



2020 Annual Report

adyen

Adyen

Annual Report 2020

Cover image

Aleksei, **Head of API**

—

“I have three kids that often make random appearances in video calls, so my colleagues have seen more of my personal life than we could have ever achieved when catching up in the office.”

Disclaimer: This document is only a "printed version" and is not the official annual financial report, including the audited financial statements thereto pursuant to article 361 of Book 2 of the Dutch Civil Code. The official annual financial report, including the audited financial statements and the auditor's report thereto, are included in the single report package which can be found via www.adyen.com/investor-relations/documents.

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Arielle, Business Controller

—

“At Adyen, we’ve really been encouraged to make blocks in our calendar and take time for ourselves to breathe and recharge. This past year, my team especially got creative in scheduling activities just for the sake of collaborating on something fun that also keeps us productive.”



01

Management Report



MESSAGE FROM THE CEO

Staying the course

Dear Shareholders,

In preparation for this note, I read last year's message. It was a synopsis of the previous decade and what it meant for Adyen. Little did I realize at the time that we were on the precipice of great change to all of our lives. COVID-19 has dominated the last year, also for Adyen.

The week that the news of the pandemic broke through into the mainstream feels like a long time ago now. I remember we quickly pivoted from 'wait and see' to 'this requires immediate attention and action'. Not a week went by between our first discussion on the topic and sending everyone home indefinitely.

It was a shock for everyone. We've built a culture over the years of using each other to sharpen our ideas — and we saw early on that it's much easier to walk to someone's desk than it is to give each other a call. It took us a while to find our groove, ensuring everyone had a comfortable working-from-home set-up, and helping each other prioritize between work and life commitments.

On a positive note, one of the most remarkable things we noticed quickly is that once everyone on the team was separated by screens, colleagues from around the world actually felt a lot closer. Replacing face-to-face interactions with Zoom meetings felt like an equalizer. It no longer really mattered whether you were in Amsterdam or in Singapore, which made discussions much more inclusive. Discussing a matter face-to-face in Amsterdam is limiting in that sense — in the current environment everyone can just 'click in' team members from around the world on Zoom.

The pandemic also made us realize how global our scale is at this stage. COVID-19 didn't hit equally everywhere, we saw our China team return to the office, and to travel, as houseplants in European offices went weeks without water during the first wave in Europe. There is no single shared reality of what the pandemic has meant to our teams around the world.

The business didn't lose much momentum, despite this drastic shift. We have a long-term horizon, we continued to recruit new team members, and our data centers run remotely. Business as usual for us is adapting to changing circumstances. Naturally, there were some initial delays in the rollout of projects, mostly on the merchant end, but nothing that significantly impacted the business. This is also why we chose to shift to quarterly reporting for the year, something that is not part of our long-term approach, to provide transparency around the resilience of the business during a crisis. We continued to win new business, and to grow, also in this new environment.

While our own business proved highly resilient during the pandemic, our merchants' realities were often very different. The initial impact of COVID-19 resulted in many sobering conversations. For some sectors - e.g. in-store retail or airlines - the difference was night and day. We made sure to keep our focus on helping our merchants in these segments, as businesses took a nosedive there — with no end date in sight.

That's a topic that we kept front of mind too: the lack of an end date to the pandemic's impact. The danger in a situation like this is to focus on a set end date, only to be left disappointed when it inevitably shifts. During this crisis, we focus on our merchants' problems, on our team's mental health and getting out of this as a stronger team — no matter when that end date will come. This pragmatic approach allows us to keep our speed while the world around us is changing — we went online and operated as if we had always run the company that way, and will be able to for as long as we need.

Of course I miss being around the team too. Bumping into people, traveling to different Adyen offices around the world and meeting our merchants. It's an important part of what made the job so much fun — that energy. That's something I hear back from many people too, which makes me confident that we will succeed in coming out of this as a stronger team.

This past year, a year in which, paradoxically, words like new normal became ubiquitous, was decidedly abnormal. Now, with vaccine roll-outs across the globe, we are still approaching this as if the end is not yet near, but I am willing to say that I'm optimistic about the upcoming year and what it will bring for Adyen.

We'll stay the course, as we did this past year, and continue to adapt to the world around us.

Pieter



Profitable growth amid global pandemic

- » Well-diversified merchant base contributing to business resilience
- » Acceleration of merchants opting for a unified commerce solution
- » Launched IdentityRisk, Network Token Optimization, and mobile Android POS devices



Staying connected as a global team

- » Scaling the team to 1,747 FTE in 24 offices in line with our long-term growth approach
- » Prioritizing work flexibility and mental health throughout the COVID-19 pandemic
- » Onboarding new hires while focusing on the Adyen Formula to safekeep the culture



Positively contributing to planet and society

- » Offsetting our CO₂ emissions by supporting environmental sustainability projects
- » Volunteering globally to provide essential supplies to those in need
- » Our checkout product feature, Giving, processing donations globally



Navigating the global regulatory landscape

- » Helping our merchants accommodate to the ever-increasing complexity in the regulatory landscape
- » Scaling the compliance and integrity functions to support our growth in a complex regulatory space
- » Announced Alexander Matthey as CTO and Caoimhe Keogan to join the Supervisory Board

* Historical figures have been adjusted since prior publications of results. For a full reflection of restated figures since 2018, please refer to note 1.3 of the Consolidated Financial Statements.



Jeroen, Designer

—

“A big reason why I work for Adyen is because of the Formula which keeps us close, even with colleagues around the world. If all I cared about were projects, I could work for any other company, but I care a lot about the spontaneous ideation that happens in our offices, where everyone’s opinion is welcomed, no matter what team you’re on.”

Description of business activities

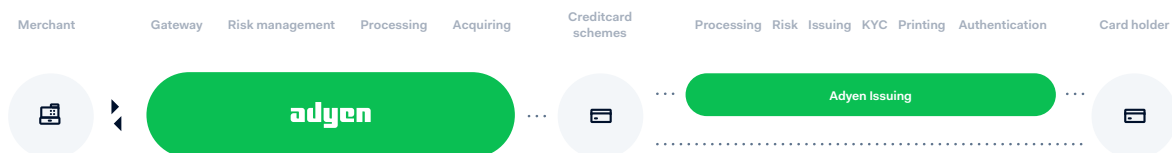
Adyen operates a global payments platform, integrating the full payments stack — gateway, risk management, processing, issuing, acquiring, and settlement. Adyen Issuing was launched in 2019, and enables merchants to provide virtual and physical cards to their customers. Issuing meets various merchant needs, as it gives them the ability to issue cards for a variety of uses cases, either online, in-app, and in-store. The Adyen offering includes a common back-end infrastructure for authorizing payments across merchants' sales channels, as well as feature-rich APIs.

The platform services a range of globally-operating merchants across different verticals, connecting them directly to Visa, Mastercard, and many other payment methods. Additionally, it provides a high level of reliability, performance, and data insights.

For this service of payments processing, Adyen earns processing and settlement fees — gateway and acquiring services, respectively — as well as some smaller fees related to products or functionalities aimed at reducing complexity and friction for merchants. For a full breakdown of fees, refer to Note 2 'Revenue and segment reporting' of the attached Consolidated Financial Statements for more information.

Figure 1

The Adyen value chain



Strategy

Building with our merchants' needs in mind is central to our business strategy. Most of our yearly growth (consistently over 80% from each half-year period since our IPO in 2018) comes from the growth of merchants already on our platform when the period began. As such, we measure success by how we grow together with our merchants.

We are always focused on solving problems for our merchants, especially as they expand to new geographies and channels. Organically, this has resulted in Adyen's culture of incorporating bottom-up workstreams.

The Adyen organization is divided into workstreams, which are comprised of product, technical, and commercial staff. These workstreams work with our merchants in a co-creative manner and are thus able to efficiently prioritize their needs. Company-wide strategy is set on the basis of these workstreams' annual objectives, which are almost always subject to change, ensuring our speed and agility are maintained as we grow.

These workstreams collaborate with our merchants to solve for their evolving needs. To better serve them, we have identified the following growth pillars, which help us to identify and categorize our merchants' needs based on their size and sales channels.

Enterprise

The enterprise segment (e.g. large international businesses) is what the Adyen platform was built for from day one. The fact that our growth comes largely from existing enterprise merchants, paired with very low volume churn, illustrates our success in this space. The more recent evolution in this segment is the rise of platform-based business models, allowing us to reach the long tail of the market through enterprise-sized platforms who power tens of thousands of small businesses.

We see the following as key drivers of future growth in enterprise:

1. Existing merchants: Our merchants' organic growth combined with expanding our relationships with them (i.e. adding new channels and/or expanding across geographies) continues to drive a majority of our growth. This leads to a deepening of our product offering, as well as an increase in our proportion of transaction volume with our current merchants (i.e. growth of wallet share).



Sunil, VP of Product

—

“ In every tragedy, it helps to focus on opportunities. This has been an opportunity to see and guide my children's learning — it's an opportunity for them to observe my spouse and I at work. An opportunity for Adyen colleagues to connect at a deeper, more personal level than we could at the office. ”

2. New merchants: Adding new merchants to our enterprise portfolio is another avenue for growth. We have a direct sales approach focused on onboarding new merchants in all geographies where we are present and verticals we are targeting, both of which are constantly expanding.
3. Capitalizing on evolution in the industry: Our strength is in our speed and ability to react to market developments that can help our merchants due to the way our technology and teams are structured. This ability to adapt to market shifts gives our merchants an advantage and therefore is an opportunity for us, especially in an ever-changing environment.

Unified Commerce

Shifting consumer behavior is driving merchants' desires to present a single brand across all sales channels (i.e. offline and online). In industries such as retail, hospitality, and quick-service restaurants, merchants can no longer afford to have only one option. Our unified commerce offering is currently focused on providing merchants in verticals such as these the flexibility to shift seamlessly between sales channels and give their customers a unified experience.

We believe our success in this space is due to the following:

1. Holistic view of payments: The idea of having a unified, single platform to process all payments, irrespective of channel, is foundational to how we have built our technology since the beginning. This approach allows the collection of data that can deliver unique shopper insights and simultaneously help to combat fraud. Our back-end infrastructure



for processing and settling payments is the same across all channels, providing merchants with a holistic overview of all shopper transactions.

2. Seamless shopper journeys across channels: The Adyen platform enables merchants to offer a uniform experience to shoppers across all sales channels. This allows merchants to significantly improve the quality of service to their shoppers — for example, through one-click payments online or on mobile for shoppers recognized from in-store visits, improved offer targeting, and through facilitation of home delivery. With these shifting shopper expectations, businesses are increasingly pushed to change their approach and meet market demand. We are very well-positioned to cater to these emerging needs now and in the future.
3. Increased focus on point-of-sale (POS): Since the launch of our POS offering in 2015, we have seen steady growth mainly due to the outdated infrastructure in the POS landscape still in place all over the globe. Because of this, merchants see vast improvements in performance when implementing our technology. On top of this and of particular importance due to the COVID-19 pandemic, we have been well-equipped to service our merchants with safe operations as all of our POS devices facilitate contactless payments.

Mid-market

Historically, we built the Adyen platform focused on the needs of enterprise merchants. Now, we are broadening our reach and are ready to support the growth of businesses in the next adjacent segment to enterprise, mid-market.

Every merchant on our platform has access to the same performance and functionality as some of the world's largest businesses. This makes the platform attractive to both large domestic merchants and local merchants with international ambitions, allowing them to effectively future-proof their payments.

With 24 offices worldwide, our continuously expanding global footprint has been able to provide local presence, payment methods, and expertise in key markets. This allows us to partner with ambitious businesses at a relatively early stage of their growth. These businesses will avoid being hampered by the complexity in business operations that so often comes with growth — such as adding additional payments channels, or expanding into new regions.

Discussion of financial results

The business has proven resilient in 2020. Despite the continued impact of COVID-19 on the world economy, we experienced substantial growth as online retail and digital goods volumes surged while stores closed, and airplanes were grounded. In the ever-shifting reality of a global pandemic, we focused on meeting our merchants' needs.

Business resilience and strong volume contributions amid a challenging year

Due to strong volume contributions from across our well-diversified merchant base, the business has proven resilient in 2020. We saw processed volume for the full year grow at 27%, totaling €303.6 billion.

POS processed volume for the year was €32.2 billion and 11% of total processed volume, up from €29.2 billion and 12% of total processed volume in 2019. Lockdown restrictions impacted in-store volume throughout the year.

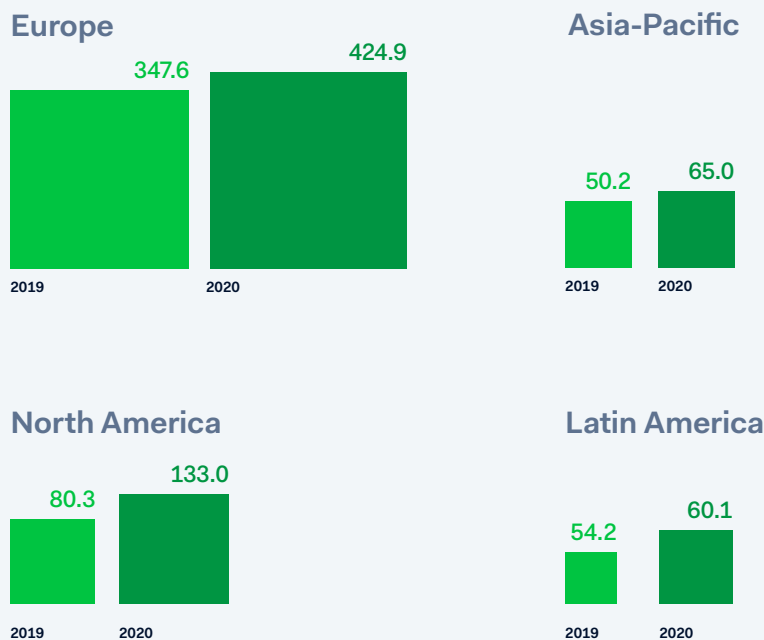


Figure 2

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

Solid net revenue growth continuing to diversify regionally

Net revenue was €684.2 million for the year, up 28% year-on-year. On net revenue growth, North America (66%) outpaced APAC (29%), Europe (22%), and LATAM (11%). The delta in growth rates between regions is mainly driven by the impact of COVID-19 on our merchant mix.

The business' resilience was fueled by the continued diversification of our merchant base across regions. On regional net revenue contributions: Europe remained the largest contributor, representing 62% of net revenues – followed by North America (19%), APAC (9%), and LATAM (9%).

Take rate was 22.5 bps, up from 22.3 bps in 2019. Take rate continues to not be a driver for us, as the low cost of operating the Adyen platform allows for a focus on incremental net revenue.

Investing in long-term growth

Total operating expenses were €310.3 million in 2020, up 29% year-on-year, and representing 45% of net revenue. This increase is mainly driven by employee benefits as we continued to grow the Adyen team. Employee benefits were €180.0 million for the year, up 47% from €122.4 million in 2019.

Other operating expenses were €101.9 million in 2020, up 7% from €95.1 million in 2019. Of these, sales and marketing expenses were €39.6 million, up 23% from €32.3 million for 2019 as we continue to invest in brand awareness and lead generation across regions. When global lockdown restrictions went into effect, our focus shifted from physical events to hosting online marketing campaigns.

EBITDA displaying continued profitability while scaling Adyen

EBITDA for full year 2020 was €402.5 million, up 27% year-on-year from €316.9 million in 2019. EBITDA margin came in at the 59% in 2020, the same percentage as for full year 2019.

Net income impacted by other financial results

Net income was €261.0 million for 2020, 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 €371.1 million in 2020, up 29% from €287.1 million in 2019. Free cash flow conversion ratio was 92% for the year, up from 91% in 2019.

Low CapEx due to the scalability of the Adyen platform

For 2020, CapEx were 3% of net revenue, 14% down from 2019, primarily due to the low cost of operating the single platform.



Manavi, Software Developer

—

“Setting some rules for myself helps to maintain a healthy balance — for example, I don’t move my laptop off my desk, which makes its sole purpose to be my workspace. Then when I leave the desk, it’s easier to switch my mind to being at rest. I also developed a hobby of taking care of plants — it’s soothing for your eyes and is relaxing in these times.”

Financial objectives

We have set the following financial objectives¹, 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 the platform, we expect this upward trend to continue to levels 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.

¹ Adyen has not defined, and does not intend to define, "medium term" or "long term". Adyen's medium-term and long-term financial objectives should not be read as forecasts, projections or expected results and should not be read as indicating that Adyen is targeting such metrics for any particular year, but are merely objectives that result from Adyen's pursuit of its strategy. Adyen's ability to meet its medium-term and long-term objectives is based upon the assumption that Adyen will be successful in executing its strategy and, furthermore, depends on the accuracy of a number of assumptions involving factors that are significantly or entirely beyond Adyen's control and are subject to known and unknown risks, uncertainties, and other factors that may result in Adyen being unable to achieve these objectives.



Pieter, Co-founder and Chief Executive Officer

—

“We have always built the team with a focus on hiring the sharpest minds — knowing that we get the best results if we challenge each other's ideas. This year, we became even more conscious of the fact that inclusion is not something that *just happens*, but something to actively design for.”

People & culture

Building the Adyen team for the long term

To us, winning is more important than ego — we value people for their skills and what they bring to the company. When building for long-term success, we need a team that comprises different perspectives to challenge groupthink.

The way we work with our merchants, and as a team, is guided by the Adyen Formula. Consisting of eight guiding principles, the Formula describes our culture and touches upon every aspect of the business. The Formula fosters speed, which is the foundation of our company. We think fast. We work fast. We launch fast. The eight principles that make up this Formula are not permanent — but are constantly evolving to keep pace with our merchants, our business, and the growth of the team.

The Adyen Formula leads how we recruit, grow, and retain colleagues around the world. While building this business for the long term, we believe that maintaining our culture is critical to its continued success.

The Adyen Formula

We build to **benefit all merchants** (not just one)

We **don't hide behind email**, instead we pick up the phone

We make **good choices** to build an ethical business and drive sustainable growth for our merchants

We **talk straight** without being rude

We **launch fast** and iterate

We include **different people** to sharpen our ideas

Winning is more important than ego; we work as a team — across cultures and time zones

We **create our own path** and won't be slowed down by “stewards”

How talent grows with us

We don't do pre-set career paths at Adyen. You join, learn, and grow in the way that best fits you and the business. We look for the right learning opportunities on an individual level. At Adyen, everyone creates their own path.

Our rule of thumb is to promote internally. Our talent is key to our growth — and we want them to grow with us. The following initiatives help us to ensure we scale the Adyen culture as our company grows, while also sustaining our existing team:

- The Adyen Way of Leading Teams training program provides team leads with board-led training sessions that teach the mechanics and philosophy of the Adyen leadership style.
- We offer a wide range of trainings for all employees, including career development trainings, an international exchange program that actively encourages people to work across Adyen offices in order to gain experience and train across teams, geographies, and cultures, and the Adyen Sales Academy, which aims to further train sales staff across the regions wherein we are active.
- We run a number of trainings that relate to running Adyen in a safe and secure way — including mandatory data privacy, security, and compliance trainings for all staff members.

Working as a team during COVID-19

When we had to move to a working-from-home setting quickly in March, we were able to move all our activities online after global lockdown restrictions went into effect. The onboarding and training of new joiners took place in a work-from-home setting for the majority of the year through virtual company introduction sessions and online onboarding programs.

In order to account for the lack of in-office interaction and inter-office travel, we offered a myriad of extracurricular programs, including weekly educational deep dives into topics led by experts in their fields, ranging from engineering to social sciences.

During a challenging year, the team has proven highly flexible towards our merchants and each other. This flexibility will remain invaluable, no matter what the upcoming years will bring. The shift towards an online environment also brought valuable learnings. We worked increasingly as a global team — with videoconferencing acting as an equalizer, it mattered less whether you were working from home in Singapore or Amsterdam. We are aware that the current situation is likely to persist for a longer period, and see the pandemic and its impact on business around the world, our business and the team as a marathon, not a sprint.





Diversity, Equity, and Inclusion

Key to our long-term success is cultivating an inclusive environment — one designed with equity in mind. This philosophy is also reflected in the Adyen Formula, wherein we stress the importance of involving others to sharpen our ideas. The broader the set of philosophies the team encompasses, the better we can foster innovation and avoid groupthink.

In 2020 we founded the Diversity, Equity, and Inclusion (DEI) working group — a team of global Adyen colleagues that help identify key areas to improve on from a DEI perspective. Ever since we founded Adyen, we focused on cultivating a culture of diversity and inclusion. In 2020, we added equity as a central cultural value to our approach of building the team. To us, equity means that there's no one-size-fits-all approach to building a team - and that each team members' professional and personal needs should be addressed on an individual level.

We view fostering a culture of Diversity, Equity, and Inclusion as a responsibility of the entire Adyen team, and for which we hold ourselves accountable. We need everyone at Adyen to contribute for us to be able to build a team with Diversity, Equity, and Inclusion at its core.

Roy, Office Manager

—

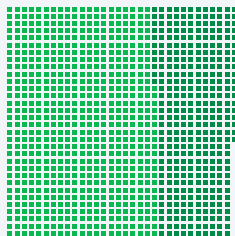
“What I truly see when I walk through our offices? That inclusion is in our DNA — it's not a choice or option. There is no room for ignorance. The team consists of over 100 nationalities and the LGBTQ+ community is very open. We have 24 offices, but are united as one team. We are all people of Adyen and that is our shared pride.”

Total FTE



Europe

Amsterdam



1,011

Berlin



36

Brussels



6

Madrid



22

Manchester



7

London



84

Munich



6

Paris



43

Stockholm



25

Milan



11

Warsaw



1

Asia Pacific

Hong Kong



4

Melbourne



3

Mumbai



2

Shanghai



17

Singapore



96

Sydney



26

Tokyo



7

North America

Boston



4

New York



53

San Francisco



179

Toronto



7

Latin America

São José



17

São Paulo



72

Mexico City



8

Figure 3

2020 FTE growth

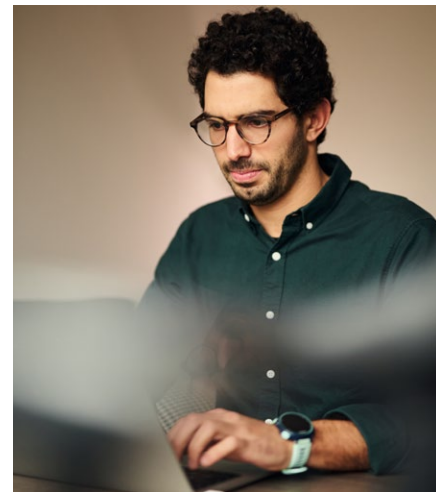


Wouter, **Implementation Manager**

“It’s because we’re all in this together, including our merchants, that we’re able to see more color in each others’ lives. Seeing how we’re all struggling to navigate this new normal has allowed us to get to know people in a different way, and has improved the quality of our relationships.”

Juanma, Motion Designer

“I recently moved to Amsterdam to join Adyen, and there were some challenges to overcome at first — for example, I didn’t have Wi-Fi or a proper home office set-up yet. Thankfully, the virtual onboarding went super well and I’ve been fortunate to meet some of my teammates in person. I’m excited to meet many more in the future.”



Designing for inclusion

Based on the DEI working group's observations, we broadly assessed and improved several HR processes during the year. In recruitment, we ensured all job postings are written in gender-neutral language, and focused intently on increasing our accessibility for historically underrepresented groups, especially at the earliest stage of the recruitment process, and implemented company-wide unconscious bias trainings.

In the interviewing process, we focused on minimizing biases through balanced gender representation in interview panels, and by developing interview structures that hone in on skills and experience — consciously veering away from selecting team members based on subjective personality and/or character traits.

Gender balance is an area in which we actively work to do better, with current metrics at 34% female team members and 29% of team lead positions filled up by women, and 16% and 40% in our Management Board and Supervisory Board, respectively.

Grassroots

With a team consisting of over 100 nationalities and perspectives from all over the world, there is a lot to learn from each other. Over the course of building the company, we have seen many employee resource groups organically emerge. We actively support these bottom-up initiatives, as this is how most initiatives originate at Adyen — from the company-wide strategy on down. One example of these is the LGBTQ+ community, Adyen Pride.

Fan, Account Manager

—

“Diversity is one of the core values at Adyen and it is so crucial that everyone here can express themselves. Here at Adyen, we offer a safe, supportive environment. We hear all the different voices and embrace the openness. That is the community I need to do something for, that is Adyen Pride.”

Sergen, Internal Auditor

—

“At Adyen, we are empowered and supported to make a difference within our company, and I feel lucky for being able to contribute to that difference in our pride communities. Adyen Pride is all of our pride. It is and definitely feels like one community without borders.”

Inclusion policy

We treat each other fairly and acknowledge differences in individual needs — regardless of gender, age, race, nationality, beliefs, and/or sexual orientation. We value skills, regardless of where they have been honed. At Adyen, inclusion means more than just acceptance. Our approach to creating an inclusive environment is guided by three core principles that center around equity — Equal Pay, Equal Chance, and Normal course of life.

- **Equal Chance:** We acknowledge that there is always the possibility of unconscious biases playing a role in how choices are made. Therefore, we train our colleagues to recognize and understand what these might be and how we can avoid them playing a role in the business decisions that we make. This ensures that everyone has the same opportunity to join Adyen and to grow with us as we continue to change the payments industry with the best talent out there.
- **Equal Pay:** Same role, same pay — we value all perspectives, so we see no reason to reward one more than the other. We're committed to ensuring equal pay, and make sure this is audited annually so that we know we're always upholding this standard. This year's results confirmed equal pay amongst genders, globally.
- **Normal course of life:** There is no one-size-fits-all approach when dealing with life events such as starting a family or coping with challenging times that we all inevitably face. We don't believe in strict and rigorous policies to guide these themes — we believe in helping people to navigate these moments. As everyone's life situation is different, we maintain a tailor-made approach and strive for flexibility. Fostering equity, this tailor-made approach has proven highly important in dealing with the personal circumstances of all team members on the individual level during the COVID-19 pandemic.



Tatiana, **Software Engineer**

—

“ My apartment used to be my refuge, but now that it’s also my place of work, I go for daily walks and make the streets and parks of Amsterdam my new refuge. I’ve grown to really love this routine, and have learned that whatever happens in the future, it’s better to focus on what I can control, rather than waiting for what’s to come. ”

Social responsibility

At Adyen, we make good choices to build an ethical business and drive sustainable growth for our merchants. As such, sustainability has always been ingrained in everything we do.

We acknowledge that our business contributes to a negative impact on the environment. In recent years, we took on our responsibility when it comes to our impact on planet and society, and continue working towards becoming a more environmentally and socially conscious business, while also supporting our merchants who share these goals.

To accomplish this, we have established a two-pronged approach — we take responsibility for our own business operations and we leverage our existing technology to enable merchants and shoppers to contribute positively to society and the environment.

It starts with us. Internally, we have our Footprint and Local Initiatives programs, wherein we take responsibility for the negative impact that comes with being a globally operating business.

In the Footprint program, we acknowledge that growing a company and supporting employees in offices around the world leaves behind a footprint. Consequently, proactively making decisions that compensate for and work towards reducing our negative impact on the environment has become our business as usual. In 2019, we have become a carbon neutral company by offsetting all CO₂ emissions from our activities since foundation. Our strategy to offset emissions by investing in environmental sustainability projects has allowed us to maintain our carbon-neutral status, which we renew annually.

The three programs (Adyen Impact, Footprint, Local Initiatives) that together make up our social responsibility plan are strongly aligned with the United Nations' Sustainable Development Goals (SDGs). We acknowledge the importance of the SDGs as key metrics in the long-term prosperity of people and planet.



In the Local Initiatives program, we enable and empower our employees to address locally relevant matters. Over the course of 2020, we expanded our local initiatives to strengthen our culture of giving back to our communities. This year, we organized more initiatives across regions to support a broad range of causes.

Externally, our Impact technology leverages the Adyen platform and helps our merchants make a positive social and environmental impact. This year we expanded our Impact product portfolio by building Offsets in Checkout, a feature of our Checkout product that allows shoppers to carbon compensate for their purchases. By working together with our merchants and partnering with charities, we can have a long-term, scalable, and multiplied impact.

Being a tech company in the payments space, we want to make responsible choices that contribute positively, one payment at a time. Take a deeper look at how our Footprint, Local Initiatives, and Impact programs help make that a reality in the following sections.

Footprint

We believe that limiting our environmental impact is part of our license to operate in today's society. The more we grow at Adyen, the more we must consider our impact on the planet. This year, we grew from the solid groundwork we laid in 2019 and started helping our merchants take responsibility for the impact of their operations as well by building our Offsets in Checkout product.



Carbon Neutrality

We proactively work on expanding our sustainability efforts to ensure we take responsibility for our carbon footprint. We annually conduct a greenhouse gas (GHG) audit, which measures the amount of CO₂e emissions for which we are accountable. Through our partnership with South Pole, we are able to offset these emissions by supporting environmental sustainability projects.

To precisely measure Adyen's GHG emissions, we follow the three scopes identified by the Greenhouse Gas Protocol: Accounting and Reporting Standard². Scope 1 and 2 emissions are calculated using data from our offices across the world, reflecting how we heat and cool our offices along with the electricity we use. Scope 3 emissions stem from mileage (air travel and ground transportation), data center energy use, hotel stay duration, spend on purchased goods, and outsourced activities. To go the extra mile, we decided to include energy usage derived from the use of our products: the transactions our merchants' shoppers carry out on POS terminals, online and mobile payments.

² South Pole has calculated Adyen's GHG footprint for 2019 and 2020 following the 'The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard - Revised Edition' and the complementary 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard' procedures and principles.

Figure 4

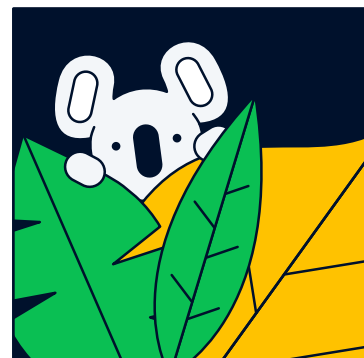
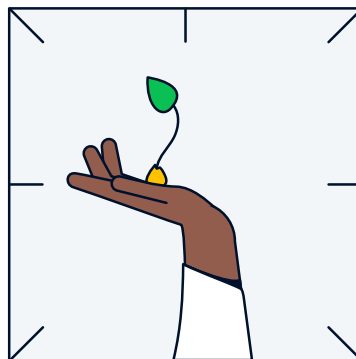
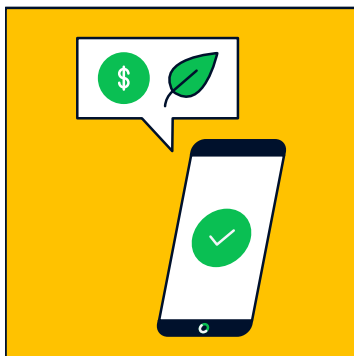
Adyen's 2020 operational GHG emissions, measured in tCO₂e³

Scope 1	223.62 tCO ₂ e Scope 1 emissions are emissions from sources owned or controlled by us — such as refrigerants used to heat or cool our offices.
Scope 2	2,341.30 tCO ₂ e Scope 2 emissions cover indirect emissions, such as purchased electricity for our buildings. To make it tangible: when charging a smartphone at one of our offices, these emissions tie into scope 2.
Scope 3	6,064.85 tCO ₂ e These emissions stem from activities that are not directly owned or controlled by Adyen — think of air travel, hotel stays, employees' homes, and data center energy consumption.

³ The measure for our greenhouse gas emissions is tonnes of Carbon Dioxide Equivalents (tCO₂e) — covering the six greenhouse gases defined in the Kyoto Protocol by the United Nations Framework Convention on Climate Change. These six gases are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

COVID-19 impacting our environmental footprint

Normally, the majority of our company's emissions are due to travel from visiting each other in our 24 offices and keeping them running. However, due to the pandemic, we reduced our overall tCO₂e as reflected in the audit results above. In gathering these results, we decided to include an estimation of increased CO₂ emissions coming from our employees' homes. As such, we remain a carbon neutral company by offsetting all emissions from our business operations, including the impact of home offices.



Environmental sustainability projects

This year, the environmental sustainability projects we supported were focused on the SDGs of climate action, quality education, decent work and economic growth. Both projects are making significant strides in bringing lasting solutions to these crucial topics.

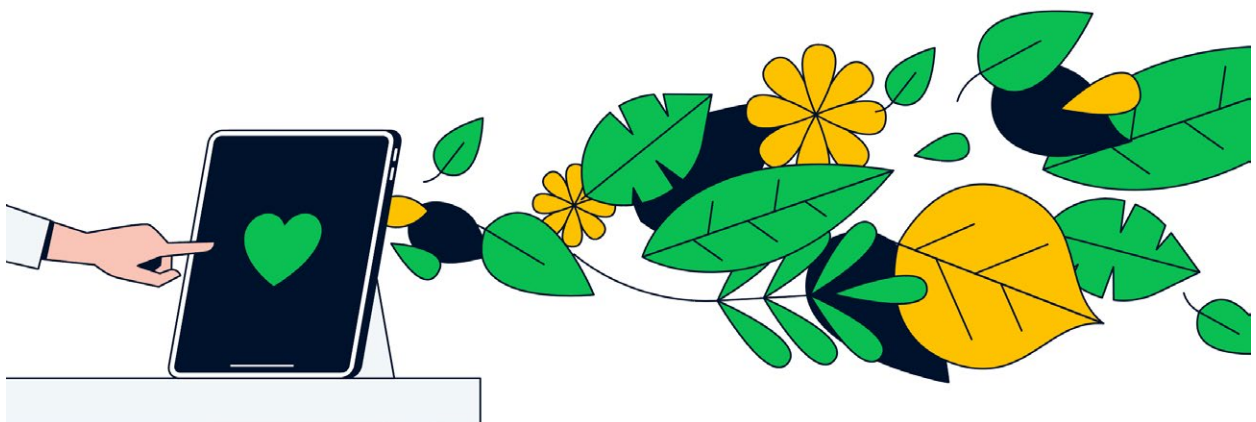
TIST Program Empowering subsistence farmers in Uganda

Farming for the survival of an individual or family, also known as subsistence farming, is commonplace throughout the majority of rural communities in Uganda. Via education-focused projects, the International Small Group and Tree Planting Program (TIST) aims to break the cycle of deforestation, drought, famine, and poverty by empowering populations reliant on subsistence farming via education-focused projects. These projects empower and train local farmers in their reforestation and agricultural efforts — for example, by educating on how to plant trees for maximum protection from runoff and erosion, and simultaneously conserve water and stabilise soil to increase crop yields. In terms of building sustainable livelihoods, participants in the TIST Program receive stipends from the sale of carbon credits based on the GHG benefits created by their efforts.



Kariba Reforestation and wildlife protection on the shores of Lake Kariba, Zimbabwe

In recent decades, more than a third of forests have been cleared in Zimbabwe to make space for subsistence farming and fuelwood, as the rocky political and economic climate has left many communities with no other option. The Kariba project protects around 785,000 hectares on the shores of Lake Kariba from deforestation and land degradation. This large biodiversity corridor is home to many vulnerable and endangered species, and prevents 3.5 million tonnes of CO₂ from being released into the atmosphere annually. The project also supports regional sustainable development and promotes the independence of local communities by providing healthcare, clean drinking water and education on project-related activities such as agricultural practice, beekeeping and borehole maintenance.





Ingo, Chief Financial Officer

—

“We frequently remind the team to take time for themselves and make this situation work for them. That might mean something different for everyone, there’s no one-size-fits-all approach to dealing with this situation. For me, that means going outside, and taking regular bike rides — even when it’s raining.”

Local Initiatives

Our teams live, work and thrive in their local communities, so we want to address locally relevant issues through employee-led initiatives. We enable our employees who want to set up grassroots initiatives, ranging from preparing backpacks for less privileged students to hosting hackathons for women in tech. Most of the initiatives brought to life started with an idea from a group of employees to give back. We introduced multiple local initiative teams around the world this year, fostering our team's entrepreneurial spirit to support their communities.



With many people suffering from the COVID-19 pandemic, our teams around the world gathered to deliver essential goods and equipment to people in need. Our Berlin, New York, São Paulo, and San Francisco teams organized drives to collect clothes, toiletries and other supplies for economically challenged communities. In London, our team switched their office's food provider to one that supports local vendors rather than chains, and gives a meal to a child in India for every meal Adyen orders through them. Our Paris team frequently volunteered with a local charity which prepares warm meals for disadvantaged communities.

Additionally, our teams continued to offer our technical expertise to those with limited access to the workforce. In a normal scenario, our Amsterdam team would have hosted free coding bootcamps for refugees in partnership with local NGO Hack Your Future. The curriculum was quickly adapted to online sessions due to the pandemic, which allowed Adyen employees from all over the world to participate in training the Hack Your Future students. In the São Paulo office, our team provided coding trainings to young students from disadvantaged backgrounds.

Impact Technology

We believe that building an ethical business isn't optional, and in thinking of how we can improve our own social responsibility, we wondered how vast an impact we could have together with our merchants. In recent years, more and more shoppers are expecting businesses to be socially and environmentally responsible, and we're ready to help our merchants meet that expectation and positively contribute the world through our impact technology.



The donation landscape faces significant friction due to structural problems in the industry infrastructure. We decided to focus on what we're good at, creating seamless experiences for shoppers — now, with an impact perspective. All of our Impact products are built with Adyen's core mission to help merchants meet their business, and now social and environmental, goals.

Giving

Leveraging our existing technology, we built Giving, a checkout product feature that enables shoppers to donate to the merchants' charity of choice with one click online, in-app and in-person. To ensure that the full donation goes straight to the charity, Adyen absorbs the entire transaction cost of each donation. Through this feature, we are able to support our merchants' sustainability goals, facilitate shoppers' desires to do good, and create additional revenue streams for charities supporting at least one of the United Nations' SDGs⁴.

While checkout donations are not new, they typically include additional costs and complexity for merchants, making this seemingly easy choice to do good less enticing. We believe doing good shouldn't come with barriers, so our solution ensures a completely individual donation following the purchase. This is beneficial to our merchants as it reduces operational hassle, creates a seamless user experience for shoppers, and provides a transparent overview of contributions to the charity.

⁴ Adyen's social responsibility programs are aligned with the United Nations' Sustainable Development Goals (SDGs). We acknowledge the importance of the SDGs as key metrics in the long-term prosperity of people and planet.

Offsets in Checkout

After offsetting our own carbon emissions in 2019, we began thinking about how we can help our merchants do the same. As a result, we built Offsets in Checkout. This product feature enables our merchants' shoppers to carbon compensate for the purchase of goods at checkout, providing a simple way for shoppers to support sustainability projects. Partnering with South Pole, we have created a database which calculates the exact amount of GHG emissions used for the production and delivery of goods they are purchasing at that moment, sending that back to checkout via an easy to implement integration.

We are able to help support our merchants' sustainability aspirations and allow them to choose which projects they want to support within South Pole's network. Their shoppers' contributions will be converted into carbon credits that funnel directly into the projects.



Ayomide, Java Software Engineer

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“As a new father, I’ve been grateful for the opportunity to see more of my family throughout all hours of the day. The line between work and life has blurred over the past year — I can be fully involved in their lives without compromising on my work projects.”

Compliance

The Compliance opportunity

We are building for the long term based on a strong culture of integrous behavior. To this end, we ensure that compliance forms an integral part of everyday decision making by integrating a global compliance program into daily business activities and strategic planning. In light of our growth, the effectiveness of the compliance program depends on scalable compliance solutions. Consistent with our core business, this scalability is achieved primarily through the use of technology and data-driven solutions, in the pursuit of lasting and sustainable growth.

In addition to the technology-driven approach to compliance, each and every employee is encouraged to act as the “eyes and ears” of Adyen. This principle of joint responsibility is reflected in the three-lines-of-defense model employed as part of Adyen's governance framework and promoted openly by both tiers of the Board — tone starts at the top.

The Compliance Handbook and its related policies and procedures additionally promotes integrous and ethical conduct throughout Adyen. The Handbook, and associated standards, are communicated initially through introductory sessions and subsequently promoted on an ongoing basis, including through annual refresher training sessions. The Compliance Handbook is applicable to all Adyen employees worldwide.

As a technology company operating within the financial services space, effectively managing compliance risk not only serves as Adyen's license to operate, it also maximizes Adyen's opportunities in the market and enhances Adyen's competitive position by building trust.

We make good choices to build an ethical business and drive sustainable growth for our merchants

Adyen Formula

Compliance and integrity

Central to Adyen's compliance framework is the identification, mitigation and monitoring of integrity risks, being the risk of inappropriate behavior of employees and board members or third parties (merchants, suppliers, advisers) posing a current or future threat to Adyen and/or the proper functioning of the financial system, that can be attributed to Adyen or in which Adyen acts imputable. Inappropriate behavior generally refers to insufficient compliance with relevant rules or regulations, internal policies and/or the Adyen Formula.⁵

To ensure Adyen proactively identifies and effectively mitigates integrity risks that may affect its business, including to account for evolution with respect to the product offering, the markets in which Adyen operates and the general growth as a business, a systematic integrity risk analysis (SIRA) is performed on an ongoing basis. The SIRA assists Adyen to identify, mitigate, measure and monitor potential integrity risk scenarios as described below.

⁵ Adyen's definition of Integrity Risk also includes the related concept of conduct risk.

Integrity Risk identification

Adyen identifies a number of integrity-related topics as being core to maintaining control from a compliance perspective⁶:

- Money laundering
- Terrorist financing
- Circumvention of sanctions legislation
- Corruption (bribery) and conflicts of interest
- Non-compliance with relevant laws and regulations
- Socially unacceptable behavior and market manipulation
- Data privacy

⁶ Other Integrity Risk topics such as cyber-security and fraud are referenced in the Risk section of this report.

Considerations on how the identified integrity risks could manifest to impact compliance at Adyen, applicable laws, regulations, industry standards, and best practice related to payments or financial services are continually monitored to identify compliance obligations and standards. Once identified, the obligations and standards are mapped and translated into principle-based policies and procedures that act as the starting point for Adyen's compliance program.

Integrity Risk mitigation

Adyen's policies and procedures set minimum standards for all employees, and give direction to business operations in accordance with business objectives and the Adyen Formula. In 2020, Adyen has

continued to develop and refine principle-based policies, supported by globally applicable scalable procedures, to combat misuse of the financial system and build scalable compliance solutions to meet Adyen's regulatory obligations as a financial institution. Particular focus continues to be given to anti-money laundering, counter-terrorist financing (AML, CFT) and sanctions regulations as further described in the Risk section of this report.

With specific reference to Integrity Risks associated with Adyen's merchant base (and the industries in which such merchants operate), Adyen maintains a Prohibited and Restricted List in relation to merchant business models. The Prohibited and Restricted List acts as an articulation of Adyen's risk appetite — specifying which merchants Adyen will do business with based on relevant scheme rules, regulations, industry standards and Adyen's own long-term objectives. The Prohibited and Restricted List was continually updated throughout 2020 to align with developments in scheme rules, regulations and emerging trends/industries.

To ensure new products, features or markets are appropriately accounted for in Adyen's compliance program, a Product Approval and Review Process (PARP) is undertaken as part of launch preparations. The purpose of the PARP is to ensure relevant stakeholders can identify and assess potential risks for both Adyen and its merchants, and ensures mitigating actions are taken when necessary. In 2020, numerous PARPs were undertaken in connection with new products or markets and expansion in existing markets, including by way of example, the launch of Issuing.

Integrity Risk monitoring

In accordance with the three-lines-of-defense model, teams within the second line of defense are mandated with an independent position from which to monitor and advise on the implementation of integrity risk controls within Adyen. This independent position is warranted by (without limitation), the power to investigate, challenge and escalate any concerns without influence from the business.

As part of the ongoing maturity of Adyen's compliance program, an independent second line compliance monitoring team was established in 2020, and focused on the development and maintenance of data-driven monitoring tools to provide oversight on the implementation of integrity risk controls in a scalable and technology-led manner.



Sergen, Internal Auditor

—

“Earlier this year, Pieter sent out a message saying we should think of our offices like a café that provides us with a comfortable space to work and collaborate in, but are not essential to operate as a business. I do miss going to the office, but I still feel as much a part of Adyen as I did before the pandemic.”

Regulatory environment, AML/CTF and sanctions regulation

The global regulatory landscape for payment and financial services is varied and constantly changing. Still, Adyen continues to see alignment between the underlying principles and objectives of financial regulation around the globe and leverages this as the basis for its global compliance program. As a result, Adyen continues to embrace regulation in building for the long term. Regulation allows Adyen to continually improve the quality of processes, sharpen thinking and explore and develop new product opportunities.

Throughout 2020, key focus areas for Adyen to maintain control and leverage regulation as an opportunity included:

- Utilizing the growing commonality in the purpose and objective of AML, CFT and Sanctions regulation to future proof the scalability of Adyen's core integrity policies and procedures, including to ensure such policies and procedures can be applied irrespective of merchant type, merchant location, or the financial products and services provided to such merchants.
- Supporting Adyen's expanding global footprint from a regulatory perspective, including to identify new or changing obligations and implement appropriate controls, in relation to (without limitation):
 - North America and the United Kingdom in relation to preparations for proposed bank branch authorizations;
 - Asia Pacific — new payments/financial licenses or authorizations for Adyen's locally operating subsidiaries, owing to both regulatory change and/or expansion in the activities of such subsidiaries;
 - Latin America — increasing regulatory requirements relating to expansion in the activities of locally operating subsidiaries.
- Investing in data-driven compliance technology to support scalable compliance efforts, with particular focus on the use of post-event transaction monitoring systems and machine learning to combat misuse of the financial system and meet Adyen's regulatory obligations arising out of AML, CFT and Sanctions regulation.
- Taking advantage of opportunities created by the Second Payment Services Directive (PSD2) with particular focus on new Strong Customer Authentication requirements to reduce fraud within the financial system.

Through the power of a unified platform, Adyen is well positioned to deal with increasing regulatory complexity. Adyen continues to take a proactive approach to building relationships with regulators and payment schemes, maintaining transparent and constructive interactions to build a sustainable business. Adyen is committed to maintaining and strengthening its global compliance program to support sustainable business and drive growth for merchants.

Data Privacy

At Adyen, we understand that the trust we have been given by our customers to process personal data is essential to our business. Building for the long run entails building a platform that has privacy engrained in its design.

Adyen continues to strive for a global privacy approach, thereby aiming to ensure a solid privacy governance throughout the world. This governance is mainly driven by the General Data Protection Regulation (the “GDPR”), which applies to most of the data processing activities by Adyen. However, our global presence requires us to take into account local privacy laws as well, such as the California Consumer Privacy Act (the “CCPA”) and the Lei Geral de Proteção de Dados (the “LGPD”) in Brazil.

Aside from Adyen's expanding global footprint and product offering, the constant developing and changing privacy landscape increases complexity, requiring Adyen to steadily adapt, improve and strengthen its processes and procedures. Adyen is committed to further improve and develop its privacy compliance efforts to support its merchants.

Tax

To help our merchants grow, we focus on long-term, scalable solutions. As such, responsible tax behavior is an essential element of our sustainability strategy. The taxes that we pay are an important part of our contribution to local economies and support the development of the countries in which we operate.

We pay our taxes in the countries wherein we have a taxable nexus, dependent on the laws of the respective countries. In line with this approach and our values, we do not seek refuge in tax havens and when making decisions we consider the spirit of the law. We support the principles that are the fundamentals of the OECD's work on Base Erosion and Profit Shifting (BEPS), including country-by-country reporting to tax authorities. We maintain an open relationship with all relevant tax authorities, which includes that we may conclude a tax agreement.

When it comes to tax, Adyen has a low risk appetite. We operate a global, scalable tax framework which aims to support the business in its growth, while simultaneously allowing us to be in control of our tax position. Our global tax framework covers Adyen's total tax contribution, both the corporate income taxes paid and the taxes collected, such as: value added tax, withholding tax, and payroll tax. More details on the taxes paid and taxes collected can be found in the financial statements.

Tax governance, control, and risk management

Adyen utilizes a tax control framework to manage and control Adyen's global tax risks, compliance requirements, and processes. Having a robust governance, control, and risk management system for tax ensures Adyen's tax strategy and approach to tax are properly embedded within the organization.

The tax control framework⁷ defines the roles and responsibilities within Adyen when it comes to managing tax risks and ensuring compliance requirements are met. Compliance with the tax control framework is effectuated through a set of internal controls for which evidence is documented and collected on a regular basis. Internal Audit continuously monitors and tests compliance with the tax control framework. As part of our internal control processes, we perform an annual tax in-control statement. We continuously seek for ways to embed technology in all areas of our tax control framework, including tax processes and tax data management.

⁷ Governed in accordance with the three-lines-of-defense model as defined in the 'Risk management' section of this Annual Report.

The tax strategy and compliance with the tax control framework are monitored by the CFO and ultimately the responsibility of the Management Board. Tax is also regularly discussed in the Audit Committee. We refer to our Whistleblowing Policy for the mechanism for anyone within Adyen to report its concerns about unethical or unlawful behavior in relation to tax.

Stakeholder engagement and management of concerns related to tax

Adyen maintains an open relationship with all relevant tax authorities. We are open to participate in cooperative compliance agreements in order to seek an active real-time audit, whereby clearance is obtained for any significant transactions or tax risks. This may result in Adyen concluding a tax agreement with a tax authority to get upfront certainty on any tax implications that may arise.

Adyen typically refrains from public policy advocacy on tax, nor engages in any lobbying activities related to tax. There is no active involvement in the development of tax systems, legislation, and administration. Within Adyen, tax follows the business. Adyen's tax team is well embedded in the organization to engage with (external) stakeholders and address any views and/or concerns.



Fernando, Head of Investor Relations

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“I think the best thing about this situation is that it has made us more appreciative of time spent together. Seeing your colleagues every day in the office is great, and in future situations I will think back of the past year and remind myself how lucky we are.”

Risk management

Adyen recognizes that risks are associated with achieving its strategy and business objectives. Adyen aims to be risk aware without being unduly risk averse. Adyen therefore actively manages its risks to protect and grow the company. Adyen has adopted a uniform and systematic approach for managing risks. Adyen's integral risk management framework is based on the Enterprise Risk Management (ERM) model as issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2017.

Strategy, objective setting, and risk appetite

Risk management, strategy, and objective-setting work together. Operational objectives put strategy into practice while serving as a basis for identifying, assessing, and responding to risk.

Risk appetite defines the amounts and types of risk Adyen is willing to accept in pursuit of its objectives. A low risk appetite implies a low acceptable residual risk and therefore requires a stronger risk response and internal controls. A higher risk appetite may allow for additional activity and less strong internal controls. Adyen's risk appetite is aligned with its strategy. Changes in strategy and willingness to assume risks or external developments may result in an updated risk appetite, which is ultimately bound by Adyen's risk capacity.

Adyen has translated its view on risk appetite into risk appetite statements, which set the overall tone for Adyen's approach to risk taking. In 2020, the Management Board performed its annual review and updated Adyen's risk appetite statements and risk limits, which were approved by the Supervisory Board.

Risk governance

Adyen has established a risk governance that is consistent with the size and complexity of the organization and the risk profile of the Company. Adyen's governance identifies, establishes and reinforces the importance of oversight responsibilities for risk management. The Supervisory Board supervises and advises the Management Board. The Audit Committee is charged with supervising, monitoring, and advising the Management Board in relation to the functioning of the internal risk management and control systems.

The Management Board is responsible for maintaining an adequate system for risk management and internal control. The Management Board has instituted a Risk Committee to support them with risk management oversight. The CFO, CLCO, and CTO represent the Management Board in the Risk Committee. The Corporate Risk and Internal Control team regularly reports its findings from monitoring Adyen's risk profile to the Risk Committee. The Risk Committee keeps the Management Board informed of the observations, recommendations, and deliberations on findings regarding risk management and internal control. The Risk Committee reports any material risk limit breach that would place Adyen at risk of exceeding its risk appetite, and in particular, of putting in danger the financial condition of Adyen promptly to the Management Board.

The Adyen Way of Being In Control

We always **ask why** and are **critical**,
we don't just tick the box

We all make mistakes, we **seek help**
and **share** as soon as we find out

Your work impacts others, **involve them**

Always look for improvement, **automate**
processes continually & **challenge** the status quo

We evidence our work **at the source**, we don't
replicate it

The **formula** guides our behavior, policies
support it

If you see a problem, **act on it**

Three-lines-of-defense

Adyen has adopted the three-lines-of-defense model, which reflects the segregation between operations (first line management), the risk management and compliance functions (second line), and the independent internal audit function (third line). The first line owns and manages risks, the second line sets control standards and monitors adherence to them, and the third line—internal audit—provides assurance on the adequacy of the first two. The Corporate Risk and Internal Control team supports the Management Board and Risk Committee with its risk oversight, management of the risk framework, setting of the relevant risk management policies, risk appetite, and independent monitoring of key risks, limits, and controls.

Risk culture

Culture is a key aspect of risk management. People establish the mission, strategy, and business objectives, and put risk management practices in place. Adyen believes that a strong culture serves as a safety net to guide people in making good decisions. Therefore, Adyen promotes and safeguards the key elements of culture through the Adyen Formula and the Adyen Way of Being In Control.

Event identification and risk assessment

Adyen performs a top-down, company-wide risk assessment at least annually. The purpose is to assess principal and emerging risks in order to focus attention on the most significant threats and opportunities. The Management Board has updated its company-wide risk assessment in 2020. For a more detailed description of the principal risks, see the "Risk Factors" section. The top-down, company-wide risk assessment is complemented by bottom-up risk assessments. For example, at least once a year, Adyen performs a SIRA.

Adyen continues to expand the use of GRC (governance, risk management, and compliance) tooling to assess and document the key risks, risk appetite, key controls, and control test documentation to support the evaluation of the effectiveness of the control framework. The tooling also provides Internal Audit with (read-only) access to perform its independent audits and assign its recommendations to risks and controls.

Control activities

Adyen uses COSO's Internal Control – Integrated Framework (2013) as a reference for its design, implementation, and evaluation of control activities as part of a system of internal control. Adyen has implemented internal risk management and control systems to manage the risks effectively and efficiently and to provide reasonable assurance that objectives can be met. Policies and procedures ensure that employees understand their role in Adyen's risk and control systems.

Important elements of Adyen's antifraud measures include oversight by the Management Board, Internal Audit, Compliance and the Audit Committee. Prevention of fraud starts with the SIRA to identify potential fraud risk scenarios. Controls that aim to prevent these scenarios from occurring, include an anti-fraud policy, employee background screening, and process-specific fraud risk controls. Controls aimed at the detection of fraud include system monitoring, auditing, process-specific fraud risk controls, and a whistleblower policy. Whenever fraud is suspected or reported, an internal investigation and/or external investigation is conducted and corrective actions are taken.

Resilience

In 2020, Adyen has merged its business continuity management and recovery frameworks into one resilience framework, in which Adyen plans for its course of business under various operational and financial conditions. During the COVID-19 pandemic, the business continuity protocols allowed employees to continue their day-to-day activities while adjusting to the new normal. Adyen staff was fully equipped to work remotely, and have been doing so without impact to Adyen's ability to process payments. The business continuity response and recovery plans have been updated in 2020 with, amongst others, the lessons learned from the COVID-19 lockdowns. Should there be an abrupt end to the pandemic, it is deemed not to have an impact on resuming business as usual.

Throughout the pandemic, Adyen's fee-based business model proved to be resilient due to the diversification of its merchant base across verticals and geographies. Illustrative to this resilience is how online retail and digital goods volumes accelerated, while travel and in-store volumes slowed down due to global lockdown restrictions. Adyen found its products to be particularly suited to rapid adaptations during challenging times. When stores shut down, Adyen was able to help merchants move volumes online quickly, and in reopening scenarios Adyen has facilitated several contactless in-store set-ups. Adyen continued to onboard volume at scale and was able to add merchants to the platform with timelines largely unaffected by COVID-19. The full effect of the pandemic however, has not yet trickled down to the real economy and will manifest itself over

the upcoming years. Governmental support and monetary programs have cushioned some of the impact for a portion of Adyen's merchants up to now, but for some of them the end of the survival horizon may come in view. Adyen will continue to execute its strategy to diversify the product and customer portfolio across verticals and geographies to mitigate the impact from the pandemic.

Stress testing

Adyen uses stress testing to understand the potential impact of stress events on its business model, capital, and liquidity ratios. The stress scenarios are based on exceptional but plausible events with an adequate degree of severity. Adyen also performs stress testing to evaluate the reliability of capital and liquidity plans under stressed conditions using scenarios and risk factors prescribed by the regulator. Adyen performs these tests in accordance with EBA guidelines on stress testing. In 2020, Adyen's Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP) showed that it has a high financial shock absorption capacity and high capital and liquidity ratios. The COVID-19 pandemic could be considered a real-life stress test. As discussed earlier, in 2020 the fee-based business model proved its resilience and continued to generate revenues and cash, further improving Adyen's strong capital and cash ratios. More information on Adyen's capital and liquidity ratios can be found in the 2020 Transparency and Disclosure Report (Pillar 3) at www.adyen.com/ir.

Effectiveness of risk management and internal control systems

In compliance with principle 1.2 of the Dutch Corporate Governance Code, the Management Board is responsible for establishing and maintaining an adequate system for risk management and internal control. Adyen has implemented internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with financial reporting standards. In compliance with principle 1.4 of the Dutch Corporate Governance Code, the Management Board annually evaluates the effectiveness of the design and operating of its risk management and control systems. In the third quarter trading update, Adyen reported that its controls identified a duplicate recording of certain scheme fees that resulted in an understatement of net revenue, EBITDA, and EBITDA margin figures with related impact on tax and net income since 2018. These duplicate bookings were solely accounting related and did not affect any cash positions, payouts from financial institutions, or payouts and reporting to merchants. Adyen took remedial actions to avoid these errors in the future.

Per December 31, 2020, no major failings in the effectiveness of the internal risk management and control systems were observed, nor were significant changes to these systems made or major improvements planned. The Management Board has discussed the evaluation of its risk management and control systems with the Audit Committee and Supervisory Board.

Risk factors

In compliance with principle 1.4 of the Dutch Corporate Governance Code, the Management Board has updated its company-wide risk assessment in 2020. This section describes the principal risks that could potentially affect Adyen. While Adyen believes that the risks described below are the material risks concerning Adyen's business, they are not the only risks relating to Adyen. Other risks, facts, or circumstances not presently known to Adyen or that Adyen currently deem to be immaterial, could individually or cumulatively prove to be significant and could have a material adverse effect on Adyen's business, results of operations, financial condition, and prospects.

Strategic and business risk

Adyen accepts strategic and business risk knowing that in order to achieve its strategic objectives it may consume some amounts of capital investing in new assets, people, and processes. In pursuance of its strategic objectives Adyen values a solid financial and capital outlook.

Reputational risk

Adyen has low appetite for reputational risk and aims to avoid actions that trigger negative international media attention and/or significant reputational damage. Any negative publicity about Adyen, the quality and reliability of its products and services, changes to its products and services, its ability to effectively manage and resolve complaints, its privacy and security practices, litigation, regulatory activity, and the experience of merchants and shoppers with its products or services, could adversely affect its reputation and the confidence in and use of its products and services. Harm to Adyen's brand can arise from many sources, including failure by Adyen or its partners to satisfy expectations of service and quality, inadequate protection of sensitive information, compliance failures and claims, litigation and other claims, employee misconduct, rumors or false stories, and misconduct by its partners, service providers, or other counterparties. Adyen wants to build an ethical and sustainable business and therefore actively mitigates risks that could negatively affect the Adyen reputation or brand. Failure to meet carbon-reducing policy goals, for example, could cause reputational damage and result in low ratings in sustainable investment indexes, affecting the share price. Adyen prides its commitment to goals that improve the business and footprint. Refer to the 'Social Responsibility' section for an overview of Adyen's sustainability efforts.

Competition

Adyen competes against a wide range of businesses, many of which are larger than Adyen, have a dominant position, or offer other products and services to shoppers and merchants that Adyen does not offer. Some competitors have greater merchant bases, volume, scale, resources, and market share than Adyen, which may provide significant competitive advantages. Furthermore, Adyen is facing competitive pressure from non-traditional payments processors and other parties entering the digital payments industry, which may compete in one or more of the functions performed in processing merchant transactions. Adyen accepts that competition could increase as it seeks to increase market share, thereby potentially reducing profit margins, but not at all cost — if pricing is not sustainable, then it will not pursue a deal. In general, Adyen is able to react quickly to market developments due to how its technology and workstreams are structured.

Disruptive innovation

Adyen expects that rapid and significant advancements in technology will continue. These changes may be more superior, cheaper, and impair or render obsolete the products and services Adyen offers. If Adyen is unable to provide enhancements and new features that achieve market acceptance or keep pace with rapid technological developments and evolving industry standards, its business could be materially and adversely affected. Adyen accepts disruption and innovation as standard market practices. As such, Adyen continues to build and actively invest in its single platform solution. Adyen has established workstreams that continuously work on improving its service offering based on merchants' needs. Through the setup of the workstreams with product, technical, and commercial staff, Adyen can work closely with its customers and respond quickly to their evolving needs. In 2020, Adyen has found its products to be particularly suited to rapid adaptations during the pandemic.

Access to card networks

The majority of transactions processed on the Adyen platform go through international credit and debit card networks. In order to access these card networks to provide acquiring, processing, and issuing services, Adyen must have the relevant geographically based operating licenses or memberships. In some markets where it is not feasible or possible for Adyen to have a direct license with a card network, Adyen has a relationship with a local financial institution to act as a local sponsor for the license. Adyen has low appetite for failure to comply with the card network rules or the deterioration in its relationships with the card networks for any other reason, which could result in the restriction, suspension, or termination of Adyen's own licenses, or use of sponsoring banks' licenses.

Concentration of sales

Some of Adyen's largest merchants provide significant contributions to its net revenue. Large merchants typically have arrangements with multiple payment service providers (primarily in order to mitigate against single-point-of-failure risk). Large merchants could terminate their contracts or shift business away, leading to lower processed volumes and net revenues. Adyen has low to moderate appetite for commercial dependency and therefore continues to execute its growth strategy to board new merchants from different verticals on its platform. Adyen believes that it is well-positioned to grow the business through unified commerce and mid-market merchants, which it views as adjacent segments to large enterprise merchants.

Macroeconomic conditions

Adyen accepts that entering and operating in markets with some macroeconomic volatility could lead to financial losses. Uncertainty about global and regional economic events and conditions, including the economic impact from an uncontrolled spread of infectious diseases, may result in shoppers and merchants postponing spending, which could have a material adverse impact on the demand for Adyen's products and services, including a reduction in the volume and size of transactions on its payments platform.

In March, Adyen observed a dip in volume driven by the pandemic's impact on the travel and in-store retail verticals. The decline in these volumes stabilized quickly, while online retail and digital goods volumes accelerated after global lockdown restrictions went into effect. The travel vertical saw a minor rebound between June and August, primarily due to the easing of lockdown restrictions across Europe. Simultaneously, in the retail vertical, in-store volumes rebounded to pre-COVID-19 levels in the third quarter. The uptick in online volume that followed initial brick-and-mortar store closures persisted, with e-commerce growing unabated despite recovering in-store volume. The pandemic has shown how resilient Adyen's business model is to instant macroeconomic shocks. However, the pandemic has not ended yet and it is uncertain how the consequences of prolonged lockdowns will manifest itself over the upcoming years.

Adyen will lose its ability to automatically passport into the UK market through the banking license of Adyen due to the United Kingdom leaving the European Union. In 2020, Adyen formally applied for providing regulated services through a UK branch license. Until formal authorization in 2021, Adyen makes use of the Temporary Permission Regime to continue servicing UK merchants on a cross-border basis without disruption.

Intellectual property rights

As substantially all of Adyen's intellectual property is developed in-house, the protection of such intellectual property, including Adyen's platforms, trademarks, copyrights, domain names, trade dress, and trade secrets is important to the success of its business. Adyen seeks to protect its intellectual property rights by relying on applicable laws and regulations, as

well as a variety of administrative procedures. Adyen's intellectual property rights may be contested, circumvented, or found unenforceable or invalid, and Adyen may not be able to prevent third-parties from infringing, diluting, or otherwise violating them. Any failure to adequately protect or enforce Adyen's intellectual property rights or significant costs incurred in doing so could diminish the value of its intangible assets.

As the number of products in the technology and payments industries increases and the functionality of these products further overlaps, Adyen may become subject to intellectual property infringement and other claims. The ultimate outcome of any allegation is often uncertain and, regardless of the outcome, any such claim, with or without merit, may be time-consuming, result in costly litigation, divert management's time and attention, and require Adyen to, among others, stop providing transaction processing and other payment-related services or redesign, stop selling its products or services, pay substantial amounts to satisfy judgments or settle claims or lawsuits, pay substantial royalty or licensing fees, or satisfy indemnification obligations that Adyen has with certain parties with whom Adyen has commercial relationships.

Operational risk

Adyen recognizes that operational risks are associated with achieving its business objectives. Operational risk concerns the risk of losses resulting from inadequate or failed internal processes, people, and systems or from external events, including legal risk. Adyen has moderate appetite for operational losses.

Merchants' potential liability for shopper chargebacks

When shoppers claim that a merchant has not delivered goods or services as agreed, issuing banks can file chargebacks. Adyen seeks to offset such chargebacks with the payouts to the merchant, but may not be able to succeed in full. While Adyen has implemented risk mitigation, including withholding funds from the payouts to its merchants based on assumptions and estimates that Adyen believes are reasonable to cover such eventualities, the measures, including the withheld funds, may not be sufficient.

The uncertainties associated with the COVID-19 pandemic have led to financial and economic volatility, especially in certain industries. Adyen's MPL team has closely followed the development of the pandemic and increased its monitoring efforts in early 2020. The team frequently discussed its observations and recommendations with the Merchant Risk Committee, Management and Supervisory Board throughout the year. Although Adyen has observed some administrations in its customer portfolio due to the persisted lockdown measures, it has not incurred any material MPL losses due to chargebacks in 2020. The cumulative MPL losses were well within the set risk appetite.

Availability, connectivity, and performance of products and services

Adyen has a low appetite for issues in the availability, connectivity, and performance of the platform. Adyen's systems and those of its third-party service providers, including data center facilities and communication networks, have experienced service interruptions in the past and may experience significant service interruptions in the future. Frequent or persistent availability, connectivity, or performance issues could cause current or potential merchants to believe that its systems are unreliable, leading them to switch to a competitor or to avoid Adyen's products and services, potentially harming Adyen's reputation and brand permanently. Moreover, to the extent that any platform failure or similar event results in damages to Adyen's merchants or their business partners, the merchants or partners could seek significant compensation or contractual penalties from Adyen for their losses, which, even if unsuccessful, could likely be time-consuming and costly for Adyen to address and divert management attention. Furthermore, frequent or persistent interruptions could lead to regulatory scrutiny, significant fines and penalties, and/or mandatory and costly changes to its business practices and could ultimately cause Adyen to lose existing regulatory licenses or prevent or delay Adyen from obtaining additional regulatory licenses that Adyen needs to expand its business.

Adyen has built its platform and services to avoid the presence of single points of failure, and to ensure that sufficient capability exists to continue normal operations for critical processes despite the loss or unavailability of corporate resources, from information technology, physical locations or even personnel and whole departmental structures. The highly available platform is designed to withstand individual telecommunications, systems and datacenter instance failures.

During 2020, a cross-functional team closely monitored operations, including third parties, for potential impact of the COVID-19 pandemic and operated business continuity plans. Adyen staff was fully equipped to work remotely, and have been doing so without impact to our payment processing ability. We have not observed a specific impact on the availability, connectivity or performance of our platform that can specifically be contributed to COVID-19.

Information security risk

Adyen and its merchants, partners, and others who use its services, obtain and process a large amount of sensitive data. Adyen's and its partners' IT systems may be vulnerable to physical and electronic breaches, computer viruses and other attacks by cyber-criminals, internet fraudsters, employees or others. This could lead to, amongst other things, a leakage of merchants' data, damage related to incursions, destruction of documents, inability or delays in processing transactions, and unauthorized transactions. Adyen has a low appetite for information security risk. Any real or perceived privacy breaches or improper use of, disclosure of, or access to

such data could harm Adyen's reputation as a trusted brand in the handling and protection of this data. Although Adyen carries cyber liability insurance that it believes to be reasonable to cover such eventualities, such insurance may not be sufficient to cover all potential losses. Adyen's Security Officer is responsible for managing the Information Security Program. The goal of the Information Security Program is to ensure the ongoing confidentiality, integrity, and availability of data, systems, and processes at Adyen, and to ensure that specific information security compliance programs are maintained and externally assessed as appropriate. Adyen undertakes background checks for new hires. Training is undertaken on IT security on the first day at Adyen. A follow-up general security introduction, which addresses privacy and confidentiality policies, must be completed within two months of start date. Annual refresher training on topics as privacy and security is mandatory for all employees.

Information security will always remain a structural risk for Adyen, but it was not necessarily higher in 2020 compared to previous years. Adyen's risk-based approach has resulted in an efficient and flexible IT infrastructure, which enabled an almost seamless transition to the work-from-home environment following the outbreak of the COVID-19 pandemic. However, embedding security awareness in the mind of employees, especially new joiners, was more challenging than before when everybody was working in the office. In combination with a more prominent company profile, this could make Adyen more prone to infiltration risk. The security onboarding and training sessions moved to online. The Security team maintained an internal webpage to provide additional guidance to stay vigilant and omit websites, e-mails, or applications related to COVID-19. Furthermore, Security adapted its monitoring efforts in response to the changed circumstances and further improved its responsiveness to incidents. Adyen has not observed major security incidents during 2020.

Third party risk

Vendors and supply chain dependencies could negatively impact Adyen's operations and security of data, systems, and services. Adyen has a low appetite for dependency on third parties in its critical processes. Adyen strives to minimize outsourcing of activities directly related to its core processes or platform to avoid dependency on suppliers. Adyen believes that not being limited by third-party software in its core operations is a key factor in its ability to rapidly increase the number of transactions that the platform can process. Adyen has established a Third Parties Policy, which defines a framework, including clear ownership, for assessing third-party risk. In 2020, Adyen implemented a centralized contract management tool to improve visibility into who the company is globally doing business with and monitor compliance with the policy. Adyen has not observed major data breaches, operational interruptions, or financial stress at its third parties due to the COVID-19 pandemic.

Data privacy

Adyen is subject to several privacy and data protection laws and regulations, such as the GDPR, CCPA and LGPD (referred to as "privacy laws") relating to the collection, use, retention, security, processing, and transfer of personal data about its merchants, their shoppers, third parties and others, and their transactions in the countries wherein Adyen operates. Throughout the world these privacy laws are evolving and continuously changing. Adyen is closely monitoring any changes to new and existing privacy laws. These changes may affect our current agreements, products, and/or processing activities. For example, data transfers outside of the European Economic Area have become more complex and this resulted in additional requirements for these data transfers. Any failure, or perceived failure, by Adyen to comply with its privacy policies or with any applicable privacy laws in one or more jurisdictions could result in proceedings or actions against Adyen by governmental entities or others, including class action privacy litigation in certain jurisdictions, significant fines, penalties, judgments, and reputational damage. Adyen has a low appetite for data privacy risks and promotes a culture of diligence and high ethical standards with regards to the collection of information.

Entrepreneurial culture

Adyen is committed to maintaining its entrepreneurial company culture, which fosters innovation, diversity, and talent, and therefore has a low appetite for elements threatening this culture. Adyen's entrepreneurial culture has been one of the primary drivers of its historical growth. As Adyen continues to grow, it may not be able to maintain its entrepreneurial culture. If Adyen does not successfully manage its growth, and is not able to differentiate its business from those of its competitors, drive value for and retain merchants, or effectively align its resources with its goals and objectives, Adyen may not be able to compete effectively against its competitors, leading to declining growth and net revenues. Adyen promotes and safeguards the key elements of its culture through the Adyen Formula.

Absorbing new hires into the Adyen culture was naturally more difficult in a working-from-home environment. The onboarding process and the company introduction sessions moved online in March. Senior management spent significant time on the online company introductions by hosting Adyen Formula chats and continued to meet every new hire before they joined the team. Although the current situation could be likely to persist for a longer time, Adyen is comfortable growing the company in this environment going forward with the online efforts to safeguard the unique culture.

Talent

Adyen's future performance substantially depends on the continued services of key talent and its ability to attract, retain, and motivate such talent. The loss of services of any of Adyen's key talent or Adyen's inability to attract highly qualified key talent may adversely affect its operations. Adyen has low appetite for the loss of key talent and actively manages the composition and quality of its talent pool.

The pandemic affected Adyen's employees in different ways. Management operated business continuity plans along with travel restrictions and social distancing guidelines, including working from home for employees. The Management Board frequently reiterated that working from home could be the new normal for a longer timespan, to ensure that employees would create a sustainable situation for themselves. HR maintained an internal webpage "COVID-19 — Staying connected from home" and established "Guiding Principles for Working from Home." The regularly updated principles followed guidance from the World Health Organization and local authorities. The Management Board introduced "The Adyen Work-From-Home Formula" and organized weekly calls with team leads to monitor employee wellbeing. Our HR department raised awareness with managers for employees feeling overwhelmed or worried in any way. When local authorities (temporarily) allowed employees to return to the office, Management implemented social distancing measures to maintain a safe working environment. Despite the pandemic forcing the shift to a work-from-home environment, Adyen has been able to grow the team at higher pace in 2020 than before.

Adyen strives to hire, promote, and enable underrepresented groups, while challenging the status quo in the communities in which it operates. In 2020, Adyen established a Diversity, Equity & Inclusion (DEI) working group that focuses on improving Adyen's DEI efforts across the company. This working group advises and supports Adyen's broader leadership team to ensure that we follow up on the DEI initiatives and that we work towards substantial improvements. This working group is composed of Adyen employees from across all offices and represents a broad range of backgrounds. For more information please refer to the People section of this Annual Report.

Integrity risk

Integrity risk is the risk of inappropriate behavior of employees and board members or third parties (merchants, suppliers, advisers) posing a current or future threat to Adyen and/or the proper functioning of the financial system that can be attributed to Adyen or in which Adyen acts imputable. Inappropriate behavior generally refers to insufficient compliance with relevant rules or regulations, internal policies, and/or the Adyen Formula. If Adyen (or a third party it does business with) fails to comply with laws and regulations, or expectations by the market or society of ethical business conduct, supervisory authorities may initiate legal and regulatory proceedings against Adyen. Adyen has a low risk appetite for non-ethical behavior of its management, employees, and third parties that could negatively affect Adyen's reputation or brand, lead to compliance breaches of laws or regulations or endanger its future existence.

Adyen has no risk appetite for facilitating money laundering or terrorist financing and therefore sets limits on acceptance of prospective customers as well as the nature of services offered to accepted customers. Although

Adyen has policies and procedures that it believes are sufficient to comply with currently applicable anti-money laundering, anti-corruption, bribery and sanctions rules and regulations, it cannot guarantee that such policies and procedures completely prevent situations of money laundering, terrorism financing or corruption, including actions by Adyen's employees, merchants, third parties, or other related persons for which Adyen might be held responsible. Such events may have severe consequences, including litigation, sanctions, administrative measures, fines, criminal penalties, and reputational consequences.

In 2020, various regulators issued warnings that organized crime groups could seize the opportunity to exploit the COVID-19 pandemic by engaging in new criminal activities to generate, conceal, and launder illicit proceeds. Companies in industries that were more adversely affected by negative economic conditions could be more vulnerable to infiltration or takeovers by criminals. Adyen has continued its efforts to improve the integrity risk framework including monitoring controls. Adyen has not experienced any issues to maintain its AML/CFT obligations due to, amongst others, social distancing measures, reallocation, or re-prioritization of resources away from AML/CFT activities to other areas.

Tax

Adyen has a low appetite for risk forthcoming from its tax obligations. Adyen wants to meet its obligation to pay the amount of tax legally due in any territory, in accordance with rules set by governments. The determination of Adyen's worldwide provision for income taxes, value-added taxes, and other tax liabilities requires estimation and significant judgment. Like many other multinational corporations, Adyen is subject to tax in multiple tax jurisdictions. Adyen's determination of its tax liability is always subject to audit and review by applicable domestic and foreign tax authorities. Any adverse outcome of any such audit or review could have a negative effect on Adyen's business and the ultimate tax outcome may differ from the amounts recorded in its financial statements. Adyen has not observed adverse impact from the COVID-19 pandemic on its ability to report taxes in a timely and accurate manner. For more information, please refer to 'Tax' as part of the 'Compliance' section in this Annual Report.

Financial reporting

Gaps in internal controls could negatively impact the accuracy of our financial and management reporting. Adyen has a low appetite for errors in financial reporting and does not accept material misstatements in the financial statements. Adyen has implemented internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with financial reporting standards. Due to its inherent limitations, internal control over financial reporting can't provide absolute assurance that a misstatement in our financial statements would be

prevented or detected. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Adyen has not observed adverse impact from the COVID-19 pandemic on its ability to report to management and regulators in a timely and accurate manner.

Financial risks

Adyen has a limited appetite to incur losses from financial risks.

Credit risk in respect of counterparties, including other financial institutions.

Credit risk can originate from the risk that a counterparty will not settle the full value of an obligation — neither when it becomes due, nor thereafter (default risk), or the risk of losses stemming from on- and off-balance sheet positions arising from concentrations in exposures to a counterparty or a group of connected counterparties (concentration risk). Adyen has a low to moderate credit risk appetite. We make good choices in our financial counterparties and actively monitor them. Adyen did not see a material increase in counterparty credit risk due to the COVID-19 pandemic. Adyen has no appetite for exceeding the regulatory requirements for large exposures. For markets or jurisdictions that are considered key to successful operations, Adyen seeks to work with at least two different banks.

Fluctuations in foreign currency exchange rates

The strengthening or weakening of the euro impacts the translation of Adyen's net revenues generated from its international operations that are denominated in foreign currencies into the euro. Additionally, in connection with providing its services in multiple currencies, Adyen generally sets its foreign exchange rates once per day. Adyen may face financial exposure if Adyen incorrectly sets its foreign exchange rates or as a result of fluctuations in foreign exchange rates between the times that Adyen sets them. Given that Adyen also holds some merchants' and own funds in non-euro currencies, its financial results are affected by the translation of these non-euro currencies into euro. While Adyen has measures in place intended to manage its foreign exchange risk, namely natural hedges and spot trades for any net open positions, no assurance can be given that fluctuations in foreign exchange rates will nevertheless have a significant impact on Adyen's results of operations. Adyen does not accept sizeable losses related to foreign currency spot trading activities and closely monitors its foreign currencies positions. Adyen is exposed to foreign exchange risk on its assets and liabilities denominated in currencies other than the functional currency, including certain contract assets, its holding of Visa Inc. shares and the assets and liabilities of its subsidiaries. The majority of these assets to which Adyen is exposed to foreign currency risk are denominated in US dollars.

Price risk of financial instruments

Adyen's exposure to price risk of financial instruments at fair value arises from a holding of Visa Inc. shares and a derivative financial liability. Any movements in the underlying share prices could have a significant impact on Adyen's financial condition and results of operations. Adyen obtained the Visa Inc. shares as the result of its previous holding in Visa Europe, which subsequently was acquired by Visa Inc., which resulted in amongst others Adyen being issued shares of Visa Inc. as consideration for the acquisition. Adyen has no appetite to take on additional equity positions and resulting price risk.

Interest rate risk of cash and cash equivalents

Adyen's customer centric business model is fee-based and doesn't depend on the transformation of assets. Therefore, the low interest rates do not impact Adyen's revenues. However, Adyen is exposed to interest rate risk in the banking book in relation to its high-quality liquid assets: cash held at central banks and government bonds held to maturity.

Liquidity and funding risk

Liquidity risk is the risk that Adyen could not meet its short- to medium-term payment and collateral obligations without affecting daily operations. Adyen has no appetite for not being able to meet its payment and collateral obligations without affecting daily operations. Funding risk is the risk that Adyen will not have stable sources of funding in the medium and long term, resulting in the current or prospective risk that it cannot meet its financial obligations, such as payments and collateral needs, as they fall due in the medium to long term, either at all or without increasing funding costs unacceptably. Adyen aims for a simple, stable, and solid funding position and monitors its Net Stable Funding ratio.

Secure financing on favorable terms

Adyen has funded its operations since inception primarily through equity financings. Adyen is currently able to generate sufficient cash to fund its ongoing operations, but there is no guarantee that Adyen will be able to continue doing so in the future. Going forward, Adyen may require additional funding to respond to business opportunities or unforeseen circumstances and may decide to engage in equity or debt financings or enter into credit facilities for other reasons, and may not be able to secure any such debt or equity financing or refinancing on favorable terms in a timely manner, or at all. If Adyen is unable to obtain adequate financing or financing on terms satisfactory when it requires it, its ability to continue to grow or support its business and to respond to business challenges could be significantly limited.

Refer to Note 12 'Financial Risk Management' of the attached Consolidated Financial Statements for more information.

Emerging risks

Climate change

Climate and environment-related risks are commonly understood to comprise two main risk drivers: physical and transition risks. Physical risk refers to the financial impact of a changing climate. Physical risk is categorized as “acute” when it arises from extreme events, such as droughts, floods, and storms, and “chronic” when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction, and resource scarcity. This can directly result in, for example, damage to property or reduced productivity, or indirectly lead to subsequent events, such as the disruption of supply chains. Transition risk refers to a financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences.

It is a challenge to estimate the impact of transition risk on Adyen's business model. As a result, climate and environment-related risks may be underestimated. Physical risk could have an adverse impact on Adyen's ability to provide services to its customers. Prolonged power outages due to natural disasters could have a devastating impact on critical infrastructure used by Adyen and its service providers. Our headquarters are located in Amsterdam, making the city vulnerable to flood due to the gradual rise of sea levels. Physical risk could also occur in other locations where our offices or vendors are located. Adyen's offices are typically close to its customers in metropolitan areas, which could make Adyen vulnerable to the adverse impact from pandemics. Adyen has designed the one single platform to create redundancy in its critical infrastructure and operations. Adyen continues to diversify its global customer portfolio to mitigate any reliance on sectors and markets, which could be more vulnerable to climate-related and environmental risks. Changing sentiment regarding climate issues, in the communities in which we operate, could lead to reputational risk. Refer to the ‘Social Responsibility’ section for more information on our sustainability efforts. Adyen is planning to further improve risk management, by including relevant climate-related risks in its risk assessments and stress testing, fortifying a risk culture to prepare for climate change-related events.

Regulatory environment

Adyen does not only need to comply with laws and regulations in the jurisdictions in which it operates, but also with laws and regulations with worldwide application. The laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity or unclear application to the business of non-traditional market participants such as Adyen. As a result, their application in practice may evolve over time as new guidance is provided by supervisory authorities and the

interpretation of requirements by supervisory authorities and courts may be further clarified over time. If Adyen's efforts to comply with laws, regulations, and standards differ from the activities intended by regulatory bodies or supervisory authorities, they may initiate legal and regulatory proceedings against Adyen. To ensure that applicable laws and regulations are identified and mapped to the activities and services Adyen offers in local markets, Adyen performs ongoing regulatory scanning by regulatory compliance specialists with validation from external legal counsel.

Although the regulatory environment could lead to more complexity, Adyen sees this as a business challenge. Adyen believes that the use of a single platform is best overlaid with a global compliance framework, whereby Adyen strives for global application of best practices while being cognizant of the need to implement local deviations where required. As a result, Adyen is well placed to handle regulatory complexity in a scalable and sustainable manner. Adyen continues to take a proactive approach to building relationships with regulators and payment schemes, maintaining transparent and constructive interactions to build a sustainable business. Solving the regulatory challenge ahead of competitors could give Adyen a competitive edge in the market place.

Protectionism

Adyen's growth strategy is focused on its single platform approach. Changes in foreign policies and trade laws in certain key markets, including tariffs and sanctions, could lead to negative impact on the trade levels and flows of our customers. The changes could also create boundaries to us. For example, if the use of certain (foreign) payment methods would not be allowed in a market, or if (foreign) payment service providers would not be allowed to charge fees for their services under a policy that payments should be free of charge.

Statement by the Management Board

The Management Board of Adyen is responsible for establishing and maintaining an adequate system for risk management and internal control. This system is designed to manage risks effectively and efficiently, to provide reasonable assurance that objectives can be met, that financial and non-financial reporting is reliable and that laws and regulations are complied with.

Internal control over financial reporting is an integral part of the risk management and control systems of Adyen. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with IFRS and IFRIC interpretations as endorsed by the European Union and in accordance with sub article 8 of article 362, Book 2 of the Dutch Civil Code. Internal control over financial reporting includes:

- Maintaining records that, in reasonable detail, accurately, and fairly reflect our transactions;
- Providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements.

Due to its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Management Board has performed a company-wide risk assessment and described the principal risks facing the Company in relation to its risk appetite in the section 'Risk factors' of this Annual Report.

The Management Board has assessed the effectiveness of the design and operation of the risk management and control systems as of December 31, 2020. The results were shared with the Audit Committee and the Supervisory Board and discussed with the external auditor.

Based on the assessment and with reference to best practice provision 1.4.3 of the Dutch Corporate Governance Code, the Management Board confirms that to the best of its knowledge and belief:

- This Annual Report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems (see section 'Risk management');
- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies (see section 'Risk management');
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis (see 'Financial statements'); and
- This Annual Report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of this report (see section 'Risk Factors' and 'Financial statements').

However, the risk management and internal control systems cannot provide absolute assurance that missing of objectives, misstatements, fraud or non-compliance with laws and regulations will not occur.

In accordance with Article 5:25c of the Financial Supervision Act, the Management Board confirms that to the best of its knowledge and belief:

- The financial statements of 2020 give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- The Annual Report 2020 gives a true and fair view of the position as at 31 December 2020, the development and performance during 2020 of Adyen, together with a description of the principal risks that Adyen faces.

Amsterdam, the Netherlands, March 9, 2021

P.W. van der Does
CEO

R. Prins
CCO

I.J. Uytdehaage
CFO

K. Zaki
COO

M.B. Swart
CLCO

A. Matthey
CTO



Mariëtte, Chief Legal & Compliance Officer

—

“As we continue to grow the team, we prioritize global events and communication. Virtual tools have made it so much easier to involve and engage with the team across all corners of the world. We’ve been amazed by how the team kept the same focus and commitment throughout the year, and how global the team felt in a time without any travel.”



02

Governance



Pedro, Team Lead, Data Infrastructure

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“It’s unique how Adyen has kept us together. Our team always sends small gifts and plans events. These gestures mean a lot, and I don’t feel like we’ve lost connection with each other. We even schedule meetings specifically to talk about life and personal problems, which helps when working together as you understand each other on a personal level as well.”

Corporate Governance

A solid, transparent, and seamless corporate governance structure is key to Adyen. It is consistent with the Adyen Formula and allows us to focus on growing our business. In setting up and maintaining our governance structure we are guided by Dutch statutory requirements, the Dutch Corporate Governance Code (the Code), European Banking Association (EBA) Guidelines on Internal Governance and international best practices. As Adyen is operating globally, international developments are closely monitored.

Adyen's governance is reflected in its Articles of Association, the Management Board By-Laws, the Supervisory Board By-Laws, the Terms of Reference of our Supervisory Board committees and certain other internal policies and procedures. These documents are available on Adyen's website (www.adyen.com/investor-relations/governance).

Management structure

Adyen maintains a two-tier board structure consisting of a Management Board and a Supervisory Board, each of which have specific responsibilities. The Management Board is collectively responsible for the overall management, which includes, among others, developing and executing Adyen's strategy and risk management policy, and setting and achieving Adyen's objectives. The Supervisory Board oversees and advises the Management Board, and can give guidance to its general development. Each board is accountable to the General Meeting for the performance of its duties.

Management Board

Composition, powers and function

Per December 31, 2020, Adyen's Management Board is composed of the following members (the Managing Directors):

Each Managing Director has duties related to their specific area of responsibilities and expertise. In performing their duties, the Managing Directors are required to be guided by the best interests of the Company and the business connected thereto, taking into consideration the interests of the Company's stakeholders. The Management Board By-Laws set out rules regarding the composition, responsibilities and objectives of the Management Board.

Name	Year of birth	Nationality	Gender	Position	Member since	Term
Pieter Willem van der Does	1969	NL	Male	CEO	July 6, 2007	June 2022
Arnout Diederik Schuijff ⁸	1967	NL	Male	CTO	July 6, 2007	June 2022
Roelant Prins	1975	NL	Male	CCO	September 9, 2009	June 2022
Ingo Jeroen Uytdehaage	1973	NL	Male	CFO	June 1, 2011	June 2022
Kamran Zaki	1973	US	Male	COO	January 1, 2020	January 2024
Mariëtte Bianca Swart	1980	NL	Female	CLCO	January 1, 2020	January 2024

Two new Managing Directors have been appointed per January 1, 2020. Mariëtte Swart took on the position of CLCO (Chief Legal and Compliance Officer), and Kamran Zaki has taken over the position of COO (Chief Operating Officer) from Samuel Halse, who left the Company on March 1, 2020.

⁸ Arnout Schuijff decided to step down from the Management Board per January 1, 2021. See further details (including information about Alexander Matthey, CTO) below.

As per May 31, 2020, Joop Wijn stepped down as Chief Strategy and Risk Officer (CSRO). Joop has been granted gardening leave as per February 27, 2020. Since then and until April 2021, Ingo Uytdehaage (CFO) has assumed the responsibilities for risk management, while Mariëtte Swart (CLCO) has assumed the responsibilities for security. As per April 1, 2021, all formal responsibilities of the risk management function will be handed over to Mariëtte Swart via Adyen Management Board approval as well as Supervisory Board approval.

Arnout Schuijff stepped down as Chief Technology Officer (CTO) as per January 1, 2021. Alexander Matthey has taken over the position of CTO after approval of shareholders during the Extraordinary General Meeting held on February 12, 2021.

More information on the Management Board can be found at www.adyen.com/about.

Subject to certain statutory exceptions, the Management Board as a whole is authorized to represent the Company. Two Managing Directors acting jointly are also authorized to represent the Company. This reflects the four-eyes principle that Adyen operates across the organization: (at least) two Adyen Managing Directors must sign off on significant business decisions.

Appointment and dismissal

The Articles of Association provide that the Management Board shall consist of two or more members and that the Supervisory Board determines the exact number of Managing Directors after consultation with the Management Board.

Managing Directors will be appointed for a maximum term of four years, after which they may be reappointed for another four years. The General Meeting appoints Managing Directors upon a nomination by the Supervisory Board in accordance with the Articles of Association. The Supervisory Board shall make one or more nominations to the General Meeting in case a Managing Director is to be appointed.

In the event that the Supervisory Board has made a nomination, the resolution of the General Meeting to appoint such nominee shall be adopted by an absolute majority of the votes cast. However, the General Meeting may at its discretion appoint a Managing Director other than upon the nomination of the Supervisory Board, provided that a proposal to appoint such other person has been put on the agenda of the relevant General Meeting. A resolution of the General Meeting to appoint a Managing Director other than in accordance with a nomination of the Supervisory Board, but in accordance with the agenda for such General Meeting, shall require a majority of two thirds of the votes cast representing more than half of the Company's issued share capital.

Adyen is a licensed credit institution, which means that any appointment of a Managing Director must be approved by the Dutch Central Bank (the DNB). In connection with its approval procedure, DNB will test the proposed new Managing Director on integrity and suitability.

The General Meeting may at any time, at the proposal of the Supervisory Board, suspend or remove a Managing Director with a resolution adopted by an absolute majority of votes cast. Should the General Meeting wish to suspend or remove a Managing Director other than in accordance with a proposal of the Supervisory Board, such suspension or dismissal needs to be adopted by a majority of two thirds of the votes cast representing more than half of the Company's issued capital. The Supervisory Board may at any time suspend but not dismiss a Managing Director. A General Meeting must be held within three months after a suspension of a Managing

Director has taken effect, in which meeting a resolution must be adopted to either terminate or extend the suspension, provided that in the case that such suspension is not terminated, the suspension does not last longer than three months in aggregate. The suspended Managing Director must be given the opportunity to account for his or her actions at that meeting. If neither such resolution is adopted nor the General Meeting has resolved to dismiss the Managing Director, the suspension will cease after the period of suspension has expired.

Supervisory Board

Composition, powers and function

Adyen's Supervisory Board is composed of the following members (the Supervisory Directors) as of December 31, 2020:

Name	Year of birth	Nationality	Gender	Position	Member since	Term
Piero Overmars	1964	NL	Male	Chairman	January 20, 2017	January 2025
Delfin Rueda Arroyo	1964	ES	Male	Member	January 20, 2017	January 2022
Joep van Beurden	1960	NL	Male	Member	January 20, 2017	January 2024
Pamela Joseph	1959	US	Female	Member	May 21, 2019	May 2023

The Supervisory Board supervises the conduct and policies of the Management Board and the general course of affairs of the Company and its business. The Supervisory Board also provides advice to the Management Board. In performing their duties, the Supervisory Directors are required to be guided by the interests of Adyen which includes the interests of the business connected with it, taking into consideration the interests of the Company's stakeholders. These interests are driven by Adyen's focus on long-term value creation and its implementation in Adyen's strategy and culture. The Supervisory Board also has due regard for corporate social responsibility issues that are relevant to the Company. The Supervisory Board By-Laws set out rules regarding the composition, responsibilities and objectives of the Supervisory Board.

On February 12, 2021, Caoimhe Keogan was appointed as Supervisory Director during the Extraordinary General Meeting of shareholders. Following her appointment, she also became a member of the Nomination and Remuneration Committee. More information on her background can be found in the 'Supervisory Board Report' below.

Appointment and dismissal

The Articles of Association provide that the Supervisory Board must consist of three or more individuals, with a maximum of five persons. The exact number of Supervisory Directors is to be determined by the Supervisory Board. Only natural persons may be appointed as Supervisory Director.

Supervisory Directors will be appointed for a maximum term of four years, after which they may be reappointed for another four years. Reappointment after eight years shall be motivated in the Supervisory Board Report. After this term, a Supervisory Director may once again be reappointed for a term of two years, which can be extended for another two years. Supervisory Directors are appointed by the General Meeting upon a nomination of the Supervisory Board in accordance with the Articles of Association. The Supervisory Board shall make one or more nominations in case a Supervisory Director is to be appointed.

In the event that the Supervisory Board has made a nomination, the resolution of the General Meeting to appoint such nominee shall be adopted by an absolute majority of the votes cast. However, the General Meeting may at its discretion appoint a Supervisory Director other than upon the nomination of the Supervisory Board, provided that a proposal to appoint such other person has been put on the agenda of the relevant General Meeting. A resolution of the General Meeting to appoint a Supervisory Director other than in accordance with a nomination of the Supervisory Board, but in accordance with the agenda for such General Meeting, shall require a majority of two thirds of the votes cast representing more than half of the Company's issued share capital. The Supervisory Board shall appoint one of its members as chairman and shall appoint one of its members as vice-chairman.

Any appointment of a Supervisory Director must be approved by DNB. In connection with its approval procedure, DNB will test the proposed new Supervisory Director on integrity and suitability.

The General Meeting may at any time, at the proposal of the Supervisory Board, suspend or remove a Supervisory Director with a resolution adopted by an absolute majority of votes cast. Should the General Meeting wish to suspend or remove a Supervisory Director other than in accordance with a proposal of the Supervisory Board, such suspension or dismissal needs to be adopted by a majority of two thirds of the votes cast representing more than half of the Company's issued capital.

Supervisory Board committees

The Supervisory Board has appointed from among its members two permanent committees: a 'Nomination and Remuneration Committee' and an 'Audit Committee' (the Committees). Each of these Committees has a preparatory and/or advisory role to the Supervisory Board. The Committees report their findings to the Supervisory Board, which is ultimately responsible for all decision making. Terms of Reference apply for each Committee, which can be found at www.adyen.com/investor-relations/governance. All Supervisory Directors have a standing invitation to attend meetings of Committees of which they are not a member — these Supervisory Directors attend the meetings of which there are not a member on a regular basis.

Nomination and Remuneration Committee

The Supervisory Board has assigned certain tasks to the Nomination and Remuneration Committee. This Committee drafts proposals for Adyen's remuneration policy, and it proposes the remuneration of the individual Managing Directors and Supervisory Directors. It analyses developments of the Code and other applicable laws and regulations, and prepares proposals for the Supervisory Board on these subjects. It further advises the Supervisory Board on its duties regarding the selection and appointment of Managing Directors and Supervisory Directors. The Committee is also responsible for carrying out annual assessments of the individual Managing Directors and Supervisory Directors.

Where necessary, the Nomination and Remuneration Committee prepares proposals for (re)appointments and drafts the selection criteria for the (re)appointment of Managing Directors and Supervisory Directors.

The Nomination and Remuneration Committee meets as often as required for a proper functioning of the Committee. The meetings are scheduled semi-annually. The Committee consists of at least three Supervisory Directors. The Committee members are Joep van Beurden (Chairman), Piero Overmars, and Caoimhe Keogan, who became a member of the Nomination and Remuneration Committee as of her appointment on February 12, 2021. The composition and number of members of the Committee provide for sufficient capacity to carry out the supervisory functions. The members of the Committee have the specific skills and experience required to properly carry out their duties.

Adyen's CEO, CFO and CLCO have a standing invitation for each Committee meeting. The Company's HR Director also attends the meetings of the Committee.

Audit Committee

The Supervisory Board has assigned certain tasks to the Audit Committee. This Committee supervises the provision of the Company's financial information. The Committee issues preliminary advice to the Supervisory Board regarding the approval of Adyen's interim and annual accounts.

It also advises the Supervisory Board on the nomination of the external auditor, who is appointed by the General Meeting. It is in regular contact with the internal audit function and the external auditor, and monitors the auditor's independence. In addition to advising the Management Board on tax and finance matters, it is also responsible for supervising compliance with relevant legislation and regulations.

The Audit Committee meets as often as required for a proper functioning of the Committee. The meetings are held at least four times a year. The Committee consists of at least three Supervisory Directors. The Committee members are Delfin Rueda Arroyo (Chairman), Piero Overmars and Pamela Joseph. The composition and number of members of the Committee provide for sufficient capacity to carry out the supervisory functions. The members of the Audit Committee have the specific skills and experience required to properly carry out their duties.

Adyen's CEO, CFO and CLCO have a standing invitation for each Committee meeting. The Company's internal auditor and external auditor also attend meetings of the Committee.

General Meeting, shares and shareholders

Extraordinary General Meeting

On January 20, 2020, an Extraordinary General Meeting was held to reappoint Joep van Beurden as Supervisory Director. He was reappointed for a period of 4 years, ending January 2024.

General Meetings

Adyen holds a General Meeting of shareholders within six months of the end of the financial year. The agenda for this meeting includes (i) the adoption of the annual accounts, (ii) the content of the Annual Report, (iii) the remuneration policy and remuneration of the Supervisory Board, (iv) the release from liability of the members of the Management Board and the Supervisory Board for their performance during the financial year, (v) the policy of the Company on additions to reserves and on distributions of profits, (vi) any proposal to distribute profits, (vii) the auditor's report, and (viii) any other proposals placed on the agenda by the Management Board.

General Meetings can be held as often as the Management Board or the Supervisory Board deem necessary. A General Meeting is also convened in case of a decision entailing a significant change in the identity or

character of the Company or its business. One or more shareholders representing at least the statutory threshold of 3% of the voting rights may request that the Management Board places items on the agenda of a General Meeting. Such a request must be honored by the Management Board provided that the request is received in writing at least 60 days before the date of such a meeting.

The Annual General Meeting of 2020 was held on May 26, 2020. Aside from the topics of this meeting as listed above, Piero Overmars was re-appointed as Chairman and member of the Supervisory Board for a period of four years, effective January 20, 2021.

Our next annual General Meeting will be held on June 3, 2021.

Voting rights

Each share reflects one vote in the General Meeting. Subject to certain exceptions provided by Dutch law or the Articles of Association, resolutions of the General Meeting are passed by an absolute majority of votes cast. Votes can be cast at the General Meeting either in person or by proxy.

Amendment to the Articles of Association

The General Meeting may pass a resolution to amend the Articles of Association with an absolute majority of the votes cast. A proposal to amend the Articles must be made by the Management Board and must be approved by the Supervisory Board. When a proposal to amend the Articles of Association is made to the General Meeting, the intention to propose such resolution must be stated in the relevant notice convening the General Meeting.

Issue of shares

Shares can only be issued pursuant to a resolution of the General Meeting, unless the General Meeting has designated this authority to the Management Board. During the Annual General Meeting held on May 26, 2020, the General Meeting granted the Management Board – subject to the Supervisory Board's approval – the authority to issue ordinary shares or to grant rights to subscribe for ordinary shares for a term of 18 months as of May 26, 2020 for up to 10% of the total number of shares issued at the time of the General Meeting for any purpose. Hence, within the aforementioned limit shares can be issued by a decision of the Management Board, which allows the Management Board to react promptly when for example a business opportunity arises which requires such issuance. This decision must be approved by the Supervisory Board. Any issuance exceeding the aforementioned limit needs approval by the General Meeting.

In addition, the General Meeting granted the Management Board – subject to the Supervisory Board's approval – the authority to restrict or exclude applicable pre-emptive rights when issuing ordinary shares or granting rights to subscribe for ordinary shares for a term of 18 months as of May 26, 2020.

Repurchase of shares

Shares can only be repurchased by Adyen pursuant to a resolution of the General Meeting and subject to any required regulatory approvals. The General Meeting may designate the authority to repurchase shares to the Management Board. During the General Meeting held on May 26, 2020, the shareholders granted the Management Board – subject to the Supervisory Board's approval – the authority to acquire shares in the capital of the Company, either through purchase on a stock exchange or otherwise. The authority applies for a term of 18 months as of May 26, 2020, under the following conditions: the repurchase (i) may constitute up to 10% of the total number of shares issued at the time of the General Meeting; (ii) provided that the Company will not hold more shares in stock than 10% of the issued share capital; and (iii) at a price not less than the nominal value of the shares and not higher than 110% of the opening price at Euronext Amsterdam at the date of the acquisition. Any repurchases exceeding these limits need approval by the General Meeting.

Issued capital and shareholdings

Adyen's issued capital and voting rights are notified to the AFM from time to time. This reporting can be found in the register issued capital on www.afm.nl. Shareholders owning 3% or more of the issued capital and/or voting rights of a listed company must report this to the Dutch Authority for the Financial Markets (AFM) as soon as the threshold is reached or exceeded. This reporting by shareholders can be found in the 'Register of substantial holdings and gross short positions' at www.afm.nl.

Report of the Supervisory Board

The Supervisory Board is pleased to present its report for 2020 — a challenging year for society and many businesses due to the COVID-19 pandemic. In 2020, the Adyen platform processed €303.6 billion, growing 27% year-on-year. Adyen has proven resilient due to the further diversification of its merchant base across geographies and verticals, despite the difficult macroeconomic environment continuing to be a disrupting factor to many of its merchants. In 2020, Adyen was able to grow and onboard the team from a distance, totaling 1,747 FTE as of December 31, 2020.

This report includes a more specific description of the Supervisory Board's activities during the financial year 2020 and other relevant information on its functioning.

Composition

Adyen has established a two-tier board structure consisting of the Management Board and the Supervisory Board, as explained in the section 'Governance' of this Annual Report. The Supervisory Board functions as a separate corporate body and is fully independent from the Management Board. The composition of the Supervisory Board is such that members are able to act independently of one another, the Management Board and any particular interest and allows for properly carrying out all Supervisory Board tasks, including staffing of committees. The Supervisory Board is capable of assessing the broad outline of the overall policy of the Company and of the most important risks incurred. The background, knowledge and expertise of each Supervisory Director adds to the Board's effectiveness, enabling it to fulfil its duties in the Company's best interest.

As of December 31, 2020, the Supervisory Board is composed of four members — Piero Overmars (Chairman), Delfin Rueda Arroyo, Joep van Beurden and Pamela Joseph. On February 12, 2021, Caoimhe Keogan was appointed as Adyen's fifth Supervisory Director.

Piero Overmars serves as a member of the Supervisory Boards of Amsterdam UMC and Dura Vermeer Groep NV. Previously, he served as a member of the Management Board of Randstad Beheer B.V. and was

Chairman of the Supervisory Boards of Nutreco and SNS Reaal. He also served as President of the Nyenrode Foundation, following an extensive career at ABN Amro that culminated in a Board Member position. Piero Overmars holds an MBA from Nyenrode Business University. Delfin Rueda Arroyo serves as CFO and Vice-Chair of the Executive Board and Management Board of NN Group, and is a member of the Supervisory Board of Allfunds Bank S.A.U. Previously, he was CFO and member of the Management Board of ING Insurance, following an extensive career at Andersen Consulting, UBS, JP Morgan and Atradius. Delfin Rueda Arroyo holds a master degree in Economic Analysis and Quantitative Economics from the Complutense University of Madrid (Spain). He also holds an MBA from the Wharton School, University of Pennsylvania (USA).

Joep van Beurden is CEO and member of the Executive Board of Kendrion and member of the Supervisory Board of the Twente University of Technology (the Netherlands). In additions to these positions, Joep serves as a member of the Advisory Board of PlantLab. Previously, he served as CEO of CSR Plc. (UK) and NexWave Inc. (France), following a career at Royal Dutch Shell, McKinsey, Philips and Canesta Inc. Joep van Beurden holds a degree in Applied Physics from Twente University of Technology.

Pamela Joseph is CEO and member of the Management Board of Clearent, holds a position as Chair of the Board of Directors of TransUnion and is a non-executive member in the Board of Directors of Paychex. In addition to these positions, Pamela serves as Operating Partner at Advent International. Previously, she served U.S. Bank corp. Payment Services as a Vice-Chairman, and prior to that Elavon as President and COO. She started her career at Wells Fargo Bank and VISA International. She holds a degree in Business Administration from the University of Illinois (USA).

Caoimhe Keogan serves as CPO (Chief People Officer) for Aveva Group plc. Previously, she served as Chief People Officer for Moneysupermarket Group plc, and as SVP People, Places & Community at SoundCloud. Prior to these roles, she was Senior HR Business Partner at Google. Caoimhe Keogan holds a degree in Occupational Psychology from Queen's University Belfast (UK).

Supervisory Board meetings

The Supervisory Board convened for eight meetings, of which two were held at the offices of Adyen, and six were held via videoconferencing due to the COVID-19 pandemic. The meetings were held in the months February, March, April, May, October and December. Members of the Management Board also attended these Supervisory Board meetings.

In 2020, Pamela Joseph was absent at one Supervisory Board meeting. Her attendance rate was therefore 83%. The attendance rate of the other Supervisory Directors was 100%.

The Supervisory Board meets at a minimum each half year before the publication of the half-yearly results, and discusses these results with the Management Board, as well as the draft press release and auditor's report on the procedures performed. These documents are first discussed in the Audit Committee meeting prior to the Supervisory Board meeting.

In addition to the regular agenda for the Supervisory Board meeting – which includes topics such as risk management, business performance, strategic updates and the development of the financials – the Supervisory Board discussed diversity, culture, social responsibility and sustainability, the accounting error as published in the Q3 Trading Update, compliance with relevant legislations, relations with regulators, brand positioning and the preparation and evaluation of the Annual General Meeting of Shareholders. Furthermore, deep dive session on specific topics relevant to Adyen's business were held, such as Issuing, Customer Relations and Operational Excellence.

The Supervisory Board also discussed Adyen's strategy including its workstreams and reviewed proposed annual and other financial reporting. In 2020, the Supervisory Directors completed trainings on data privacy, security and compliance.

The Company Secretary attended all Supervisory Board meetings and Committee meetings, and acted as the secretary of the Supervisory Board and its committees. The Chairman of the Supervisory Board met regularly during the year with the CEO and other Managing Directors to discuss the performance of the company and projects as part of executing the strategy. The Supervisory Directors also interacted individually and collectively with Managing Directors outside the formal Supervisory Board meetings.

In 2020, there were no conflicts of interest between Adyen and Managing Directors or Supervisory Directors.

Committee reporting

The Supervisory Board has established two Committees, as further explained in the chapter 'Governance': The Nomination and Remuneration Committee and the Audit Committee. The main considerations and conclusions of each Committee were shared with the full Supervisory Board.

Nomination and Remuneration Committee

The duties and composition of the Nomination and Remuneration Committee are described in the section 'Governance' of this Annual Report.

The Nomination and Remuneration Committee convened twice in 2020. All Committee members attended all meetings. The Committee has reviewed the composition of the Supervisory Board and Management Board. The Committee monitored and analyzed developments of the Code and applicable laws and regulations in relation to remuneration policies, reviewed Adyen's Remuneration Policy and its execution for compliance with the Code and the Dutch Act on Remuneration Policies Financial Undertakings (Wet beloningsbeleid financiële ondernemingen) as implemented in the Dutch Financial Supervision Act (Wet op het financieel toezicht). For more information on the Remuneration Policy, please refer to the section 'Remuneration Report' of this Annual Report.

The Nomination and Remuneration Committee leads the evaluation of the performance of the individual Managing Directors and Supervisory Directors. During the evaluation the Committee took note of the Managing Directors' views on their own remuneration. The Committee drafted proposals to the Supervisory Board for the remuneration of the individual Managing Directors and Supervisory Directors. The Nomination and Remuneration Committee has drawn up a plan for the succession of the Managing Directors and the Supervisory Directors.

In 2020, the remuneration policy for the Management Board and Supervisory Board was reviewed to ensure compliance with the EU's revised Shareholders Rights Directive (SRD2) following its implementation in Dutch law on December 1, 2019. No substantive changes were included in the revised remuneration policy — the changes included adding an explanation to the level of support in society and the external environment the Company operates in, internal remuneration ratios and the wages and employment conditions of the employees of the Company. The revised remuneration policy considers the relevant statutory provisions and competitive market practices. The remuneration policy was adopted by the Annual General Meeting of Shareholders on May 26, 2020.

Audit Committee

The duties and composition of the Audit Committee are described in the section 'Governance' of this Annual Report.

In 2020, the Audit Committee convened for four regular meetings. The Committee discussed the quarterly results and the financial statements. Furthermore, the Committee discussed reports from internal and external auditors, reviewed the Annual Report, the H1 and H2 Shareholder Letter including the relevant press releases and the Q1 2020 and Q3 2020

Trading Updates, and discussed the overall internal control environment. The Committee also discussed other topics including the accounting adjustment as published in the Q3 2020 Trading Update, compliance, governance, ICLAAP, SREP, tax, information security, legal, risk, merchants' potential liability, and treasury. The members of the Committee met with the internal and external auditors outside the Committee meetings to ensure all relevant information was discussed. The Committee evaluated the performance and remuneration of the external auditor. All Committee members, the internal auditor and the external auditor attended all meetings held in 2020.

Diversity

The Supervisory Board values and promotes diversity, both within the Supervisory Board and the Management Board, as within Adyen in general. Differences in amongst others educational background, nationality, age, race, gender, experiences and beliefs are vital to the business, enabling the Boards and the Company to look at issues and opportunities differently and to respond to challenges in new ways. Diversity is a key driver for innovation and allows Adyen to attract and retain the most talented and smart people. This standpoint has also been embedded in the Adyen Inclusion Policy — please refer to the 'People and culture' section of this Annual Report.

The Supervisory Board aims for a balance in its composition with respect to gender, nationality, age, experience and affinity with the nature and culture of the business of Adyen in all countries where it is active. In line with the Company's Inclusion Policy and the adoption of the legislative proposal introducing stricter gender diversity measures for Dutch listed (in line with the SER's guideline on Supervisory Board composition), Caoimhe Keogan has been appointed as Supervisory Director in the Extraordinary General Meeting which was held on February 12, 2021. The Supervisory Board now consists of 40% women.

Independence

Throughout the year, three Supervisory Directors – Piero Overmars (Chairman), Delfin Rueda, and Pamela Joseph – were independent from the Company within the meaning of Best Practice Provision 2.1.7, 2.1.8 and 2.1.9 of the Code. One Supervisory Board Director, Joep van Beurden, has acted as an advisor to the Company in the years preceding his appointment in 2017, and is therefore considered not to be independent within the meaning of Best Practice Provision 2.1.8 (iii) of the Code. The Supervisory Board is, as a body, independent as defined in the Code.

Performance assessment

In 2020, the Supervisory Board has assessed its performance and composition and that of its committees. This assessment was facilitated by Focus Orange, an external advisory firm, and focused on organizational learning. In preparation, Focus Orange conducted interviews with each member of the Supervisory Board, the CEO, the CFO and the CLCO, as well as the Company Secretary. Focus Orange included the (anonymized) individual observations with regards to the functioning of the Supervisory Board and its relationship with the Management Board in its evaluation report. The outcomes of the assessment have been discussed with the Supervisory Board and the Management Board. The evaluation concludes, among others, that the relationship between the Supervisory Board and the Management Board can be described as transparent and cooperative, and the mix between formal and informal Supervisory Board relations and interactions is balanced and as such has proven to be instrumental to effective functioning of the Supervisory Board. The functioning of the Supervisory Board fully complies with the relevant principles and best practices as set out in the Dutch Corporate Governance Code. Following the positive assessment of the Supervisory Board and as part of continuous improvement, points for follow up are proposed, and include:

- The Supervisory Board aims to maintain the balance between the Supervisory Board's formal and informal processes.
- The Supervisory Board would like to convene in additional bilateral discussions and meetings with fellow Supervisory Directors and the Supervisory Board as a body, aside from the regular Supervisory Board meetings.

Financial statements

The Financial Statements for the year ended December 31, 2020, were prepared by the Management Board and approved by the Supervisory Board. The Report of the Independent Auditor, PricewaterhouseCoopers Accountants N.V. (PwC) is included in the Independent Auditor's Report in the 'Other Information' section of the Financial Statements. The Supervisory Board recommends that the General Meeting adopts these Financial Statements.

Appreciation

Looking back at 2020, the Supervisory Board would like to thank all Adyen employees for their contribution during a challenging year in many aspects. The Supervisory Board is proud to see the team was able to shift towards a working-from-home environment — proving highly flexible during the global pandemic, while continuing to serve the interests of merchants, shareholders and other stakeholders of Adyen.

Compliance with the Dutch Corporate Governance Code

Adyen acknowledges the importance of good corporate governance. The Company agrees with the general approach and with the majority of the provisions of the Code⁹. As such, it fully complies with the Code with the exception of:

⁹ For the full version of the Dutch Corporate Governance Code 2016 please refer to www.mccg.nl

Best practice provision 2.1.5 of the Code, which provides that the Supervisory Board should draw up a diversity policy for the composition of the Management Board and Supervisory Board, addressing concrete targets relating to diversity, and best practice provision 2.1.6 of the Code, which provides that the corporate governance statement should explain the diversity policy and the way it is implemented in practice. Adyen deviates from best practices 2.1.5 and 2.1.6 as no concrete targets were set on diversity for 2020. Concrete goals and targets will be set in 2021 to build a team with Diversity, Equity and Inclusion at its core — Adyen values and promotes diversity within its Management and Supervisory Board, and its wider organization, as reflected in this Annual Report. In 2020, the Diversity, Equity, and Inclusion (DEI) committee was founded, which helps with identifying key areas to improve from a DEI perspective. With several initiatives aimed at HR processes and unconscious bias trainings, Adyen actively steers on a balanced workforce in relation to Diversity, Equity and Inclusion, with current metrics at 34% female team members and 29% of team lead positions filled up by women, and 16% in the Management Board, respectively. In line with the Company's Inclusion Policy and the adoption of the legislative proposal introducing stricter gender diversity measures for Dutch listed (in line with the SER's guideline on Supervisory Board composition), Caoimhe Keogan is appointed as Supervisory Director on February 12, 2021. The Supervisory Board now consists of 40% women.

Best practice provision 4.3.3 of the Code, which provides that the general meeting of shareholders of a company not having statutory two-tier status (*structuurregime*) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the Management Board or of the Supervisory Board and/or a resolution to dismiss a member of the Management Board or of the Supervisory Board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one-third. However, Adyen applies a higher proportion of one-half, which follows from a previous arrangement with Adyen's shareholders before its IPO in 2018.

Remuneration Report

This remuneration report explains how the remuneration policy for the Management Board and Supervisory Board as approved by the General Meeting in 2020 was put into practice in 2020. Part of this is an overview of the remuneration awarded or due to individual Managing Directors.

Adyen remuneration policy

The objective of our remuneration policy is to recruit and retain the best talent worldwide by offering competitive payment structures that take account of our strategy to focus on our merchants' growth, changing the payment landscape and having fun while doing so.

Our remuneration policies are consistent with, and promote, sound and effective risk management and are always aligned with our strategy and the Adyen Formula to create long-term value for our company and our merchants. As such, our remuneration policy does not contain incentives that exclusively benefit staff members themselves or encourage improper risk-taking.

The remuneration policy of Adyen is published on the Company's website.

There have been no deviations from the remuneration policy or the procedure for its implementation in the financial year 2020.

Equal pay

We value all perspectives, so we see no reason to reward one more than the other — same role, same pay. We are committed to ensuring equal pay, therefore this is included in our annual equal pay audit, to safeguard and uphold this standard.

Remuneration package

The size of an individual remuneration package is based on the scope of responsibilities, the employee's experience and performance, and the local market circumstances, which varies depending on country.

The total remuneration of individual staff members, including the Managing and Supervisory Directors, is determined by considering the long-term strategy of Adyen and aimed at ensuring a sustainable and durable company for stakeholders.

The remuneration of the Management Board is reviewed annually and any adjustment of the remuneration will be in accordance with the remuneration policy. Remuneration decisions such as pay increases will take account of the individual Managing Directors delivering on specific areas of focus, including sustainability and the Adyen Formula, as well as company performance.

A remuneration package may consist of a base salary, share-related remuneration, pension entitlements and other emoluments. For certain employees a remuneration package may also include variable remuneration.

Adyen has the right pay mix in place to mitigate short-term orientation and contribute to the long-term performance of the company. This is specifically achieved by awarding staff members, including the Management Board, with (long-term) share-related remuneration. The purpose of the share-based payments is to put staff members in a financial ownership-like position where shares are concerned and for them to obtain an economic interest in the pursuit of Adyen's long-term objectives such as sustainable growth, development, profitability, and financial success of Adyen.

Variable remuneration

Adyen observes the laws and regulations applicable to the company, which includes the remuneration regulations as provided in the Act on Remuneration policy Financial Undertakings (Wet beloningsbeleid financiële ondernemingen) and the EBA Guidelines on Sound Remuneration Policies (EBA Guidelines) (the Remuneration Regulations). Adyen's remuneration policy is in line with the Remuneration Regulations.

Certain employees may be rewarded with variable remuneration. Variable remuneration, if awarded, will at all times not exceed the fixed to variable remuneration ratios as provided in the Remuneration Regulations.

In the financial year 2020, Adyen has not rewarded any variable remuneration to the members of the Management Board or any other staff identified as "Identified Staff" (staff that is considered to have a material impact on the risk profile of Adyen). Adyen does not award variable remuneration to the Supervisory Directors. In accordance with the Remuneration Regulations, variable remuneration will be subject to hold back and claw back instruments. As no variable remuneration has been awarded to the members of the Management Board or the Supervisory Board in the financial year 2020, no variable remuneration has been adjusted or clawed back in accordance with these instruments.

The total global company-wide amount of variable remuneration awarded over 2020 was EUR 17,092,364 (2019: EUR 16,661,986) compared to total staff expenses of EUR 180,013,967 (2019: EUR 122,446,852).

Identified staff

In 2020 there were 21 employees (2019: 21) identified as "Identified Staff". None of these employees was entitled to a performance related bonus in 2020. As such Adyen avoids short-term focus and incentives for all staff that is considered to have a material impact on our business, including the Managing Directors, thereby contributing to the long-term performance and value creation of the company.

Total annual remuneration

In 2020 there were no employees to whom total annual remuneration (including employer pension contributions and any severance payments made) of EUR 1 million or more was awarded.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three (3) Supervisory Directors as determined by the Supervisory Board. The duties of the Nomination and Remuneration Committee are described in the 'Governance' section of this Annual Report.

The current remuneration policy for the Management Board and the Supervisory Board and remuneration of the Managing Directors and fees for the members of the Supervisory Board was adopted at the shareholders meeting on May 26, 2020.

Remuneration for the Management Board

The remuneration policy that applies to the Managing Directors is in line with the remuneration policy that applies to all staff. Adyen's Management Board remuneration is consistent with and promotes a sound and effective risk management and has always been aligned with Adyen's strategy to create long-term value for its merchants. It is thus set up with the aim to contribute to Adyen's long-term goals. As such, the remuneration policy does not contain incentives that exclusively benefit Managing Directors themselves.

The remuneration of the Managing Directors is determined by the Supervisory Board with due observance of the remuneration policy as adopted by the General Meeting.

The Managing Directors provide the Nomination and Remuneration Committee with their individual views with regard to the amount and structure of their own remuneration. In 2020 base salaries of the Managing Directors were increased with 8%, in line with the average salary increase of an Adyen employee in 2019.

The Management Board's remuneration is compared to AEX companies. The Management Board remuneration is below the median of the benchmark. This discrepancy is accepted for the current Managing Directors. To attract future Managing Directors, the remuneration package for new Managing Directors may be adjusted to the market.

In line with the revised Dutch Corporate Governance Code, Adyen performed a scenario analysis and back-test on Management Board remuneration. All scenarios resulted in the same outcome as the remuneration of the Managing Directors is not linked to variable remuneration elements. The internal ratio of the Managing Directors' remuneration and that of a representative reference group was determined. For this ratio, Adyen deems most relevant the total direct compensation of the CEO compared to the average total direct compensation of all Adyen employees worldwide. For the CEO a ratio of 7:1 applies (2019: [7:1]). For the other Managing Directors, a ratio of 6:1 applies (2019: [5:1]).

Remuneration Management Board

The total remuneration received by the Management Board in 2020 amounted to EUR 3,546,977.

	2020	2019	2018
Salaries and short-term employee benefits	3,252,768	2,773,786	2,962,042
Share-based payments	104,166	209,069	214,101
Post-employment benefits	96,278	82,335	32,661
Total	3,546,977	3,065,190	3,208,804

As Adyen N.V. became a listed company in June 2018, management remuneration related to years 2018, 2019 and 2020 are disclosed in this report instead of five years required by Dutch Civil Code.

The table below provides an overview of the remuneration of each individual Managing Director for the financial year 2020, 2019 and 2018:

2020 (in EUR)	Base salary ¹²	Pension and social security contributions	Share-based compensation	Variable income	Total Remuneration 2020
Pieter van der Does	596,796	15,968	-	-	612,764
Arnout Schuijff ¹⁰	291,589	15,968	-	-	307,557
Roelant Prins	484,822	15,968	-	-	500,790
Ingo Uytdehaage	561,804	15,968	-	-	577,772
Sam Halse	65,234	821	-	-	66,055
Joop Wijn	248,777	6,653	87,112 ¹³	-	342,542
Kamran Zaki	656,000	15,617	-	-	671,617
Mariëtte Swart ¹¹	347,746	15,968	104,166 ¹⁴	-	467,880
Total	3,252,768	102,931	191,278	-	3,546,977

Sam Halse left Adyen per February 29, 2020. Joop Wijn left Adyen per May 31, 2020.

2019 (in EUR)	Base salary ¹²	Pension and social security contributions	Share-based compensation ¹³	Variable income	Total Remuneration 2019
Pieter van der Does	553,310	16,467	-	-	569,777
Arnout Schuijff ¹⁰	270,474	16,467	-	-	286,941
Roelant Prins	449,630	16,467	-	-	466,097
Ingo Uytdehaage	520,910	16,467	-	-	537,377
Sam Halse	426,152	-	-	-	426,152
Joop Wijn	553,310	16,467	209,069	-	778,846
Total	2,773,786	82,335	209,069	-	3,065,190

Due to an administrative mistake, both the 2020 pension contribution and 8% increase of the Management Board remuneration over 2019 were not included and thus reported incorrectly in the 2019 Annual Report. The correct amounts are shown in the table above.

2018 (in EUR)	Base salary ¹²	Pension and social security contributions	Share-based compensation ¹³	Variable income in cash ¹⁵	Total Remuneration 2018
Pieter van der Does	512,305	7,426	-	85,000	604,731
Arnout Schuijff ¹⁰	250,602	3,229	-	41,400	295,231
Roelant Prins	416,305	6,815	-	69,000	492,120
Ingo Uytdehaage	482,510	6,974	-	80,000	569,484
Sam Halse	403,252	-	5,032	52,491	460,775
Joop Wijn	512,510	8,216	209,069	56,667	786,462
Total	2,577,484	32,661	214,101	384,558	3,208,804

¹⁰ Part-time percentage 60%

¹¹ Part-time percentage 90%

¹² This amount includes allowances.

¹³ This amount equals the total expenses recognized by Adyen during the financial year in relation to share-based compensation, based on the vesting schedule for options granted and the fair value of the option at grant date, as further detailed in the Financial Statements.

¹⁴ Share-based fixed remuneration awarded in depository receipts

¹⁵ Variable income in cash relates to performance in the preceding calendar year.

Variable remuneration

As of 2018, Adyen does not award variable remuneration to the Managing Directors.

Employee stock options awarded in previous years

The table below provides an overview of the options per December 31, 2020 that have been granted to Managing Directors as part of their share-based compensation:

2020	Grant date	Number of Options Vested	Number of Options Non-Vested	Number of Options expected to Vest
Pieter van der Does	-	-	-	-
Arnout Schuijff	-	-	-	-
Roelant Prins	2014	24,133	-	-
Ingo Uytdehaage	2014	40,633	-	-
Kamran Zaki	2014	80,391	-	-
Mariëtte Swart	2015	4,000	-	-

2019	Grant date	Number of Options Vested	Number of Options Non-Vested	Number of Options expected to Vest
Pieter van der Does	-	-	-	-
Arnout Schuijff	-	-	-	-
Roelant Prins	2014	48,266	-	-
Ingo Uytdehaage	2014	80,632	-	-
Sam Halse	2015	17,829	-	-
Joop Wijn	2017	20,154	6,719	6,719

2018	Grant date	Number of Options Vested	Number of Options Non-Vested	Number of Options expected to Vest
Pieter van der Does	-	-	-	-
Arnout Schuijff	-	-	-	-
Roelant Prins	2014	72,378	-	-
Ingo Uytdehaage	2014	120,632	-	-
Sam Halse	2014	24,072	-	-
	2015	24,727	-	-
Joop Wijn	2017	26,875	37,625	37,625

The stock options held by Ingo Uytdehaage and Roelant Prins are due to expire December 1, 2021. Ingo Uytdehaage and Roelant Prins have instructed ABN Amro to gradually sell the remaining stock options in the period running from July 1, 2019 (i.e. after expiry of the Post-IPO Shareholders' lock-up period) until December 1, 2021. The stock options shall be sold on a monthly basis, in portions equally divided over the 3 (three) calendar years, with due observation of a 15% daily trading-cap. The stock options held by Kamran Zaki are due to expire January 1, 2022. Kamran has instructed ABN Amro to sell to cover in order to exercise and hold the remainder of his stock option portfolio. As per the instruction, the stock options shall be sold at any given market-price. Upon each sale, appropriate notifications shall be made via the AFM register.

Share and Depositary Receipt holdings

The table below reflects the equity position directly or indirectly held by the Managing Directors as per December 31, 2020, 2019 and 2018:

	Shareholdings (aggregate number of Shares and/or Depositary Receipts)		
	2020	2019	2018
Pieter van der Does	1,022,539	1,202,987	1,415,278
Arnout Schuijff	1,371,655	1,613,589	1,898,339
Roelant Prins	287,309	338,011	338,011
Ingo Uytdehaage	195,182	229,570	229,570
Sam Halse	N/A	-	-
Joop Wijn ¹⁶	8,061	2,156	2,156
Kamran Zaki	21,440	-	-
Mariëtte Swart	52	-	-

¹⁶ 2020 vesting until May 31, 2020
(termination date)

Pension

As from January 2017, all Dutch Managing Directors participate in the Collective Defined Contribution (CDC) pension plan, with respect to their salary up to EUR 110,111 gross per year for 2020 (2019: EUR 107,593). On behalf of each Managing Director, Adyen pays a contribution of 4% of the pensionable salary – being 12 times the monthly fixed salary plus holiday pay up to the fiscally allowed maximum minus a deductible – for the accrual of old age pension benefits as well as the administration costs. If and as far as fiscally allowed, each Managing Director has the possibility to make additional contributions in order to accrue additional pension capital.

Kamran Zaki participates in a 401k retirement plan in the US, for which Adyen provides an employer match of up to 2%.

Insurance

All Managing Directors are insured under an insurance policy taken out by Adyen against damages resulting from their conduct when acting in their capacities as directors.

All Dutch Managing Directors are insured for the risk of death and disability, for which Adyen pays the insurance premiums.

Service and Severance Agreements

All Managing Directors have entered into a service agreement (overeenkomst van opdracht) with Adyen N.V. effective as of the date of the listing of Adyen, whereby Kamran Zaki is currently assigned to Adyen Inc. The terms and conditions of these service agreements have been aligned with the Dutch Corporate Governance Code. The service agreements will be entered into for a term of 4 years. The service agreements provide for a severance of one annual base salary if the Managing Director is not re-appointed or otherwise terminated by Adyen (for any reason other than urgent cause within the meaning of article 7:678 of the Dutch Civil Code (dringende reden)), in accordance with the Dutch Corporate Governance Code. In the financial year 2020, no severance payment has been paid to any Managing Director.

Loans

No loans, advance payments and guarantees have been granted to or on behalf of the Managing Directors.

The below table shows the comparative remuneration and company performance over the last two reported financial years:

Annual change	2020 vs 2019	2019 vs 2018	Remark
Director's remuneration			
Pieter van der Does	42,987	(34,954)	
Arnout Schuijff	20,616	(8,290)	
Roelant Prins	34,693	(26,023)	
Ingo Uytdehaage	40,395	(32,107)	
Kamran Zaki	671,617	-	¹⁷
Mariëtte Swart	467,880	-	¹⁷

¹⁷ Became Managing Directors as per 2020

Company Performance (in EUR '000)			
Net revenues	149,900	160,855	
EBITDA	82,245	110,464	

Average remuneration comparative on FTE basis (in EUR)			
Wages and Salaries / FTE	1,702.66	1,688.69	

Remuneration Supervisory Board

The total remuneration received by the Supervisory Board in 2020 amounted to EUR 292,705 (2019: EUR 240,000). The table below provides an overview of the remuneration of the Supervisory Board for the financial year 2018, 2019 and 2020. In addition to the remuneration, expenses incurred by the Supervisory Directors in the performance of their duties are reimbursed in full:

	2020	2019	2018
Salaries and short-term employee benefits	292,705	240,000	176,000
Share-based payments	-	-	5,000
Total	292,705	240,000	181,000

The table below provides an overview of the remuneration of each Supervisory Director for the financial year 2019 and 2020. In addition to the remuneration, expenses incurred by the members of the Supervisory Board in the performance of their duties are reimbursed in full.

(in EUR)	2020			2019		
	Remuneration in cash	Share-based compensation	Total Remuneration	Remuneration in cash	Share-based compensation	Total Remuneration
Piero Overmars	90,200	-	90,200	80,000	-	80,000
Delfin Rueda Arroyo	69,000	-	69,000	60,000	-	60,000
Joep van Beurden	66,000	-	66,000	60,000	-	60,000
Pamela Joseph	67,505	-	67,505	40,000	-	40,000
Total	292,705	-	292,705	240,000	-	240,000

Share-based compensation

The table below provides an overview of the aggregate number of Shares and/or Depositary Receipts as per December 31, 2020, 2019 and 2018. These have been granted to Supervisory Directors as part of their share-based compensation before Adyen became a listed company.

	Shareholdings (aggregate number of Shares and/or Depositary Receipts)		
	2020	2019	2018
Piero Overmars	1,094	1,094	1,094
Delfin Rueda Arroyo	-	-	-
Joep van Beurden*	1,719	1,719	1,719
Pamela Joseph	-	-	-

As the Supervisory Directors are not allowed to be remunerated via share-based compensation after the listing of Adyen in 2018, the annual remuneration per Supervisory Directors with unvested Options that expired as per June 1, 2018 was increased by €30,000 to €80,000 for Piero Overmars and to €60,000 for Joep van Beurden per year starting at that date.

Additionally, Piero Overmars and Joep van Beurden committed not to sell, transfer or otherwise dispose of any Shares and/or Depositary Receipts, during the term of their appointment.

Insurance

The Supervisory Directors of Adyen are insured under an insurance policy taken out by Adyen against damages resulting from their conduct when acting in their capacities as supervisory directors.

Loans

No loans, advance payments and guarantees have been granted to or on behalf of the Supervisory Directors



Tess, VP Account Management

—

“I work in my daughter’s old bedroom where I’ve hung frames with positive affirmations that remind us good things never come from comfort zones. Even though this year had its difficulties, it is great to work at a company where people share that mind set and make the best out of it, as a team.”



03

Financial Statements

Consolidated Financial Statements

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Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

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

	Note	2020	2019 Restated*
Revenue	2	3,641,389	2,656,774
Costs incurred from financial institutions	2	(2,935,182)	(2,105,929)
Costs of goods sold	3	(22,007)	(16,545)
<i>Net revenue</i>		<i>684,200</i>	<i>534,300</i>
Wages and salaries	4	(151,440)	(100,450)
Social securities and pension costs	4	(28,574)	(21,997)
Amortization and depreciation	13,14,17	(28,567)	(22,326)
Other operating expenses	5	(101,889)	(95,113)
Other income		183	202
Income before net finance income/(expense) and income taxes		373,913	294,616
Finance income		1,334	334
Finance expense	10,17	(9,406)	(4,633)
Other financial results	6	(42,661)	4,560
Net finance income/(expense)		(50,733)	261
<i>Income before income taxes</i>		<i>323,180</i>	<i>294,877</i>
Income taxes	7	(62,161)	(60,593)
Net income for the year		261,019	234,284
<i>Net income attributable to owners of Adyen N.V.</i>		<i>261,019</i>	<i>234,284</i>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation adjustments subsidiaries		(11,764)	(81)
<i>Other comprehensive income for the year</i>		<i>(11,764)</i>	<i>(81)</i>
Total comprehensive income for the year (attributable to owners of Adyen N.V.)		249,255	234,203
Earnings per share (in EUR)			
- Net profit per share - Basic	23	8.63	7.88
- Net profit per share - Diluted	23	8.51	7.67

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

*The comparative information is restated as a result of the correction of an accounting error (refer to note 1.3).

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	December 31, 2020	December 31, 2019 Restated*	January 1, 2019 Restated*
Intangible assets	13	9,970	7,640	5,059
Plant and equipment	14	35,746	30,219	23,921
Right-of-use assets	17	124,328	59,695	-
Other financial assets at FVPL	11	20,883	44,088	30,378
Contract assets	2.2	124,113	140,000	140,791
Deferred tax assets	7	106,337	71,633	8,297
Total non-current assets		421,377	353,275	208,446
Inventories	3	19,548	7,020	7,864
Receivables from merchants and financial institutions	15	883,939	443,333	355,596
Trade and other receivables	15	75,079	46,927	42,334
Current income tax receivables	7	8,794	-	-
Financial asset at amortized cost		-	-	4,418
Other financial assets at amortized cost	11	12,238	13,031	9,842
Cash and cash equivalents	10	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	8	304	301	296
Share premium	8	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	11	68,400	35,800	23,800
Deferred tax liabilities	7	23,924	26,214	23,777
Lease liability	17	118,051	50,903	-
Total non-current liabilities		210,375	112,917	47,577
Payables to merchants and financial institutions	16	2,588,863	1,459,226	1,162,329
Trade and other payables	16	111,547	88,105	32,495
Lease liability	17	13,434	10,791	-
Current income tax payables	7	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 consolidated financial statements.

*The comparative information is restated as a result of the correction of an accounting error (refer to note 1.3).

Consolidated Statement of Changes in Equity

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

Other reserves									
	Note	Share capital	Share premium	Treasury shares	Legal reserves	Other reserves			Total equity
						Share-based payment reserve	Warrant reserve	Retained earnings	
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	1.3.1							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)								234,284	234,284
Currency translation adjustments					(81)				(81)
Total comprehensive income for the year (restated)		-	-	-	(81)	-	-	234,284	234,203
Adjustments:									
Intangible assets					2,581			(2,581)	-
Other adjustments					13			(13)	-
Transactions with owners in their capacity as owners:									
Statutory tax rate change								(2,594)	-
Deferred tax on share-based compensation							(818)	818	-
Repurchase of depositary receipts	7		255			60,389			60,644
Options exercised				(18,323)		(4,346)			(18,323)
Proceeds on issuing shares			4,346						-
Movement resulting from treasury shares	8	5	15,332						15,337
Share-based payments			(846)	23,127					22,281
	4.3					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	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
Adjustments:								
Intangible assets				2,330			(2,330)	-
Other adjustments				(1,165)	1,165		5,095	5,095
		-	-	1,165	1,165	-	2,765	5,095
Transactions with owners in their capacity as owners:								
Deferred tax on share-based compensation	7		(321)		32,159			31,838
Options exercised			2,795		(2,795)			-
Proceeds on issuing shares	8	3	12,838					12,841
Share-based payments	4.3				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 consolidated financial statements.

*The comparative information is restated as a result of the correction of an accounting error (refer to note 1.3).

Consolidated Statement of Cash Flows

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

	Note	2020	2019 Restated*
Income before income taxes		323,180	294,877
<i>Adjustments for:</i>			
- Finance income		(1,334)	(334)
- Finance expenses		9,406	4,633
- Other financial results	6	42,661	(4,560)
- Depreciation of plant and equipment	14	11,230	9,022
- Amortization of intangible fixed assets	13	2,465	2,192
- Depreciation of right-of-use assets	17	14,872	11,112
- Share-based payments	4	7,994	3,125
<i>Changes in working capital:</i>			
- Inventories	3	(12,528)	844
- Trade and other receivables	15	(15,213)	(4,593)
- Receivables from merchants and financial institutions	15	(440,606)	(87,737)
- Payables to merchants and financial institutions	16	1,129,637	296,897
- Trade and other payables	16	14,279	55,610
- Deferred revenue		-	(364)
- Redemption financial assets at amortized cost		-	4,418
- Amortization of contract assets	2.2	10,641	2,133
Cash generated from operations		1,096,684	587,275
Interest received		1,334	334
Interest paid		(9,406)	(4,633)
Income taxes paid		(71,965)	(53,521)
Net cash flows from operating activities		1,016,647	529,455
Purchases of financial assets at amortized cost	11	(13,355)	(10,073)
Redemption of financial assets at amortized cost	11	13,088	7,275
Purchases of plant and equipment	14	(17,097)	(15,186)
Capitalization of intangible assets	13	(4,795)	(4,773)
Net cash used in investing activities		(22,159)	(22,757)
Proceeds from issues of shares	8	12,832	15,332
Sale of depositary receipts (treasury shares)		-	22,281
Repurchase of depositary receipts (treasury shares)		-	(18,323)
Lease payments	17	(9,439)	(9,932)
Net cash flows from financing activities		3,393	9,358
Net increase in cash, cash equivalents and bank overdrafts		997,881	516,056
Cash, cash equivalents and bank overdrafts at beginning of the year		1,745,388	1,231,916
Exchange losses on cash, cash equivalents and bank overdrafts		(5,783)	(2,584)
Cash, cash equivalents and bank overdrafts at end of the year	10	2,737,486	1,745,388

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

*The comparative information is restated as a result of the correction of an accounting error (refer to note 1.3).

Notes to the Consolidated Financial Statements

General Information

Adyen N.V. (hereinafter 'Adyen', 'the Company', or 'the Group') 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 shares are traded on Euronext Amsterdam, where the Company is part of the AEX Index.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the European Union (EU-IFRS) and in accordance with sub articles 8 and 9 of article 362, Book 2 of the Dutch Civil Code. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). All amounts in the notes to the consolidated financial statements are stated in thousands of EUR, unless otherwise stated.

Impact of COVID-19:

In connection with the COVID-19 pandemic, and its effect on the macroeconomic landscape, Management has assessed the impact it is having on Adyen business. Many countries around the world, including those Adyen has a presence in, have been taking measures designated to limit the continued spread of COVID-19, including the closure of workplaces, restricting travel, prohibiting assembling, closing international borders and quarantining populated areas. Despite these restrictions, Adyen had business continuity protocols in place that allowed the Company to continue the day-to-day activities while adjusting to this new normal. By Q1 2020, Adyen staff were fully equipped to work remotely, and have been doing so without impact to the Company's payment processing ability. Moreover, Adyen did not cease its hiring or capital expenditure activities as the Company continued to invest in long-term growth.

Adyen's merchants operate across many sectors and geographies, and have been impacted in varying degrees by the pandemic. For example, online retail and digital goods volumes accelerated while travel and in-store volumes slowed down following lockdown restrictions. Due to Adyen's diverse merchant portfolio, net revenue growth continued in line with the prior year (refer to note 2.4). Moreover, EBITDA margin and net cash position improved, showing the overall resilience of the Adyen business model.

Management has assessed the impact of the COVID-19 pandemic on the realizability of assets that rely on future profitability, such as deferred tax asset positions. The diversified nature of Adyen's business model has allowed for continued net revenue and EBITDA growth throughout the year and contributed to consolidating a positive outlook for future profitability of the Company. As a result, recoverability of the deferred tax asset and valuation of our other assets remains unchanged. During 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.

1.1 Consolidation

Accounting policy – Consolidation

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which Adyen acquires control and they are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated.

Adyen N.V. directly or indirectly owns 100% of the shares of, and therefore controls all entities included in these consolidated financial statements (refer to note 32 for a full list of entities included in scope of consolidation of these financial statements).

Adyen has offices in the Netherlands, Brazil, Singapore, United Kingdom, Canada, Australia, South Korea, Hong Kong, Mexico, China, New Zealand, Malaysia, India, Japan, Poland, United Arab Emirates, and the United States, with branches in Germany, France, and Sweden and representative offices in Belgium, Italy and Spain. The address of Adyen's N.V. registered office is Simon Carmiggeltstraat 6-50, 1011 DJ Amsterdam, the Netherlands.

1.2. Significant accounting policies, estimates and judgements and new and amended standards Adopted by the Group

The table below provides an overview of what the significant and new accounting policies are and where they are included in these financial statements. It further provides an overview of how accounting policies together with significant accounting estimates and judgements are connected throughout the notes to these financial statements.

In the 2020 financial statements, Adyen adopted amendments issued and made effective from January 1, 2020. Adyen has assessed that the implementation had no impact on its current accounting policies. Details of the overall impact assessment of the first-time application on January 1, 2020 of new amendments is disclosed in note 20.1 'New standards adopted by Adyen'.

For the assessment whether a disclosure is relevant to users of these financial statements the following was considered: the amount in question is significant in size and/or nature, importance for understanding the results of Adyen or explaining the impact of significant changes in Adyen's business and whether judgement is involved.

	Accounting Policies	Significant Accounting Estimates or Judgments									
What it is	Accounting policies considered relevant for understanding the financial statements, or required to be disclosed by law or IFRS	These 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									
Where	Provided per note to the financial statements. The notes are organized into the following sections: <table> <tr> <td> <u>Key disclosures:</u> provide a breakdown of individual line items in the financial statements that users of the financial statements consider most relevant; </td><td> 2. Revenue and segment reporting 3. Inventories 4. Employee benefit expense (including share-based payments) 5. Other operating expenses 6. Other financial results 7. Income tax </td><td> 2. Revenue - Principal versus agent for revenue out of settlement fees 7. Income tax - Recognition of deferred taxes related to share-based compensation </td></tr> <tr> <td> <u>Capital, investment and financial risk management:</u> key information relating to Adyen's capital management, explanations regarding financial instruments and financial risk management; </td><td> 8. Capital management 9. CRR / CRD IV Regulatory Capital 10. Cash and cash equivalents 11. Financial instruments 12. Financial risk management </td><td> 11. Financial instruments - fair value accounting of financial liabilities </td></tr> <tr> <td> <u>Other:</u> information on items required to be disclosed to be compliant with EU-IFRS and other legal requirements. </td><td>Notes 13 - 41</td><td></td></tr> </table>	<u>Key disclosures:</u> provide a breakdown of individual line items in the financial statements that users of the financial statements consider most relevant;	2. Revenue and segment reporting 3. Inventories 4. Employee benefit expense (including share-based payments) 5. Other operating expenses 6. Other financial results 7. Income tax	2. Revenue - Principal versus agent for revenue out of settlement fees 7. Income tax - Recognition of deferred taxes related to share-based compensation	<u>Capital, investment and financial risk management:</u> key information relating to Adyen's capital management, explanations regarding financial instruments and financial risk management;	8. Capital management 9. CRR / CRD IV Regulatory Capital 10. Cash and cash equivalents 11. Financial instruments 12. Financial risk management	11. Financial instruments - fair value accounting of financial liabilities	<u>Other:</u> information on items required to be disclosed to be compliant with EU-IFRS and other legal requirements.	Notes 13 - 41		
<u>Key disclosures:</u> provide a breakdown of individual line items in the financial statements that users of the financial statements consider most relevant;	2. Revenue and segment reporting 3. Inventories 4. Employee benefit expense (including share-based payments) 5. Other operating expenses 6. Other financial results 7. Income tax	2. Revenue - Principal versus agent for revenue out of settlement fees 7. Income tax - Recognition of deferred taxes related to share-based compensation									
<u>Capital, investment and financial risk management:</u> key information relating to Adyen's capital management, explanations regarding financial instruments and financial risk management;	8. Capital management 9. CRR / CRD IV Regulatory Capital 10. Cash and cash equivalents 11. Financial instruments 12. Financial risk management	11. Financial instruments - fair value accounting of financial liabilities									
<u>Other:</u> information on items required to be disclosed to be compliant with EU-IFRS and other legal requirements.	Notes 13 - 41										

1.3. Correction of prior year error

During 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" have been understated which overall led to understatement of net revenue and equity.

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

1.3.1. Adjustment to the 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

1.3.2. Adjustment to the consolidated statement of comprehensive income (extract)

	31/12/19 (Previously Reported)	Adjustment	31/12/19 (Restated)
Costs incurred from financial institutions	(2,143,548)	37,619	(2,105,929)
Net revenue	496,681	37,619	534,300
Income before income taxes	257,258	37,619	294,877
Income taxes	(53,219)	(7,374)	(60,593)
Net income for the year	204,039	30,245	234,284
Earnings per share (in EUR)			
- Net profit per share - Basic	6.86	1.02	7.88
- Net profit per share - Diluted	6.68	0.99	7.67

Key Disclosures

In relation to our strategy, as outlined in the Directors report, Adyen's management considers the following disclosures as key in understanding its financial performance or position.

2. Revenue and segment reporting

The Adyen platform integrates the full payments stack (gateway, risk management, processing, acquiring and settlement) with a common back-end infrastructure for authorizing. 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.

Accounting policy – Revenue from contracts with customers

Adyen has the following sources of revenue from contracts with customers:

(I) Settlement fees: Fees paid by merchants, usually as percentage of the transaction value, where Adyen offers acquiring services. These fees are recognized as revenue when a payment transaction has been completed by means of settlement with a merchant. Settlement fees include interchange and payment network fees and other costs incurred from financial institutions. Adyen adopts a transparent pricing model and charges fees to merchants based on its own incurred costs plus a mark-up for its acquiring services, as contractually agreed between each merchant and Adyen.

(II) Processing fees: Fixed fee per transaction paid by merchants for the use of Adyen's platform and recognized as revenue when transaction is initiated via the Adyen payment platform.

(III) Sales of goods: Adyen satisfies the performance obligations to deliver the ownership of the POS terminals and related accessories upon transfer of control of the terminal to the merchant. Adyen considers this performance obligation to be distinct from its payment services. As a result, the revenues for the sale of POS terminals and related accessories are recognized at that point in time.

(IV) Other services: Foreign exchange service fees and third party commission which are deemed other services, are recognized at point in time. Services transferred over time relate to the amortization of deferred revenue for services provided as part of the merchant contract (note 2.1) and terminal services fees as part of the unified commerce offering.

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

Types of goods or service	2020	2019 Restated
Settlement fees	3,293,512	2,372,579
Processing fees	217,208	176,140
Sales of goods	19,353	14,653
Other services	111,316	93,402
Total revenue from contracts with customers	3,641,389	2,656,774
Costs incurred from financial institutions	(2,935,182)	(2,105,929)
Costs of goods sold	(22,007)	(16,545)
Net revenue	684,200	534,300

Net revenue

Adyen's total revenue contains scheme fees, interchange and mark-up for which Adyen acts as a principal. The Management Board however, monitors net revenue (net of interchange and scheme fees (costs incurred from financial institutions), and costs of goods sold) as a performance indicator. Adyen considers net revenue to provide additional insight, together with total revenue, 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 note 2.4 for further explanation on the non-IFRS measures reported by Adyen).

Key Judgement – Principal versus Agent for revenue out of settlement fees

Adyen contracts with third parties (financial institutions and network scheme providers) that provide services to enable Adyen's payment processing and acquiring services to merchants, for which interchange and payment network fees are charged to Adyen. Adyen adopts a transparent pricing model and charges fees to merchants based on its own incurred costs plus a mark-up.

Adyen applied its judgment in determining whether it has control of the full payment service before the service is transferred to its merchants, and, in consequence, whether the Company is acting as agent or principal in relation to the settlement fees charged to merchants.

Adyen is primarily responsible for fulfilling the promise to provide payment transaction services. Although Adyen contracts with third parties to facilitate the interchange of funds between the issuer and merchant, Adyen is ultimately responsible for ensuring that the services are performed and are acceptable to the merchant. Adyen integrates the elements provided by third parties and its own services, in order to execute payment transactions, and Adyen is responsible for its contractual terms with merchants. Adyen is thus considered to control the full payment service before the service is transferred to merchants.

Settlement fees – Adyen is the principal

For all payment processing services Adyen provides to the merchants, it retains the exposure to financial institutions and payment networks for the interchange and payment network fees, other costs incurred from financial institutions as well as a mark-up charged by Adyen. As such Adyen concluded it acts as Principal for the aforementioned fees and as such are recognized based on this conclusion.

Accounting policy – Revenue recognized at a point in time and over time

All processing and settlement fees, together with the sales of goods are recognized as revenue when the services are rendered or the ownership of the goods is transferred ('goods and services transferred at a point in time'). In addition to the aforementioned revenue streams, Adyen provides terminal replacement services included in 'other services', for which revenue is recognized over a period of time. Adyen recognizes revenue for these services on a straight-line basis over the contract term.

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

Timing of revenue recognition	2020	2019
Goods and services transferred at a point in time	3,634,151	2,650,160
Services transferred over time	7,238	6,614
Total revenue from contracts with customers	3,641,389	2,656,774

2.1. Long-term merchant contract

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. The following accounting elements were recognized as a result of the contractual agreements.

Element	Accounting treatment	Note reference
Contract assets	Contract assets are initially recognized at cost on the balance sheet, and subsequently amortized against revenue (settlement fees) in profit or loss on a pro rata basis in line with the fulfilment of the expected payment services performance obligation. The contract assets are separated into a monetary and non-monetary component and are assessed for impairment annually with reference to the remaining (net) benefits from the long-term merchant contract. The USD "monetary item" is translated at each balance sheet date at the EUR/USD spot rate and is assessed for impairment under the expected credit loss model. Exchange movements on the "monetary item" is recognized in profit or loss (other financial results).	2.2. Contract assets
Settled by:		
1. Cash advance	Cash consideration is treated as part of incremental costs of obtaining the merchant contract ('contract assets').	2.2. Contract assets
2. Warrants	Derivative liabilities relating to the warrants are 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 and 2019, none of the four warrant tranches related to the derivative liabilities vested. 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.	8. Derivative liabilities and Warrant reserve; 11. Accounting policy - Derivative liabilities.

2.2. Contract assets

Accounting policy – Contract assets

Recognition and measurement

If a fee or commission (a consideration) is not paid in connection with any distinct goods or services, it should be considered part of the total transaction price of a contract with a customer. As a result, this fee or commission should be deducted from revenue when revenue is recognized for providing the services to the customer. These considerations are recognized as contract assets in the balance sheet.

Amortization and Impairment

The contract assets are assessed for impairment annually with reference to the remaining (net) benefits from the long-term merchant contract. An impairment loss is recognized if the carrying amount of the contract assets are higher than the estimated remaining benefits in the merchant contract, net of directly attributable costs to fulfil the remaining payment service obligations. The contract assets are amortized and booked to revenue (settlement fees) on a pro rata basis in line with the fulfilment of the expected payment services performance obligation.

For the monetary component of the contract asset, Adyen applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other financial assets measured at amortized cost and the contract asset.

The contract assets were assessed for impairment at year-end with reference to the remaining (net) benefits from the long-term merchant contract. Management derived its best estimate of the future (net) revenue from expected payments volumes and fees determined in the merchant contract, net of directly attributable costs to fulfil the remaining payment service obligations. 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.

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

Contract assets	Monetary component	Non-monetary component	Total contract assets
Balance - January 1, 2019	61,306	79,485	140,791
Movements:			
Amortization for the period	(1,561)	(572)	(2,133)
Exchange differences	1,342	-	1,342
Balance - December 31, 2019	61,087	78,913	140,000
Movements			
Amortization for the period	(8,184)	(2,457)	(10,641)
Exchange differences (note 6)	(5,246)	-	(5,246)
Balance - December 31, 2020	47,657	76,456	124,113

2.3. Segment reporting

Accounting policy – Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it earns revenues and incurs expenses. The operating results of each segment are regularly reviewed by the entity's Chief Operating Decision Maker ("CODM") in order to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Adyen has identified the Management Board as the CODM who is responsible for the assessment of the allocation of resources and performance of the operating segments identified. Based on Adyen's business and operating model, Adyen has identified a single operating and reporting segment: 'Payment services'.

Payment services

The total revenue earned from Adyen's only operating and reporting segment contains settlement fees, processing fees, other fees and sales of goods. The Management Board monitors net revenue (net of interchange, scheme fees and costs of goods sold) as a performance indicator. As a result, Adyen considers net revenue to provide 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 note 2.4 for further explanation on the non-IFRS measures reported by Adyen).

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	2020	2019
Europe	1,629,384	1,445,069
North America	1,511,470	799,442
Asia-Pacific	263,678	205,457
Latin America	231,330	201,240
Rest of the World	5,527	5,566
Total revenue from contracts with customers	3,641,389	2,656,774

Large customers

For the year ended December 31, 2020, as measured by revenue, Adyen's top 10 merchants represent 38% of revenue (2019: 33%). In 2020 and 2019 there were no single customers that on an individual level accounted for more than 10% of the total revenue.

For the year ended December 31, 2020, as measured by net revenue, Adyen's top 10 merchants represent 20% of net revenue (2019 Restated: 25%). There were no customers with individually more than 10% of the total net revenue (2019 Restated: nil).

Non-current assets

At December 31, 2020 EUR 301 million of the non-current assets were carried by Adyen N.V. (2019: EUR 254 million). Based on the location of the Adyen offices the following geographical breakdown of non-current assets is prepared.

Non-current assets - Geographical breakdown	2020	2019
Netherlands	300,939	254,330
Rest of the World	120,438	98,945
Non-current assets	421,377	353,275

2.4. 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 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 consolidated 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 following table summarizes Adyen's geographical breakdown and the year-on-year growth of its net revenue, based on the billing location as requested by the merchant for the periods indicated:

Net revenue - Geographical breakdown and year-on-year growth	2020		2019 Restated	
Europe	424,878	22%	347,632	42%
North America	132,959	66%	80,250	51%
Asia-Pacific	64,950	29%	50,179	36%
Latin America	60,082	11%	54,225	46%
Rest of the World	1,331	-34%	2,014	41%
Total net revenue	684,200	28%	534,300	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;
- **Free cash flow conversion ratio:** free cash flow as a percentage of EBITDA.

Selected non-IFRS financial measures	2020	2019 Restated
Income before net finance income/(expense) and income taxes	373,913	294,616
Amortization and depreciation	28,567	22,326
EBITDA	402,480	316,942
Net revenue	684,200	534,300
EBITDA margin (%)	59%	59%
Purchases of plant and equipment	17,097	15,186
Capitalization of intangible assets	4,795	4,773
CapEx	21,892	19,959
EBITDA	402,480	316,942
CapEx	(21,892)	(19,959)
Lease payments	(9,439)	(9,932)*
Free cash flow	371,149	287,051
Free cash flow	371,149	287,051
EBITDA	402,480	316,942
Free cash flow conversion ratio (%)	92%	91%

*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 9,932.

3. Inventories

Inventories relate to the point of sale (POS) terminals in connection with the roll out of the Unified Commerce strategy.

Accounting policy – Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the first-in, first-out method (FIFO) and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realizable value is defined by Adyen as the estimated re-sell price in the ordinary course of business.

The carrying amount of inventories is recognized as an expense when the inventories are sold or written off, unless they form part of the cost of another asset.

Inventories	2020	2019
Balance - January 1	7,020	7,864
Purchases during the year (products for resale)	35,086	16,221
Costs of goods sold	(22,007)	(16,545)
Expense recognized in other operating expenses	(551)	(520)
Balance - December 31	19,548	7,020

During 2020, Adyen performed an impairment test on inventories and determined that the net realizable value of part of its inventories was lower than its cost due to technological obsolescence of older POS equipment. Therefore, a write-off of EUR 551 (2019: EUR 520) was recognized under miscellaneous operating expenses.

4. Employee benefit expense

The average number of fulltime equivalents (FTE) during the year was approximately 1,465 FTE (2019: 1,028 FTE) with main expansions of our operations in the EU and US. From those hired during 2020, 42% were in tech roles, 43% in commercial roles and 15% in staff or supporting functions.

At the end of the reporting period the regional breakdown of FTE per office is as follows:

FTE per office	2020	2019
Amsterdam	1,011	660
San Francisco	179	126
Singapore	96	78
London	84	63
São Paulo	72	56
New York	53	41
Paris	43	33
Berlin	36	32
Other	173	93
Total	1,747	1,182

For representation of the FTE per subsidiary, refer to note 24.2.

4.1. Employee benefits

Accounting policy – Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees or for the termination of employment, except when they are related to share based payments (refer to note 4.3).

The employee benefit expense can be specified as follows:

Employee benefits	2020	2019
Salaries and wages	141,355	96,977
Share-based compensation	10,085	3,473
Total wages and salaries	151,440	100,450
Social securities	24,792	19,520
Pension costs - defined contribution plans	3,782	2,477
Total social securities and pension costs	28,574	21,997

Reference is made to note 22 'Compensation of key management' for the remuneration of the Management Board and Supervisory Board.

4.2. Post-employment benefit obligations

Accounting policy – Post-employment benefit obligations

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

The Adyen group companies operate various pension schemes. The entitlement of the employees under the company's pension plans are all classified as defined contribution plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

The expected contributions to the pension benefit plans for 2021 are EUR 4,950 (2019: EUR 3,688).

4.3. Share-based payments

The share-based compensation consists of both equity- and cash-settled compensation expenses. A specification of the expenses is presented in the following table:

Share-based compensation	2020	2019
Equity-settled	922	2,020
Cash-settled	9,163	1,453
Total	10,085	3,473

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 compensation:

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

These plans are described in more detail below:

- I. Equity-settled option plan

Accounting policy – Equity-settled options

Adyen has an option plan for directors and employees. Exercisable options provided participants the opportunity to exchange Depositary Receipts at an exercise price. The exercise price of the granted options is equal to the market price of the shares at grant date. Subject to the employee and directors' continued employment with Adyen, options will vest over a period of four years. The vesting period starts on the grant date. Subject to the employees' continued employment with Adyen N.V., 25% of the options will vest on the first anniversary of the grant date. The remaining 75% of the options will then vest monthly, in equal proportions at the end of each month, over the following 36 months. Options can be exercised at any time from the vesting date until the 8th anniversary of the grant date. Adyen has no legal or constructive obligation to repurchase or settle the options in cash.

The maximum aggregate number of Depositary Receipts in respect to which options shall be granted is 1,312,500¹. Of the outstanding options, 136,445 options (2019: 270,700) are exercisable. The exercise price of share options outstanding at year end ranges from EUR 11 to EUR 106 (2019: EUR 11 to EUR 106). No options were granted during the year ended December 31, 2020 (2019: nil). The fair value of options granted was determined using the Black-Scholes valuation model as at each grant date. At December 31, 2020, the weighted average grant date fair value is equal to EUR 65.42 (2019: EUR 65.42) and the weighted average remaining expected option life is 0.78 years (2019: 1.12 years).

¹ Amounts in this paragraph are not rounded to the nearest thousand.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

Share options outstanding	2020		2019	
	Weighted average exercise price (in EUR) per share option	Number of options (thousands)	Weighted average exercise price (in EUR) per share option	Number of options (thousands)
At January 1	30.48	655	35.96	1,170
Forfeited	82.77	(17)	89.72	(8)
Exercised	38.62	(294)	29.76	(507)
At December 31	39.20	344	30.48	655

II. Cash-settled share-based payment plan

Accounting policy – Cash-settled share-based payment plan

Adyen has established a phantom share plan (cash-settled share-based payment plan) for newly hired directors and employees. The phantom shares are granted at the underlying market price of Adyen shares at grant date. Subject to the employee's continued employment with Adyen N.V., the phantom shares will vest over a period of four years from the grant date. 25% of the phantom shares will vest on the first anniversary of the grant date. The remaining 75% of the phantom shares will then vest yearly (25%) until all are vested after four years.

Adyen recognizes a cost over the vesting period and a corresponding liability based on the market price of Adyen's shares. The liability is measured at fair value through profit or loss using the market price of Adyen's shares at balance sheet date with remeasurements on each reporting date. Changes in the fair value are recognized as "share-based compensation".

The expense reflecting the recognition of the grant date fair value and changes in fair value of the phantom share plan is presented as wages and salaries in the statement of comprehensive income.

In 2020 a total of 7,707² phantom shares (2019: 5,083) were granted. The share price at December 31, 2020 is EUR 1,905 per phantom share. The fair value of the liability recognized resulting from the phantom shares is EUR 8,227 (2019: EUR 1,197).

² Amounts in this paragraph are not rounded to the nearest thousand.

5. Other operating expenses

Accounting policy – Operating expenses

Operating expenses are recognized in the period when they occur.

The other operating expenses can be specified as follows:

Other operating expenses	2020	2019
Sales and marketing costs	39,612	32,276
Advisory costs	15,891	12,738
IT costs	14,024	11,662
Travel and other staff expenses	7,644	21,657
Contractor costs	5,978	2,049
Office costs	2,988	3,123
Housing costs	3,170	2,716
Miscellaneous operating expenses	12,582	8,892
Total other operating expenses	101,889	95,113

6. Other financial results

The other financial results can be broken down in the following categories:

Other financial results	2020	2019
Exchange gains/(losses) (note 6.1)	(11,066)	2,850
Fair value re-measurement of financial instruments:		
Derivative liabilities (note 6.2)	(32,600)	(12,000)
Other financial assets at fair value through profit or loss (note 6.3)	1,005	13,710
Total other financial results	(42,661)	4,560

6.1. Exchange gains/(losses)

The exchange losses recognized during the year relates to realized and unrealized translation losses on monetary assets and liabilities. Exchange losses in 2020 mainly relate to the contract assets (EUR 5,246 – refer to note 2.2 'Contract assets'), other financial assets at FVPL (EUR 1,064 – refer to note 6.3 'Other financial assets at fair value through profit or loss'), and other financial assets at amortized cost (EUR 1,006 – refer to note 11 'Financial instruments').

Accounting policy – Functional currency and foreign currency translation

The functional currency of Adyen N.V. is the Euro as the Euro area is the primary economic environment in which Adyen operates. The financial statements of entities that have a functional currency different from that of Adyen N.V. ("foreign operations") are translated into Euros as follows:

- Assets, equity and liabilities – at the closing rate at the date of the statement of financial position;
- Income and expenses – at the average rate of the period (as this is considered a reasonable approximation of the actual rates prevailing at the transaction dates).

Foreign currency differences are recognized in other comprehensive income and are presented within equity in the legal reserves.

Monetary items

Monetary items are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency. Monetary assets and liabilities denominated in foreign currencies are retranslated into Adyen's functional currency at the rates prevailing on the balance sheet date. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income within "other financial results".

Non-monetary items

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value through profit or loss and are retranslated at the date that the fair value is determined.

6.2. Derivative liabilities

As part of the merchant contract referred to in note 2.1 'Long-term merchant contract', Adyen recognized derivative liabilities measured at fair value through profit or loss. The nature of the derivative liabilities is described in more detail in note 11 'Financial instruments'. For 2020, EUR 32,600 (2019: EUR 12,000) is recognized in "other financial results" due to the re-measurement of the fair value of the derivative liabilities. The change in fair value of the derivative liabilities is mainly linked to the Adyen share price increase over the year as well as a change in the estimate of the probability of vesting.

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

Adyen has classified and measured the convertible preferred Visa Inc. shares as a financial instrument at fair value through profit or loss. For 2020, the effect on other financial results is a loss of EUR 59 relating to an exchange loss of EUR 1,064 and fair value gain of EUR 1,005 (2019: net gain of EUR 13,710). Refer to note 11 'Financial instruments' for more detail on the other financial assets at FVPL.

7. Income tax

7.1. Income tax expense

Accounting policy – Current income tax expense

Current income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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 ("ETR") of Adyen for the year ended December 31, 2020 is 19.23% (2019 Restated: 20.55%) 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 year ended December 31, 2020, mainly due to the application of the innovation box regime. Further detail on the innovation box, Adyen's total tax contribution and country-by country reporting are included in note 24.

Effective tax calculation	2020	2019 Restated
Income before income taxes	323,180	294,877
Statutory tax rate in the Netherlands (%)	25%	25%
<i>Income taxes based on statutory tax rate in the Netherlands</i>	<i>80,795</i>	<i>73,719</i>
<i>Tax effects of:</i>		
Innovation box	(18,381)	(13,029)
Change in tax rate	2,150	(602)
Tax rate differences on foreign operations	(497)	(374)
Other adjustments (such as prior year and non-deductible amounts)	(1,906)	879
Effective tax amount	62,161	60,593

The breakdown between current and deferred income taxes for the year ended December 31, 2020 and 2019 is disclosed below:

Income taxes	2020	2019 Restated
Current income tax expense	69,915	61,305
Deferred income tax income	(7,754)	(712)
Total income taxes	62,161	60,593

The breakdown between current income tax receivables and payables as at December 31, 2020 and 2019 is disclosed below:

Current income tax receivables/(payables)	2020	2019 Restated
Current income tax receivables	8,794	-
Current income tax payables	(16,108)	(19,601)

7.2. Deferred income taxes

Accounting policy – Deferred income taxes

Deferred income taxes arise, in general, as a result of temporary differences between tax and commercial accounting treatment. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liabilities is settled. The applied rates are based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

In some tax jurisdictions, Adyen is granted a tax deduction (i.e. an amount that is deductible in determining taxable profit) that relates to remuneration settled by options over Adyen's shares. The amount of that tax deduction may differ from the related cumulative remuneration expense, and may arise in a later accounting period. In the event where tax deductions exceed the remuneration expense, Adyen recognizes a deferred tax position with the impact presented directly in equity.

Deferred tax assets are recognized by Adyen to the extent that it is probable that future taxable profits will be available against which they can be utilised.

In connection with the long-term contract with eBay (refer to note 2.1 'Long-term merchant contract'), Adyen has recognised derivative liabilities and contract assets. The deferred tax positions on these items are in-substance linked in relation to the merchant contract, and are presented on a gross basis in the balance sheet.

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 statutory 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 consolidated statement of comprehensive income.

The below movement schedule includes the changes in deferred taxes with the respective impact in equity and profit or loss:

	Balance January 1, 2019	Recognized in profit or loss	Recognized in equity	Effects of foreign exchange	Balance December 31, 2019
<i>Deferred tax assets:</i>					
Derivative liabilities	4,879	2,890			7,769
Windfall tax benefit	1,153		32,029	(72)	33,110
Tax losses carried forward	553		28,615	(5)	29,163
Temporary differences	1,712	357		(478)	1,591
Total deferred tax assets	8,297	3,247	60,644	(555)	71,633
<i>Deferred tax liabilities:</i>					
Other financial assets at FVPL	(7,594)	(1,973)			(9,567)
Contract assets	(16,020)	(299)			(16,319)
Temporary differences	(163)	(263)		98	(328)
Total deferred tax liabilities	(23,777)	(2,535)	-	98	(26,214)
Net deferred tax assets / (liabilities)	(15,480)	712	60,644	(457)	45,419

	Balance January 1, 2020	Recognized in profit or loss	Recognized in equity	Effects of foreign exchange	Balance December 31, 2020
<i>Deferred tax assets:</i>					
Derivative liabilities	7,769	9,331			17,100
Windfall tax benefit	33,110		10,521	303	43,934
Tax losses carried forward	29,163	547	21,638	(8,263)	43,085
Temporary differences	1,591	627			2,218
Total deferred tax assets	71,633	10,505	32,159	(7,960)	106,337
<i>Deferred tax liabilities:</i>					
Other financial assets at FVPL	(9,567)	(1)	5,041		(4,527)
Contract assets	(16,319)	(2,795)			(19,114)
Temporary differences	(328)	45			(283)
Total deferred tax liabilities	(26,214)	(2,751)	5,041	-	(23,924)
Net deferred tax assets	45,419	7,754	37,200	(7,960)	82,413

I. Deferred tax assets

As part of the deferred tax assets recognized during the year, an amount of EUR 43,085 (2019: EUR 29,163) relates to net operating losses carried forward. The increase in this balance relates primarily to share-based compensation excess deduction (windfall benefit) taken in the United States, explained in more detail later in this section. Further, EUR 17,100 (2019: EUR 7,769) of the deferred tax assets relates to the recognized derivative liabilities.

Significant accounting estimate: Deferred tax asset linked to windfall benefits

During 2020, Adyen has reassessed the recoverability of deferred tax asset on windfall benefits linked to the share-based compensation plan in the United States. As carryforward losses have no expiration date, Adyen continues to recognize a deferred tax asset that will be realized against future profits, on a going concern basis. The balance of deferred tax position relating to options exercised in 2020 and previous years is EUR 41,806 (2019: EUR 28,380). Moreover, Adyen has recognized a deferred tax asset in the amount of EUR 40,463 (2019: EUR 31,739) relating to future tax deductions on vested options, not yet exercised. This windfall benefit, has been recognized assuming all options granted to date will be exercised within the 8th anniversary of the grant date (grant date + 7 years). 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. An amount of EUR 12,659 (EUR 8,056) related to deferred State taxes was not recognised as of December 31, 2020, due to its finite carrying period and uncertainty around the recoverability of the asset.

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 carryforward losses related to the share-based compensation excess deduction was recognized directly in equity in the amount of EUR 32,159 (2019: EUR 60,119).

Management has assessed the impact of the COVID-19 pandemic on the realizability of the deferred tax assets as it relies on future profitability. Based on the continued net revenue and EBITDA growth throughout the year, as well as

the positive outlook of future profitability of the Company, the deferred tax assets shown on the balance sheet were considered to be fully recoverable.

II. *Deferred tax liability*

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

The deferred tax assets and liabilities are presented as non-current on the Adyen balance sheet.

8. 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.

Accounting policy – Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

In 2020, 295,289³ (2019: 507,056) additional shares were issued. The additional issued shares were a result of exercises of options granted to employees. The paid up and called share capital increased to EUR 303,562 (2019: EUR 300,609) resulting in a total of 30,356,236 (2019: 30,060,947) ordinary shares (nominal value EUR 0.01 per share). In 2020, the total number of authorized shares was 80,000,000 (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 (in accordance with regulatory capital requirements). 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) – refer to company statement of changes in equity.

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

Derivative liabilities and Warrant reserve

In relation to the warrants granted to eBay (refer to note 2.1 'Long-term merchant contract'), Adyen has classified the first two tranches as an equity instrument within 'warrant reserve' for the amount of EUR 53,401, net of EUR 14,799 deferred tax assets (2019: EUR 53,401, net of EUR 14,799 deferred tax assets). The derivative liabilities relating to the first two tranches was measured at fair value through profit or loss before being de-recognized and reclassified to equity. Equity instruments are not subsequently remeasured to fair value.

The remaining derivative liabilities relating to tranches 3 and 4 are measured at fair value with a closing balance of EUR 68,400 as per end of December 2020 (2019: 35,800). Fair value movements are presented within 'other financial results' in profit or loss. Reference is made to note 11 'Financial Instruments' for further details on the accounting treatment of the derivative liabilities.

³ Amounts in this paragraph are not rounded to the nearest EUR thousand.

9.CRR/CRD IV Regulatory Capital

The following table displays the composition 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.

Own funds	2020	2019 Restated
EU-IFRS Equity as reported in consolidated balance sheet	1,218,134	918,334
Net profit not included in CET1 Capital (not yet eligible)	(261,019)	(234,284)
Regulatory adjustments:		
Warrant reserve	(53,401)	(53,401)
Intangible assets	(9,970)	(7,640)
Deferred tax asset that rely on future profitability	(93,788)	(61,725)
Prudent valuation	(89)	(80)
Total own funds	799,867	561,204

10. Cash and cash equivalents

Accounting policy – Cash and cash equivalents

Adyen's cash and cash equivalents are measured at amortized cost and are included in current assets due to their short-term nature.

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Adyen presents interest paid/received and dividends received as operating cash flows. Due to the short duration of the cash and cash equivalents (less than 3 months), the fair value approximates the carrying value.

As per December 31, 2020, EUR 1,479,313 (2019: EUR 1,005,265) represents cash held at central banks. During the year ended December 31, 2020, the cash held at central banks incurred negative interest in the amount of EUR 4,863 (2019: EUR 2,428). Had the interest rate at central banks been 0.1% higher/(lower), the interest incurred on cash held at central banks would decrease/(increase) by 1,479 (2019: 1,005).

Adyen cash which is surplus to regulatory requirements, operational needs and which is not held at central banks is invested in interest bearing short-term deposits with financial institutions and is exposed to credit risk with these counterparties. Adyen actively manages concentration risk and it is Adyen's policy that all commercial banks where cash and cash equivalents are held have a credit rating in the A categories of Moody's/S&P. No defaults occurred during the year and management does not expect any losses from non-performance by these counterparties.

11. Financial instruments

Accounting policy – Financial instruments

Classification

Adyen classifies its financial assets in the following measurement categories, those to be measured:

- subsequently at fair value through profit or loss ('FVPL'), and
- at amortized cost.

The classification depends on Adyen's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at FVPL, gains and losses are recorded in profit or loss.

Financial liabilities

Adyen initially classifies financial instruments as a liability or equity instrument based on the terms of the contractual arrangement, and subsequently reassesses the accounting treatment on changes in circumstances. The derivative liabilities are classified as financial liabilities measured at fair value through profit or loss (refer to note 2.1 'Long-term merchant contract'). The derivative liabilities may be derecognized and classified as equity instruments contingent on uncertain future events linked to milestones of processed payments volume with eBay.

Measurement

At initial recognition, Adyen measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on Adyen's business model for managing the asset and the cash flow characteristics of the asset. Adyen measures its debt instruments as follows:

- Amortized cost: Held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial assets and liabilities at fair value through profit or loss

- Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income ('FVOCI') are measured at FVPL. A gain or loss is subsequently measured at FVPL and gains or losses are recognized in profit or loss and presented net within other financial results for the period in which it arises.

Impairment

Adyen assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets, the group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the assets.

Accounting policy – Financial instruments (continued)

The Adyen Treasury policy only allows exposures to financial institutions with sound credit quality rating and limits the exposure to a maximum amount. As a result, Adyen applies the low credit risk simplification; hence all assets are considered to be in stage 1 and a 12-month expected credit loss is applied.

Lifetime expected credit losses are applied for trade and other receivables. For these instruments operational simplifications can be applied; hence it eliminates the need to calculate a 12-month expected credit losses or to measure increases in credit risk for the instrument. The loss allowance for trade receivables are measured at initial recognition, and throughout the total duration, equal to lifetime expected credit losses.

As the average duration of the instruments in scope for impairment calculation is below 10 days, no forward-looking elements are included in the expected credit loss assessment.

In the event of no reasonable expectation of recovering the financial asset, the Adyen Credit Committee decides on whether a write-off should take place for the entirety or portion of the outstanding amount.

Fair value measurement

For financial instruments measured at fair value, Adyen categorizes the fair value measurement in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Adyen categorizes fair valuation inputs on the following basis:

- Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.
- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The financial instruments as at each balance sheet date are summarized in the table below. For those measured at fair value, to provide an indication about the reliability of the inputs used in determining fair value, Adyen has classified its financial instruments into the levels described in the accounting policies above. All other financial instruments on the balance sheet meet the requirements of the contractual cash flow and characteristics test to be measured at amortized cost. Furthermore, the classification is based on the business model test. As a result, the classification is consistent with how the business is managed and is in line with risk management strategies and how this is reported to key management. Adyen's exposure to various risks associated with the financial instruments is discussed in note 12.

Financial instruments	Note	Measurement policy	2020	2019 Restated
<i>Financial assets:</i>				
Other financial assets at FVPL		FVPL – level 2	20,883	44,088
Contract assets – monetary component	2.2	Amortized cost	47,657	61,087
Receivables from merchants and financial institutions	15	Amortized cost	883,939	443,333
Trade and other receivables	15	Amortized cost	75,079	46,927
Other financial assets at amortized cost		Amortized cost	12,238	13,031
Cash and cash equivalents	10	Amortized cost	2,737,486	1,745,388
Total			3,777,282	2,353,854
<i>Financial liabilities:</i>				
Derivative liabilities		FVPL – level 2	68,400	35,800
Lease liability	17	Amortized cost	131,485	61,694
Payables to merchants and financial institutions	16	Amortized cost	2,588,863	1,459,226
Trade and other payables	16	Amortized cost	111,547	88,105
Total			2,900,295	1,644,825

Other financial assets at FVPL (Visa Inc. preferred shares)

Adyen has recognized and classified the convertible ('Series C') preferred Visa Inc. shares within the FVPL category. 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 current year, 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 23,145. 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 (2020: EUR 310; 2019: EUR 202).

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.

During the year ended December 31, 2020, Adyen recognized finance income of EUR 281 and exchange losses of EUR 1,006 relating to the bonds (2019: EUR 264 finance income and EUR 356 exchange gains, respectively).

Derivative liabilities

As part of the eBay contract previously mentioned (refer to note 2.1 'Long-term merchant contract'), Adyen recognized derivative liabilities measured at fair value through profit or loss, classified as a level 2 fair value instrument.

The derivative liabilities balance as per December 31, 2020 is EUR 68,400 (2019: EUR 35,800) are valued using a Black-Scholes 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 eBay. A sensitivity analysis to Adyen's share price is provided in note 12 'Financial risk management'.

The change in fair value of the derivative liabilities is mainly linked to the Adyen share price increase over the year as well as a change in estimate of the probability of vesting. Reference is made to note 6 'Other financial results' for the recognition of the movement of the derivative liabilities.

12. Financial risk management

Adyen's activities bring exposure to a variety of financial risks. Risk management is the responsibility of Adyen's management. Adyen applies a risk-aware but not overly risk-averse approach towards risk management. Adyen's Integral Risk Management Framework (IRMF), which is based on COSO's Enterprise Risk Management (ERM) model, defines a uniform and systematic approach for managing risks across Adyen. The main sources of financial risk to Adyen are considered in the table below:

Source of risk and risk description	Risk mitigation	Remaining risk
Liquidity risk		Minimal
Liquidity risk is the risk that Adyen could not meet its short-term payment obligations.	Adyen actively monitors its liquidity risk. However, the majority of the balance sheet, excluding merchant funds, for both assets and liabilities has a maturity date of less than three months on an undiscounted contractual basis. The remaining balances with a different maturity date (as mentioned specifically in the notes of these financial statements) are not considered material, including lease liabilities (refer to note 17). The balance sheet positions related to merchant fund flows are considered not to impose liquidity risk as these cash balances and related payables are interrelated from a liquidity perspective. For the majority of its merchants, Adyen only settles merchant payables after the cash is collected from the card schemes. Accelerated pay-out schedules for individual merchants are more than balanced by liquidity from merchants with default pay-out schedules and liquidity via settlement by payment methods. Adyen holds a liquidity buffer based on the Liquidity Coverage Ratio (LCR), accompanied by a survival period metric, to mitigate the residual risk. The survival period is determined by dividing the sum of cash and cash equivalents, receivables from and payables to merchants and financial institutions, by total operating expenses for the period. The survival period is set at a minimum of six months and Adyen's survival period as at December 31, 2020 is 40 months (2019: 37 months). Given the maturity of the assets and liabilities on balance sheet, as well as Adyen's liquidity buffer and survival period metric, the Company has sufficiently mitigated liquidity risk.	Due to the short-term character of Adyen's balance sheet, the remaining liquidity risk remains within Adyen's risk appetite.
Market risks		Minimal
<i>Foreign exchange risk</i>		
Adyen operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises on recognized assets and liabilities, principally trade and merchant flow related receivables and payables, and investments in foreign operations.	Management actively manages the foreign exchange risk resulting in limited exposure to foreign exchange risks. USD and GBP are the most significant non-functional currency exposures as at December 31, 2020 and 2019. The following table highlights the net exposure to these monetary item currencies as well as the impact on profit or loss resulting from a 10% shock (positive or negative) of the respective significant currency against the Euro. All short-term financial instruments have been excluded in this exposure given the quick settlement times, and hence, limited foreign exchange risk on these instruments.	The resulting overall impact of an immediate 10% shock on all currencies excluding USD and GBP remains within Adyen's risk appetite.

Currency	Net exposure	10% shock
December 31, 2019		
USD	EUR 114 million	EUR 11.4 million
GBP	EUR 4 million	EUR 0.4 million
December 31, 2020		
USD	EUR 77 million	EUR 7.7 million
GBP	EUR 4 million	EUR 0.4 million
The balance sheet positions related to merchant fund flows are not considered for the determination of foreign exchange risks. The merchant funds have a natural match in currencies between receivables and payables or a very short duration. This significantly reduces the foreign exchange risk.		
Adyen holds liquidity buffers in various currencies to ensure that it will be able to meet payment obligations to merchants, thereby mitigating liquidity risk arising from failed FX transactions.		

Interest rate risk

Interest rate risk on financial instruments could arise from adverse movements in underlying interest rates.

Interest rate risk arising from maturity and tenor mismatches in assets and liabilities is limited and therefore considered not to be material to Adyen, as some assets are interest bearing whereas all liabilities are non-interest-bearing.

Adyen is not financed with external debt, which could present interest rate risk. Although significant liabilities towards merchants are present, these liabilities are non-interest bearing and are settled at short notice.

The cash balances of Adyen are not significantly exposed to interest rate risk as this cash is used to settle the current liabilities towards the merchants at short notice. The nominal values of the bonds held-to-maturity are minimal compared to the total financial instruments on the Adyen balance sheet, are short-term in nature and are held-to-collect contractual cash flows leading to minimal interest rate risk.

As a result of the nature of the products on the Adyen balance sheet the remaining interest rate risk remains within Adyen's risk appetite.

Equity price risk

The risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

The Group's exposure to equity securities price risk arises from investment in Visa Inc. preferred shares, which are classified in the consolidated balance sheet as other financial assets at FVPL. The exposure consists of potential financial losses due to movements in the share price of Visa Inc.

Two tranches of the long-term merchant contract with eBay are classified in the balance sheet as derivative liabilities. The exposure is affected by share price movements of Adyen shares.

Adyen carried out a sensitivity analysis on the Visa Inc. preferred shares and derivative liabilities, respectively. A 5% increase (decrease) in the underlying Visa Inc. and Adyen share price would result in the following increase (decrease) in the balance sheet item and income before income taxes, all other circumstances considered equal:

The remaining equity price risk is considered limited as Adyen has no other equity instruments on its balance sheet.

Balance sheet item	Carrying amount	5% underlying share price movement
December 31, 2019		
Visa Inc. preferred shares	EUR 44 million	EUR 2 million
Derivative liabilities	EUR 36 million	EUR 2 million
December 31, 2020		
Visa Inc. preferred shares	EUR 21 million	EUR 1 million
Derivative liabilities	EUR 68 million	EUR 3 million

In addition, Adyen's Treasury policy does not allow purchasing additional equity positions (excluding treasury shares).

Credit risks

Minimal

Counterparty default risk

The counterparty default (credit) risk relates to receivables from financial institutions regarding settled payment transactions.

A default of financial institution counterparties could have a negative impact on Adyen's financial results.

Adyen cash which is surplus to regulatory requirements and operational needs is invested in interest bearing short-term deposits with financial institutions and is exposed to credit risk with these counterparties.

The credit risk exposure per financial institution is maximized to EUR 150 million or 25% of Adyen's eligible capital, whichever is the highest, provided that the financial institution has a credit rating in the A categories of Moody's/S&P or, if not available, its equivalent from other rating agencies. For financial institutions with lower credit ratings the credit risk per financial institution is maximized to EUR 75 million under business-as-usual conditions.

As per December 31, 2020, EUR 1,479,313 (2019: EUR 1,005,265) represents cash held at central banks, representing 54% of the cash and cash equivalents balance.

Excluding the cash held at central banks, Adyen's top 10 exposures are held at institutions with credit rating A or higher, representing 83% of the remaining balance of cash and cash equivalents, and receivables from merchants and financial institutions.

Adyen has exposure to various financial institutions globally. In order to mitigate the counterparty exposure to one of its partners in Brazil, Adyen has setup a collateral account in which Brazilian Government bonds were deposited by a partner financial institution. As per December 31, 2020 the total collateral was EUR 37,533 (BRL 239,091) (2019: EUR 51,685 (BRL 233,486)).

No defaults occurred during the year and management does not expect any losses from non-performance by these counterparties.

The remaining credit risk remains within Adyen's risk appetite.

Concentration risk

Risk of losses stemming from on- and off-balance sheet positions arising from concentrations in exposures to an issuer or a group of connected issuers.

Adyen actively manages concentration risk by distributing its cash over bank accounts at multiple banks. If needed cash can be held at accounts with central banks. Adyen continues to monitor its merchant funds flows at partner banks, and that are not settled through accounts held at the central bank, to ensure compliance with the large exposure limit.

The remaining credit risk remains within Adyen's risk appetite.

Other disclosures

13. Intangible assets

Adyen's intangible assets relate to expenses capitalized on the internal development of the Adyen's payment platform.

Accounting policy – Intangible assets

The intangible assets are stated at cost less accumulated amortization and include internally generated software with finite useful lives. These assets are capitalized and subsequently amortized on a straight-line basis in the statement of comprehensive income over the period with an estimated useful life of 5 years. Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The useful life is assessed on an annual basis.

Intangible assets	2020	2019
<i>Internally generated software</i>		
Cost	15,022	10,249
Accumulated amortization	(7,382)	(5,190)
Balance - January 1	7,640	5,059
Additions	4,795	4,773
Amortization for the year	(2,465)	(2,192)
Total as at December 31	9,970	7,640
Cost	19,817	15,022
Accumulated amortization	(9,847)	(7,382)
Total as at December 31	9,970	7,640

14. Plant and equipment

Accounting policy – Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation. Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred. The major categories of plant and equipment namely hardware equipment are assessed to have a useful life of 5 years. Plant and equipment are depreciated on a straight-line basis and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The useful life is assessed on an annual basis.

Plant and equipment	2020	2019
<i>Plant and equipment</i>		
Cost	55,587	40,414
Accumulated depreciation	(25,368)	(16,493)
Balance - January 1	30,219	23,921
Additions	17,097	15,186
Disposals	(38)	(377)
Depreciation for the year	(11,230)	(9,022)
Other changes (e.g. exchange differences)	(302)	511
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

The additions during the year mainly relate to hardware equipment such as laptops for employees and servers for data centers. Adyen did not recognize an impairment loss or reversal of impairment loss of plant and equipment during the year (2019: nil).

15. Trade, other receivables, and receivables from merchants and financial institutions

Accounting policy – Trade and other receivables

Trade receivables are amounts due from merchants for payment services performed. If collection is expected in less than one year they are classified as current assets. Trade and other receivables are classified at amortized cost, initially recognized at fair value and subsequently measured at amortized cost less impairments for expected credit losses. Due to the short duration of the receivables (average less than 3 months) the fair value approximates the carrying value.

15.1. Trade, other receivables, and receivables from merchants and financial institutions

Trade, other receivables, and receivables from merchants and financial institutions	2020	2019
Trade and other receivables	79,918	50,155
Less: Allowance for expected credit losses	(4,839)	(3,228)
Trade receivables - Net	75,079	46,927
Receivables from merchants and financial institutions	883,939	443,333
Total	959,018	490,260

Trade and other receivables

These receivables are held with merchants that have not been subtracted from settlement.

Receivables from merchants and financial Institutions	2020	2019
Receivables from financial institutions	833,657	406,714
Receivables from merchants	50,282	36,619
Balance – December 31	883,939	443,333

Receivables from financial institutions

Receivables from financial institutions include balances due from schemes and other financial institutions regarding transactions processed which will be settled within a short-term, as well as bank accounts which are controlled by Adyen but do not meet the definition of cash and cash equivalents and are therefore classified as receivables from financial institutions.

Receivables from merchants

As part of the accelerated Sales Day Payout product, Adyen settles a full sales day of transactions to merchants before the funds from financial institutions are fully received. Therefore, Adyen is entitled to a receivable from all merchants which have opted to use this form of settlement. The receivable relates to balances of merchants to be settled by schemes, with an average duration of less than 10 days. As at December 31, 2020, the receivables from Sales Day Payout have a balance of EUR 50,282 (2019: 36,619).

Adyen assesses, on a forward-looking basis, the expected credit losses and concluded the impact of expected credit losses on receivables from merchants is not significant.

15.2. Impairments of financial assets at amortized cost

Adyen uses a provision matrix when calculating the loss allowance on trade receivables. During the year Adyen added EUR 2,312 (2019: EUR 1,828) to 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. Adyen wrote off trade receivables balances for an amount of EUR 2,357 (2019: nil). Adyen did not reverse any impairment losses in 2019 and 2020.

No financial assets are past due except for trade receivables. As at December 31, 2020, trade receivables of EUR 15,383 (2019: EUR 22,653) were not past due, EUR 24,822 were past due (2019: EUR 27,502) of which EUR 9,409 is less than 3 months (2019: EUR 13,144) and EUR 2,357 impaired (2019: nil). The average duration of the overdue trade receivables is 3 months (2019: 3 months).

16. Trade, other payables, and payables to merchants and financial institutions

Accounting policy – Trade and other payables

Payables are obligations initially recognized at fair value and subsequently measured at amortized cost to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less. Due to the very short duration of the payables (average less than 3 months) the fair value approximates the carrying value.

Trade, other payables, and payables to merchants and financial institutions	2020	2019 Restated
Trade payables	8,308	9,458
Taxes and social security	42,482	43,709
Accrued employee benefits	31,390	18,959
Accrued liabilities and other debts	21,140	14,783
Cash-settled share-based payment plan	8,227	1,196
Trade and other payables	111,547	88,105
Payables to merchants and financial institutions	2,588,863	1,459,226
Total	2,700,410	1,547,331

The payables to merchants and financial institutions relate to interchange and scheme fees payable and do not constitute borrowings. The payables to merchants include the Merchant Potential Liability ('MPL') reserve as part of Adyen's MPL risk mitigation. When Adyen acts as an acquirer, it is liable to settle eligible chargebacks with card networks. To cover for this inherent risk, Adyen withholds funds from the payouts to merchants, estimated as the amount of transaction volume for which issuers could potentially submit a chargeback and Adyen has to take financial responsibility. These MPL reserves amounted to EUR 377,598 as per December 31, 2020 (2019: EUR 230,527).

Taxes and social security mainly relate to VAT payables and wage taxes relate to Adyen employees.

Adyen has recognized liabilities measured at fair value through profit or loss that are related to the cash-settled share-based payment plan (refer to note 4.3 'Share-based payments').

17. Leases

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

Accounting policy – Leases

Adyen assesses if a lease exists or a contract contains a lease at the contract inception date, concluding whether an asset is identifiable and Adyen has control to direct its use and all related economic benefits. A right-of-use asset and a lease liability are recognized at the lease commencement date, which can differ from contract inception date.

The lease liability is initially measured by bringing to present value all future lease payments, discounted by an incremental borrowing rate, in case no interest rate is available for the contract.

At initial recognition, the right-of-use-asset amounts to the initial lease liability. Right-of-use-assets are depreciated on a straight-line basis over the lease term and tested for impairment whenever events or changes in circumstances indicates that the carrying amount may not be recoverable. Interest on lease liability is recognized as an expense in the statement of comprehensive income.

Short-term (less than 12 months) and small value lease contracts are expensed in the statement of comprehensive income on a straight-line basis over the lease term.

The new building, which is located in the city center of Amsterdam, had its contract initiated on April 15, 2020, with a 15-year non-cancellable term and no extension period considered on initial recognition. Payments will take place on a monthly basis, starting February 2022; therefore, the total lease liability outstanding is disclosed as non-current.

Right-of-use assets	2020	2019
<i>Offices and data centers</i>		
Cost	70,849	62,625
Accumulated depreciation	(11,154)	-
Balance - January 1	59,695	62,625
Additions	81,308	8,712
Depreciation for the period	(14,872)	(11,112)
Other movements (e.g. exchange differences)	(1,803)	(530)
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	2020	2019
Balance - January 1	61,694	62,625
Additions	81,308	8,712
Lease instalments	(11,493)	(11,087)
Interest expense	2,054	1,155
Other movements (e.g. exchange differences)	(2,078)	289
Balance - December 31	131,485	61,694
Current portion	13,434	10,791
Non-current portion	118,051	50,903

During the year, short-term and small value leases expensed in other operating expenses amounted to EUR 1,080 (2019: 517).

As of December 31, the future minimum lease payments are as follows:

Minimum future lease payments	2020	2019
Within 1 year	11,126	11,815
Between 1 and 2 years	16,294	10,520
Between 2 and 3 years	15,141	8,848
Between 3 and 4 years	14,845	8,003
Between 4 and 5 years	14,412	7,687
Later than 5 years	74,841	18,926
Total	146,659	65,799

18. Other contingent assets, liabilities and commitments

Adyen has no contingent liabilities in respect to legal claims.

Adyen N.V. and Adyen International B.V. are a fiscal unity for 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 United States, 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 (2019: EUR 23,892). In addition, Adyen has an intra-day credit facility of EUR 307 million which is not used as at December 31, 2020 (2019: EUR 274 million).

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) (2019: EUR 51,685 (BRL 233,486)).

19. Related party transactions

During 2020, Adyen identified related party transactions that took place with Stichting Administratiekantoor Adyen (STAK), employees and Supervisory Directors. The transactions with employees and STAK are related to options exercised, and the transactions with Supervisory Board are related to remuneration for services rendered throughout the year (refer to note 22.2 'Remuneration Supervisory Board'). The outstanding balances as per December 31, 2020 and 2019 are:

Related party transactions	2020	2019
Supervisory Board	(52)	(97)
Employees (STAK)	20	18

The Management Board and Supervisory Board remuneration is disclosed in note 22 'Compensation of key management'.

There were no other transactions with related parties in 2020 (2019: nil).

20. New and amended standards adopted

20.1. New standards adopted by Adyen

Standards, amendments to published standards and interpretations (collectively, "amendments") that are applicable and effective.

Adyen has adopted the following 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 reference 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.

20.2. Amendments to existing standards that are applicable to the Company but not yet effective

Certain amendments have been published that are not mandatory for December 31, 2020 reporting period and have not been early adopted by the Company. The Company has assessed the amendments to become effective in 2021, and onwards, to have no material impact on its financial statements.

21. Audit fees

21.1. Fees to the auditor

The audit fees were expensed in the statement of comprehensive income during the reporting period.

The fees listed below relate to the procedures applied to Adyen and its consolidated group entities by accounting firms and external independent auditors as referred to in section 1(1) of the Audit Firms Supervision Act ("Wet toezicht accountantsorganisaties-Wta") as well as by the Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees relate to the audit of the 2020 financial statements, regardless of whether the work was performed during the financial year.

21.2. Summary of services rendered by the auditor, in addition to the audit of the financial statements

Our auditor, PwC Accountants, has rendered the following services to Adyen and its controlled entities during 2020 and 2019:

	2020			2019		
	PwC Accountants	Other PwC firms*	Total	PwC Accountants	Other PwC firms*	Total
Audit of financial statements	706	293	999	825	221	1,046
Other audit services	93	-	93	139	-	139
Tax services	-	-	-	-	7	7
Total	799	293	1,092	964	228	1,192

*Other PwC firms refer to PwC member firms outside of the Netherlands.

Other services than the Audit of the financial statements refer to services rendered outside of the European Union.

	2020	2019
Other audit services required by law or regulatory requirement		
Statutory audits of controlled entities	999	1,009
Audit of the regulatory returns to be submitted to the Dutch Central Bank	-	37
Other audit services		
Assurance engagement ISAE 3402 report	93	139
Tax services		
Tax compliance services	-	7
Total for the year	1,092	1,192

22. Compensation of key management

22.1. Remuneration Management Board

Adyen identifies the Management Board as the only key management personnel. The total remuneration received by the Management Board in 2020 amounted to EUR 3,547 (2019: EUR 3,065).

	2020	2019
Salaries and short-term employee benefits	3,253	2,774
Share-based payments	191	209
Post-employment benefits	103	82
Total	3,547	3,065

Variable remuneration

As of 2018 and in line with (i) the Act on Remuneration Policies in Financial Enterprises (Wet beloningsbeleid financiële ondernemingen), and (ii) the Guidelines on Remuneration Policies and Practices as formally adopted on December 10, 2010 by the Committee of European Banking Supervisors, Adyen does not award variable remuneration to the Managing Directors. As the application of such rules and principles may include an assessment and interpretation of the remuneration restrictions, it cannot be excluded that a competent supervisory authority takes a different view on the correct application thereof in specific cases (although there is currently no indication that a competent supervisory authority will take such position).

Pension⁴

As from January 2017, all Dutch members of the Management Board participate in the Collective Defined Contribution (CDC) pension plan, with respect to their salary up to EUR 110,111 gross per year for 2020 (2019: EUR 107,593). On behalf of each Managing Director, Adyen pays a contribution of 4% of the pensionable salary - being 12 times the monthly fixed salary plus holiday pay up to the fiscally allowed maximum minus a deductible - for the accrual of old age pension benefits as well as the administration costs. If and as far as fiscally allowed, each Managing Director has the possibility to make additional contributions in order to accrue additional pension capital.

Kamran Zaki participates in a 401k retirement plan in the United States, for which Adyen provides an employer match of up to 2%.

Insurance

All Managing Directors are insured under an insurance policy taken out by Adyen against damages resulting from their conduct when acting in their capacities as directors.

All Dutch Managing Directors are insured for the risk of death and disability, for which Adyen pays the insurance premiums.

⁴ Amounts in this paragraph are not rounded to the nearest EUR thousand.

Service and Severance Agreements

All Managing Directors have entered into a service agreement (Overeenkomst van Opdracht) with Adyen N.V. effective as of the date of the listing of Adyen, while Kamran Zaki is currently assigned to Adyen Inc. The terms and conditions of these service agreements have been aligned with the Dutch Corporate Governance Code. The service agreements will be entered into for a term of 4 years.

The service agreements provide for a severance of one annual base salary if the Managing Director is not re-appointed or otherwise terminated by Adyen (for any reason other than urgent cause within the meaning of article 7:678 of the Dutch Civil Code (dringende reden)), in accordance with the Dutch Corporate Governance Code.

Loans

No loans, advance payments and guarantees have been granted to or on behalf of the Managing Directors.

22.2. Remuneration Supervisory Board

The total remuneration received by the Supervisory Board in 2020 amounted to EUR 293 (2019: EUR 240). The table below provides an overview of the remuneration of Supervisory Directors for the financial year 2020. In addition to the remuneration, expenses incurred by the Supervisory Directors in the performance of their duties are reimbursed in full:

	2020	2019
Salaries and short-term employee benefits	293	240
Total	293	240

Insurance

The Supervisory Directors of Adyen are insured under an insurance policy taken out by Adyen against damages resulting from their conduct when acting in their capacities as directors.

Loans

No loans, advance payments and guarantees have been granted to or on behalf of the Supervisory Directors.

23. Share information

Accounting policy – Earnings per share

Adyen presents basic and diluted earnings per share (EPS) data for its ordinary shares. The calculation of EPS 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 passed on contractual conditions (e.g. vesting), only related to share options. As per December 31, 2020 and 2019, none of the four warrant tranches related to the derivative liabilities vested. Reference is made to note 8 'Capital management'.

Share information	2020	2019 Restated
Net income attributable to owners of Adyen N.V. (in EUR '000)	261,019	234,284
Weighted average number of ordinary shares for the period	30,246,923	29,732,937
Dilutive effect of share options - share-based payments (note 4.3)	420,676	794,693
Weighted average number of ordinary shares for diluted net profit for the period	30,667,599	30,527,630
1) Net profit per share – basic	8.63	7.88
2) Net profit per share - diluted	8.51	7.67

24. Tax reporting

24.1. Total tax contribution

Adyen is liable to pay corporate income tax in the countries in which it has a taxable presence. Since Adyen's first global expansion in 2012, Adyen has been characterized as a centralized organization for corporate income tax purposes. Key business activities are performed in the Netherlands and sales support activities are performed by local Adyen offices. In response to this centralized organization, transfer pricing agreements have been established based on the applicable OECD principles.

Adyen is responsible for the collection and payment of taxes connected with its services and products sold, on behalf of employees, or service providers. Corporate income tax, VAT and payroll taxes are main sources of government income. Considering the importance of these taxes for local governments, Adyen bears a responsibility to maintain a compliant global tax framework. Adyen's tax team closely monitors local regulations and Adyen's product offerings to remain compliant.

24.2. Country-by-country reporting

The following table provides a country-by-country overview to support that taxes are paid in the country wherein Adyen has an economic nexus. To serve this purpose, the table covers per country with an active Adyen establishment the main activity, number of FTEs per year-end, operating expenses, income before tax, direct tax expense, VAT contribution, payroll taxes and the total tax contribution. The table is prepared using consolidated accounts only, local statutory financials and actual tax contributions may deviate from the amount disclosed. The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code can be found in note 32 'Investments in consolidated subsidiaries on equity method' of the company financial statements.

Country and Subsidiary	Main activity	Ending FTE	Total Operating Expense	Income Before Tax	Direct Tax Expense	VAT	Payroll Taxes	Total Tax Contribution
Netherlands-Adyen N.V. and Adyen International B.V.	Head office - Payment service provider	1,011	161,784	296,439	60,931	81,020	106,332	248,283
Adyen UK Ltd	Sales office	91	14,147	5,283	(372)*	(322)	6,023	5,329
Adyen France	Sales office	43	7,923	980	422	2,038	3,780	6,240
Adyen N.V. - German Branch	Sales office	42	5,848	1,981	508	-	3,951	4,459
Adyen Nordic Filial	Sales office	25	5,527	2,233	509	-	2,823	3,332
Adyen N.V., Spain Rep Office	Sales office	22	2,999	1,341	511	1,600	1,006	3,117
Adyen N.V., Belgium Rep Office	Sales office	6	781	417	74	-	381	455
Adyen N.V., Italy Rep Office	Sales office	11	1,743	464	323	-	445	768
Adyen N.V., Polish Rep Office	Sales office	1	-	-	-	-	-	-
Adyen Middle East Limited	Sales office	-	21	(21)	-	-	-	-
United States-Adyen Inc., Adyen Services Inc. And Adyen Nevada Inc.	Sales and support office	236	67,106	7,923	(2,415)*	-	73,638	71,223
Adyen Brasil Ltda.	Sales office	89	14,042	1,515	357	4,497	3,463	8,317
Adyen Mexico SAdeCV	Sales office	8	631	422	227	1,343	181	1,751
Adyen Canada Ltd	Sales office	7	1,241	295	75	3,723	128	3,926
Adyen Singapore PTE Ltd	Sales and support office	96	13,759	1,565	417	4,340	846	5,603
Adyen Australia Pty Limited	Sales and support office	29	6,718	1,034	331	4,402	1,264	5,997
Adyen (China) Software Technology Co. Ltd.	Sales office	17	3,244	376	95	198	629	922
Adyen Japan K.K	Sales and support office	7	1,620	187	60	-	286	346
Adyen Hong Kong Ltd	Sales office	4	441	525	32	-	-	32
Adyen India Technology Services Private Limited	Sales office	2	510	61	18	36	93	147
Adyen New Zealand Ltd.	Sales office	-	164	5	16	1,619	39	1,674
Adyen Malaysia Sdn. Bhd	Sales office	-	30	163	42	75	-	117
Adyen Korea Chusik Hoesa	Inactive	-	8	(8)	-	-	-	-
Total		1,747	310,287	323,180	62,161	104,569	205,308	372,038

* Adyen Inc. and Adyen UK Ltd are not subject to Income Tax expense in 2020 as they benefit from the share-based compensation windfall benefit (refer to note 7.2).

24.3. Innovation box

Adyen set out to build a payment platform capable of meeting the rapidly evolving needs of fast-growing global businesses. Continuous innovation and technology are critical to meet the changing payment industry dynamics and the needs of our merchants. Governments worldwide facilitate innovative research and development (R&D) activities through grants and tax incentives. One of the facilities offered by the Dutch government is the Dutch innovation box. Following the application of the innovation box, profits attributable to qualifying innovations are taxed at a Dutch corporate income tax rate of 7%, opposed to the corporate income tax rate of 25%. As Adyen strives to continuously innovate its payment platform, Adyen applies the innovation box in order to reinvest those benefits in the further development of the platform and growth of the company.

Adyen concluded an agreement with the Dutch tax authorities to obtain upfront certainty on the percentage of taxable profit that qualifies for the innovation box. Based on this agreement the innovation box benefit is directly linked with the number of hours spent by developers on R&D projects.

Company Financial Statements

Company Statement of Comprehensive Income

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

	Note	2020	2019 Restated*
Revenue	26	3,171,197	2,293,656
Costs incurred from financial institutions	26	(2,610,741)	(1,858,623)
Costs of goods sold	26	(20,071)	(15,009)
<i>Net revenue</i>		<i>540,385</i>	<i>420,024</i>
Wages and salaries	27	(85,505)	(54,628)
Social securities and pension costs	27	(14,542)	(12,541)
Amortization and depreciation	13,30,31	(20,545)	(14,727)
Other operating expenses	28	(66,356)	(58,968)
Other income		286	196
Income before net finance income/(expense) and income taxes		353,723	279,356
Finance income		1,248	326
Finance expense		(8,987)	(4,316)
Other financial results	29	(42,203)	6,853
Net finance income/(expense)		(49,942)	2,863
Share of the profit of investments in subsidiaries	32	20,516	12,284
<i>Income before income taxes</i>		<i>324,297</i>	<i>294,503</i>
<i>Income taxes</i>		<i>(63,278)</i>	<i>(60,219)</i>
Net income for the year		261,019	234,284
<i>Net income attributable to owners of Adyen N.V.</i>		<i>261,019</i>	<i>234,284</i>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation adjustments subsidiaries		(11,764)	(81)
<i>Other comprehensive income for the year</i>		<i>(11,764)</i>	<i>(81)</i>
Total comprehensive income for the year (attributable to owners of Adyen N.V.)		249,255	234,203

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

*The comparative information is restated as a result of the correction of an accounting error (refer to note 25).

Company Balance Sheet

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

	Note	December 31, 2020	December 31, 2019 Restated*	January 1, 2019 Restated*
Intangible assets	13	9,970	7,640	5,059
Plant and equipment	30	27,686	23,482	18,139
Right-of-use assets	31	104,251	35,619	-
Other financial assets at FVPL	11	20,883	44,088	30,378
Contract assets	2.2	124,113	140,000	140,791
Deferred tax assets		17,100	7,769	4,879
Investments in consolidated subsidiaries on equity method	32	139,150	98,147	23,903
Total non-current assets		443,153	356,745	223,149
Inventories		16,055	5,614	6,656
Receivables from merchants and financial institutions	33	790,271	299,618	277,066
Trade and other receivables	33	200,535	103,269	58,362
Current income tax receivables		-	-	4,418
Other financial assets at amortized cost	11	12,238	13,031	9,842
Cash and cash equivalents		2,458,038	1,603,580	1,146,916
Total current assets		3,477,137	2,025,112	1,503,260
Total assets		3,920,290	2,381,857	1,726,409
Share capital	8	304	301	296
Share premium	8	194,608	179,296	160,209
Treasury shares		-	-	(4,804)
Legal reserves		14,853	43,616	29,366
Other reserves		151,435	120,135	62,890
Retained earnings		595,915	340,702	203,301
Net income for the year		261,019	234,284	150,914
Total equity attributable to owners of Adyen N.V.		1,218,134	918,334	602,172
Derivative liabilities	11	68,400	35,800	23,800
Deferred tax liabilities		23,640	25,886	23,615
Lease liability	31	102,647	31,120	-
Total non-current liabilities		194,687	92,806	47,415
Payables to merchants and financial institutions	36	2,406,651	1,266,808	1,034,976
Trade and other payables	36	77,988	78,474	27,516
Lease liability	31	7,349	5,243	-
Current income tax payables		15,481	20,192	13,966
Deferred revenue		-	-	364
Total current liabilities		2,507,469	1,370,717	1,076,822
Total liabilities and equity		3,920,290	2,381,857	1,726,409

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

*The comparative information is restated as a result of the correction of an accounting error (refer to note 25).

Company Statement of Changes in Equity

For the years 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)	29,366	8,671	54,219	334,447	582,404
Adjustment for correction of error								19,768	19,768
Balance - January 1, 2019 (restated)		296	160,209	(4,804)	29,366	8,671	54,219	354,215	602,172
Net income for the year (restated)								234,284	234,284
Currency translation adjustments					(81)				(81)
Total comprehensive income for the year (restated)		-	-	-	(81)	-	-	234,284	234,203
Adjustments:									
Other financial assets at FVPL movement to legal reserve					11,737			(11,737)	-
Intangible assets					2,581			(2,581)	-
Other adjustments					13			(13)	-
Transactions with owners in their capacity as owners:									
Statutory tax rate change									
Deferred tax on share-based compensation	7		255				(818)	818	-
Repurchase of depositary receipts				(18,323)		60,389			60,644
Options exercised			4,346			(4,346)			(18,323)
Proceeds on issuing shares	8	5	15,332						-
Movement resulting from treasury shares			(846)	23,127					15,337
Share-based payments	4.3					2,020			22,281
		5	19,087	4,804	-	58,063	(818)	818	2,020
Balance - December 31, 2019		301	179,296	-	43,616	66,734	53,401	574,986	918,334

	Note	Share capital	Share premium	Legal reserves	Other reserves			Retained earnings	Total equity
					Share-based payment reserve	Warrant reserve			
Balance - January 1, 2020		301	179,296	43,616	66,734	53,401	574,986	918,334	
Net income for the year									
Currency translation adjustments				(11,764)			261,019	261,019	
Total comprehensive income for the year		-	-	(11,764)	-	-	261,019	249,255	
Adjustments:									
Other financial assets at FVPL movement to legal reserve				(17,404)			17,404		
Intangible assets				2,330			(2,330)	-	
Other adjustments				(1,165)	1,165		5,095	5,095	
Transactions with owners in their capacity as owners:		-	-	(16,239)	1,165	-	20,169	5,095	
Statutory tax rate change				(760)			760	-	
Deferred tax on share-based compensation	7		(321)		32,159			31,838	
Options exercised			2,795		(2,795)			-	
Proceeds on issuing shares	8	3	12,838					12,841	
Share-based payments	4.3				771			771	
		3	15,312	(760)	30,135	-	760	45,450	
Balance - December 31, 2020		304	194,608	14,853	98,034	53,401	856,934	1,218,134	

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

*The comparative information is restated as a result of the correction of an accounting error (refer to note 25).

Company Statement of Cash Flows

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

	Note	2020	2019 Restated*
Income before income taxes		324,297	294,503
<i>Adjustments for:</i>			
- Finance income		(1,248)	(326)
- Finance expenses		8,987	4,316
- Other financial results	29	42,203	(6,853)
- Depreciation of plant and equipment	30	8,824	6,974
- Amortization of intangible fixed assets	13	2,465	2,192
- Depreciation of right-of-use assets	31	9,258	5,561
- Share of the profit of investments in subsidiaries	32	(20,516)	(12,284)
- Share-based payments		3,026	1,735
<i>Changes in working capital:</i>			
- Inventories		(10,441)	1,042
- Trade and other receivables	33	(83,473)	(44,907)
- Receivables from merchants and financial institutions	33	(490,653)	(22,552)
- Payables to merchants and financial institutions	36	1,139,843	231,832
- Trade and other payables		(3,274)	50,958
- Deferred revenue		-	(364)
- Redemption financial assets at amortized cost		-	4,418
- Amortization of contract assets	2.2	10,641	2,133
<i>Cash generated from operations</i>		<i>939,939</i>	<i>518,378</i>
Interest received		1,248	326
Interest paid		(8,987)	(4,316)
Income taxes paid		(70,648)	(52,415)
Net cash flows from operating activities		861,552	461,973
Purchases of financial assets at amortized cost	11	(13,355)	(10,073)
Redemption of financial assets at amortized cost	11	13,088	7,275
Purchases of plant and equipment	30	(13,563)	(12,461)
Capitalization of intangible assets	13	(4,795)	(4,773)
Net cash used in investing activities		(18,625)	(20,032)
Proceeds from issues of shares	8	12,832	15,332
Sale of depositary receipts (treasury shares)		-	22,281
Repurchase of depositary receipts (treasury shares)		-	(18,323)
Lease payments	31	(4,257)	(5,481)
Net cash flows from financing activities		8,575	13,809
Net increase in cash, cash equivalents and bank overdrafts		851,502	455,750
Cash, cash equivalents and bank overdrafts at beginning of the year		1,603,580	1,146,916
Exchange gains on cash, cash equivalents and bank overdrafts		2,956	914
Cash, cash equivalents and bank overdrafts at end of the year		2,458,038	1,603,580

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

*The comparative information is restated as a result of the correction of an accounting error (refer to note 25).

Notes to the Company financial statements

Basis of preparation

The company financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the European Union (EU-IFRS) and in accordance with sub articles 8 and 9 of article 362, Book 2 of the Dutch Civil Code.

The principles in the company financial statements are the same as those stated for the consolidated financial statements unless stated otherwise.

25. Correction of prior year error

During 2020, Adyen determined that since 2018, fees 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, these fees for refused or cancelled transactions were erroneously double booked. 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" have been understated which overall led to understatement of net revenue and equity.

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

25.1. Adjustment to the company 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	1,328,959	(62,151)	1,266,808	1,059,508	(24,532)	1,034,976
Current income tax payables	8,054	12,138	20,192	9,202	4,764	13,966
Total current liabilities	1,420,730	(50,013)	1,370,717	1,096,590	(19,768)	1,076,822
Net Assets	868,321	50,013	918,334	582,404	19,768	602,172
Retained earnings	320,934	19,768	340,702	203,301	-	203,301
Net income for the year	204,039	30,245	234,284	131,146	19,768	150,914
Total equity attributable to the owners of Adyen N.V.	868,321	50,013	918,334	582,404	19,768	602,172

25.2. Adjustment to the company statement of comprehensive income (extract)

	31/12/2019 (Previously reported)	Adjustment	31/12/19 (Restated)
Costs incurred from financial institutions	(1,896,242)	37,619	(1,858,623)
Net revenues	382,405	37,619	420,024
Income before income taxes	256,884	37,619	294,503
Income taxes	(52,845)	(7,374)	(60,219)
Net income for the year	204,039	30,245	234,284

26. Company - Revenue

Types of goods or service	2020	2019 Restated
Settlement fees	2,875,955	2,050,267
Processing fees	178,851	143,190
Sales of goods	17,929	13,753
Other services	98,462	86,446
Total revenue from contracts with customers	3,171,197	2,293,656
Costs incurred from financial institutions	(2,610,741)	(1,858,623)
Costs of goods sold	(20,071)	(15,009)
Net revenue	540,385	420,024

27. Company - Employee benefits

Employee benefits	2020	2019
Salaries and wages	81,478	52,892
Share-based compensation	4,027	1,736
Total wages and salaries	85,505	54,628
Social securities	11,852	10,915
Pension costs - defined contribution plans	2,690	1,626
Total social securities and pension costs	14,542	12,541

28. Company - Other operating expenses

Other operating expenses	2020	2019
Sales and marketing costs	17,583	12,963
Advisory costs	12,779	10,259
IT costs	12,226	9,990
Contractor costs	5,822	1,904
Travel and other staff expenses	4,803	13,311
Office costs	1,923	1,960
Housing costs	2,400	2,423
Miscellaneous operating expenses	8,820	6,158
Total other operating expenses	66,356	58,968

29. Company - Other financial results

Other financial results	2020	2019
Exchange gains/(losses) (note 29.1)	(10,608)	5,143
Fair value re-measurement of financial instruments		
Derivative liabilities (refer to note 6.2)	(32,600)	(12,000)
Financial instruments at fair value through profit or loss (note 6.3)	1,005	13,710
Total other financial results	(42,203)	6,853

29.1. Exchange gains/(losses)

The exchange losses recognized during the year relates to realized and unrealized translation losses on monetary assets and liabilities. Exchange losses in 2020 mainly relate to contract assets (EUR 5,246 – refer to note 2.2 'Contract assets'), other financial assets at FVPL (EUR 1,064 – refer to note 6.3 'Other financial assets at fair value through profit or loss'), and other financial assets at amortized cost (EUR 1,006 – refer to note 11 'Financial instruments').

30. Company - Plant and equipment

Plant and equipment	2020	2019
<i>Plant and equipment</i>		
Cost	43,241	31,152
Accumulated depreciation	(19,759)	(13,013)
Balance - January 1	23,482	18,139
Additions	13,563	12,461
Disposals	(535)	(144)
Depreciation for the year	(8,824)	(6,974)
Balance - December 31	27,686	23,482
Cost	54,549	43,241
Accumulated depreciation	(26,863)	(19,759)
Balance - December 31	27,686	23,482

31. Company – Leases

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

Accounting policy – Leases

Adyen assesses if a lease exists or a contract contains a lease at the contract inception date, concluding whether an asset is identifiable, and Adyen has control to direct its use and all related economic benefits. A right-of-use asset and a lease liability are recognized at the lease commencement date, which can differ from contract inception date.

The lease liability is initially measured by bringing to present value all future lease payments, discounted by an incremental borrowing rate, in case no interest rate is available for the contract.

At initial recognition, the right of use asset amounts to the initial lease liability. Right of use assets are tested for impairment whenever events or changes in circumstances indicates that the carrying amount may not be recoverable.

Short-term (less than 12 months) and small value lease contracts are expensed in statement of comprehensive income on a straight-line basis over the lease term.

Right-of-use assets	2020	2019
<i>Offices and data centers</i>		
Cost	41,180	35,697
Accumulated depreciation	(5,561)	-
Balance - January 1	35,619	35,697
Additions	77,890	5,483
Depreciation for the period	(9,258)	(5,561)
Balance - December 31	104,251	35,619
Recognized right-of-use asset	119,070	41,180
Accumulated depreciation	(14,819)	(5,561)
Balance - December 31	104,251	35,619
Lease liability	2020	2019
Balance - January 1	36,363	35,697
Additions	77,890	5,483
Lease instalments	(5,918)	(5,481)
Interest expense	1,661	664
Balance - December 31	109,996	36,363
Current portion	7,349	5,243
Non-current portion	102,647	31,120

As of December 31, the future minimum lease payments are as follows:

Minimum future lease payments	2020	2019
Within 1 year	5,394	5,856
Between 1 and 2 years	11,358	5,214
Between 2 and 3 years	11,014	4,478
Between 3 and 4 years	11,014	4,134
Between 4 and 5 years	10,849	4,134
Later than 5 years	73,927	15,385
Total	123,556	39,201

32. Company - Investments in consolidated subsidiaries on equity method

Accounting policy – Investments in consolidated subsidiaries

Adyen's investment in consolidated subsidiaries is initially recorded at cost and subsequently accounted for using the equity method. Dividends received from the investees are recognized as a reduction in the carrying amount of the investment. Goodwill is currently not applicable.

Adyen's share of the results of the investees is reported in the company statement of comprehensive income and its share of movements in other comprehensive income is recognized in other comprehensive income.

Investments are reviewed for impairment at least annually or whenever events or circumstances indicate that the carrying amount may not be recoverable.

Investments in consolidated subsidiaries on equity method	2020	2019
Balance - January 1	98,147	23,903
Share of the profit of investments in subsidiaries	20,516	12,284
Currency translation adjustments subsidiaries	(11,764)	(81)
Share of changes in equity of investments in subsidiaries	32,251	62,041
Balance - December 31	139,150	98,147

During 2020, the main driver of the changes in investments balance related to an amount of EUR 32,159 (2019: 60,119) recognized directly in equity connected with future tax deductions and carry forward losses on subsidiaries in the United States and the United Kingdom. Refer to note 7 'Income taxes' in the consolidated financial statements for more detail.

Adyen N.V. – Subsidiaries

Name	Legal Seat	Ownership percentage
Adyen International B.V.	Amsterdam, The Netherlands	100%
Adyen Inc.	San Francisco, CA, USA	100%

Adyen N.V. – Branches

Name	Branch location
Adyen N.V., German branch	Berlin, Germany
Adyen France	Paris, France
Adyen Nordic Filial	Stockholm, Sweden

Adyen N.V. – Representative offices

Name	Branch location
Adyen B.V., Belgian Rep Office	Brussels, Belgium
Adyen Italy	Rome, Italy
Adyen N.V., Spain Rep Office	Madrid, Spain
Adyen N.V., Polish Rep Office	Warsaw, Poland

Adyen International B.V. – Subsidiaries

Name	Legal Seat	Direct and indirect ownership percentage
Adyen Services Inc.	Dover, DE, USA	100%
Adyen Nevada Inc.	Las Vegas, NV, USA	100%
Adyen do Brazil Ltda	São Paulo, Brazil	100%
Adyen Singapore PTE. LTD.	Singapore, Singapore	100%
Adyen UK Limited	London, United Kingdom	100%
Adyen Hong Kong Limited	Hong Kong, Hong Kong SAR	100%
Adyen Australia PTY Limited	Sydney, Australia	100%
Adyen Canada Ltd.	Saint John, Canada	100%
Adyen Korea Chusik Hoesa	Seoul, Republic of Korea	100%
Adyen Mexico, S.A. de C.V.	Mexico City, Mexico	100%
Adyen Nordic AB	Stockholm, Sweden	100%
Adyen (China) Software Technology Co. Ltd.	Shanghai, China	100%
Adyen New Zealand Ltd.	Auckland, New Zealand	100%
Adyen Malaysia Sdn. Bhd	Kuala Lumpur, Malaysia	100%
Adyen Iberia SLU	Madrid, Spain	100%
Adyen GmbH	Berlin, Germany	100%
Adyen India Technology Services Private Limited	New Delhi, India	100%
Adyen Japan K.K.	Tokyo, Japan	100%
Adyen Middle East Limited	Dubai, United Arab Emirates	100%

33. Company – Trade, other receivables, and receivables from merchants and financial institutions

Receivables fall due in less than one year except for deposits transferred to financial institutions.

Trade, other receivables, and receivables from merchants and financial institutions	2020	2019
Trade and other receivables	205,073	106,376
Less: Allowance for expected credit losses	(4,538)	(3,107)
Trade receivables - Net	200,535	103,269
Receivables from merchants and financial Institutions	790,271	299,618
Total	990,806	402,887

In 2020, EUR 89,420 (2019: EUR 80,765) related to receivables from group companies. Intercompany receivables and payables fall within the scope of IFRS 9 'Financial Instruments'. The outstanding amounts as per December 31, 2020 and 2019 relate to transactions linked to the usage of Adyen platform which took place throughout the year at arm's length conditions. Considering the maturity of the intercompany balances and the financial position of the Adyen group, the credit risk is considered not significant. As a result, the impact of expected credit losses on intercompany balances is not significant.

34. Shareholders' equity

Refer to the company statement of changes in equity for the movements in shareholders' equity.

The legal reserves include all exchange rate differences arising from the translation of the net investment in foreign entities. The total of distributable reserves amounts to EUR 790,775 (2019 restated: EUR 554,820). The other reserves are restricted for distribution, being the legal reserves, in amount of EUR 14,853 (2019: 43,616), legally non-distributable in accordance with Dutch Law. Besides the beforementioned exchange rate differences these relate to revaluation of balance sheet positions that require revaluation reserves.

35. Dividends paid

No dividend has been paid in the years presented.

36. Company – Trade, other payables, and payables to merchants and financial institutions

Trade, other payables, and payables to merchants and financial institutions	2020	2019 Restated
Trade payables	6,798	8,875
Taxes and social security	31,401	42,243
Accrued employee benefits	18,072	13,950
Accrued liabilities and other debts	18,239	12,716
Cash-settled share-based payment plan	3,478	690
Trade and other payables	77,988	78,474
Payables to merchants and financial institutions	2,406,651	1,266,808
Total	2,484,639	1,345,282

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to its short-term character.

In 2020, EUR 14,010 (2019: EUR 14,324) related to payables to group companies.

37. Directors' remuneration

For an overview of the directors' remuneration, reference is made to note 22 'Compensation of key management' of the consolidated financial statements.

38. Audit fees

For an overview of the audit fees, reference is made to note 21 'Audit fees' of the consolidated financial statements.

39. Contingencies and commitments

Adyen has no contingent liabilities in respect to legal claims.

Adyen has EUR 20,092 of outstanding bank guarantees and letters of credit as at December 31, 2020 (2019: EUR 23,892). In addition, Adyen has an intra-day credit facility of EUR 267 million which is not used as at December 31, 2020 (2019: EUR 272 million).

Adyen N.V. and Adyen International B.V. are a fiscal unity for 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. Pursuant to the Collection of State Taxes Act, the company and its subsidiary are both severally and jointly liable for the tax payable by the combination.

40. Proposed profit appropriation

Awaiting the decision by the shareholders, management proposes the income for the year to be added to retained earnings in shareholder's equity.

41. Events after balance sheet date

There were no events after the reporting period that impact the 2020 consolidated and company financial statements.

Amsterdam, March 9, 2021

P.S. Overmars
Chairman Supervisory Board

D. Rueda Arroyo
Supervisory Director

J.A.J. van Beurden
Supervisory Director

P.A. Joseph
Supervisory Director

P.W. van der Does
CEO

R. Prins
CCO

I.J. Uytdehaage
CFO

M.B. Swart
CLCO

K. Zaki
COO

A. Matthey
CTO

04

Other Information

Other information

Provisions in the Articles of Association relating to profit appropriation

The Articles of Association of Adyen provide that the appropriation of the net income for the year is decided upon at the Annual General Meeting of Shareholders.

For the preferred dividends the Annual General Meeting of Shareholders can elect to pay out the annual dividend on these shares or to add the dividend to the class reserve.

Independent auditor's report

Please refer to the next page.



Independent auditor's report

To: the general meeting and the supervisory board of Adyen N.V.

Report on the financial statements 2020

Our opinion

In our opinion:

- the consolidated financial statements of Adyen N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2020 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Adyen N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Adyen N.V., Amsterdam.

The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

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

The company financial statements comprise:

- the company balance sheet as at 31 December 2020;
- the following statement for 2020: the company statement of comprehensive income for the year then ended;
- the notes to the company financial statements, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

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The basis for our opinion

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

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

Independence

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

Our audit approach

Overview and context

Adyen N.V. is a fast-growing payment service provider with a banking licence in the Netherlands. The Company provides services around the globe and has subsidiaries in multiple countries. The Company has a centralised approach in managing its global operations (which includes the underlying control activities as well as the respective financial administration). We considered these factors in determining our group audit scope and approach as set out in the section 'The scope of our group audit'.

The financial year was characterised by the impact of the COVID-19 outbreak (see note 'Basis of preparation' to the consolidated financial statements), the continuing growth of processed volumes, revenue and net income for the year, and the assessment of the actual performance of the long-term merchant contract (as disclosed in note 2.1 of the consolidated financial statements). The actual performance of this long-term merchant contract is relevant input for the management board's assessment of the valuation of the derivative liabilities, which is a key audit matter. The valuation of the derivative liabilities is also considered by the management board ('management') as a significant accounting estimate (see note 1.2 to the consolidated financial statements).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. We considered where management made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

The global COVID-19 pandemic and related government restriction measures impacted the Group's processed volumes in varying degrees, depending on sector and territory, and required staff to work from home. We considered the impact of the pandemic on our audit approach, including our scoping, materiality, and risk assessment. We concluded this to be an area of focus, that is not considered as a key audit matter. We assessed the impact on significant management accounting judgements, including future business and cash flow projections underpinning impairment assessments, deferred tax asset recoverability and the going-concern assumption.

We also considered the risk of fraud inherent to increased remote working. In terms of the execution of our audit, we considered the impact of the travel and other restrictions on our audit and on the review and supervision of our team. Our team largely worked remotely and digitally, supported by video meetings and PwC's digital tooling. We increased the frequency of communication between the Company and our team. While maintaining compliance with local health regulations, we performed a physical inspection of point-of-sale equipment inventory.

As part of our evaluation of the audit, we identified three key audit matters. We identified the design and effectiveness of IT general controls as a key audit matter since all revenue generating activities are processed on the payment platform operated by the Company. Another matter we identified to be key in our audit relates to revenue, as we consider revenue (growth) a key financial indicator for investors and other stakeholders of the Company. We had additional focus for the inherent risk we identified that revenue might be overstated. The last key audit matter relates to the classification and valuation of the derivative liabilities. The classification and valuation of the derivative liabilities are dependent on multiple factors, one of which is the actual performance of the long-term merchant contract. The classification assessment and the fair value estimation of the derivative liabilities are complex accounting matters and require significant judgement by management.

In 2020, a prior period error was identified in relation to the overstatement of costs to financial institutions and payables to merchants and financial institutions. The root cause of this error and the presentation and disclosure of the restatement as included in note 1.3 to the consolidated financial statements have therefore been an area of focus but are not considered as a key audit matter.

As in all our audits, we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud. We ensured that the audit team has the appropriate skills and competences which are needed for the audit of a payment service provider. We therefore included specialists in the areas of IT, current and deferred income tax, valuation of derivative financial instruments and specialists in the area of forensic investigation in our team. The outline of our audit approach was as follows:



Materiality

- Overall materiality: €12,406,700.

Audit scope

- We conducted all audit work in the Netherlands. All locations around the globe were in scope of our audit performed.
- Audit coverage: 100% of consolidated revenue, 100% of consolidated income before income taxes and 100% of consolidated assets.

Key audit matters

- Design and effectiveness of IT general controls.
- Risk of overstatement of revenue.
- Valuation and classification of derivative liabilities.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section ‘Our responsibilities for the audit of the financial statements’.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€12,406,700 (2019: €10,000,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of income before income taxes (adjusted for the derivative liabilities revaluation) based on interim condensed consolidated financial statements (as at 30 June 2020) as published by the Group on 20 August 2020. The adjustment for the derivative liabilities revaluation and using interim financial information mean that we effectively applied an overall materiality of 3.8% of income before income taxes (2019: 3.9%).
Rationale for benchmark applied	We used income before income taxes as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that income before income taxes is an important metric for the financial performance of the Group and is widely used within the industry. We changed our basis for determining materiality this year through excluding the derivative liabilities revaluation since the revaluation does not reflect the actual performance of the Group and has a strong linkage with the share price of Adyen N.V. When the share price increases, this leads to an increase of the valuation of the derivative liability and vice versa (also see sensitivity analysis in note 12 to the consolidated financial statements). Excluding the revaluation from the materiality benchmark aligns the annual materiality development with the actual performance of the Group. Furthermore, we capped our overall materiality with the Group’s interim financial information to make sure that the extent of our audit procedures is sufficient while expecting further growth of the Group. We annualised the income before income taxes that is included in the Group’s interim financial information as the basis for our materiality. We furthermore considered materiality based on the actual numbers in the financial statements and, based on our professional judgement, still considered the materiality set to be appropriate.

***Component
materiality***

The Group manages and administrates transactions and operations (including control activities) centrally, in Amsterdam. This means we are able to audit all transactions and operations ourselves, in Amsterdam.

We therefore consider all activities (regardless of the legal subsidiaries in which transactions are recorded) to be part of one component, which is the financial information presented in the consolidated financial statements (for the group as a whole). We therefore did not allocate separate component materiality.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €620,300 (2019: €500,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Adyen N.V. is the parent company of a group of entities. The financial information of this Group is included in the consolidated financial statements of Adyen N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate.

Adyen manages and administers all transactions and operations (including control activities) centrally, in Amsterdam. We therefore consider all activities (regardless of the legal subsidiaries in which transactions are recorded) to be part of one component, which is the financial information presented in the consolidated financial statements (for the group as a whole).

In total, in performing these procedures, we achieved the following coverage on the financial line items:

<i>Revenue</i>	100%
<i>Total assets</i>	100%
<i>Profit before tax</i>	100%

The group engagement team thus performed the audit work for the Group. By adopting this approach and performing the procedures, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

The valuation of the deferred tax asset was no longer considered a key audit matter. During 2020, no new (material) tax assets were recognised and no facts and circumstances were identified that impacted the valuation of the tax assets.

<i>Key audit matter</i>	<i>Our audit work and observations</i>
<i>Design and effectiveness of IT general controls</i> The design and operating effectiveness of IT general controls is of significance to the Group. The financial accounting and reporting of the Group is largely dependent on the payment platform, since the most significant line items in the balance sheet (cash and cash equivalents, receivables from financial institutions and payables to merchants) and the statement of comprehensive income (revenues and costs incurred from financial institutions) are recorded on the payment platform. In particular, the adequate design and operating effectiveness of the payment platform and relevant IT general controls are significant for the accurate and complete processing of occurred transactions. Based on the above considerations, we considered IT general controls as a key audit matter in our audit.	Our audit work included, amongst others, understanding, evaluating and testing, on a quarterly basis, the relevant IT general controls, with the assistance of our IT auditors, to the extent relevant for our audit. These comprised of the following key audit activities at the Group: • Computer operations ensuring reliability of IT systems: We tested the design and operating effectiveness of controls which were implemented to ensure that back-up and recovery processes have been established by the Company and that local back-ups (per individual datacentre) were made and stored cross-datacentre. Our test results demonstrated that production data were replicated across the individual datacentres. Finally, we inspected that on an annual basis, the business continuity plan of the Company was tested for operating effectiveness. • Access management and segregation of duties over IT systems: We tested the design and operating effectiveness of controls, which were implemented to ensure that logical access to programmes and data was limited to authorised personnel. We verified that the Group implemented controls to ensure, amongst others, the complete and accurate processing of user rights of joiners, movers and leavers, the periodic review of user accounts, the review of database actions and limitation of administrator accounts throughout the application, database and network. • Change management procedures for software and infrastructural changes: We tested the design and operating effectiveness of relevant controls, which were implemented to ensure that the development and maintenance of software was properly authorised, peer reviewed, approved (both manually and automated) and documented prior to

Key audit matter

Our audit work and observations

Risk of overstatement of revenue

Revenue is disclosed in note 2 to the consolidated financial statements

The Group's services operate on the payment platform. Independent of whether payments are submitted online, by mobile or through point-of-sale terminals, there is one integrated platform on which customers are being served and transactions are being processed. As such, this key audit matter should be read and considered in conjunction with the key audit matter on IT general controls.

The revenues that the Group generated related to processing fees, settlement fees and fees for other services in connection with processed payments. For this purpose, the Company agreed with customers to charge rates per transaction and by type of activity.

Revenue is recorded on the basis that the Company acts as a principal for payment processing services it provides to merchants. Therefore, revenue related to processing and settlement fees are reported on a gross basis (as disclosed in note 2 to the consolidated financial statements).

The Company recognised substantial growth in revenue over the previous years and has a focus on (medium term) revenue growth. We deem revenue to be a key financial indicator on which the performance of management is measured by stakeholders in the Company.

implementation in the production environment and noted no exceptions.

- Cybersecurity: We obtained an understanding of the Group's approach to enhancing cyber security and evaluated the design and effectiveness of related internal control measures. We focused on the areas to the extent relevant for the purpose of our audit of the financial statements.

We furthermore noticed as part of our work performed that the Group was sufficiently equipped to work remotely and has been doing so without material impact on the ability to process payments. We conclude that we could rely on the IT general controls of the Group for the purpose of our audit.

Our audit work included, amongst others, an evaluation of management's design and operating effectiveness of controls that mitigate the risk of overstatement of revenue:

- standing data maintenance covering the accuracy of customer contracts;
- transaction handling relating to automated capturing and authorisation of payments;
- automated settlement for matching of bank statements and collecting and matching refunds and chargebacks;
- payment pay-out process covering the automated generating, processing and authorisation of pay-out batches; and
- automated process over invoicing to customers.

Based on our audit procedures on these activities, we determined that we could rely on these controls for the purpose of our audit.

In addition to testing the operating effectiveness of these controls on revenue recognition and IT general controls as summarised in the separate key audit matter on IT general controls, we also performed substantive procedures:

- On a sample basis, we tested the accuracy of contractual rates captured in the payment system by comparing these with signed customer agreements.
- We performed media scans for 'bad news' to identify potential fictitious revenue.

<i>Key audit matter</i>	<i>Our audit work and observations</i>
Based on these facts and circumstances, we considered the significant risk of overstatement of revenue (relating to the risk of overstatement and occurrence of revenues) as a key audit matter in our audit.	• We independently obtained and requested bank confirmations. • We inspected and evaluated contracts of parties engaged to perform acquiring activities. • We evaluated and assessed recorded revenue against the requirements included in IFRS including management's assessment in which it concluded that for its payment services it acts as a principal. • We performed analytical procedures on the top ten merchants on a monthly basis to assess the correlation between transaction volumes and recognised total revenue. • We reconciled the recognised revenue in the financial statements to the payment service platform. • We tested the manual reconciliation between the payment service platform and the financial statements. We did not identify material exceptions and we found management's revenue recognition in the financial statements to be supported by the available evidence.
Valuation and classification of derivative liabilities <i>The derivative liabilities are disclosed in note 11 to the consolidated financial statements</i> During 2018, the Company entered into a warrant contract with a merchant with the prospect that significant online sales volumes will be sent to the Company in the future for payment processing through the payment platform. The merchant is entitled to acquire a fixed number of shares in a series of four tranches for cash, at a specified price per share upon the terms and conditions in the agreement. The ability to exercise a warrant is linked to meeting significant milestones with respect to processed volume on a calendar year basis. Adyen N.V. reassessed the classification of the derivative financial liabilities and reclassified two warrant tranches ('tranches') that were recorded as derivative financial liabilities as equity instruments in accordance with IAS 32 in 2018. As at 31 December 2020 no tranches have vested.	We, with the assistance of our accounting specialists, have assessed the Company's accounting treatment of the tranches as at balance sheet date, which includes the derivative liabilities as well as the equity instruments. Also, with the assistance of our valuation expert, we performed independent procedures on the valuation performed by the Company's management expert on the tranche conditions. Our audit work included the following substantive audit procedures: • We evaluated the valuation methodology applied by the Company's management expert. • We evaluated the competence, capabilities, objectivity and work of management's independent valuator. • We tested the completeness and adequacy of the valuation inputs applied by the Company's management expert that included, amongst others, the discount for the lack of marketability of the financial instruments, the expected volatility of the Company's share price and the probability of achieving the performance targets specific to the

Key audit matter

As at 31 December 2020, the same two tranches remain to be recorded as equity (for an amount of €53.4 million) as these will be convertible into a fixed number of ordinary shares at an amount that will only be fixed in the future upon achievement of certain contractual contingent events. The other two tranches are recorded as financial liabilities for management's point estimate amount at €68.4 million.

The key assumptions, as applied by the Company's management expert, include the expected volatility of the Company's share price, the discount for the lack of marketability of the financial instruments and the probabilities of specific performance targets being achieved. The volatility of the Company's share price accounts for most of the recorded fair value change of the tranches in 2020. The sensitivity of this assumption is disclosed in note 12 to the financial statements.

During 2020, the share price of Adyen N.V. went up by 161%, which further increased the estimation uncertainty of the underlying assumptions (as the valuation of the tranches has a direct link with share price developments).

Given the related estimation uncertainty and complexity involved in determining the fair value, we determined this to be a key audit matter.

Our audit work and observations

various tranches, during the contractual duration of the underlying warrant agreement.

- Together with our valuation experts, we performed an independent assessment of the key assumption's contribution to the total fair value of the derivative liabilities and found the outcome to be reasonable.

We found that the assumptions used in the valuation of the tranches by the Company are reasonable when compared to relevant market data. Furthermore, we agree with the method used and the calculations made as part of the assessment of the valuation.

Based on our assessment, we concur with management that no facts and circumstances are available which would require changes in the classification of the tranches.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- management report;
- governance (which also includes the remuneration report);
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the management report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were re-appointed as auditors of Adyen N.V. on 26 May 2020 during the shareholders' meeting. We were initially appointed as the external auditor of Adyen B.V. during 2009. Furthermore, the Company became a public-interest entity ('PIE') in April 2017 after the Company obtained a banking licence. The audit of the 2020 financial statements therefore represents the fourth year of uninterrupted engagement appointment as external auditor of Adyen N.V.

European Single Electronic Format (ESEF)

Adyen N.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially tagged consolidated financial statements as included in the reporting package by Adyen N.V., has been prepared in all material respects in accordance with the RTS on ESEF.

Management is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package, is in accordance with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF.
- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required taggings have been applied and whether these are in accordance with the RTS on ESEF.



No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 21 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

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

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

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

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.



A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 9 March 2021

PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA

Appendix to our auditor's report on the financial statements 2020 of Adyen N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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



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

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