H1 2018

Shareholders letter

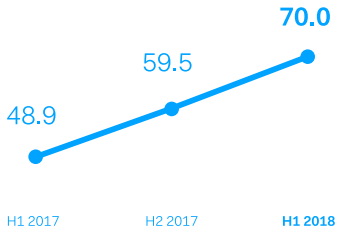
adyen

Highlights

Processed volume

€ 70.0 Bn

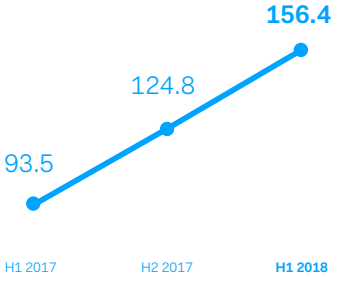
43.1% growth year-on-year



Net revenue

€ 156.4 Mn

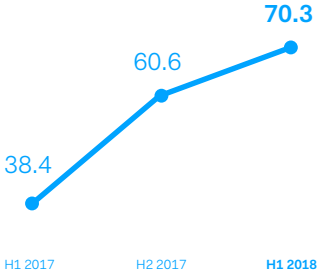
67.3% growth year-on-year



EBITDA

€ 70.3 Mn

83.1% growth year-on-year
44.9% EBITDA margin



Sustained profitable growth at scale

- Growing volume, net revenue and EBITDA, spread across channels and geographies
- Continued high cash generation with FCF conversion of 89.3%

Significant momentum in growth pillars

- Key merchant wins in enterprise segment in H1 2018
- POS (point-of-sale) processed volume up 120.0% year-on-year
- Increased investment in mid-market segment

Continued innovation on single platform

- Launched Terminal API - the future of our in-store offering
- First to market with Real-Time Account Updater for both Visa and Mastercard

Focused on building the business

- Going public in H1 2018 proved not to be a distraction

Sustained profitable growth at scale

Dear shareholders, August 22, 2018

We continued our strong and profitable growth in the first half of this year, ending June 30, 2018, helping our merchants grow across channels and geographies. Net revenue over this period was €156.4 million, up 67.3% year-on-year. Processed volume was €70.0 billion, up 43.1% year-on-year. Our growth was mainly driven by existing merchants and we successfully added household names such as eBay, Valve and Dunkin' Donuts to our platform.

In the first half of the year we saw a continuation of the transformation of commerce, leading to an increased merchant focus on accepting payments across channels and geographies. This trend, coupled with changing shopper behavior, the rise of mobile payment methods, and the increasing pressure on retailers' operations, highlighted the benefits of our single platform, and consequently driven significant growth in the first half of 2018.

EBITDA for H1 2018 was €70.3 million, up 83.1% from H1 2017. EBITDA margin also increased, from 41.1% to 44.9%, while we continued to invest in the growth of the company through expansion of our team and increased marketing efforts in the first half of this year. Net income for the period was €48.2 million, up 74.6% from €27.6 million for the first half of 2017.

As we continue to pursue sustainable profitable growth at scale, our free cash flow (EBITDA - CapEx) during the first half of this year was €62.7 million, up 71.2% year-on-year.

Significant momentum in growth pillars

We have traditionally grown our business by solving payments-related issues for global enterprise merchants, which we define as large multinational corporates. This segment continued to grow significantly in the first half of this year, through the organic growth of existing merchants, an increased share of wallet with existing merchants, and the addition of new merchants to the platform. We are also seeing increased traction in relatively new verticals for us, for example in hospitality, restaurant chains and supermarkets. The common denominator across these verticals is an increased demand for shopper-friendly mobile payment methods. We are seeing success here due to our ability to quickly implement new payment methods, across all channels and on a global scale - all made possible by our single platform.

Unified commerce continues to be a major growth driver for us. POS processed volume has increased to €6.6 billion (9.4% of total processed volume) in the first half of 2018, up 120.0% year-on-year. Through our single platform, we provide a holistic view of payments, regardless of sales channel, delivering unique shopper insights while combating fraud and improving payment authorization rates. In the first half of the year, we also launched the Terminal API – which is the future of our in-store solution and is seamlessly integrated with the increasingly popular cloud-based POS systems that retailers use in-store. With Terminal API, payment transactions are run entirely over the internet - no longer relying on old infrastructure. This makes it much easier for retailers to create new and more personal shopper journeys in their stores - examples include 'endless aisle' concepts, or self-checkout using smartphones.

In the first half of 2018, we continued to invest in the next adjacent segment to enterprise, which we define as mid-market. Through continued investments in marketing and team expansion in mid-market-specific roles, we successfully grew the mid-market portfolio while also making product improvements tailored to this segment. One of these product improvements was in the form of Adyen Checkout, a software development kit (SDK) that allows merchants to quickly board onto our platform, even when lacking significant development resources. Further, we revamped our Customer Area, improving the user experience of the back-end of our platform. Alongside these investments, we increased our focus on partnerships, i.e. e-commerce platforms with significant customer bases in this segment such as Magento, NetSuite and Salesforce, by building committed development groups.

Continued innovation on single platform

We were first to market for both Visa and Mastercard Real-Time Account Updater, which help our subscription merchants reduce involuntary churn – the process of losing customers passively and involuntarily due to expired credit cards or other payment methods.

We added further automation to our product offering, leading to an increase in authorization rates for our merchants, which in turn allowed us to increase our share of wallet across our portfolio. The further automation of the product also led to increased operational efficiency, allowing our Data Science and Product teams to fully focus on further improving this and other products.

Focused on building the business

Externally, one of the highlights of the first half of this year was our listing on Euronext Amsterdam on June 13, 2018. We decided to pursue an IPO to give our existing shareholders a path to liquidity while providing us the opportunity to continue to grow as an independent company. Our focus remained on building the business throughout this project, and it's a testament to the team and our culture that we were not distracted by our listing. To facilitate this IPO, we changed our registration in the Netherlands from a B.V. (Besloten Vennootschap – private company with limited liability) to an N.V. (Naamloze Vennootschap – public limited company).

In the first half of 2018, we expanded our operations mainly in the US and Asia Pacific. We grew the global Adyen team to 768 FTE, up from 668 at the end of last year, and up 39.9% year-on-year.

Of those hired in the first half of the year, 47.3% were in tech roles, 37.3% in commercial roles and 15.4% in staff or supporting functions. As we view keeping our culture as business critical, senior management has continued to invest significant time and energy into our rigorous hiring process.

Discussion of financial results

Robust volume growth

Demonstrating continued growth at scale, we processed €70.0 billion on our platform in the first half of 2018, up 43.1% year-on-year. POS volume increased 120.0% year-on-year to €6.6 billion, and now represents 9.4% of total processed volume on the platform. This is up from 6.1% of total processed volume in the first half of 2017.

Net revenue growth across geographies and merchant portfolio

Net revenue was €156.4 million in H1 2018, up 67.3% year-on-year. Net revenue growth was well balanced geographically in the first half of 2018 – with year-on-year growth across Europe (51.9%), North America (142.9%), Latin America (58.7%), and Asia Pacific (147.5%). We saw net revenue growth across the width of the merchant base*.

Growth investments

Operating expenses were €42.7 million in the first half of 2018, up 68.9% year-on-year, representing 27.3% of H1 2018 net revenue. The increase is a result of continued investment in the growth of the company.

Personnel costs were up 45.8% year-on-year to €43.6 million in the first half of this year, highighting our commitment to investing in team growth. The majority of the new hires were made in commercial and tech roles.

Sales and marketing expenses were €11.4 million in H1 2018, as a result of continued investment across regions and in our brand equity. This investment supported the expansion of our operations into the mid-market segment. These expenses are up from €7.2 million in H1 2017.

Other operating expenses grew to €5.9 million in the first half, up from €2.2 million year on year. This delta was partly due to IPO-related costs.

Net revenue by geography

By billing address. In EUR millions.

* On a constant currency basis, H1 2018 revenue of €697.1m would have been approximately 6% higher than reported. Please refer to Note 1 of Interim Condensed Consolidated Financial statements for further detail on revenue breakdown.

Increasing EBITDA

In the first half of 2018, we generated an EBITDA of €70.3 million, up 83.1% from €38.4 million in H1 2017, reflecting our sustained net revenue growth alongside continued investment in our operations. EBITDA margin increased from 41.1% in H1 2017 to 44.9% in H1 2018, despite increased advisory and IPO-related costs, which were included in the operating expenses.

Strong net income growth

Net income was €48.2 million in the first half of 2018, up 74.6% year-on-year. This was partially impacted by the revaluation of a derivative liability, which in turn was largely offset by gains on equities and currencies.

High free cash flow conversion

In the first half of 2018 our free cash flow was €62.7 million, up 71.2% from €36.6 million in the first half of 2017. Cash flow conversion ratio ((EBITDA-CapEx)/EBITDA) was 89.3%.

Financial objectives*

We have set the following financial objectives, which remain unchanged from our IPO Prospectus.

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. For 2018, we expect net revenue to grow at least 40%.

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 55% in the long-term.

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

Earnings call and webcast

We will host an earnings call at 15.00 CEST (09.00 ET) today to discuss these results. To listen to a live audio webcast, please visit our Investor Relations page at adyen.com/ir. A recording will be available on the website following the call.

As an addendum to this letter, please find attached our H1 2018 financial results and three one-page updates on the growth pillars we defined in our IPO Prospectus: Enterprise, unified commerce and mid-market.

Sincerely,

Pieter van der Does
CEO

Ingo Uytdehaage
CFO

Investor contact
Eva Weber
ir@adyen.com

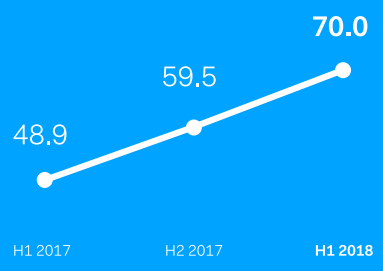
Media contact
Hemmo Bosscher
press@adyen.com

* 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 2018, 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.

Enterprise

Total processed volume

€ 70.0 Bn



43.1% growth year-on-year

Select merchant wins

cabify

DOLLAR SHAVE CLUB

ebay

giffgaff™

LORNA JANE ACTIVE LIVING

VALVE

Volume increase driven by organic growth of merchants and increased share of wallet across portfolio

Continued addition of new merchants and successful pipeline conversion

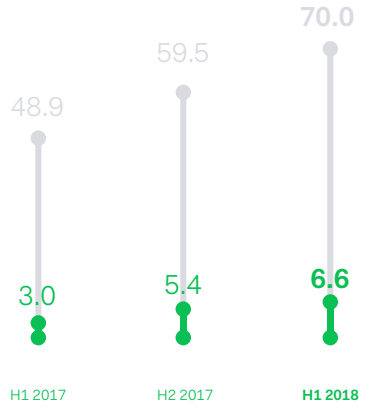
Accelerating platform improvements, providing merchants with a membership to ongoing innovation

Unified commerce

POS volume

€ 6.6 Bn

120.0% growth year-on-year



Select merchant wins

asics

DUNKIN' DONUTS

GROUPE L'OCCITANE

LUSH
FRESH HANDMADE COSMETICS

schuh

Theory

In the first half of 2018, we launched our POS offering in Singapore

Our full unified commerce offering is now available in 37 countries

We launched Terminal API – the future of our in-store solution

Mid-market

- Continued investment in marketing to build pipeline
- Recruited for mid-market-specific roles, both in tech and commercial teams
- Product improvements tailored to the mid-market segment
- Simplified and improved user experience of our Customer Area
- Increased focus on partnerships, building out committed development groups

Select merchant wins

BROMPTON

PSV

TONY'S CHOCOLONELY

UBEEQO

Select partnerships

salesforce

NETSUITE

Magento

Interim Condensed Consolidated Financial Statements

H1 2018 Adyen N.V.

Condensed Consolidated Statement of Comprehensive Income

For the periods ending June 30, 2018 and June 30, 2017
(all amounts in EUR thousands unless other stated)

	Note	H1 2018	H1 2017
Revenue	1	697,081	442,368
Costs incurred from financial institutions	1	(536,771)	(346,492)
Cost of inventory	1	(3,879)	(2,366)
Net revenue		*156,431*	*93,510*
Wages and salaries	4	(37,089)	(25,390)
Social securities and pension costs	4	(6,507)	(4,521)
Amortization and depreciation of tangible and intangible fixed assets	12	(4,048)	(2,726)
Other operating expenses	5	(42,678)	(25,275)
Dividends		93	29
Income before interest income, interest expense and income taxes		66,202	35,627
Finance income		213	85
Finance expense		(955)	(100)
Other financial results	6	(4,868)	(35)
Net finance income		(5,610)	(50)
Income before income taxes		*60,592*	*35,577*
Income taxes	7	(12,430)	(7,969)
Net income for the period		48,162	27,608
Net income attributable to Owners of Adyen N.V.		48,162	27,608
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Gains on re-measuring of fair value through other comprehensive income financial assets		-	2,153
Deferred income tax relating to this item		-	(1,823)
Other currency translation adjustments		(163)	(569)
Currency translation adjustments subsidiaries		-	(1,177)
Other comprehensive income for the year		(163)	(1,415)
Total Comprehensive income for the year (attributable to owners of Adyen N.V.)		47,999	26,193
Earnings per share (in EUR)			
- Net Profit per share - basic	12	1.64	
- Net profit per share - diluted	12	1.58	

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

Condensed Consolidated Balance Sheet

For the periods ending June 30, 2018 and December 31, 2017
(all amounts in EUR thousands unless other stated)

	Note	30.6.2018	31.12.2017
Intangible assets		4,533	3,978
Plant and equipment	12	22,905	19,990
Other financial assets	11	29,956	25,076
Contract assets	1	139,885	-
Receivables	11	-	4,248
Deferred tax assets	7	8,282	1,627
Total Non-current assets		**205,561**	**54,919**
Inventories	3	6,804	4,017
Receivables from financial institutions		189,086	180,719
Trade and other receivables	11	42,273	25,567
Receivable	11	4,331	-
Current income tax receivables	7	-	2,061
Other financial assets	11	7,837	6,989
Cash and cash equivalents	9	943,127	862,930
Total Current assets		**1,193,458**	**1,082,283**
Total assets		**1,399,019**	**1,137,202**
Share capital	8	295	295
Share premium	8	153,345	149,314
Treasury shares	2	(9,853)	-
Other reserves		61,433	27,933
Retained earnings		277,841	212,236
Total Equity attributable to owners of Adyen N.V.		**483,061**	**389,777**
Derivative financial instruments	8, 11	22,200	-
Deferred tax liabilities	7	26,482	5,130
Total Non-current liabilities		48,682	5,130
Payable to merchants and financial institutions		819,500	717,305
Trade and other payables		39,246	24,990
Current income tax payables	7	6,199	-
Deferred revenues	1	2,331	-
Total Current liabilities		**867,276**	**742,295**
Total liabilities and equity		**1,399,019**	**1,137,202**

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

Condensed Consolidated Statement of Changes in Equity

For the periods ending June 30, 2018 and June 30, 2017
(all amounts in EUR thousands unless other stated)

	Note	Share capital	Share premium	Treasury shares	Other legal reserves	Share-based payment reserve	Warrant reserve	Retained earnings	Total equity
Balance - December 31, 2016	8	294	148,331	-	20,793	4,913	-	140,631	314,962
Net income for the year								27,608	27,608
Other adjustments								321	321
Intangible assets					468			(468)	-
Other comprehensive income/ (expense)									
Re-measurement available-for-sale financial asset	11				330				330
Other currency translation adjustments					(569)				(569)
Currency translation adjustments subsidiaries					(1,177)				(1,177)
Total comprehensive income for the period		-	-	-	(948)	-	-	27,461	26,513
Transactions with owners in their capacity as owners:									
Proceeds on issuing shares		1	938						939
Share-based payments	2					639			639
Balance – June 30, 2017		295	149,269	-	19,845	5,552	-	168,092	343,053

	Note	Share capital	Share premium	Treasury shares	Other legal reserves	Share-based payment reserve	Warrant reserve	Retained earnings	Total equity
Balance - December 31, 2017	8	295	149,314	-	21,726	6,207	-	212,236	389,777
Change in accounting policy					(20,061)			20,061	-
Restated total equity at the beginning of the financial year		295	149,314	-	1,665	6,207	-	232,297	389,777
Net income for the year								48,162	48,162
Reclassification of warrant	8						50,620		50,620
Other adjustments					2,064			(2,064)	-
Intangible assets					554			(554)	-
Other comprehensive income/(expense)									
Currency translation adjustments					(163)				(163)
Total comprehensive income for the period		-	-	-	2,455	-	-	45,544	98,619
Transactions with owners in their capacity as owners:									
Repurchase of Depositary Receipts	2			(9,853)					(9,853)
Options exercised	2		663			(663)			
Proceeds on issuing shares	2		3,368						3,368
Share-based payments	2					1,150			1,150
Balance – June 30, 2018		295	153,345	(9,853)	4,119	6,694	50,620	277,841	483,061

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

Condensed Consolidated Statement of Cash Flows

For the periods ending June 30, 2018 and June 30, 2017
(all amounts in EUR thousands unless other stated)

	Note	H1 2018	H1 2017
Income before income taxes		60,592	35,577
Adjustments for:			
- Finance income		(213)	(85)
- Finance expenses		955	100
- Other financial results	6	4,868	35
- Depreciation of plant and equipment		3,248	2,065
- Amortization of intangible fixed assets		800	661
- Share-based payments	2	1,129	639
Changes in Working capital:			
- Inventories		(2,787)	(2,505)
- Trade and other receivables		(16,706)	(5,983)
- Receivables from financial institutions		(8,367)	(83,043)
- Payables to merchants and financial institutions		102,195	140,009
- Trade and other payables		14,256	3,088
- Deferred revenues		2,331	-
- Purchase of contract assets	1	(60,751)	-
Cash generated from operations		101,550	90,558
Interest received		213	85
Interest paid		145	(100)
Income taxes paid		(6,700)	(31,056)
Net cash flows from operating activities		95,208	59,487
Purchases of financial assets at amortized cost	11	(7,581)	(7,360)
Purchases of plant and equipment	12	(6,162)	(885)
Capitalization of intangible assets		(1,354)	(852)
Redemption of investments at amortized cost	11	6,989	(84)
Dividends received		93	(19)
Net cash used in investing activities		(8,015)	(9,200)
Proceeds from issuance of ordinary shares	2	-	1
Share premium paid by the shareholders	2	4,031	938
Repurchase of depositary receipts (treasury shares)	2	(9,853)	-
Net cash flows from financing activities		(5,822)	939
Net increase in cash, cash equivalents and bank overdrafts		81,371	51,226
Cash, cash equivalents and bank overdrafts at beginning of the year		862,930	680,067
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		(1,174)	(1,474)
Cash, cash equivalents and bank overdrafts at end of the period		943,127	729,819

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

Notes to the Condensed Interim Consolidated Financial Statements

General Information

Adyen N.V. (hereinafter 'Adyen') is a licensed Credit Institution by De Nederlandsche Bank (the Dutch Central Bank) and registered in the Netherlands under the company number 34259528. The Credit Institution license includes the ability to provide cross-border services in the EEA. Adyen N.V. directly or indirectly owns 100% of the shares of its subsidiaries, and therefore controls all entities included in these interim condensed consolidated financial statements. During the period Adyen has offered and was admitted to trading and listing of existing ordinary shares in the capital of Adyen on Euronext Amsterdam. To facilitate this listing on Euronext Amsterdam, Adyen changed its legal structure in the Netherlands from a B.V. (Besloten Vennootschap – private company with limited liability) to an N.V. (Naamloze Vennootschap – public limited company).

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

Basis of preparation

Adyen applies the option of publishing condensed group financial statements under IAS 34 – *Interim Financial Reporting*. The interim condensed consolidated financial statements for the six months ended June 30, 2018 have been prepared in accordance with IAS 34 for the purpose of being included in the half yearly financial publication of Adyen. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Adyen annual consolidated financial statements as at December 31, 2017.

Significant accounting policies

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

Critical judgements and estimates

Significant estimates involve a higher degree of judgment or complexity, and regard items that are more likely to be materially adjusted due to inaccurate estimates and/or assumptions turning out to be wrong. Detailed information about these estimates and judgments are included in the notes along with information about the basis of calculation for each affected line item in the financial statements. The areas involving significant estimates or judgments are:

- Revenue from contracts with customers – refer to note 1 Revenue and segment reporting;
- Principal versus agent for revenue out of settlement fees– refer to note 1 Revenue and segment reporting
- Fair valuation of financial liabilities at fair value – refer to note 11 Financial instruments;

New Standards Adopted by the Group

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Adyen annual consolidated financial statements for the year ended December 31, 2017.
Adyen has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. As required by IAS 34, the nature and effect of these changes are disclosed in the referenced notes. Adyen applied the following standards for the first time:

- IFRS 15 Revenue from Contracts with Customers (refer to note 1 Revenue and segment reporting); and
- IFRS 9 Financial Instruments that require restatement of previous financial statements (refer to note 11 Financial instruments).

The qualitative impact assessment of the first time application on January 1, 2018 of these standards is disclosed in note 14 New standards adopted by Adyen.

Key Disclosures

1. Revenue and segment reporting

Accounting policy – Contract with customers IFRS 15
Adyen has the following sources of revenue:
(i) 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.
(ii) 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 passed on to merchants as well as a mark-up charged by Adyen for its acquiring services, as contractually agreed between each merchant and Adyen
(iii) Sales of goods: As Adyen satisfies the performance obligations to deliver the POS terminal and related accessories upon transfer of control of the terminal to the merchant the revenues are recognized at that point in time
(iv) Other services: (such as foreign exchange service fees, third party commission and terminal service fees) recognized at point in time or point over time depending on the service rendered.

Contract assets
Impairments on contracts assets are recognized if the carrying amount is higher than the recoverable amount. The contract assets, which are partly monetary items, are amortized and booked to revenue on a pro rata basis in line with the fulfilment of the expected payments services performance obligation.

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

Types of goods or service	H1 2018	H1 2017
Settlement fees	602,048	384,234
Processing fees	61,070	39,363
Sales of goods	6,201	1,784
Other services	27,762	16,987
Total revenue from contracts with customers	697,081	442,368
Costs incurred from financial institutions	(536,771)	(346,492)
Costs of inventory	(3,879)	(2,366)
Net revenue	156,431	93,510

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

Timing of revenue recognition	H1 2018	H1 2017
Goods and services transferred at point in time	694,649	442,368
Services transferred over time	2,432	-
Total revenue from contracts with customers	697,081	442,368

The services transferred over time are related to the amortization of deferred revenue for services provided and terminal service fees.

The interim operations of Adyen reported in these condensed consolidated financial statements are not considered seasonal nor cyclical at this moment in time.

The following tables 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	H1 2018	H1 2017
Europe	399,070	264,673
North America	188,636	113,005
Latin America	49,965	33,693
Asia-Pacific	57,242	28,483
Rest of the World	2,167	2,514
Revenue	697,081	442,368

During the period, Adyen has signed a contract with a customer (as defined in IFRS 15) for the provision of payment services that resulted in the initial recognition of contract assets of EUR 136 million, a derivative liability of EUR 75.5 million and deferred revenue of EUR 4 million upon signing of the contract. The contract assets of EUR 136 million will be amortized and booked to revenue on a pro rata basis in line with the fulfilment of the expected payments services performance obligation. Reference is made to Note 11 for further details on the accounting treatment of the merchant contract.

Non-IFRS Financial Measures

Non-IFRS financial measures are disclosed in addition to the statement of comprehensive income to provide additional information to better understand underlying business performance of the company. Adyen recognizes the following additional financial measures that are directly derived from the statement of comprehensive income or statement of cash flows:

- Net revenue: Adyen management monitors Net revenue (Revenue from contracts with customers less costs incurred from financial institutions and cost of inventory) as a performance indicator, as this is the revenue attributable to Adyen;

The geographical breakdown of Net revenue is as follows (based on the billing location as requested by the merchant for the periods indicated):

Net revenue - Geographical breakdown	H1 2018	H1 2017
Europe	102,667	67,570
North America	22,098	9,068
Latin America	16,465	10,390
Asia-Pacific	14,640	5,933
Rest of the World	562	549
Net revenue	156,431	93,510

- EBITDA: "Income before interest income, interest expense and income taxes" less 'amortization and depreciation of tangible fixed and intangible fixed assets' on the statement of comprehensive income; and
- EBITDA Margin: EBITDA as a percentage of Net Revenue
- Capex: with capital expenditure consisting of the line items "Purchases of plant and equipment" and "Capitalization of intangible assets" on the consolidated statement of cash flows; and
- Free Cash Flow: EBITDA less "Purchases of plant and equipment" and "Capitalization of intangible assets" on the consolidated statement of cash flows

Selected Non-IFRS Financial Measures	H1 2018	H1 2017
Income before interest income, interest expense and income taxes	66,202	35,627
Amortization and depreciation of tangible and intangible fixed assets	4,048	2,726
EBITDA (EUR '000)	70,250	38,353
Net revenue	156,431	93,510
EBITDA Margin (%)	45%	41%
Purchases of plant and equipment	6,162	885
Capitalization of intangible assets	1,354	852
Capex (EUR '000)	7,516	1,737
EBITDA	70,250	38,353
Capex	(7,516)	(1,737)
Free Cash Flow (EUR '000)	62,734	36,616

2. Share based payments

As part of the total remuneration package, Adyen has two types of share-based payments:

1. Depositary receipts to directors and employees (granted until 2013)
2. Equity settled option plan

These plans and key parameters are described in more detail in the 2017 consolidated financial statements.

For the six months ended June 30, 2018, Adyen has recognized 1,129 of share-based payment expense in the statement of profit or loss (during the six months ended June 30, 2017: 639)

Accounting policy – Purchases of Depositary Receipts (Treasury shares)

A single Depositary Receipt can be exchanged for one Ordinary share in Adyen N.V. Depositary Receipts are classified as equity instruments. A depository receipt purchased by Adyen N.V. is accounted for as Treasury Shares. These Depositary Receipts have not been cancelled and are recognized as treasury shares with the cost reported within other reserves.

Depositary receipts purchases (Treasury shares)
Adyen has provided its employees the opportunity to partially monetize their vested options. During the period Adyen has repurchased a total number of 24,557 Depositary Receipts for the total amount of 9,853 presented as Treasury Shares.

As part of options exercised and sold to Adyen, but not yet processed Adyen has a short-term payable of 1,583 to employees reported in Trade and other payables.

Exercise of options
Employees also have the opportunity to exercise and hold their options at exercise price. As a result of options exercised and paid to Stichting Administratiekantoor Adyen ("STAK") by employees, but not yet passed through to Adyen, Adyen has a short-term receivable balance to STAK of 5,167 as per June 30, 2018.

3. Inventories

Accounting policy – Inventories
Inventories are measured at the lower of Cost or Net Realizable Value (NRV). The costs of finished goods comprise the purchase value of these goods based on the first-in, first-out method (FIFO). There are no inventories measured at fair value less cost to sell.

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

In the period up to June 30, 2018, Adyen performed a re-assessment on inventory and determined the Net Realizable Value of part of its inventory was lower than Cost due to technological obsolescence. Therefore a write-off of 825 was recognized under Other operating expenses (as disclosed in note 5 operating expenses).

4. Employees

The regional breakdown of FTE per office is as follows:

Office	30.6.2018	30.6.2017
Amsterdam	451	324
San Francisco	82	66
São Paolo	45	39
London	45	29
Singapore	43	29
Other	102	62
Total	768	549

The employee benefit expense can be specified as follows:

Employee benefits	H1 2018	H1 2017
Salaries and wages	35,960	24,750
Pension costs - defined contribution plans	759	614
Share based compensation	1,129	639
Social securities	5,748	3,908
Total	43,596	29,911

5. Other operating expenses

The other operating expenses can be specified as follows:

Other operating expenses	H1 2018	H1 2017
Housing costs	5,653	2,256
Office costs	1,058	1,098
IT costs	4,545	2,881
Sales & Marketing costs	11,373	7,202
Travel and other staff expenses	6,948	4,713
Advisory Costs	7,191	4,947
Other operating expenses	5,910	2,178
Total	42,678	25,275

Operating leases
In the second quarter of 2018, Adyen signed an agreement to extend the lease of its corporate headquarters office building. As per June 30, 2018 Adyen has the following lease commitments:

Lease commitments	30.6.2018	31.12.2017
Less than 1 year	3,316	5,397
Between 1 and 5 years	24,576	15,059
More than 5 years	24,209	6,126
Total	52,101	26,582

The impact of the IFRS 16 – "Leases" accounting standard that has been issued but is not yet effective is expected to result in the separate recognition of a EUR51 million right of use asset and a similar related liability upon the adoption of this standard when it becomes effective on January 1, 2019.

6. Other financial results

The other financial results can be broken down in the following categories including references to the relevant notes:

Other financial results	H1 2018	H1 2017
Exchange gains	5,366	(35)
Fair value re-measurement of:		
Derivative Liability (Note 8)	(14,900)	-
Financial instrument at Fair Value through Profit & loss (Note 11)	4,880	-
Other	(213)	
Total	(4,868)	(35)

7. Income taxes

7.1 Income tax expense

Adyen calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

	H1 2018	H1 2017
Income before tax at statutory rate of 25%	60,592	35,577
Weighted average statutory tax rate	25%	25%
Weighted average statutory tax amount	15,148	8,894
Tax effects of:		
Innovation box (changes in tax rate)	(2,971)	(1,984)
Tax rate differences on foreign operations	(509)	684
Derivative liability	3,725	-
Deferred tax on derivative liability	(3,725)	-
Recognition of deferred tax asset	786	-
Other adjustments (such as non-deductible)	(24)	375
Effective tax amount	12,430	7,969
Effective tax rate	20.51%	22.40%

7.2 Deferred taxes

The balance sheet positions relating to corporate income taxes and the breakdown of the tax expense in deferred and current tax expenses is provided below:

	30.6.2018	30.6.2017
Current income tax liabilities	6,199	-
Current income tax assets	-	2,061

	H1 2018	H1 2017
Current income tax expense	15,369	8,977
Deferred income tax expense	(2,939)	(1,008)
Total	12,430	7,969

Capital management and financial instruments

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.

	30.6.2018	31.12.2017
Share capital	295	295
Share premium	153,345	149,314
Retained earnings	277,841	212,236
Treasury shares	(9,853)	-
Total	421,628	361,845

During the six months ended June 30, 2018 79,606 additional shares were issued as a result of exercises of options. The number of outstanding shares is 29,522,093 (as of December 31, 2017: 29,442,487) ordinary shares (nominal value EUR 0.01 per share). The total of distributable reserves amounts to 373,337 (December 31, 2017: 361,550), the other reserves are restricted for distribution. The number of shares issued is according to the trade date.

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

Voluntarily change in accounting policy – Derivative Financial Instrument
Due to a change in circumstances resulting from the Initial Public Offering, Adyen reassessed the classification of the derivative financial liability and reclassified a component of the derivative financial liability as an equity instrument. This is due to the applicable component of the derivative financial liability instrument that will be convertible into a fixed number of ordinary shares at a fixed amount in the future when certain contractual contingent events are achieved. The derivative financial liability was measured to fair value before being de-recognized and reclassified to equity as a separate component of equity (the warrant reserve). The fair value remeasurement until the reclassification date is recognized through profit and loss (other financial result). Equity instruments are not subsequently remeasured to fair value.

Part of the derivative financial liability is prospectively de-recognized and the new equity instruments are recognized at fair value in equity (warrant reserve).

Derivative financial instrument
The first two tranches of the derivative liability resulting from a merchant contract are reclassified from derivative liability to warrant reserve in equity for the amount of 50,620 (net of deferred taxes). The remaining derivative liability balance as per end of June 2018 is 22,200. Reference is made to Note 11 for further details on the accounting treatment of the financial instrument relating to the merchant contract.

9. Cash and cash equivalents

As per June 30, 2018 502,612 (June 30, 2017: 265,989) represents cash held at central bank.

10. CRR/CRD IV Regulatory Capital

The following table displays the composition of regulatory capital as at June 30, 2018. The regulatory capital is based on the CRR/CRD IV scope of consolidation, which is the same as the IFRS scope of consolidation.

	30.6.2018
EU-IFRS Equity as reported in consolidated balance sheet	483,061
Net profit not included in CET1 Capital (not yet eligible)	(48,162)
Warrant reserve	(50,620)
Prudential filters and deductions	
Intangible assets	(4,533)
Prudent valuation	(52)
Own funds as per June 30, 2018	379,694

11. Financial Instruments

Accounting policy – Financial instruments (IFRS 9)

Classification
From January 1, 2018, Adyen classifies its financial assets in the following measurement categories:

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at FVPL, gains and losses will be recorded in profit or loss. Adyen reclassifies debt investments when and only when its business model for managing those assets changes.

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 gains and losses for the period in which it arises.

Impairment
From January 1, 2018, Adyen assesses on a forward-looking basis the expected credit loss 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 permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The expected credit loss model is applicable to debt instruments that are classified as amortized cost or at FVOCI.

Instruments in scope on the balance sheet of Adyen include: Cash and cash equivalents, Receivables from financial institutions, Trade receivables, and other receivables. The expected credit loss model is to measure the pattern of improvement or deterioration in the credit quality of the debt instruments. The measurement basis consists of two categories

- Stage 1: Expected credit losses (12 months)
- Stage 2: Life time expected credit losses

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 and hence all assets are considered to be in stage 1 and a 12-month expected credit loss is applied.

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.

During the period Adyen added 1,228 (2017: nil) to its Accounts Receivable provision based on the calculations from its IFRS 9 expected credit loss model for Accounts Receivable. Adyen did not recognize any other impairments on financial instruments during the six months ended June 30, 2018 (during the six months ended June 30, 2017: nil), nor reversed any impairment losses.

Other financial assets at Amortized cost (Government Bonds; Hold to collect)
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 debt instruments at amortized cost approximates the carrying value due to the short-term nature of the instruments.

Other financial assets at Fair Value Through Profit and Loss (Visa preferred shares)
Adyen has recognized and classified the convertible preferred Visa shares within the FVPL category. The fair value of the level 2 preferred stock in Visa Inc. is based on the fair value of Visa Inc. common stock multiplied by an initial conversion rate of preferred stock into common stock. The conversion rate of the preferred stock into an equivalent number of common stock may fluctuate in the future. The Visa shares carry the right to receive discretionary dividend payments.

Derivative Liability
As part of the merchant contract referred to in Note 1 Adyen recognized a derivative liability. As of the conclusion of the contract 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 tranche is linked to meeting significant milestones with respect to processed volume on a calendar year basis. Each tranche is equal to 1.25% of the Adyen's fully diluted issued and outstanding share capital as at January 31, 2018.

Due to the IPO of Adyen, the accounting treatment of the derivative liability relating to the merchant contract has changed in several elements. As a consequence of the change in circumstances, the first two tranches of the derivative liability were de-recognized and classified as equity instruments for a total value of 50,620 (net of deferred taxes). The last two tranches of the derivative liability that remain after this change, continues to be measured at Fair Value through Profit & Loss for an amount of 22,200 as per June 30, 2018. Reference is also made to Note 8 Capital Management for the accounting treatment of the reclassification.

In accordance with IFRS 13 the fair value of the derivative liability at inception of the contract was determined based on Level 3 inputs as per March 31, 2018. Due to the IPO previously unobservable inputs became observable (being the underlying Adyen share price) and therefore the remaining part of the derivative liability is classified as a Level 2 fair value instrument as per June 30, 2018.

As of June 30, 2018, Adyen carried out a sensitivity analysis with regard to the remaining two tranches of the derivative financial liability. A 5% increase or decrease in the underlying Adyen share price would result in an increase or decrease of approximately EUR 1 million of the value of the derivative liability, all other circumstances considered to be equal.

Other disclosures

12. Plant and equipment

Purchases in plant and equipment amounted to 6,162. Adyen did not recognize a loss from impairment of neither plant nor equipment during the six months ended June 30, 2018 (during the six months ended June 30, 2017: nil), nor did Adyen reverse any impairment losses.

13. Share information

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

1) Basic EPS; dividing the Net profit (or loss) attributable to shareholders by the weighted average number of outstanding ordinary shares outstanding during the period.
2) Diluted EPS: determined by adjusting the basic EPS for the effects of all dilutive potential ordinary shares, which in the case of Adyen only relates to share options.

	30.6.2018
Net profit attributable to ordinary shareholders	48,162
Weighted average number of ordinary shares for the period	29,442,769
Dilutive effect share options	1,008,877
Weighted average number of ordinary shares for diluted net profit for the period	30,451,646
1) Net profit per share – basic	1.64
2) Net profit per share - diluted	1.58

14. New standards adopted by Adyen

14.1IFRS 15 – Revenue from contracts with customers

IFRS 15 has no financial impact upon adoption on January 1, 2018. For the impact assessment Adyen has assessed its current merchant contracts and did not identify performance obligations other than the obligations as already used to recognize payments revenue.

Given the nature of Adyen's business model the revised notion of control and resulting revenue recognition date does not impact the recognition policy applied by Adyen. The change from risk and rewards to control does not affect the agent principal assessment. Adyen is still considered as the principal in the revenue streams resulting in revenue being recognized on a gross basis.

14.2IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets.

Adyen adopted IFRS 9 without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at December 31, 2017, but are recognized in the opening balance sheet on January 1, 2018 as shown in the table below for the financial assets held by Adyen as per January 1, 2018:

	31.12.2017		1.1.2018		
	IAS 39		**IFRS 9**		
	Classification	Carrying amount	Business model	Classification	Carrying amount
Financial assets					
Visa deferred consideration	Loans and receivables	4,248	Hold-To-Collect	Amortised cost	4,248
Visa preferred shares	Available-For-Sale	25,076	Not applicable	FVPL	25,076
Government Bonds	Held-To-Maturity	6,989	Hold-To-Collect	Amortised cost	6,989
Receivables	Loans and receivables	206,286	Hold-To-Collect	Amortised cost	206,286
Cash and cash equivalents	Loans and receivables	862,930	Hold-To-Collect	Amortised cost	862,930
Total financial assets		1,105,529			1,105,529

Classification and measurement

Visa preferred shares - previously classified as available-for-sale
As a result of the IFRS 9 implementation Adyen classifies the Visa preferred shares at FVPL. Related fair value gains of 20,061 were transferred from the other comprehensive income reserve to retained earnings on January 1, 2018.

Government bonds - previously classified as held to maturity
As a licensed credit institution Adyen has to comply with liquidity requirements in both its functional currency and other significant currencies defined under CRR/CRD IV. These significant currencies are based on the eligible liabilities in scope of regulatory liquidity requirements (LCR Delegated Act). In order to comply with these liquidity requirements Adyen has, in the course of 2017, purchased US and UK treasury bonds denominated in USD and GBP, respectively. Both bonds matured in March 2018. In March 2018 Adyen purchased two new bonds with similar characteristics to ensure continuous compliance. The bonds purchased in March 2018 also mature within one year and are therefore presented as short-term in the balance sheet.

Adyen intends to hold the bonds to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the bonds as per January 2018, until they matured in March 2018.

Other financial instruments: Cash and cash equivalents, trade receivables and other short-term receivables
Classification and measurement of cash and cash equivalents, trade receivables and other short-term receivables remains unchanged; these are measured at amortized cost.

The presentation in the statement of financial position of the other financial assets as per June 30, 2018 can be reconciled as follows:

Breakdown of Other Financial Assets in the Balance sheet			30.06.2018	31.12.2017
Available -for sale financial asset	Visa preferred shares	IAS 39	-	25,076
Financial instrument at Fair value through P&L	Visa preferred shares	IFRS 9	29,956	-
Investments held-to-maturity	Government Bonds	IAS 39	-	6,989
Financial assets at amortized cost	Government Bonds	IFRS 9	7,837	-

Impairment
All financial instruments except for instruments classified as FVPL are in scope of IFRS 9 impairments. The instruments in scope for IFRS 9 impairments on the Adyen Balance sheet are described below:

Government bonds
For the bonds the low credit risk simplification will be applied, and hence all bonds are considered to be in stage 1 and a 12-month expected credit loss is applied.

The government bond financial instruments on the balance sheet as per January 1, 2018 and June 30, 2018 had a high credit rating and as per June 30, 2018 a duration less than 1 year. The resulting Expected Credit Losses on these bonds have no financial impact.

Trade receivables
For trade receivables, to measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

Other financial instruments: Cash and cash equivalents and other short-term receivables
Due to the nature of the Adyen business model the average duration of the instruments in scope for impairment calculation is below 10 days the resulting Expected Credit Losses on these instruments have no financial impact. Due to the low financial impact the impact forward-looking elements are included in the expected credit loss assessments but also considered to have no financial impact.

Hedge accounting
Adyen does not apply Hedge Accounting and therefore IFRS 9 Hedge Accounting is out of scope.

15. Related party transactions

During the six months ended June 30, 2018, Adyen identified related party transactions with Stichting Administratiekantoor Adyen, employees and Supervisory Board members relating to the exercise of options (during the six months ended June 30, 2017: nil). The transactions and balances as per June 30, 2018, are disclosed in Note 2 Share based payments.

There were no other transactions with related parties during the six months ended June 30, 2018 (during the six months ended June 30, 2017: nil).

16. Contingencies and Commitments

Adyen has no contingent liabilities in respect to legal claims. Contingencies further remain unchanged compared to the 2017 annual report.

Per June 30, 2018 Adyen has a credit facility agreement of 7,500 (2017: 7,500) and 4,679 (2017: 5,217) used for bank guarantees and letters of credit. In addition, Adyen has an intraday credit facility of €100 million for liquidity purposes, which is from time to time automatically drawn during the course of the trading day primarily in order to facilitate the transfer of funds to merchants when settlement from payment networks arrives later than the payout to merchants. This facility was not drawn as at June 30, 2018.

17. Events after the balance sheet date

There are no events after the reporting period.

18. Other information

The Interim Condensed Consolidated Financial Statements of Adyen N.V. for the six months ended June 30, 2018 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and are reviewed by our external auditor.

Statement by the Management board

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

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

Amsterdam, August 22, 2018

Pieter van der Does
CEO

Ingo Uytdehaage
CFO