31, 2020: EUR 44,081). In the United States the deferred tax assets only relate to the Federal income tax as there is no statutory limitation to the period in which these losses can be utilized. The recoverability of the deferred tax asset in the United States is not impacted by the US branch licence as the asset will be transferred to and recoverable against the future taxable profits of the newly incorporated branch.

The movement in deferred tax assets relating to windfall benefits and carry forward losses was recognized directly in equity (December 31, 2021: EUR 5,548; December 31, 2020: EUR 32,159).

Deferred tax liabilities

The deferred tax liabilities consist mainly of the deferred tax on the non-monetary part of the contract asset of EUR 16,010 (December 31, 2020: EUR 19,114).

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)	December 31, 2021	December 31, 2020
Share capital	310	304
Share premium	335,725	194,608
Total	336,035	194,912

In 2021, 600,850 (2020: 295,289) additional shares were issued. The additional issued shares were a result of exercises of options granted to employees as well as the exercise of the warrant linked to tranche 1 of the long-term contract with eBay. During the last six months of 2021, the milestone of the first tranche was met, vested, and the related warrant was subsequently exercised by eBay. A total of 403,724 shares were issued to eBay at €240 per share and represented 1.25% of Adyen's issue-date diluted share volume. The gross equity balance relating to tranche 1 (EUR 34.1 million) and related deferred tax (EUR 7.4 million) were transferred from 'warrant reserve' to 'share premium' and 'retained earnings', respectively. The dilutive effect of the exercised warrant (tranche 1) was reflected in the shares outstanding at 2021 year-end - refer to note 13 'Share information'. As per December 31, 2021, the 'warrant reserve' was carried at historic cost (EUR 34.1 million (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 number of outstanding ordinary shares as of December 31, 2021 is 30,957,086 (December 31, 2020: 30,356,236) with an absolute nominal value EUR 0.01 per share. The total number of authorized shares as of December 31, 2021 is 80,000,000 (December 31, 2020: 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 1,203,240 (December 31, 2020: EUR 790,775). The legal reserves restricted for distribution in accordance with Dutch Law amounts to EUR 32,244 (December 31, 2020: EUR 14,853).

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. CRR/CRD IV Regulatory Capital

The following table shows the calculation of regulatory capital as at December 31, 2021. 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)	December 31, 2021	December 31, 2020
EU-IFRS equity as reported in consolidated balance sheet	1,810,414	1,218,134
Net profit not included in CET1 capital (H2 2021 not yet eligible)	(264,884)	(261,019)
<i>Regulatory adjustments:</i>		
Warrant reserve	(25,575)	(53,401)
Intangible assets	(9,841)	(9,970)
Deferred tax assets that rely on future profitability	(99,084)	(93,788)
Prudent valuation	(104)	(89)
Total own funds	1,410,926	799,867

The increase in total own funds in 2021 mainly relates to the additions of consolidated net profit (full year 2020 and H1 2021) as well as share premium increase due to the exercise of the warrant linked to tranche 1 of the long-term contract with eBay (refer to note 7 'Capital management').

9. Cash and cash equivalents

Cash and cash equivalents (in EUR '000)	December 31, 2021	December 31, 2020
Cash held at central banks	2,565,875	1,479,313
Cash held at banks, other than central banks	2,050,219	1,258,173
Total	4,616,094	2,737,486

Of the cash held at banks, other than central banks, EUR 19,654 (December 31, 2020: EUR 4,523) are restricted and are therefore not available for general use by the Company. The restricted cash mainly relates to deposits required under the US Federal Foreign Branch license as well as deposits held as guarantee for leased offices.

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, 2021 is EUR 22,504 (December 31, 2020: EUR 20,883). 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 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 were converted into Visa Inc. common stock and sold prior to the end of 2020 at fair market value. The proceeds receivable was recognized within trade and other receivables (EUR 23,440) and an amount of EUR 23,671 was ultimately received during the year ended December 31, 2021. No further conversion of the Series C preferred stock took place in 2021.

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 six month ended December 31, 2021: EUR 82, and during the six month ended December 31, 2020: EUR 162).

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

During the first six months of 2021, Adyen redeemed the government bonds (other financial assets at amortized cost) at maturity.

Financial assets impairment

During the six month ended December 31, 2021, Adyen added EUR 261 (during the six month ended December 31, 2020: deducted EUR 608) to (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 six months ended December 31, 2021, Adyen wrote off trade receivables balances for an amount of EUR 46 (during the six month ended December 31, 2020: EUR 2,357). Adyen did not reverse any impairment losses in 2020 and 2021.

Derivative liabilities (warrants)

As part of the long-term merchant contract previously mentioned (note 1.1), Adyen recognized derivative liabilities measured at fair value through profit or loss, classified as a level 2 fair value instrument. Fair value remeasurements are presented in other financial results (note 5).

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).

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% change in the underlying Adyen share price would result in an change of approximately 5% (EUR 4 million) (2020: 5% (EUR 3 million)) of the value of the derivative liabilities, all other circumstances considered equal.

During the six months ended December 31, 2021, the first tranche milestone was met, vested, and the related warrant was subsequently exercised by eBay. None of the four warrant tranches related to the derivative liabilities vested in previous years. The derivative liabilities balance as per December 31, 2021 is EUR 81,700 (December 31, 2020: EUR 68,400). The change in fair value of the derivative liabilities during 2021 is mainly linked to the Adyen share price increase and revision of valuation inputs; namely, the estimate of the probability of vesting and discount for lack of marketability.

Other disclosures

11. Plant and equipment

Plant and equipment (in EUR'000)	Computer Hardware and Software	Leasehold Improvements	Other	Total
H2 2020				
Cost	50,500	7,189	1,910	59,599
Accumulated depreciation	(25,261)	(3,353)	(1,331)	(29,945)
Balance - July 1, 2020	25,239	3,836	579	29,654
Additions	9,949	2,016	79	12,044
Disposals	—	—	—	—
Depreciation for the period	(5,026)	(752)	(112)	(5,890)
Other changes (e.g. exchange differences)	28	(85)	(5)	(62)
Balance - December 31, 2020	30,190	5,015	541	35,746
Cost	59,016	9,060	1,964	70,040
Accumulated depreciation	(28,826)	(4,045)	(1,423)	(34,294)
Balance - December 31, 2020	30,190	5,015	541	35,746
H2 2021				
Cost	78,101	10,066	2,034	90,201
Accumulated depreciation	(34,896)	(4,935)	(1,522)	(41,353)
Balance - July 1, 2021	43,205	5,131	512	48,848
Additions	21,058	8,562	1,972	31,592
Disposals	(19)	—	—	(19)
Depreciation for the period	(7,288)	(968)	(177)	(8,433)
Other changes (e.g. exchange differences)	(603)	33	1,563	993
Balance - December 31, 2021	56,353	12,758	3,870	72,981
Cost	98,379	18,738	4,002	121,119
Accumulated depreciation	(42,026)	(5,980)	(132)	(48,138)
Balance - December 31, 2021	56,353	12,758	3,870	72,981

Computer Hardware and Software additions during the six month ended December 31, 2021 mainly relate to equipment such as laptops for employees and servers for data centers. Leasehold improvements additions during H2 2021 relate to the capitalization of improvements made to the new leased offices in Rokin, Amsterdam. Adyen did not recognize an impairment loss or reverse any impairment loss on plant and equipment during the six months ended December 31, 2021 and 2020.

12. Leases

Adyen's leases relate to offices and data centers across locations where it operates.

Right-of-use assets (in EUR '000)	H2 2021	H2 2020
Offices and data centers		
Cost	151,565	146,948
Accumulated depreciation	(33,780)	(18,058)
Balance - July 1	117,785	128,890
Additions	18,322	4,767
Depreciation for the period	(8,625)	(7,824)
Other movements (e.g. exchange differences)	581	(1,505)
Balance - December 31	128,063	124,328
Recognized right-of-use assets	168,630	149,732
Accumulated depreciation	(40,567)	(25,404)
Balance - December 31	128,063	124,328
Lease liability (in EUR '000)	H2 2021	H2 2020
Balance - July 1	128,363	132,698
Additions	18,322	4,767
Lease instalments	(5,734)	(5,350)
Interest expense	1,315	1,178
Other movements (e.g. exchange differences)	698	(1,808)
Balance - December 31	142,964	131,485
Current portion	22,996	13,434
Non-current portion	119,968	118,051

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. As per December 31, 2021, the warrant related to tranche 1 vested (and exercised), while no warrants had vested in the previous year. Therefore, the issued shares relating to tranche 1 is reflected in the calculation of ordinary shares during 2021.
- 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 granted to employees.

Share information	H2 2021	H2 2020
Net income attributable to owners of Adyen N.V. (in EUR '000)	264,884	163,120
Weighted average number of ordinary shares for the period	30,499,194	30,246,923
Dilutive effect of share options	176,621	420,676
Weighted average number of ordinary shares for diluted net profit for the period	30,675,815	30,667,599
Net profit per share – basic	8.68	5.39
Net profit per share – diluted	8.63	5.32

14. Related party transactions

During 2021, 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, 2021 and 2020 are:

Related party assets/(liabilities) (in EUR '000)	December 31, 2021	December 31, 2020
Supervisory Board	—	(52)
Employees (STAK)	66	20

There were no other transactions with related parties during the period ended December 31, 2021 and 2020.

15. Other contingent assets, liabilities and commitments

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.

Adyen has EUR 72,290 of outstanding bank guarantees and letters of credit as at December 31, 2021 (December 31, 2020: EUR 32,344).

Adyen has set up 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, 2021 the total collateral was EUR 39,125 (BRL 250,157) (December 31, 2020: EUR 37,533 (BRL 239,091)).

During the year ended December 31, 2021, the Brazilian Tax Authorities initiated an audit of the Corporate Income Tax and of Social Contribution of Net Income for the year ended December 31, 2017. Based on the outcomes of this audit the Company was issued a tax infringement notice claiming approximately EUR 3,622 (BRL 23,162) in relation to the financial year 2017. The Company has disputed the findings of the Brazilian Tax Authorities and considers it to be probable that the judgment will be in its favour. Adyen has therefore not recognized a provision in relation to this claim.

16. New and amended standards adopted by Adyen

The following accounting standards, interpretations and amendments applicable to Adyen (collectively, "amendments") were issued and made effective for the annual reporting period beginning on January 1, 2021:

- Amendments to IFRS 16, 'Leases' — Covid-19 related rent concessions; and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 — Interest rate benchmark reform (Phase 2).

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.

17. Events after the balance sheet date

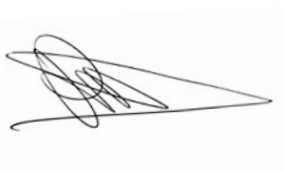
There are no events after the reporting period.

18. Other information

The interim condensed consolidated financial statements for the period July 1, 2021 to December 31, 2021 have been prepared in line with the accounting and recognition principles included in the Adyen annual consolidated financial statements of 2020, in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the European Union (EU-IFRS).

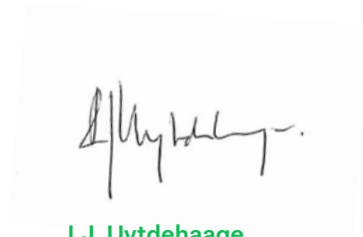
The interim condensed consolidated financial statements are unaudited.

Amsterdam, February 9, 2022



P.W. van der Does

CEO



I.J. 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:

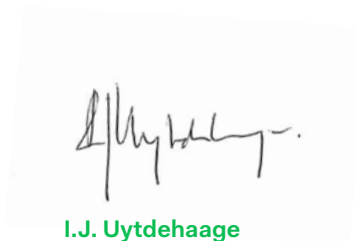
1. The interim condensed consolidated financial statements present a true and fair view of the consolidated assets, liabilities, financial position and the profit or loss of Adyen N.V.; and
2. The interim consolidated financial statements provide a true and fair view of the information required pursuant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

Amsterdam, February 9, 2022



P.W. van der Does

CEO



I.J. Uytdehaage

CFO