H1 2023

Shareholder letter

adyen

engineered
for ambition

Processed volume

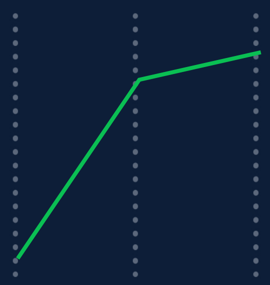
H1 2022	H2 2022	**H1 2023**
345.8	421.7	**426.0**

H1 ↗ 23% YOY

€426.0 BN

Net revenue

H1 2022	H2 2022	**H1 2023**
608.5	721.7	**739.1**

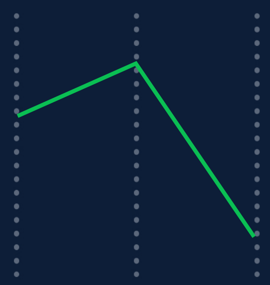


H1 ↗ 21% YOY

€ 739.1 MN

EBITDA

H1 2022	H2 2022	**H1 2023**
356.3	372.0	**320.0**



H1 ↘ -10% YOY MARGIN 43%

€320.0 MN

Meeting customer needs amid changing landscape

- As a result of higher inflation and interest rates, North American digital customers shifted focus from growth to cost savings in H1
- Strong Platforms and Unified Commerce growth demonstrated our persisting ability to solve complexity
- Our single tech stack helped us meet customer needs, whether they be globally expanding, streamlining operations, or optimizing cost

Continued investments in scaling the global Adyen team

- In order to reach our full potential at our next phase of scale, we added 551 FTE to the team in H1
- The majority of new hires (75%) were in tech roles, building our global engineering muscle dedicated to both young and mature initiatives
- With Adyen becoming a larger and more global company every cycle, we prioritized scaling our culture of speed and autonomy

The global digitization of business fueled our growth and product launches

- We continued innovating at speed, with high-impact product launches including Data Connect, Payouts, and Data-Only
- Unified Commerce and point-of-sale volume growth highlighted the ever-growing relevance of advanced, cross-channel payment journeys
- Adyen for Platforms continued to appeal to leading platform businesses, resulting in new partnerships with Olo, AffiniPay, and Buildertrend

Continued investments in scaling Adyen during a cycle of shifting customer priorities

Dear shareholders, August 17, 2023

We closed H1 2023 with €739.1 million in net revenue, up 21% year-on-year. EBITDA margin landed at 43%. We continued building Adyen for the long term and made solid progress in attracting top talent, scaling our Platforms offering, and driving growth in Unified Commerce. In some areas, the business grew at a lower rate than anticipated. This was the case for our North American net revenue (up 23% YOY, compared to up 52% YOY in H1 2022), and Digital volumes (up 23% YOY, compared to up 55% in H1 2022). North America has been an increasingly important contributor in recent years, making these developments more significant to overall net revenue. In addition, the region has a high concentration of Digital customers, explaining the overlap in impacted metrics. While we remain focused on realizing Adyen's long-term opportunity, we want to start this letter by addressing the recent factors that impacted our North American and Digital growth.

First, as a natural consequence of the shifting economic climate – driven by higher inflation and interest rates – profit outweighed growth for many North American digital businesses in H1. Enterprise businesses prioritized cost optimization, while competition for digital volumes in the region provided savings over functionality. These dynamics are not new, and online volumes are easiest to transition back and forth. Amid these developments, we consciously continued to price for the value we bring.

Beyond the current industry dynamics in North America, another factor that impacted our growth was one we wrote about at the end of 2021 too: the fact that we would have liked to grow our team at a higher pace but were unable to hire enough top-quality talent. We now see the impact of a sales team size that did not match our ambitions, particularly in North America. Since then, we have ramped up our investments.That being said, investments in the team and revenue never move simultaneously. Rather, the former drives the latter over time.

While we see the changing industry tides reflected in this period's results, we remain focused on building Adyen for the long term. Global digital brands continue to emphasize that – today and in the future – online payments are a vital part of their commerce strategies, which further underpins our conviction in our sizable, untapped opportunity. Our historical investments in our single platform leave us well equipped to maintain our leading position in digital payments in North America, and beyond. We therefore continue to build teams and products that best address the needs of Digital customers and help them operate at the forefront of their industries. In H1, this was demonstrated by multiple product launches within our Digital product suite, including Trusted Beneficiaries, Data-Only, and our certification to utilize the FedNow(R) Service, the Federal Reserve's instant payment infrastructure.

Our focus on meeting our customers' needs also applied in the current climate. To address their evolving priorities, we leveraged our established products and ongoing innovations to drive cost optimization in H1. Powered by machine learning, we helped our customers save costs via alternative payment methods and network token optimization. In addition, our single integration drove their operational efficiency. Coupled with our ability to build long-term relationships with our customers, over 80% of our growth came from existing customers with less than 1% of volume churn in H1.

To continue in this stead but at even larger scale, H1 was a key investment period to grow the team to its next level of maturity. We added 551 colleagues during the first half of the year, bringing the Adyen team to a total of 3,883 FTE. Of our new joiners, a majority (75%) sat in tech roles developing both young and more mature initiatives that power our global customer base. Our team and culture have always been central to realizing our success and remain the primary means of investing in our future. We foresee our team reaching its next level of maturity at the start of 2024 with a mix of both commercial and tech roles. After this point, we will phase out of our accelerated investment mode and hire as needed.

Primarily driven by our investments in the team, EBITDA margin was 43% in H1. We could have actively optimized this metric, but prefer building the team that can realize the long-term potential of our single platform. With increasingly positive interest rates as a tailwind to our interest income, we were able to invest in the business while keeping our bottom line solid. We have always maintained a strong balance sheet to enable rapid and flexible execution. An essential part of our competitive advantage is the efficiency of our single code base. To allow for this efficiency at even larger scale, we front-loaded this year's priority infrastructure investments. This resulted in CapEx of 7.6% for H1, which is expected to be at 5% for the full year.

Alongside scaling our team, we successfully expanded our commercial pillars. As the digitization of SMBs and platform business model continued gaining prominence, Adyen for Platforms became even more appealing. Mirroring this trend, we were able to significantly grow our Platforms volumes (without eBay volumes, these were up 82% YOY) and sign partnerships with Buildertrend, Revel, and AffiniPay. Another trend within global commerce, the blurring of lines between channels, further drove Unified Commerce growth (up 36% YOY) and total point-of-sale volumes (up 49% YOY, now comprising 16% of total processed volume). With our cohesive backend consolidating all payment activity, our industry-leading Unified Commerce solution helps our customers navigate the complexity of this space. We are excited about what Unified Commerce and Platforms still have in store, and continue to invest in expanding their depth and reach.

We are building Adyen knowing that our product offering will constantly evolve. As consumer preferences become even more technology-driven, additional revenue opportunities will emerge and we will engineer our product to capitalize on them. Our investments and growth in both Unified Commerce and Adyen for Platforms exemplify our ability to turn upcoming opportunities into revenue streams.The low-cost nature of our single platform positions us to build highly scalable solutions while generating incremental net revenue at minimal additional cost.

Alongside the two abovementioned initiatives, many of our high-potential products are still in their early days. Even in more mature areas, such as digital payments, we are just scratching the surface. Similarly, from a regional perspective, we have only recently taken our first steps into high-potential regions such as Mexico, Japan, and India. In both nascent and mature markets, we are preparing to become the domestic partner of choice for leading brands.

As a recap of the above: the time that we can say “we did it” is still far out. We know that growth will not always be linear, and while we saw net revenue growth decelerate in H1, we did not see any substantial developments that structurally change our medium to long-term opportunity. In addition, we anticipate our business model's high operating leverage to kick in as we move out of this accelerated investment phase in 2024. With an ever-growing opportunity ahead, we are making the necessary investments to capitalize on it and reiterate our financial objectives.

Further momentum across commercial pillars

Our land-and-expand strategy continues to drive the majority of our growth. The strength of this approach results from demonstrating the value of our offering, then proving what our partnership can do on a larger scale and longer-term. As a result, we again saw more than 80% of our growth come from existing customers, as well as less than 1% of volume churn.

As our longest standing offering, we have an established reputation and the largest base to grow off in our Digital pillar. With consumer preferences increasingly digitally inclined, we help industries cater to the demand for more seamless payment experiences. It's exactly there, in the perceived simplicity of seamless experiences, that technological complexity occurs. Therein lies our opportunity: the world's leading brands seek a partner that tackles such complexity and simultaneously utilizes payments as a strategic driver.

In H1, our technology supported digital businesses seeking both domestic and international expansion. Our approach to meeting new and existing customer needs – also in times of cost optimization – and tailoring our strategy to their priorities enabled our competitive advantage. One of the leading brands we added to our customer portfolio in H1 was BabyBjörn, signing a global partnership to support them across North America, Europe, and APAC.

As a reflection of our partnership flexibility, we secured land-and-expand wins including iFood, a Brazilian online food ordering and food delivery business, with whom we grew our relationship by adding volumes from additional payment methods. We also expanded our long-standing relationship with Flix to include the newly extended network with Greyhound in the United States. Customers now have the opportunity to purchase tickets with Flix and Greyhound in the United States via the website, app, and directly via a POS terminal powered by Adyen, to travel to over 2300 destinations across the country.

Another exciting development was the announcement of our global Shopify partnership. Shopify, a provider of essential internet infrastructure for commerce, selected us to strengthen their e-commerce capabilities, simplify consumer journeys, and solve payment complexity for enterprise businesses. As part of a multi-year partner strategy, Adyen is now supporting Shopify's expansion into the enterprise segment through diversified commerce solutions for large-scale merchants.

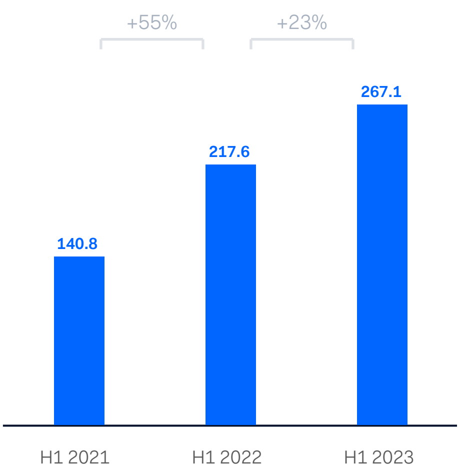


Figure 1

Digital: Processed volumes (in billion euros) of non-platform merchants that process over 99.5% of their volumes online.

With our Unified Commerce technology, we help businesses live up to the growing consumer appetite for intelligent cross-channel payment journeys. In recent years, uniform and tailored brand identities across in-person and online channels became the norm. To live up to this new standard, businesses spanning diverse regions and industries require a financial technology partner that enables them to not only meet these growing expectations, but also maximize the opportunities they present.

This period, our Unified Commerce offering continued to provide customers with a single integration feeding all payment channels into one backend. Each cycle, this consolidated destination enables more advanced customer experiences, streamlines operations, and captures valuable cross-channel insights for data-driven decisions. The relevance of this offering was highlighted by the robust growth of both our Unified Commerce volumes (up 36% YOY) and total point-of-sale volumes (up 49% YOY). It was further displayed by our growing customer base in countries in which we only recently launched Unified Commerce. In Japan, we added sportswear brand On Japan to our customer portfolio and grew with our existing North American customer, American Eagle, into Mexico.

While we have long been the provider of choice for customers looking to grow internationally, one of our main priorities within Unified Commerce is to solidify our position as the partner enabling their domestic goals alongside their global ambitions. In meeting either need, we can support cost optimization opportunities and drive strategic growth impact.

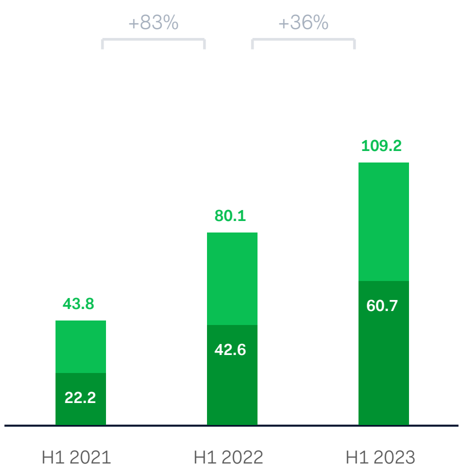


Figure 2

Unified Commerce: Processed volumes (in billion euros) of non-platform merchants processing at least 0.5% of their volumes via point-of-sale.

Driven by the accelerating digital transformation of SMBs, the platform business model is quickly gaining traction. To seize this momentum and efficiently address the long tail of the market, we partner with enterprise platforms to embed our financial technology into their existing software offering. In turn, Adyen for Platforms fuels their competitive edge by strengthening their user relationships, building additional revenue streams, and ultimately increasing their stickiness and differentiation.

The increasing appeal of Adyen for Platforms was illustrated by our strong Platforms volume growth. Excluding eBay volumes, this pillar would have been the fastest growing, up 82% YOY. Its relevance was also demonstrated by the host of platform businesses we attracted in H1, among them AffiniPay, Revel, and Buildertrend. The ever-growing embedded payments opportunity will drive the vast majority of our Platforms growth in the foreseeable future, while our Embedded Financial Products (EFP) suite takes time to materially contribute. Ramping up a product suite requires playing the long game, and we are excited about what its future holds.

In the meantime, our financial product capabilities helped us win new customers including MerXu, a B2B marketplace and Olo, a leading open SaaS platform for restaurants, which will leverage our Unified Commerce technology as well as our full EFP suite. Tapping into the synergies between our products is precisely how we will work with platform businesses in the future, and we look forward to seeing impactful combinations come to life.

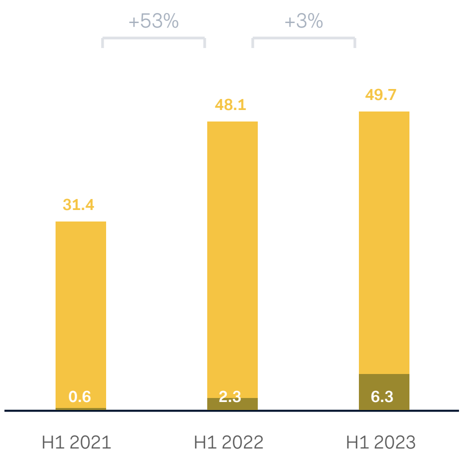


Figure 3

Platforms: Processed volumes (in billion euros) of customers processing at least 50% of their volumes via Adyen for Platforms.

Customer-driven innovations launched at speed

Adyen's approach to innovation has always been customer-driven. Their ever-evolving needs inform our product roadmaps, ensuring we engineer solutions that place them at the forefront of their ambitions. This period, the immediate priorities of many businesses included cost optimization and differentiation. For that reason, we leveraged our product suite to show how our financial technology is dynamic enough to keep our customers competitive and resilient – regardless of the economic climate. From network tokens to debit routing and authentication features, our single integration increases conversion and enables significant operational efficiencies for our customers.

On the optimization side, in H1, we further invested in alternative payment methods and open banking in North America to reduce costs for our customers. Powered by machine learning, we launched two products that turn complexity into conversion and realize iterative revenue uplift. The first, Data-Only, taps into Adyen's global insights to improve authorization rates even in regions where strict authentication regulations are not in place. When a transaction is executed in the United States or Brazil, for example, Adyen voluntarily shares relevant authentication data with schemes for more informed authorization decisions.

Alongside our Data-Only product, we launched Trusted Beneficiaries, through which shoppers in the checkout stage can add a business to their list of 'trusted' companies. After designating a business as such, shoppers will not need to be re-authenticated when purchasing from them in the future. This again brings added convenience to the consumer and increased conversion to our customers. Together, our Data-Only and Trusted Beneficiaries authentication capabilities help businesses broaden their decision-making resources, increase conversion, and reduce fraud.

Beyond the feats of our authentication suite, in H1, we were first to market in adopting new industry innovations. Much like with Click-to-Pay last cycle, we were among the first to complete testing and receive certification to in the future utilize the FedNow(R) Service, the Federal Reserve's instant payment infrastructure. As part of the principal group qualified, we will further meet Platform and Digital business needs through expanded real-time payments and payout capabilities. This innovation sits at the forefront of fund transfer, securely and reliably operating 365 days a year, 24 hours a day. We look forward to building upon our foundational capabilities to keep our customers at the industry's cutting-edge, and further optimize costs throughout the transaction flow.

By branching deeper into services that leverage the interconnectivity of our single platform, we continue to innovate ways for businesses to get the most value from every transaction they process. With extensive data insights and technical speed on our side, we are finding additional avenues to offer the highest service levels to our customers. In an increasingly competitive digital landscape, our goal is to relentlessly build for the best user experiences and strategic value.

With payment processing at the core of our offering, we continuously develop products that better leverage our valuable insights. In H1, we productized our data capabilities for Unified Commerce businesses with Data Connect for Marketing. With this product, we continue to provide rich transaction data, but now link it to individual shoppers so that they can be recognized across channels and points of interaction. By easily integrating into our customers' existing marketing technology, the product helps them build tailored-to-the-individual, data-driven marketing programs. Key to increasing shopper engagement and conversion is a deeper understanding of consumers, and this functionality helps our Unified Commerce customers gain it.

Following last year's successful launch of Tap to Pay on iPhone in the US, this period, we further expanded Apple's solution to the UK. This in-person payment (IPP) technology enables our customers to accept contactless payments on an iPhone, removing the need for additional hardware. The convenient, streamlined approach has already seen great traction from US businesses, with Tap to Pay on iPhone helping them future-proof their operations and facilitate more flexible customer journeys. We are proud to have worked closely with Apple to bring this innovation to the UK.

To further address the ongoing consumer demand for more sophisticated IPP experiences, we also expanded our Unified Commerce offering with Tap to Pay on Android. This software-based solution allows both SMBs using Adyen for Platforms and enterprise customers to convert any compatible Android device (e.g. phones, tablets, or kiosks) into a payment terminal accepting contactless payments. By consolidating businesses' needs into a single device, Tap to Pay on Android enables benefits ranging from enhanced checkout experiences, to streamlined operational processes, and reduced hardware costs. This low-cost, easy foray into offering IPP especially appeals to SMBs. Tap to Pay on Android powers valuable use cases spanning diverse industries including retail, F&B, hospitality, and beyond. By reducing the need to queue and facilitating real-time inventory checks, we can significantly improve consumer interactions and overall service levels.

Following our long-standing approach of meeting customer needs within a single destination, we again expanded what we are able to do for platform businesses in H1. This period, we built upon our in-house banking infrastructure to productize our Payouts functionality. Drawing on our own financial infrastructure, this new product removes delays like weekend restrictions to instead make transfers instant. By unlocking immediately transferable funds for Platform and enterprise customers, we enable them to improve cash flow efficiency and payout speed to consumers including gig economy workers, marketplace sellers, and franchisees.

Our Payout Service not only differentiates businesses who understand that transfer time is becoming increasingly critical, but simultaneously provides them with a number of backend efficiencies. With our global regulatory expertise, Adyen handles transaction oversight, sanction screening, and fraud monitoring. Financial operations are then sped up and simplified within one account, in which all activity is managed and overseen. This namely includes payments and payouts, but also extends to automated instructions, approvals, and reconciliation.

Alongside Payouts, we continued to see our EFP suite progress in the background. While it remains far from maturity, we are pleased to be making progress with the first customers using the full suite. Their feedback in this pilot phase is instrumental in helping us further refine, scale our functionality, and affirm our product market fit. Our historical investments into our platform products, in-house banking infrastructure, paired with the increasing hunger from SMBs to leverage modern financial services, leave us well positioned to capitalize on the intersection of these movements in the long term.

As we build our business and product offering, we embrace our responsibility towards the planet and its people. As one expression of this, we annually pledge 1% of our net revenue to initiatives that support the United Nations' Sustainable Developments Goals. Through our Impact product suite, we enable businesses to seamlessly integrate donation technology into their payment flows. In the process, we use the 1% funds to ensure 100% of these donations reach the end charities, whom we systematically help structure their operations to accept global funding. By transforming this traditionally complex process, we remove the operational burden that often hinders non-profit organizations in need of business partnerships but may not have the resources to build them.

This period, our 1% contribution was pledged to donation matching and operationally structuring partnerships with the world's leading non-profits and humanitarian response organisations including UNICEF[1], Plan International, UNHCR, and WWF. By helping non-profit organizations accept donations at speed and scale, our Impact technology enables them to respond to the world's most pressing issues when and where it's critically needed.

UNHCR
The UN Refugee Agency

WWF

unicef

PLAN
INTERNATIONAL

[1] UNICEF does not endorse any company, brand, product, or service.

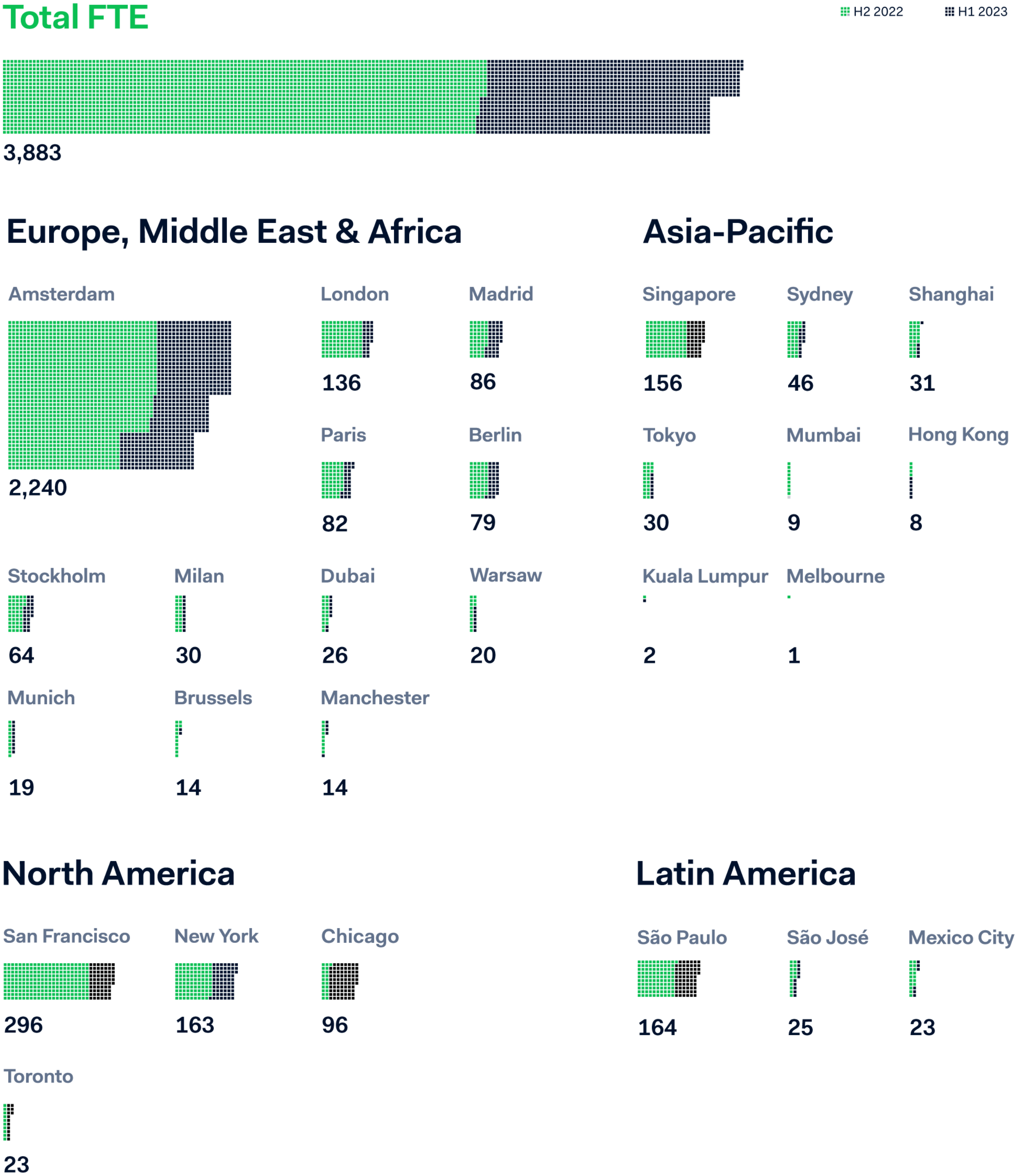
Scaling Adyen's culture of speed and autonomy

At the end of H1 2023, Adyen's global team consisted of 3,883 FTE compared to 3,332 FTE at the end of H2 2022. Reaching this milestone does not mean we will stop growing, but we will temper our hiring pace thereafter. By the start of 2024, we expect the team to reach its next level of maturity. Following this, the operating leverage inherent to our business model will further expand.

Alongside growing the team, scaling our culture of speed and autonomy remains a focal point. To ensure it remains intact as the company grows to new levels, the Adyen Formula continues to guide how we work together. We are aware that facilitating fast and effective collaboration at a larger - and increasingly global - scale requires nuance. We therefore continue to invest in an office-first approach across our 27 offices and coming together for our annual Connect event. The relationships we build face-to-face are crucial to performance, execution speed, and thus our future success. Furthermore, we updated some of our Formula points to reflect our company's standing today. What remains crystal clear to us is that we don't want our team to think within defined boundaries. On the contrary, we aim to fuel their ambitions and think far beyond today's possibilities and realities. The Formula helps us facilitate exactly that.

Maintaining autonomy and speed foremost requires a team of exceptional people. To ensure we keep up our high talent bar, we safeguard our standards throughout the employee lifecycle. The final step of the recruitment process is still a final interview with a member of our most senior leadership team. We also continue to invest in our onboarding program, function-specific academies, and leadership training. To ensure our talent drives our long-term ambitions, we actively manage performance. We have the opportunity to build a company that makes a lasting mark, and can only do that with a team of high-impact contributors.

Total FTE


H2 2022
H1 2023
3,883
Europe, Middle East & Africa
Amsterdam
2,240
London
136
Madrid
86
Paris
82
Berlin
79
Stockholm
64
Milan
30
Dubai
26
Warsaw
20
Munich
19
Brussels
14
Manchester
14
Asia-Pacific
Singapore
156
Sydney
46
Shanghai
31
Tokyo
30
Mumbai
9
Hong Kong
8
Kuala Lumpur
2
Melbourne
1
North America
San Francisco
296
New York
163
Chicago
96
Toronto
23
Latin America
São Paulo
164
São José
25
Mexico City
23

Discussion of financial results

Processed volume growth primarily driven by customers already on the platform

We processed €426.0 billion during H1 2023, up 23% YOY. In line with previous cycles, the majority (>80%) of our growth was driven by the expansion of strong relationships with customers already on the platform in previous period, and we again had less than 1% of volume churn.[2]

Within our commercial pillars, Digital – the largest base we are building upon – was impacted by increasingly competitive pricing in North America. This trend contributed to Digital volumes growing at a slower pace, landing at €267.1 billion in H1 and making up 63% of total processed volume and growing 23% YOY.

Unified Commerce volumes sustained their global momentum, amounting to €109.2 billion in H1 and growing 36% YOY. Unified Commerce volumes comprised 25% of processed volume.

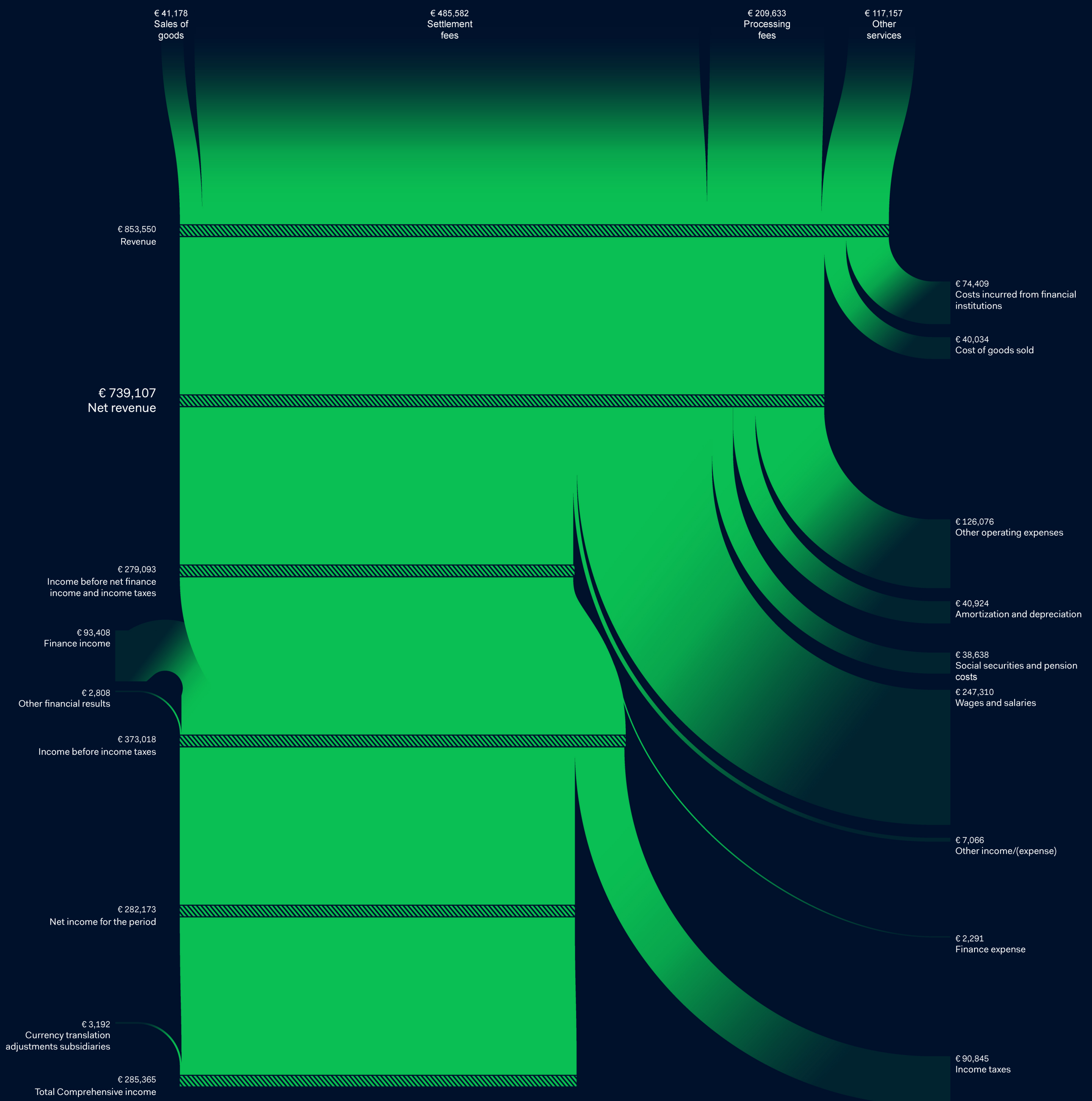
Platforms volumes were €49.7 billion in H1, making up 12% of total processed volume and growing 3% YOY. Taking eBay volumes out of the equation, platforms would have been our fastest growing pillar with 82% growth in H1.

Point-of-sale volumes were €67.0 billion, making up 16% of total processed volumes and outpacing overall business growth at 49% YOY[3]. This growth rate underscores the relevance of multi-channel experiences across industries and their significant traction.

Full-stack volumes amounted to 79% of our processed volumes, up from 78% in H1 2022, which aligns with our strategy of selling our full-stack capabilities in order to best unlock value for our customers.

[2] In line with previous reporting periods, growth from existing customers is defined as growth from merchants that processed volumes in the comparable period (H1 2022). Volume churn is defined as the aggregate processed volumes during the comparable period of all merchants that had zero processed volumes with Adyen during the current reporting period, divided by Adyen's total processed volumes for the comparable reporting period.

[3] These volumes reflect volumes from both our Unified Commerce pillar wherein enterprise customers integrate to our offering directly, and volumes from our Platform pillar wherein SMBs access our Unified Commerce technology via platform businesses.



all amounts in EUR thousands unless other stated

Net revenue displays continued profitability amid shifting landscape

Net revenue was €739.1 million in H1 2023, growing 21% YOY. The majority of our net revenue followed our land-and-expand commercial track record, however net revenue growth was simultaneously impacted by the shifting macroeconomic environment and industry pricing competition at the intersection of North American and online payments.

Take rate increased from last period, landing at 17.3 bps, compared to 17.1 bps in H2 2022 and 17.6 bps in H1 2022. While we continued to grow with our largest customers, this was offset by overall merchant mix.

Net revenue contributions remained consistent YOY, with EMEA contributing (57%), followed by North America (25%), APAC at (11%), and LATAM landing at (7%).

APAC was the fastest growing (up 31% YOY), followed by North America growth (up 23% YOY), EMEA (up 20% YOY), and LATAM (up 13% YOY). Throughout all regions, we are only scratching the surface and are confident in the significant opportunities they continue to present.

Continued investments in the team as we scale Adyen for long-term success

Operating expenses were €460.0 million in H1 2023, up 66% from H1 2022. These increases were largely driven by investments in growing our global team as we prepare to further scale Adyen.

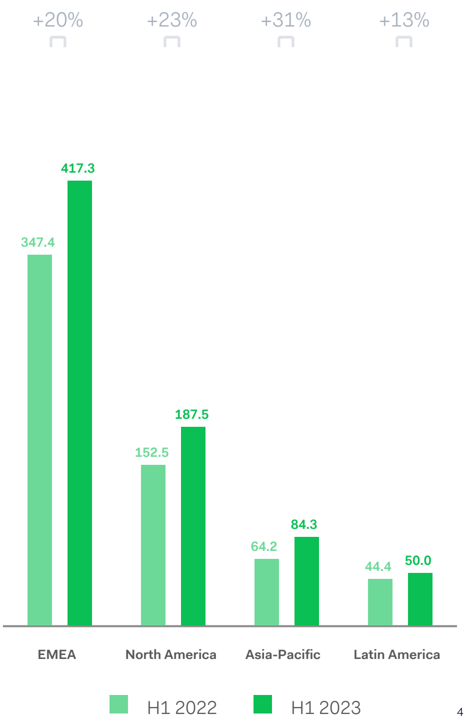
Employee benefits were €285.9 million in H1 2023, up 80% YOY. This figure reflects the annualization of hires made in 2022 and our continued investment in scaling the Adyen team. People remain our primary means of investing in the long-term success of our single platform. As we grow, we are committed to maintaining our unique company culture and upholding our high talent standards.

Sales and marketing expenses totaled €27.4 million in H1 2023, up 13% YOY, driven by activities including events and campaigns enabling effective commercial pipeline lead generation and acceleration.

In other operating expenses, we remain committed to pledging 1% of our net revenue to initiatives that support the UN SDGs. In H1, this amount totaled €7.4 million. This contribution is in the process of going towards charitable partnerships including UNICEF, Plan International, UNHCR, and the WWF.

Figure 4

Net revenue per region (in EUR millions).



[4]

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[4] On a constant currency basis, net revenue of €739.1 million would have been 2% lower than reported. Please refer to Note 1 of the Interim Condensed Consolidated Financial Statements for further detail on revenue breakdown.

EBITDA margin reflects increased wages and salaries

EBITDA was €320.0 million in H1 2023, down 10% from €356.3 million in H1 2022. This figure was primarily impacted by increased wages and salaries stemming from our investments into growing our global team. This period, inventory write-offs had a €6.3 million negative impact on EBITDA.

EBITDA margin was 43% in H1 2023, compared to 59% in H1 2022. We are confident in the long-term benefits of building our team at an accelerated pace, and consciously embrace its short-term impact.

Net income

Net income was €282.2 million for the period, flat YOY. The decrease in EBITDA, due to our investments into growing the team, was offset by €93.2 million from interest earned over our cash balances held at partner and central banks.

CapEx reflects front-loaded infrastructure investments

CapEx was €56.1 million, and 7.6% of net revenue, up from 6.6% of net revenue in H1 2022. We front-loaded our infrastructure investments in the first half of this year to enable our single platform's efficiency at even larger scale.

Robust free cash flow conversion

Free cash flow was €247.7 million in H1 2023, down 20% YOY. Free cash flow conversion ratio was 77%. This metric was impacted by our increased CapEx investments.

Financial objectives

We did not see any substantial developments that structurally changed our medium to long-term opportunity in H1, despite some areas of the business decelerating in growth during the period. We know that growth is not always linear, and reiterate our financial objectives.

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 operating leverage going forward and increase to levels above 65% in the long term.

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

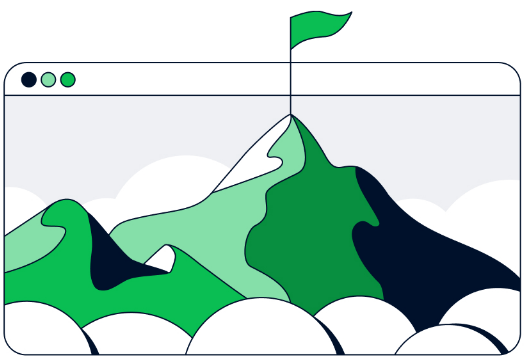
We will be hosting a live video conference hosted by Pieter van der Does (Co-founder and Co-CEO) and Ethan Tandowsky (CFO) to discuss these results at 3PM CEST today. You can follow the livestream at www.adyen.com/ir. A recording will be made available on our investor relations website following the call.

Sincerely,

P.W. van der Does
Co-founder and Co-CEO

I.J. Uytdehaage
Co-CEO

E. L. Tandowsky
CFO



Interim Condensed Consolidated Financial Statements H1 2023 Adyen N.V.

Consolidated statement of comprehensive income

For the periods ended June 30, 2023 and 2022

(all amounts are in EUR thousands unless otherwise stated)

	Note	H1 2023	H1 2022
Revenue	1	853,550	3,947,481
Costs incurred from financial institutions	1	(74,409)	(3,313,269)
Costs of goods sold	1	(40,034)	(25,683)
Net revenue		*739,107*	*608,529*
Wages and salaries	3	(247,310)	(134,944)
Social securities and pension costs	3	(38,638)	(23,561)
Amortization and depreciation	11,12	(40,924)	(25,391)
Other operating expenses	4	(126,076)	(93,777)
Other income/(expense)	2	(7,066)	9
Income before net finance income and income taxes		**279,093**	**330,865**
Finance income	9	93,408	1,493
Finance expense		(2,291)	(8,772)
Other financial results	5	2,808	36,043
Net finance income		**93,925**	**28,764**
Income before income taxes		373,018	359,629
Income taxes	6	(90,845)	(77,492)
Net income for the period		**282,173**	**282,137**
Net income attributable to owners of Adyen N.V.		*282,173*	*282,137*
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation adjustments subsidiaries		3,192	3,655
Other comprehensive income for the period		3,192	3,655
Total comprehensive income for the period (attributable to owners of Adyen N.V.)		**285,365**	**285,792**
Earnings per share (in EUR)			
Net profit per share - Basic	13	9.10	9.11
Net profit per share - Diluted	13	9.07	9.09

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

Consolidated balance sheet

As at June 30, 2023 and December 31, 2022

(all amounts are in EUR thousands unless otherwise stated)

	Note	June 30, 2023	December 31, 2022
Intangible assets		9,486	8,140
Plant and equipment	11	170,502	140,796
Right-of-use assets	12	185,205	181,676
Other financial assets at FVPL	10	13,739	12,264
Contract assets	1.1	37,713	48,612
Deferred tax assets*	6	138,760	147,665
Total non-current assets		**555,405**	**539,153**
Inventories	2	120,329	87,891
Receivables from merchants and financial institutions		422,475	369,104
Trade and other receivables		120,278	89,350
Current income tax receivables	6	11,740	12,445
Cash and cash equivalents	9	6,411,624	6,522,345
Total current assets		**7,086,446**	**7,081,135**
Total assets		**7,641,851**	**7,620,288**
Share capital	7	310	310
Share premium	7	374,992	352,399
Other reserves		172,974	156,552
Retained earnings*		2,185,758	1,906,795
Total equity attributable to owners of Adyen N.V.		**2,734,034**	**2,416,056**
Derivative liabilities	10	39,537	35,000
Deferred tax liabilities	6	9,497	11,345
Lease liability	12	164,512	169,873
Cash-settled share-based payment plan		2,802	6,742
Total non-current liabilities		**216,348**	**222,960**
Payables to merchants and financial institutions		4,487,360	4,795,804
Trade and other payables		152,307	147,827
Lease liability	12	42,609	33,200
Current income tax payables	6	9,193	4,441
Total current liabilities		**4,691,469**	**4,981,272**
Total liabilities and equity		**7,641,851**	**7,620,288**

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

*The comparative retained earnings and deferred tax assets balances are restated as a result of the application of IAS 12 amendment (refer to note 6.2).

Consolidated statement of changes in equity

For the periods ended June 30, 2023 and 2022

(all amounts are in EUR thousands unless otherwise stated)

	Note	Share capital	Share premium	Other reserves			Retained earnings*	Total equity
				Legal reserves	Share-based payment reserve	Warrant reserve		
Balance - January 1, 2022 (as previously reported)		310	335,725	9,740	102,142	25,575	1,336,922	1,810,414
Adjustment for IAS 12 amendment	6.2						3,938	3,938
Balance - January 1, 2022 (restated)		**310**	**335,725**	**9,740**	**102,142**	**25,575**	**1,340,860**	**1,814,352**
Net income for the period							282,137	282,137
Currency translation adjustments				3,655				3,655
Total comprehensive income for the period		**—**	**—**	**3,655**	**—**	**—**	**282,137**	**285,792**
Adjustments:								
Intangible assets				274			(274)	—
Other adjustments					(2)		(208)	(210)
		—	—	274	(2)	—	(482)	(210)
Transactions with owners in their capacity as owners:								
Deferred tax on share-based compensation	6				(472)			(472)
Options exercised			366		(366)			—
Proceeds on issuing shares	7	—	4,879					4,879
Share-based payments	3.2				9			9
		—	5,245	—	(829)	—	—	4,416
Balance - June 30, 2022		**310**	**340,970**	**13,669**	**101,311**	**25,575**	**1,622,515**	**2,104,350**

*The comparative retained earnings balance is restated as a result of the application of IAS 12 amendment (refer to note 6.2).

	Note	Share capital	Share premium	Other reserves			Retained earnings*	Total equity
				Legal reserves	Share-based payment reserve	Warrant reserve		
Balance - January 1, 2023		**310**	**352,399**	**6,254**	**124,723**	**25,575**	**1,906,795**	**2,416,056**
Net income for the period							282,173	282,173
Currency translation adjustments				3,192				3,192
Total comprehensive income for the period		**—**	**—**	**3,192**	**—**	**—**	**282,173**	**285,365**
Adjustments:								
Intangible assets				1,396			(1,396)	—
Other adjustments					6		(1,814)	(1,808)
		—	—	1,396	6	—	(3,210)	(1,808)
Transactions with owners in their capacity as owners:								
Deferred tax on share-based compensation	6		13,282		(11,946)			1,336
Options exercised			433		(433)			—
Proceeds on issuing shares	7	—	6,661					6,661
Share-based payments	3.2		2,217		3,783			6,000
Reclassification of share-based payment plan	3.2				20,424			20,424
		—	22,593	—	11,828	—	—	34,421
Balance - June 30, 2023		**310**	**374,992**	**10,842**	**136,557**	**25,575**	**2,185,758**	**2,734,034**

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

*The comparative retained earnings balance is restated as a result of the application of IAS 12 amendment (refer to note 6.2).

Consolidated statement of cash flows

For the periods ended June 30, 2023 and 2022

(all amounts are in EUR thousands unless otherwise stated)

	Note	H1 2023	H1 2022
Income before income taxes		**373,018**	**359,629**
Adjustments for:			
– Finance income	9	(93,408)	(1,493)
– Finance expenses		2,291	8,772
– Other financial results	5	(2,808)	(36,043)
– Other income/(expense)	11	840	
– Depreciation of plant and equipment	11	22,187	12,055
– Amortization of intangible fixed assets		1,789	1,655
– Depreciation of right-of-use assets	12	16,948	11,681
– Equity-settled share-based compensation	3.2	6,000	9
– Cash-settled share-based payment plan		4,638	(1,530)
Changes in working capital:			
– Inventories	2	(32,438)	(32,274)
– Trade and other receivables		(30,875)	(40,432)
– Receivables from merchants and financial institutions		(53,371)	275,119
– Payables to merchants and financial institutions		(308,444)	560,309
– Trade and other payables		11,962	29,264
– Amortization and additions of contract assets	1.1	10,874	17,678
Cash generated from operations		*(70,797)*	*1,164,399*
Interest received	9	93,408	1,493
Interest paid		(2,291)	(8,772)
Income taxes paid	6	(71,687)	(146,453)
Net cash flows from operating activities		**(51,367)**	**1,010,667**
Purchases of plant and equipment	11	(52,960)	(38,042)
Capitalization of intangible assets		(3,135)	(1,928)
Net cash used in investing activities		**(56,095)**	**(39,970)**
Proceeds from issues of shares	7	6,661	4,879
Lease payments	12	(16,247)	(7,397)
Net cash flows from financing activities		**(9,586)**	**(2,518)**
Net increase in cash, cash equivalents and bank overdrafts		**(117,048)**	**968,179**
Cash, cash equivalents and bank overdrafts at beginning of the period		6,522,345	4,616,094
Exchange gains / (losses) on cash, cash equivalents and bank overdrafts	5	6,327	(198)
Cash, cash equivalents and bank overdrafts at end of the period		**6,411,624**	**5,584,075**

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

Notes to the interim condensed consolidated financial statements

General information

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

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

Basis of preparation

The interim condensed consolidated financial statements for the period January 1, 2023 to June 30, 2023 have been prepared on a going concern basis and in accordance with IAS 34 — *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the Adyen annual consolidated financial statements and should, therefore, be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022.

The following periods have been presented for the interim condensed consolidated financial statements ended June 30, 2023:

Interim condensed consolidated financial statements	Current period	Comparative period
Statement of comprehensive income	January 1 – June 30, 2023	January 1 – June 30, 2022
Balance sheet	As at June 30, 2023	As at December 31, 2022
Statement of changes in equity	January 1 – June 30, 2023	January 1 – June 30, 2022
Statement of cash flows	January 1 – June 30, 2023	January 1 – June 30, 2022

Relevant accounting policies

Significant and other accounting policies that summarize the measurement basis used, and are relevant to understanding the financial statements, are provided in the annual consolidated financial statements for the year ended December 31, 2022. Any significant accounting policy changes during the first six months of 2023 are reflected throughout the notes to these interim condensed consolidated financial statements.

Significant accounting estimates or judgements

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

- Principal versus agent for revenue out of settlement fees – refer to note 1 ‘Revenue and segment reporting'. During H1 2023, Adyen amended its terms and conditions applicable to merchant agreements in order to specify the responsibilities of the services provided by financial institutions and network scheme providers involved in the payment processing and acquiring services. As a result, Adyen reassessed its key accounting judgment in relation to pass-through settlement fees (namely; interchange and payment network fees), and concluded it acts as agent in this arrangement. This change in terms and conditions resulted in a prospective accounting change, effective from January 1, 2023, whereby pass-through settlement fees are recognized on a net (agent) basis (i.e. no longer recognized gross in revenue and costs incurred from financial institutions). This change impacts the 'Revenue' and 'Costs incurred from financial institutions' lines in the statements of comprehensive income, with no change to net revenue. This change does not impact the 2022 comparative results, the non-IFRS financial measures or guidance.
- Realization of deferred taxes related to share-based compensation – refer to note 6 ‘Income taxes’.
- Fair value accounting of financial liabilities – refer to note 10 ‘Financial instruments’.

New standards adopted by Adyen

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Adyen annual consolidated financial statements for the year ended December 31, 2022.

Adyen has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. A number of new or amended standards became applicable for the current reporting period. Adyen made a retrospective adjustment as a result of new amendments to the IAS 12 accounting standard made applicable on January 1, 2023, as disclosed in note 6.2 'Deferred income taxes'.

The qualitative impact assessment of the first-time application on January 1, 2023 of new amendments is disclosed in note 16 ‘New and amended standards adopted by Adyen’.

Key disclosures

1. Revenue and segment reporting

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

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

Types of goods or services *(in EUR'000)*	H1 2023	H1 2022
Settlement fees	485,582	3,641,350
Processing fees	209,633	179,992
Sales of goods	41,178	28,173
Other services	117,157	97,966
Total revenue from contracts with customers	**853,550**	**3,947,481**
Costs incurred from financial institutions	(74,409)	(3,313,269)
Costs of goods sold	(40,034)	(25,683)
Net revenue	**739,107**	**608,529**

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 ("pass-through settlement fees"). Adyen adopts a transparent pricing model and charges fees to merchants based on its own incurred costs (including interchange and payment network fees charged to merchants in a pass-through arrangement), plus a mark-up which is disclosed as "Settlement fees".

Adyen applies 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 it is acting as agent or principal in relation to the settlement fees charged to merchants. Where Adyen is principal, it will present its acquiring mark-up and interchange and payment network fees passed on to merchants on a gross (principal) basis within revenue. Where Adyen is agent, it will present its acquiring mark-up on a gross (principal) basis, while the pass-through settlement fees will be presented within revenue on a net basis (i.e. not recognized gross in revenue and costs incurred from financial institutions).

Based on facts and circumstances up to December 31, 2022, Adyen was considered primarily responsible for fulfilling the promise to provide payment transaction services, and therefore had control over the full settlement service before the service is transferred to merchants. As such, Adyen retained the exposure to financial institutions and payment networks for the interchange and payment network fees, other costs incurred from financial institutions, and therefore acted as Principal for the aforementioned fees.

In the current period, Adyen amended its terms and conditions applicable to merchant agreements in order to specify the responsibilities of the services provided by financial institutions and network scheme providers involved in the payment processing and acquiring services. The change in terms and conditions specifies the distinct services provided in the payment flow, clarifying that Adyen does not provide a significant service of integrating the services from third parties into one combined output for the merchant, nor does it control the inputs from third parties before services are provided to the merchant. As such, Adyen acts as agent for the pass-through settlement fees prospectively from January 1, 2023.

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

Timing of revenue recognition *(in EUR '000)*	H1 2023	H1 2022
Goods and services transferred at a point in time	846,393	3,941,645
Services transferred over time	7,157	5,836
Total revenue from contracts with customers	**853,550**	**3,947,481**

Net revenue

The Management Board monitors net revenue as a performance indicator. Adyen considers net revenue to provide additional insight to its users to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Net revenue is a non-IFRS measure – refer to note 1.3 for further explanation on the non-IFRS measures reported by Adyen.

1.1 Contract assets

In 2018, Adyen entered into a long-term contract with eBay for the provision of payment services that resulted in the initial recognition of contract assets settled with a cash advance and issue of warrants over Adyen's shares. The monetary component was fully repaid and amortised in H1 2022. In addition, refer to note 10 'Financial instruments' for more information on the warrants (derivative liabilities).

Adyen capitalized contract costs (other contract assets) relating to multi-year service contracts with its merchants in H1 2022 and entered into no further contracts in the first half of 2023. These costs mainly relate to integration and development fees that are directly incremental to obtain the multi-year contracts and do not represent a separate performance obligation. Adyen will amortize these costs (i.e. non-monetary component) against revenue (settlement fees) on a pro rata basis as the related revenue is recognized.

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

Contract assets *(in EUR '000)*	Monetary component	Non-monetary component	Other contract assets	Total contract assets
Balance - 1 January, 2022	**8,971**	**62,061**	**8,309**	**79,341**
Movements:				
Additions			1,791	1,791
Amortization for the period	(9,094)	(8,845)	(1,530)	(19,469)
Exchange differences	123			123
Balance - June 30, 2022	**—**	**53,216**	**8,570**	**61,786**
Balance - January 1, 2023	**—**	**41,664**	**6,948**	**48,612**
Movements:				
Additions			—	—
Amortization for the period		(9,651)	(1,223)	(10,874)
Exchange differences			(25)	(25)
Balance - June 30, 2023	**—**	**32,013**	**5,700**	**37,713**

1.2 Segment reporting

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

Revenue - Geographical breakdown (in EUR '000)	H1 2023	H1 2022
Europe, the Middle East, and Africa (EMEA)	482,133	1,530,323
North America	216,530	1,884,062
Asia-Pacific	97,294	339,072
Latin America	57,593	194,024
Total revenue from contracts with customers	**853,550**	**3,947,481**

1.3 Non-IFRS financial measures

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

- **Net revenue**: "Revenue" less "Costs incurred from financial institutions" and "Costs of goods sold";

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

Net revenue - Geographical breakdown and year-on-year growth (in EUR '000)	H1 2023	YoY%	H1 2022	YoY%
Europe, the Middle East, and Africa (EMEA)	417,279	20 %	347,387	30 %
North America	187,452	23 %	152,469	52 %
Asia-Pacific	84,307	31 %	64,237	53 %
Latin America	50,069	13 %	44,436	25 %
Total net revenue from contracts with customers	**739,107**	**21 %**	**608,529**	**37 %**

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

Selected non-IFRS financial measures (in EUR '000)	H1 2023	H1 2022
Income before net finance income and income taxes	279,093	330,865
Amortization and depreciation	40,924	25,391
EBITDA	**320,017**	**356,256**
Net revenue	739,107	608,529
EBITDA margin (%)	**43 %**	**59 %**
Purchases of plant and equipment	52,960	38,042
Capitalization of intangible assets	3,135	1,928
CapEx	**56,095**	**39,970**
EBITDA	320,017	356,256
CapEx	(56,095)	(39,970)
Lease payments	(16,247)	(7,397)
Free cash flow	**247,675**	**308,889**
Free cash flow	247,675	308,889
EBITDA	320,017	356,256
Free cash flow conversion ratio (%)	**77 %**	**87%**

2. Inventories

Inventories *(in EUR '000)*	H1 2023	H1 2022
Balance - January 1	**87,891**	**22,138**
Purchases during the period (products for resale)	79,274	57,957
Costs of goods sold	(40,034)	(25,683)
Expense recognized in other expenses	(6,802)	—
Balance - June 30	**120,329**	**54,412**

During H1 2023, Adyen recognized inventory write-offs amounting to EUR 6,337 (2022: EUR nil) as a result of the net realizable value assessment, included in other expenses in the 'Other income/(expense)' line.

3. Employee benefit expense

3.1 Employee benefits

The breakdown of FTE per office as at June 30, 2023 and 2022 is as follows:

FTE per office	June 30, 2023	June 30, 2022
Amsterdam	2,240	1,486
San Francisco	296	230
São Paulo	164	101
New York	163	99
Singapore	156	110
London	136	110
Chicago	96	21
Madrid	86	47
Paris	82	58
Berlin	79	49
Other	385	264
Total	**3,883**	**2,575**

The employee benefits expense can be specified as follows:

Employee benefits ***(in EUR '000)***	H1 2023	H1 2022
Salaries and wages	227,497	134,101
Share-based compensation	19,813	843
Total wages and salaries	**247,310**	**134,944**
Social securities	32,159	19,856
Pension costs - defined contribution plans	6,479	3,705
Total social securities and pension costs	**38,638**	**23,561**

3.2 Share-based payments

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

Share-based compensation ***(in EUR '000)***	H1 2023	H1 2022
Equity-settled	6,000	9
Cash-settled	13,813	834
Total share-based compensation	**19,813**	**843**

Adyen considers its employees and culture as core to its growth. As part of the total remuneration package, Adyen has four types of compensation plans:

I. Equity-settled option plan (granted until 2018);

II. Cash-settled share-based payment plan (granted from 2018 to May 2023);

III. Depositary receipts award plan for directors and employees (granted from 2018) presented in salaries and wages; and

IV. Restricted Stock Unit ("RSU") Awards Plan (granted from 2023 onwards).

The change in cash-settled share-based compensation expense in H1 2023 was mainly linked to the increase in FTE and Adyen share price increase over the period.

The nature, accounting policies and key parameters of the equity and cash-settled option plans are described in more detail in the 2022 annual consolidated financial statements.

Adyen has granted the possibility to purchase Depositary Receipts at fair market value to directors and to employees as part of their remuneration from 2018 onwards. The underlying shares of Adyen are held by an administration foundation that, in turn, issues the Depositary Receipts to the employees. Each Depositary Receipt issued represents the economic interest of one underlying STAK ("Stichting Administratie Kantoor Adyen N.V.") share. The related employee benefits expense for H1 2023 amounted to EUR 6,957 (2022: EUR 4,573) and is presented in wages and salaries. The fair value of the liability recognized resulting from the plan is EUR 629 (2022: EUR 377), and the plan resulted in a total increase of EUR 5,573 (2022: 3,767) recognized in share capital and share premium during the period. There is a lock-up period but no vesting condition attached to the Depositary Receipts award plan.

During H1 2023, Adyen introduced the equity-settled RSU Awards Plan for newly hired directors and employees as well as certain current employees. The RSU plan replaced the cash-settled share-based payment plan for new joiners and provided existing plan participants an opportunity to convert to the RSU plan. The number of RSUs granted is determined by dividing the award value against the closing Adyen share price on the first business day of the relevant calendar month. A participant has no voting rights, meeting rights, dividend rights or any other rights before the RSUs have vested. RSUs are converted into ordinary Adyen shares when they vest.

Subject to the employee's continued employment with Adyen N.V., the RSUs will vest over a period of four years from the grant date. 25% of the RSUs will vest on each anniversary of the grant date, until all are vested after four years. Shares granted under this plan are not subject to any performance conditions, the only applicable vesting condition is a service condition throughout the vesting period. The RSUs are measured at fair value at grant date, which is equal to the Adyen share price at that date, and are expensed over the vesting period based on the Company's estimate of the number of RSUs that are expected to vest, with a corresponding increase in 'Share-based payment reserve' within shareholders' equity.

The RSU plan resulted in a reclassification of EUR 20,424 from cash-settled share-based payment plan liability to share-based payment reserve, and an expense of EUR 6,000 recognized in salaries and wages for the period.

4. Other operating expenses

The other operating expenses can be specified as follows:

Other operating expenses *(in EUR '000)*	**H1 2023**	**H1 2022**
Travel and other staff expenses	28,462	15,697
Sales and marketing costs	27,379	24,246
IT costs	18,810	16,068
Advisory costs	12,289	10,646
Contractor costs	8,525	6,330
Housing costs	7,596	4,531
1% for the UN SDGs	7,391	6,085
Office costs	4,116	3,302
Miscellaneous operating expenses	11,508	6,872
Total other operating expenses	**126,076**	**93,777**

Travel and other staff expenses increased during the six month period, as a result of an increase in business travel. As part of Adyen's sustainability efforts, 1% of net revenue is pledged towards UN Sustainable Development Goals (SDG's). In addition, sales and marketing costs increased as a result of our continued investment in brand awareness on a global level and the ability to host events to meet our customers in-person.

5. Other financial results

The other financial results can be specified as follows:

Other financial results *(in EUR '000)*	H1 2023	H1 2022
Exchange gains	5,468	5,418
Fair value re-measurement of financial instruments:		
Derivative liabilities	(4,537)	32,700
Other financial assets at FVPL	1,877	(2,075)
Total other financial results	**2,808**	**36,043**

Exchange gains during the first six months of 2023 mainly relate to exchange gains from Adyen's foreign denominated cash balances. The change in fair value of the derivative liabilities in H1 2023 was linked to the Adyen share price increase over the period. More information on the valuation of the derivative liabilities is disclosed in note 10 'Financial instruments'.

6. Income taxes

6.1 Income tax expense

The tax on Adyen's income before income taxes differs from the amount that would arise using the statutory tax rate in the Netherlands. The effective tax rate of Adyen for the six months ended June 30, 2023 is 24.35% (June 30, 2022: 21.55%) which differs from the statutory tax rate in the Netherlands of 25.80% due to the application of the innovation box, partially offset by the tax rate differences on foreign operations and other adjustments (such as non-deductible expenses). The increase in effective tax rate in H1 2023 is mainly driven by the increase in finance income, which does not benefit from the innovation box regime. The innovation box is a Dutch tax incentive whereby a portion of qualifying taxable profits derived from innovative activities are taxed at a lower rate than the headline corporate tax rate in the Netherlands, thereby reducing the effective tax rate.

Effective tax calculation (in EUR '000)	H1 2023	H1 2022
Income before income taxes	373,018	359,629
Statutory tax rate in the Netherlands (%)	25.80%	25.80%
Income taxes based on statutory tax rate in the Netherlands	**96,239**	**92,784**
Tax effects of:		
Innovation box	(13,049)	(15,393)
Tax rate differences on foreign operations	2,075	—
Other adjustments (such as prior period and non-deductible amounts)	5,580	101
Effective tax amount	**90,845**	**77,492**

Current income tax receivables/(payables) *(in EUR '000)*	June 30, 2023	December 31, 2022
Current income tax receivables	11,740	12,445
Current income tax payables	(9,193)	(4,441)

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

Income taxes *(in EUR '000)*	H1 2023	H1 2022
Current income tax expense	96,000	73,800
Deferred income tax expense/(income)	(5,155)	3,692
Total income taxes	**90,845**	**77,492**

6.2 Deferred income taxes

Deferred tax assets

In the deferred tax assets, an amount of EUR 10,201 (December 31, 2022: EUR 9,030) relates to the recognized derivative liabilities.

Change in accounting standard

In accordance with the amendments to 'IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction', Adyen has recognized EUR 3,938 of deferred tax assets related to right-of-use assets and lease liabilities. The cumulative effect is recognized as an adjustment to the retained earnings opening balance and the deferred tax asset balance as at December 31, 2021.

Deferred tax assets that rely on future profitability

Deferred tax assets include tax losses carried forward relating to options exercised in the United States (at a Federal and State level) and United Kingdom (June 30, 2023: EUR 101,659; December 31, 2022: EUR 115,121) and windfall benefits relating to options granted and vested, however not yet exercised (June 30, 2023: EUR 6,111; December 31, 2022: EUR 5,325). During the six months ended June 30, 2023 EUR 13,282 of the tax losses carried forward was utilized and recognized in the share premium reserve (June 30, 2022: nil).

Throughout the period Adyen has reassessed the recoverability of deferred tax assets on windfall benefits linked to the share-based compensation plan in the United States and United Kingdom. Adyen continues to recognize deferred tax assets that will be realized against future profits, on a going concern basis.

- The United Kingdom windfall benefit and United States Federal Tax windfall benefit continues to be recognized as these carry forward losses have no expiration date.
- The State net operating losses in the United States continues to be recognized as these carry forward losses are expected to be utilized against future taxable income before its expiration date.

The movement in deferred tax assets relating to windfall benefits and carry forward losses was recognized directly in equity (June 30, 2023: EUR (11,946); December 31, 2022: EUR 29,159).

Deferred tax liabilities

The deferred tax liabilities consist mainly of the deferred tax on the non-monetary part of the contract asset of EUR 8,259 (December 31, 2022: EUR 10,749).

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

Capital management and financial instruments

7. Capital management

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

Capital management ***(in EUR '000)***	**June 30, 2023**	**December 31, 2022**
Share capital	310	310
Share premium	374,992	352,399
Total	**375,302**	**352,709**

During the six months ended June 30, 2023, 24,447 (June 30, 2022: 15,807) additional shares were issued. The additional issued shares were a result of exercises of options and vesting of shares granted to employees. The number of outstanding ordinary shares as of June 30, 2023 is 31,010,746 (December 31, 2022: 30,986,299) with an absolute nominal value EUR 0.01 per share. The total number of authorized shares as of June 30, 2023 is 80,000,000 (December 31, 2022: 80,000,000).

The following reserves are considered to be non-distributable: legal reserves (in accordance with Dutch Law), share-based payment reserve, warrant reserve, and total comprehensive income for the current period. The total of distributable reserves as at June 30, 2023 amounts to EUR 2,277,894 (December 31, 2022: EUR 1,691,427). The legal reserves restricted for distribution in accordance with Dutch Law as at June 30, 2023 amounts to EUR 24,581 (December 31, 2022: EUR 18,518).

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

8. CRR/CRD IV Regulatory Capital

The following table shows the calculation of regulatory capital as at June 30, 2023. The regulatory capital is based on the CRR/CRD IV scope of consolidation, which is the same as the IFRS scope of consolidation as included in the annual consolidated financial statements.

Own funds ***(in EUR '000)***	**June 30, 2023**	**December 31, 2022**
EU-IFRS equity as reported in consolidated balance sheet*	2,734,034	2,416,056
Net profit not included in CET1 capital (not yet eligible)	(282,173)	(282,002)
Regulatory adjustments:		
Warrant reserve	(25,575)	(25,575)
Intangible assets	(9,486)	(8,140)
Deferred tax assets that rely on future profitability	(115,852)	(124,162)
Prudent valuation	(53)	(47)
Total own funds	**2,300,895**	**1,976,130**

The increase in total own funds in H1 2023 mainly relates to the additions of consolidated net profit (H2 2022).

*The comparative retained earnings balance is restated as a result of the application of IAS 12 amendment (refer to note 6.2).

9. Cash and cash equivalents

Cash and cash equivalents *(in EUR '000)*	June 30, 2023	December 31, 2022
Cash held at central banks	4,390,614	4,407,540
Cash held at banks, other than central banks	2,021,010	2,114,805
Total	**6,411,624**	**6,522,345**

The "Cash held at central banks" and "Cash held at banks, other than central banks" earned interest in the amount of EUR 74,475 and EUR 18,712 respectively during the period, due to the rising interest rates in a positive interest rate environment, which was recognized in finance income.

Of the "Cash held at banks, other than central banks", EUR 68,707 (December 31, 2022: EUR 68,564) are restricted and are therefore not available for general use by the Company. The restricted cash mainly relates to deposits required under the US Federal Foreign Branch license as well as deposits held as guarantee for leased offices. The restricted cash is readily convertible and therefore classified as cash and cash equivalents.

10. Financial instruments

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

Adyen has recognized and classified the convertible ('Series C') preferred Visa Inc. shares within the FVPL category. The balance of other financial assets at FVPL as per June 30, 2023 is EUR 13,739 (December 31, 2022: EUR 12,264). 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.

The Visa Inc. preferred shares carry the right to receive discretionary dividend payments presented as other income/(expense) in the statement of comprehensive income (during the six months ended June 30, 2023: EUR 111, and during the six month ended December 31, 2022: EUR 44).

Financial assets impairment

During the six months ended June 30, 2023, Adyen added EUR 839 (H1 2022: EUR 1,650) 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 which was updated in December 31, 2022 still reflects reasonable and supportable information available on credit risk of the trade receivables balance. During the six months ended June 30, 2023, Adyen wrote off trade receivables balances for an amount of EUR 2,572 (H1 2022: EUR 766). Adyen did not reverse any impairment losses in the first six months of 2023 and 2022.

Derivative liabilities (warrants)

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

The warrants vest in four tranches, each linked to a milestone of processed payments volume. Each milestone is deemed achieved at the moment that the processed merchant volume exceeds the milestone amount in a single calendar year following the Issue date (January 31, 2018). Only two warrant tranches may vest in a single calendar year, and upon vesting, each entitles the warrant holder to acquire 1.25% of Adyen's issue-date diluted share volume at any time prior to the warrant expiration date (January 31, 2025).

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

Adyen carried out a sensitivity analysis of the derivative liabilities with respect to the Adyen share price, noting that a 5% change in the underlying Adyen share price would result in an change of approximately 5% (EUR 2 million) (December 31, 2022: 5% (EUR 2million)) of the value of the derivative liabilities, all other circumstances considered equal.

During 2023 , no eBay tranche milestones were met, or vested, and no related warrants exercised during the first six months. The derivative liabilities balance as per June 30, 2023 is EUR 39,537 (December 31, 2022: EUR 35,000). The change in fair value of the derivative liabilities during 2023 is linked to the Adyen share price increase during H1 2023.

Other disclosures

11. Plant and equipment

Plant and equipment *(in EUR'000)*	Computer Hardware and Software	Leasehold Improvements	Other	Total
H1 2022				
Cost	98,379	18,738	4,002	121,119
Accumulated depreciation	(40,439)	(5,980)	(1,719)	(48,138)
Balance - January 1, 2022	**57,940**	**12,758**	**2,283**	**72,981**
Additions	30,456	6,279	1,307	38,042
Disposals	—	—	—	—
Depreciation for the period	(10,021)	(1,699)	(335)	(12,055)
Other changes (e.g. exchange differences)	1,516	342	1,137	2,995
Balance - 30 June, 2022	**79,891**	**17,680**	**4,392**	**101,963**
Cost	132,680	24,367	6,074	163,121
Accumulated depreciation	(52,789)	(6,687)	(1,682)	(61,158)
Balance - 30 June, 2022	**79,891**	**17,680**	**4,392**	**101,963**
H1 2023				
Cost	178,707	31,774	5,244	215,725
Accumulated depreciation	(61,940)	(10,546)	(2,443)	(74,929)
Balance - January 1, 2023	**116,767**	**21,228**	**2,801**	**140,796**
Additions	49,976	2,382	602	52,960
Disposals	(840)	—	—	(840)
Depreciation for the period	(18,771)	(2,998)	(418)	(22,187)
Other changes (e.g. exchange differences)	(307)	76	4	(227)
Balance - 30 June, 2023	**146,825**	**20,688**	**2,989**	**170,502**
Cost	224,695	34,233	5,841	264,769
Accumulated depreciation	(77,870)	(13,545)	(2,852)	(94,267)
Balance - 30 June, 2023	**146,825**	**20,688**	**2,989**	**170,502**

Computer Hardware and Software additions during the six months ended June 30, 2023 mainly relate to servers for data centers and equipment such as laptops for employees. Adyen did not recognize an impairment loss or reverse any impairment loss on plant and equipment during the six months ended June 30, 2023 and 2022.

12. Leases

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

Right-of-use assets *(in EUR '000)*	H1 2023	H1 2022
Offices and data centers		
Cost	249,760	168,630
Accumulated depreciation	(68,084)	(40,567)
Balance - January 1	**181,676**	**128,063**
Additions	21,098	40,357
Depreciation for the period	(16,948)	(11,681)
Other movements (e.g. exchange differences)	(621)	2,511
Balance - June 30	**185,205**	**159,250**
Recognized right-of-use asset	269,756	210,263
Accumulated depreciation	(84,551)	(51,013)
Balance - June 30	**185,205**	**159,250**

Lease liability *(in EUR '000)*	H1 2023	H1 2022
Balance - January 1	**203,073**	**142,964**
Additions	21,098	40,357
Lease instalments	(18,492)	(8,978)
Interest expense	2,245	1,581
Other movements (e.g. exchange differences)	(803)	(112)
Balance - June 30	**207,121**	**175,812**
Current portion	42,609	27,030
Non-current portion	164,512	148,782

13. Share information

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

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

Share information	H1 2023	H1 2022
Net income attributable to owners of Adyen N.V. (in EUR '000)	282,173	282,137
Weighted average number of ordinary shares for the period	31,001,282	30,968,607
Dilutive effect of share plans	111	75
Weighted average number of ordinary shares for diluted net profit for the period	31,112,364	31,043,110
Net profit per share – basic	9.10	9.11
Net profit per share - diluted	9.07	9.09

14. Related party transactions

During 2023, Adyen identified related party transactions with Stichting Administratiekantoor Adyen (STAK), employees and Supervisory Directors. The transactions with employees and STAK are related to option exercises, and the transactions with Supervisory Board relate to services rendered throughout the period. The respective outstanding balances as at June 30, 2023 and December 31, 2022 are:

Related party assets/ (liabilities)	June 30, 2023	December 31, 2022
Supervisory Board	(148)	(115)
Employees (STAK)	9,537	3,627

There were no other transactions with related parties during the period ended June 30, 2023 and 2022.

15. Other contingent assets, liabilities and commitments

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

Adyen has EUR 54,592 of outstanding bank guarantees and letters of credit as at June 30, 2023 (December 31, 2022: 72,290).

Adyen has set up a collateral account in which Brazilian Government bonds were deposited by a partner financial institution, in order to decrease its exposure to this counterparty in Brazil. As at June 30, 2023 the total collateral was EUR 34,125 (BRL 187,500) (December 31, 2022: EUR 39,125 (BRL 250,157)).

16. New and amended standards adopted by Adyen

The following accounting standards, interpretations and amendments applicable to Adyen (collectively, “amendments”) were issued and made effective for the annual reporting period beginning on January 1, 2023:

- Amendments to IAS 1, Practice Statement 2 and IAS 8 - accounting policy disclosures;
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction;
- Amendments to IFRS 16 - Leases on sale and leaseback;
- Amendments to IAS 1 - Non-current liabilities with covenants.

Adyen has taken into consideration the changes of each one of the above-mentioned amendments, refer to note 6.2 'Deferred income taxes', and concluded that the amendments do not have a material impact on the financial statements.

17. Events after the balance sheet date

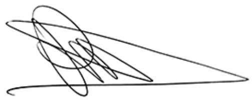
There are no events after the reporting period.

18. Other information

The interim condensed consolidated financial statements for the period January 1, 2023 to June 30, 2023 have been prepared in line with IAS 34-Interim Financial Reporting.

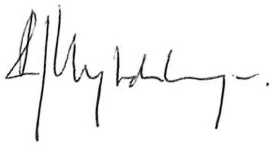
The interim condensed consolidated financial statements are unaudited.

Amsterdam, August 17, 2023



P.W. van der Does

Co-founder and Co-CEO



I.J. Uytdehaage

Co-CEO

E.L. Tandowsky

CFO

Statement by the Management Board

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

1. The interim condensed consolidated financial statements present a true and fair view of the consolidated assets, liabilities, financial position and the profit or loss of Adyen N.V.; and

2. The interim consolidated financial statements provide a true and fair view of the information required pursuant to article 5.25d paragraph 8 and 9 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

Amsterdam, August 17, 2023

P.W. van der Does	**I.J. Uytdehaage**	**E.L. Tandowsky**
Co-founder and Co-CEO	Co-CEO	CFO

Review report

To: the management board and the supervisory board of Adyen N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2023 of Adyen N.V., Amsterdam, which comprises the consolidated balance sheet as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period then ended and the selected explanatory notes. The management board is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 17 August 2023
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.D. Jansen RA

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PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl