Annual Report 2020

Adform A/S

Silkegade 3B, DK-1113 Copenhagen K

CVR no. 26 43 48 15

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adform

Management's review

Company details

Name	Adform A/S
Address	Silkegade 3B, 1113 Copenhagen K, Denmark
CVR no.	26 43 48 15
Established	17 January 2002
Registered office	Copenhagen
Financial year	1 January – 31 December
Board of Directors	Torben Brandt Munch, Chairman Lars Dybkjær, Vice Chairman Lars Lunde Peter Thorlund Haahr Jakob Toftgaard Bak
Executive Board	Troels Philip Jensen Christian Duus
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, 2000 Frederiksberg, Denmark

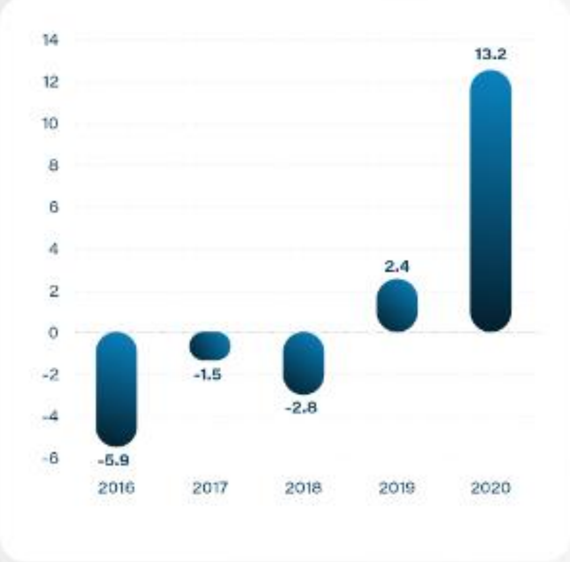
Financial highlights

Revenues grew 2% in 2020, 13% YoY between 2016 and 2019

Revenue (EUR million)

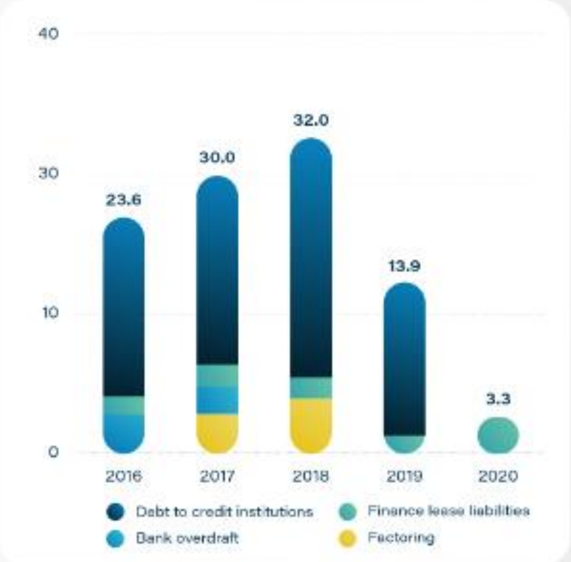
EBITDAC grew 5.5x in 2020, resulting in a EBITDAC margin of 18%

EBITDAC (EUR million)



All long-term debt was fully repaid during 2020

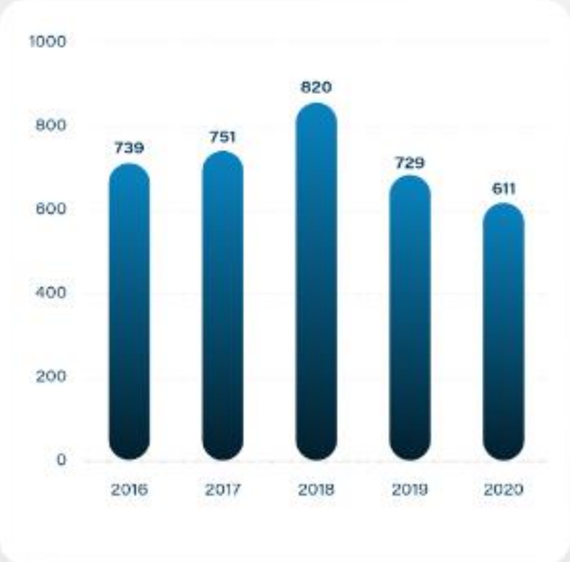
Interest Bearing Debt* (EUR million)



*Overview excludes office lease liabilities per IFRS 16

The company operated with c. 120 fewer employees in 2020

Average no. of full time employees per year



2020 group performance

- Adform recorded EUR 74.3 million in revenues for 2020 and 2% organic growth compared to 2019, despite the negative impact that the Corona pandemic had on advertising spend across the globe. Adform's trading was severely affected in Q2 where the business recorded negative growth but benefited from a strong rebound to growth in second half of 2020 with Q3 delivering 7% and Q4 delivering 9% YoY growth.
- International markets continued to deliver growth for the Group with 4% revenue growth YoY driven in particular by US, Central and Eastern Europe, and APAC. The company sought to consolidate its position in Nordics and experienced a small decline of 2% YoY in revenues. 71% of the Group revenues originate outside Nordics in 2020, up from 70% in 2019.
- It is Management's assessment, based on available market data and comparisons obtained from trading partners, that Adform strengthened its market position and market share across Europe as a whole. Management furthermore views the revenue performance during 2020 as a testament to the resilience of the business, in that (1) the company operates with a healthy diversification across geographies and industry verticals, (2) benefitted from having a connected buy-side and sell-side business, and (3) the underlying market fundamentals remain strong and in support of digital advertising.
- 2020 marked a year of significant advancements in Adform's technology offering and product proposition. In September Adform launched a fully integrated and renewed product proposition towards all buy-side customers under the product brand 'FLOW'. This was the culmination of multiple years of development effort and constituted the largest product launch in the past 5 years of Adform. The introduction of FLOW was well received by customers – new and existing - and all existing buy-side customers have since end of September 2020 operated on the new FLOW platform. The launch of FLOW positions Adform well for further commercialization efforts and customer acquisition in 2021.
- Adform accelerated its efforts in 2020 to develop solutions for programmatic advertising and user ID matching in an advertising ecosystem operating without 3rd party cookies. The solution developed has been tested with successful results with marquee publishers in Europe and marks a novel and first-to-market approach, which Adform can build out it's platform upon for the future.
- As a result of efforts to improve efficiency, 2020 showed a significant improvement in profitability by a positive change in all profitability measures in the profit and loss statement. EBIT improved by EUR 8.6 million in 2020 to a result of EUR 3.9 million, compared to a loss of EUR 4.7 million in 2019. EBITDAC, Management's primary measure of financial performance for the business, increased from EUR 2.4 million in 2019 to 13.2 million in 2020, increasing the EBITDAC margin from 3% to 18%. EBITDAC refers to Earnings Before Interest, Taxes, Depreciation, Amortization, Special Items and Capitalization, and as such attempts to measure the earnings from operations on a cash basis, when all the incurred operating expenses are subtracted from revenue income. For sake of clarity, Adform's use of EBITDAC as a profitability measure predates the outbreak of the Corona pandemic and includes no adjustments to normalize earnings for the impact of Corona.
- The improved profitability is a result of increase in revenue, lower staff and salary costs throughout the year, combined with lower spending on activities such as travel, marketing, representation, and other spending inadvertently reduced by Corona lock downs. Adform employed on average 611 FTEs through 2020, compared to 729 FTEs in 2019. The reduction in staff levels is line with efforts to capture efficiencies and underscores the scalability of Adform as a software company.
- Management decided early in 2020 to close the company's development operations in Belarus, taking into account the future development strategy as well as seeking to capture collaboration and scale benefits from concentrating development activities in the two main hubs in Lithuania and Poland respectively. All Adform's operations has ceased in Belarus by the close of 2020, and the entity is undergoing an orderly solvent liquidation awaiting final administrative approvals from government of Belarus. Some costs classified as restructuring costs for 2020 relate to the permanent closing of the operations in Belarus.
- The Group realized a net profit for the year of EUR 1.9 million, which was a significant improvement of EUR 9.6 million compared to a loss of EUR 7.7 million in 2019.
- Total equity for the Group increased from EUR 20.0 million in 2019 to EUR 22.8 million in 2020, a result of the positive earnings generation.

- During 2020 Adform repaid in full the remaining long term debt in the amount of EUR 12.9 million. As a result, Adform enters 2021 free of long-term debt obligations and with only a committed credit facility to absorb and manage operational working capital fluctuations. At 31 December 2020, the Group had a net positive cash position of 19.7 million and the operational credit facility was not utilized.
- Carrying amount of capitalized R&D projects on the balance sheet as of 31 December 2020 totaled EUR 15.3 million. Amortization of intangible assets for the year amounted to EUR 6.8 million and significantly superseded the amount of capitalized R&D costs for the year, equal to EUR 3.5 million. The gradual reduction in capitalized R&D costs is in Management's view a positive development considering the maturity of the industry and the company. Furthermore, an impairment of EUR 2.0 million was incurred and recorded in 2020. The impairment was a result of pre-existing platform functionality and code being replaced with FLOW along with the decision to impair certain prior development efforts towards extended billing functionality.

Follow up on 2020 financial guidance

At the outset of 2020, Management planned with achieving high single digit revenue growth for 2020 and delivering a material improvement in EBITDA. With the global outbreak of the Corona virus and subsequent drop in digital marketing budgets, it was necessary for Management to revise its outlook and expectations for the year. At the date of approval of the 2019 annual report, Management expected flat to single digit decline in revenues compared to 2019. EBITDA for 2020 was expected to land above 2019 levels but below initial plan.

The realized results for 2020 supersedes the revised expectations for the year, first and foremost delivering a material improvement in profitability by increasing EBITDA from EUR 8.8 million in 2019 to EUR 16.8 million in 2020, a 91% increase. While part of the improvement in profitability is due to lower-than-normal spending on travel, representation, marketing events and related items caused by Corona lock downs, the majority is structural and more permanent in nature. While revenues were severely negatively affected in Q2, the business rebounded strongly and the year as a whole delivered 2% YoY topline growth and thus somewhat above expectation.

Outlook for 2021

Adform has a declared goal of "growing profitably", which means Adform seeks to balance achievement of revenue growth with delivering solid profitability.

Management plans with achieving high single-digit to low double-digit revenue growth for 2021. To support future revenue growth Adform is making a selected number of product and commercial investments during 2021, and as a consequence Management expects a lower EBITDAC margin and EBIT margin compared to 2020.

The above reflects Management's outlook and expectations for 2021 at the time of approval of the annual report. Given the uncertainty around how the global Corona outbreak will unfold and impact the business in the mid to long term, expectations are more uncertain than in a normal year and may therefore change over the course of the year.

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Financial overview 2016-2020

Summary financials and key metrics are provided the past five years for comparison:

EUR'000	2016	2017	2018	2019	2020
Key figures					
Gross billings[1]	184,026	255,495	319,779	335,017	331,727
Revenue	50,045	59,493	67,881	72,780	74,328
EBITDAC [1,2]	-5,910	-1,478	-2,817	2,428	13,173
EBITDA[1]	1,318	6,038	279	8,805	16,793
EBITDA before special items [1,2]	1,600	6,223	5,030	11,966	19,901
Operating profit/loss (EBIT)	-3,800	-1,337	-9,203	-4,712	3,883
Net financials	-2,026	-3,021	-4,043	-3,226	-2,456
Profit/loss for the year	-5,708	-2,582	-13,010	-7,718	1,870
Total assets	83,128	106,690	117,304	135,527	127,837
Capitalised development projects for the year	7,510	7,701	7,847	6,054	3,492
Investments in tangible assets for the year	4,734	4,287	1,570	569	405
NIBD before IFRS16[1]	-12,955	-15,384	-11,477	6,429	16,470
NIBD after IFRS16[1]	-12,955	-15,384	-11,477	-4,423	7,242
Equity	10,385	8,027	-1,329	21,085	22,774
Cash flow from operating activities	3,097	12,111	15,884	4,966	19,576
Cash flow from investing activities	-12,968	-9,673	-9,836	-7,013	-3,945
Cash flow from financing activities	18,378	1,492	-37	4,897	-19,253
Net cash flow	8,507	3,930	6,011	2,850	-3,622
Financial ratios					
Gross billings[1] growth, %	59.5%	38.8%	25.2%	4.8%	-1.0%
Revenue growth, %	23.4%	18.9%	14.1%	7.2%	2.1%
Gross margin, %	92.9%	92.0%	88.9%	91.8%	93.6%
EBITDA[1] margin, %	2.6%	10.1%	0.4%	12.1%	22.6%
EBITDAC[1] margin, %	-11.8%	-2.5%	-4.1%	4.0%	17.7%
EBIT margin, %	-7.6%	-2.2%	-13.6%	-6.5%	5.2%
Equity ratio, %	12.5%	7.5%	-1.1%	14.8%	17.8%
NIBD after IFRS 16 [1]/EBITDA[1]	-9.8	-2.5	-41.5	-0.5	0.4
Earnings per share, basic, EUR	-0.11	-0.05	-0.26	-0.11	0.03
Earnings per share, diluted, EUR	-0.11	-0.05	-0.24	-0.10	0.03
Average number of employees	759	773	843	768	647
Average number of full-time equivalent employees	**739**	**751**	**820**	**729**	**611**

[1] For terms and definitions of financial ratios and alternative performance measures not defined by IFRS, refer to accounting policies note 29.

[2] Special items include non-qualifying funding costs related to capital increase and IPO, restructuring costs, impairment charges of capitalized development costs and share based payment expenses (SBP). In 2019, special items amounted to EUR 3,161 thousand (non-qualifying funding costs related to capital increase, SBP and restructuring costs). In 2018, special items amounted to EUR 4,751 thousand (IPO and SBP), in 2017 EUR 185 thousand (SBP), in 2016 EUR 282 thousand (SBP) and in 2015 EUR 19 thousand (SBP).

Note that the Group for the first time for the financial year 2019 applied the accounting standard IFRS 16 'Leases'. The implementation has resulted in almost all leases being recognized in the balance sheet, as the distinction between operating and finance leases is removed. Therefore, assets and liabilities have increased accordingly.

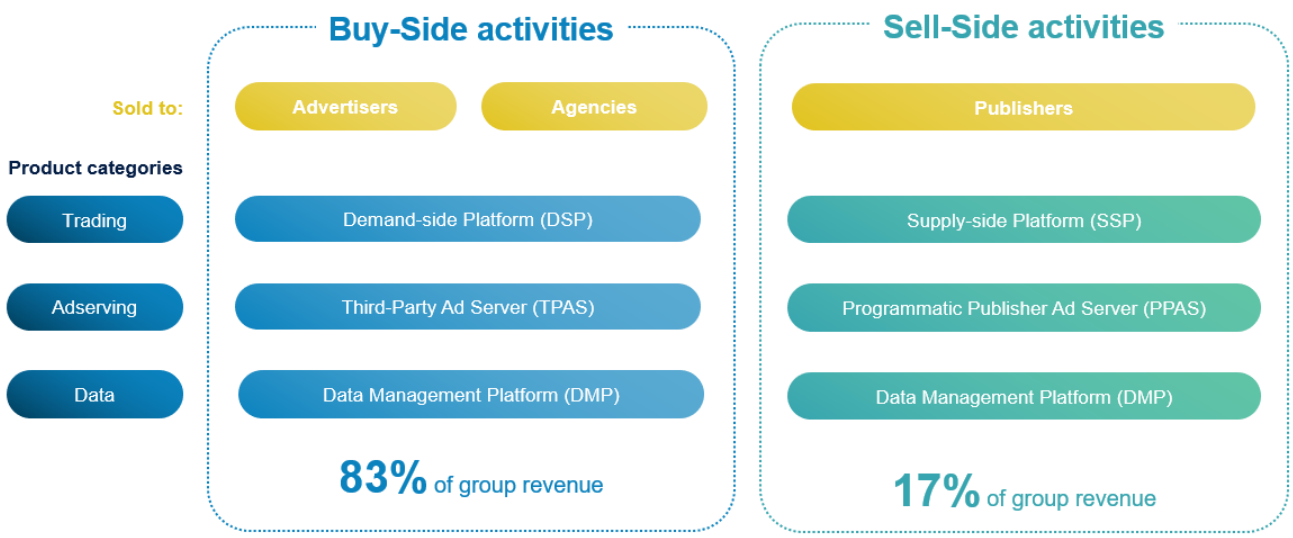
Business overview

Adform operates in the Adtech sector where Adform's main business is to provide the software systems that buyers and sellers of digital display advertising use to transact ad inventory and automate their advertising processes.

Products

Adform offers a number of self-serve software solutions to both buy-side customers (i.e. customers buying ad inventory, such as advertisers and agencies) and sell-side customers (i.e. customers selling ad inventory, such as publishers). Each product plays a particular role in the digital advertising process.

Figure 1: Overview of Adform's products categories



Adform's buy-side products allows agencies and advertiser to engage in bidding for advertising space and to serve the right ads to a user's browser based on available data and the user's profile. Similarly, Adform's sell-side products allows publishers to sell ad inventory via real-time auctioning and to display the buyers' ads in the right placements on the page. The programmatic trading of ad space and related advertising processes performed through Adform's systems are highly automated and happens within fractions of a second.

Adform's products are modular and interoperable with other industry solutions and compete with point solutions on a standalone basis. However, clients enjoy a host of benefits by using the full product suite and extent of Adform's platform capabilities including but not limited to real-time activation, seamless and efficient user experience, zero data discrepancy and full fee transparency and reconciliation.

Adform continues to benefit from attractive industry fundamentals and continued digitalization of marketing spend. Advertising on digital devices is increasingly traded 'programmatically' where advertising technology (adtech) solutions are used to buy and sell targeted advertising in real time. Already generating a significant part of its revenue from programmatic trading, Adform is well positioned to capture expanded revenue pools as the programmatic market is expected to grow and traditional media channels such as television, radio/audio and out-of-home become digitized and adopt adtech solutions and trading practices.

Sales presense

Adform has a sizeable sales and operations footprint counting 27 offices in 24 countries globally.

With presence in 16 countries in Europe Adform is well positioned across Europe, and benefits from strong market positions across many European markets including Germany, Italy, Nordics as well as across Central and Eastern Europe.

Adform has been present in the US market since 2014 and continued to grow during 2020 by 8.31% on a currency adjusted basis despite the Corona pandemic and declining US advertising budgets.

Furthermore, Adform has smaller but fast-growing sales operations in Turkey, Singapore, China, Australia, and United Arab Emirates (Dubai).

Operations

Adform is a technology and customer-focused company with majority of its employees engaged in software development and customer centric roles. Through 2020 Adform employed on average 611 full time equivalents (FTEs), which is 118 less than in 2019.

While Adform is headquartered in Copenhagen, the majority of the employees are located in the Group's offices in Central Eastern Europe. Adform's largest presence is in Lithuania where a software development site was set up in 2006 and where Adform is established as a well-reputed employer and brand name. Adform's Lithuanian operations have since then matured and expanded to include business support functions, such as customer services, sales operations, finance and HR. Since 2014, Adform has expanded by establishing software development sites in Poland and a smaller outsourced site in Malaysia.

With 8 data centers and supporting infrastructure located around the world, Adform is able to serve customers globally.

Group legal structure

Below figure 1 provides an overview of the Group's legal structure.

All subsidiaries are 100% direct owned by Adform A/S, apart from Adform BY LCC in Belarus (marked with **) which is 10% owned by Adform Lithuania UAB. Adform BY LLC is undergoing solvent liquidation, which is expected completed during first half of 2021.

Figure 2: Group legal structure

ADFORM A/S

ADFORM Lithuania UAB	2006	ADFORM Sp.zo.o	2015
ADFORM London Ltd.	2009	ADFORM s.r.o	2016
ADFORM Norway AS	2011	ADFORM Technologies Pte. Ltd.	2016
ADFORM Sweden AB	2011	ADFORM (Australia) Pty Ltd.	2018
ADFORM Germany GMBH	2012	ADFORM (Pty) Ltd. (South Africa)	2018
ADFORM Italy S.r.l.	2012	ADFORM Software (Shanghai) Co. Ltd.	2018
ADFORM Software Spain S.l.	2012	ADFORM Technologies JSC	2018
ADFORM Software Finland	2013	ADFORM India LLP	2019
ADFORM Inc.	2014	ADFORM BY LLC**	2014
ADFORM B.V.	2015		

Year referenced in the above figure 2 denotes year of incorporation.

Adform's product proposition – 2020 Highlights

Adform FLOW – Enterprise technology built for Modern Marketing

In September 2020, Adform launched Adform FLOW, the next-generation integrated advertising platform designed to enable seamless management of the whole digital campaign's life cycle and the company's most significant product launch in the past five years.

In the three years preceding the introduction of Adform FLOW, the company has focused on completely revisiting and re-imagining every assumption made about the role of advertising technology as an enabler for the Modern Marketer. This includes building a new buy-side user experience that places the marketer, rather than features or technical capabilities, at the center of an integrated advertising platform. Adform FLOW realized this vision through an intuitive buy-side interface that promotes seamless, collaborative workflows to service today's advertisers' complex and individualized needs.

Adform FLOW is based upon three fundamental principles: operational simplicity, seamless workflows, and full identity management capabilities and today more than 1,800 clients are actively realizing these benefits by running campaigns through Adform FLOW.

Adform takes a leadership position with first-party ID solution

In 2019 popular web browsers Safari and Firefox deprecated third-party cookies. This left many advertisers wondering how they would address users with relevant advertising in the future. Given 35-40% of traffic came from these browsers in some of Adform's core markets, including the Nordics and Germany, Adform was early to recognize that finding and supporting an alternative form of ID management was a high priority.

With Google Chrome announcing a 24-month timeline for the deprecation of third-party cookie use in 2020, this decision effectively signaled a count-down timer to the complete elimination of third-party cookies across all major browsers.

Building on Adform's early work addressing GDPR and related privacy initiatives, the company has spent the past three years working intensively focused on providing a first-party ID and data solution. As a result, in 2020, Adform led the market and became the only adtech company to go live with an end-to-end first-party ID-based programmatic solution supporting trading, targeting, and attribution based entirely on first-party IDs.

During 2020 Adform launched a proof-of-concept initiative in the Finnish market. This PoC leveraged the Adform FLOW platform to bid, buy, track and serve ads purely based on first-party IDs and data from Sanoma Media Finland, Finland's largest publishing group. After the successful launch in Finland, numerous major publishing groups across the Nordics and Europe have worked with Adform to replicate the process. The solution has also been launched in the US with the first-party ID and data provider Britepool. Simultaneously, in Germany and the UK, several of the largest publishers are now broadcasting first-party IDs to Adform by default at significant scale.

Adform FLOW is uniquely positioned to manage a smooth change to first-party cookies due to its focus on providing an end-to-end product stack that includes a SSP, DSP, Ad Server, and DMP. With a foothold in every stage of the ecosystem, Adform can take full control and push significant changes across its product portfolio.

Transparency - PwC commissioned to test Adform FLOW

As a continued part of Adform's focus on transparency and commitment to delivering industry-leading solutions, PwC carried out an extensive audit of the Adform FLOW platform. PwC's independent audit included tests evaluating the platform's performance across match rate, transparency, accuracy of reporting and increased efficiency.

To download the full report and results: https://site.adform.com/knowledge-center/pwc-2020/

Accreditations and Certifications

Adform has a long-standing tradition of leading the industry with its commitment to the highest standards and superior levels of transparency. For the third year in a row Adform was named a “Leader” in the 2020 Gartner Magic Quadrant for Ad Tech.

Adform’s commitment extends to the industry’s most important accreditations and certifications including MRC accreditation since 2017, holding ISO/IEC 27001 certified for Information Security Management, EDAA Trust Seal Certified, IAB Standards Certified, IAB UK Gold Standard 1.1 Certified.

Adform also holds TAG Certified Against Fraud, Certified Against Malware, and Brand Safety Certified certifications in addition to membership in the Digital Advertising Alliance, and Network Advertising Initiative (NAI).

Group - Financial Review

Income statement

Revenues for the Group amounted to EUR 74.3 million in 2020, corresponding to a revenue growth of 2.1% compared to EUR 72.8 million in 2019.

The increase in Group revenues was primarily driven by an increase in sales in International markets. In 2020 revenue from International markets grew 4.1% compared to 2019, whereas revenue from Nordic markets declined 2.5% compared to 2019. Nordic revenues accounted for 29.1% of total revenue in 2020 compared to 30.5% in 2019, while International revenues accounted for 70.9% of total revenue in 2020 compared to 69.5% in 2019.

Revenues from Sell Side activities grew 15.2% in 2020 and accounted for 17.4% of total Group revenues, whereas revenues from Buy Side activities decreased marginally by 0.2% in 2020 and accounted for 82.6% of Group revenues. The increase in Sell Side revenues was driven by an increase in level of impression opportunities offered by publishers for programmatic trading.

EBITDAC, which is managements primary operational measure of earnings for the business, increased from EUR 2.428 million in 2019 to 13.173 million in 2020, lifting the EBITDAC margin from 3.3% to 17.7%.

EBITDAC refers to Earnings Before Interest, Taxes, Depreciation, Amortization, Capitalization and Special Items, and as such measures the earnings from operations on a cash basis, when all the incurred operating expenses are subtracted from revenue income. For sake of clarity, Adform’s use of EBITDAC as a profitability measure predates the outbreak of the Corona pandemic and includes no adjustments to normalize earnings for the impact of Corona.

The positive change in EBITDAC was mainly a result of lower staffing and salary costs though the year, combined with lower spending towards activities such as travel, marketing, representation, and other spending inadvertently reduced by Corona lock downs.

EBITDA in 2020 amounted to EUR 16,793 million corresponding to an EBITDA margin of 22.6%, compared to an EBITDA of EUR 8.805 million (and EBITDA margin of 12.1%) in 2019.

Below table explains how EBITDA and EBITDAC reconciles to the Operating Profit/Loss (EBIT) according to the consolidated financial statements:

EUR'000	2020	2019
Operating profit (EBIT)	3,883	-4,712
Amortisation and depreciation	12,910	13,517
EBITDA	16,793	8,805
Special items		
Non-qualifying funding costs regarding capital increase and IPO related costs (recognised in Administrations costs)	119	149
Share based payments (recognised in Operating expenses)	180	607
Restructuring costs (recognised in Operating expenses)	787	2,405
R&D impairment	2,022	0
EBITDA before special items	19,901	11,966
Office lease expenses recognized under right-of-use of leased assets	-3,236	-3,483
Capitalised development projects for the year	-3,492	-6,054
EBITDAC	13,173	2,428

EBIT in 2020 was a profit of EUR 3.883 million compared to a loss of EUR 4.712 million in 2019. The resulting EBIT margin was positive 5.2% in 2020 compared to negative 6.5% in 2019. The development in EBIT was mainly due to reduced staffing levels and related costs.

Net financial expenses in 2020 amounted to EUR 2.5 million, compared to EUR 3.2 million in 2019. Net financial expenses improved mainly due to redemption of long term debt in 2020. Furthermore, Adform incurred lower net foreign exchange losses, which amounted to EUR 0.1 million in 2020 compared to EUR 0.4 million in 2019.

Tax for the year in 2020 was an income of EUR 0.4 million.

Net profit for the year in 2020 was EUR 1.9 million compared to a loss of EUR 7.7 million in 2019.

Balance sheet

The balance sheet as of 31 December 2020 totaled EUR 127.8 million compared to EUR 135.5 million in 2019.

The decrease was primarily due to a combination of (1) depreciation and amortization of assets, (2) an increase in receivables and payables related to trading orders, and (3) redemption of long-term

Total equity as of 31 December 2020 was EUR 22.8 million, compared to EUR 20.0 million as of 31 December 2019. The change in Equity reflects the combined effect of the profit for the year and the Share Based Payments programme.

Net interest-bearing debt (NIBD) was a surplus of EUR 7.2 million as of 31 December 2020, compared to deficit of EUR 4.4 million as of the 31 December 2019. NIBD was mainly impacted by the full redemption of the total long term debt and along with the positive cash generation from operating cash flow activities.

EUR'000	2020	2019
Cash	19,731	23,279
Interest-bearing loans and borrowings, non-current	-8,825	-22,948
Interest-bearing loans and borrowings, current	-3.664	-4,754
NIBD (Net Interest-Bearing Debt)	7,242	-4,423

Cash flow

Cash flow from operating activities in 2020 was a total of EUR 19.6 million, driven by a positive impact from adjustment of Amortization and Depreciation (EUR 14.9 million). The net change in working capital was EUR 1.3 million. Cash flow from investing activities in 2020 was a negative of EUR 4.0 million compared to a negative EUR 7.0 million in 2019. Investment in intangible assets in 2020 was EUR 2.9 million lower than in 2019.

Cash flow from financing activities in 2020 was a total negative of EUR 19.3 million, and included the repayment of long term debt in the aggregated amount of EUR 12.9 million.

Resulting Net Cash Flow in 2020 was combined negative EUR 3.6 million.

Events after the balance sheet date

The exact outcome and impact of the pro-longed Corona outbreak on the Group's activity and financial performance is still uncertain as of the date of the approval of the annual report. The uncertainty stems in particular from the challenge in predicting duration of impact on advertisers marketing activities along with the pacing towards a normalized state.

There are no single events with a material effect on the financial position of the Company after the close of the balance sheet date. There are no other materials events after the reporting period to be disclosed.

Management Investment Program (January 2021)

In January 2021, a Management Investment Program was introduced (the "MIP-Program"). Select people from Management participate in the MIP-Program and have as such acquired B-shares and warrants in the Company. As of 18 January 2021, the MIP-Program participants have aggregated subscribed for 447,090 class B-shares of DKK 0.01 nominal value each and the Company has issued in the aggregate 1,788,360 warrants of DKK 0.01 nominal value each. The warrants issued pursuant to the MIP-Program are divided equally into 3 classes pending on subscription price and all warrants will subscribe class B-shares. The purchase price per warrant in Series I is a DKK amount corresponding to 7,71% of the share price, the purchase price per warrant in Series II is a DKK amount corresponding to 6,33% of the share price and the purchase price per warrant in Series III is a DKK amount corresponding to 5,47% of the share price. The warrants can only be exercised in case of a sale or an IPO, as defined in the MIP-Program and related agreements.

Parent Company - Financial Review

The Parent Company administers a significant part of the Group's sales activities. Total revenues of the Parent Company in 2020 amounted to EUR 65.9 million, compared to EUR 64.7 million in 2019 and corresponding to a revenue growth of 2%.

The increase in revenues was primarily driven by an increase in sales in International markets. In 2020 revenue from International markets grew 4.2% compared to 2019, whereas revenue from Nordic markets declined 2.7% compared to 2019. Nordic revenue accounted for 32.6% of total revenue in 2020 compared to 34.1% in 2019, while International revenue accounted for 67.4% of total revenue in 2020 compared to 66.0% in 2019.

Revenues from Sell Side activities grew 15.0% in 2020 and accounted for 19.0% of total revenues, whereas revenues from Buy Side activities decreased marginally by 0.8% in 2020 and accounted for 81.2% of total revenues. The increase in Sell Side revenues was driven by an increase in level of impression opportunities offered by publishers for programmatic trading.

EBIT in 2020 was a profit of EUR 0.3 million compared to a loss of EUR 7.5 million in 2019.

Net profit for the year in 2020 was EUR 1.4 million compared to a loss of EUR 6.7 million in 2019.

As of 31 December 2020, the Parent Company employed 27 individuals, primarily engaged with management, sales and local service activities. Other main activities such as operation of infrastructure and product platform, product development, billing, finance and human resources are handled by subsidiaries of the Parent Company.

Risk management

Adform's business entails a number of commercial and financial risks, which could potentially have a negative effect on the company's future activities and results. To manage risk, principal factors categorized as potential risks are monitored, analyzed, and managed.

The Group's procedures and internal controls are planned and executed to ensure a sufficient level of comfort that the financial reporting is reliable and in compliance with internal policies, as well as gives a true and fair view of the Group's financial performance, the financial position and material risks. The procedures and controls are furthermore planned with a view to support the quality and efficiency of the Group's business processes and the safeguarding of the Group's assets.

Management's continuously monitors and evaluates operational, commercial, financial and regulatory risks across the business, including an assessment of the likelihood that an adverse effect will occur, and whether the financial impact of such adverse effect would be material. The design and degree of control activities are based upon such risk assessments.

The aim of the Group's control activities is to ensure that the objective, policies, manuals and procedures of the Executive Board are fulfilled, as well as to prevent, detect and correct any errors, deviations and omissions in a timely manner. As part of this the Executive Board has established coherent and transparent reporting systems that are easily accessible to the relevant levels in the Group. In addition, Adform has adopted a Whistleblower Protection Policy whereby individuals are encouraged to report concerns regarding any questionable actions, activities or other matters.

Main commercial risks:

Adform is dependent on the strength of its ongoing relationship with agencies and continued campaign activation using Adform's product platform. Adform does not have any exclusive relationships with agencies and they typically do not agree to any minimum spend or similar business volume guarantees towards Adform.

Adform is dependent on third-party providers and on obtaining access to third-party services at reasonable costs.

Adform faces potential liability and harm to its business based on human errors leading to overspend or unintended spend on its platform

Adform's failure to meet content and ad inventory standards, customers' misuse of data or Adform's failure to prevent fraud and malware could harm its business. Hence, Adform may face legal claims or reputational damage due to actions of its customers.

Main financial risks

Main financial risks including payment risk, credit risk, liquidity risk and currency risk are described in note 23 to the consolidated financial statement.

Adform is subject to complex Danish and foreign direct or indirect tax laws as well as compliance and documentation requirements, and tax liabilities may therefore prove to be greater than anticipated.

Main regulatory risks:

The regulatory landscape within the adtech industry is continuously evolving. The General Data Protection Regulation (GDPR) was introduced on 25 May 2018 in the EU, and in addition, further regulation is being introduced in other countries (e.g. the CCPA in California, USA). In general, the GDPR and various other privacy related matters significantly raise compliance obligations imposed on e.g. adtech companies, based, inter alia, on the principles of accountability, governance, transparency, all resulting in comprehensive compliance requirements. It creates new rights for individuals and strengthens some of the rights that already existed under the earlier EU legislation. It also includes a significantly strengthened enforcement regime that includes mandatory audit rights and fines of up to EUR 20 million or 4% of the total worldwide annual turnover of the preceding financial year of a company group (whichever is higher).

GDPR and other rules and regulations are aimed at safeguarding the interests of the consumers and will continue to have significant impact for adtech and other participants in the online advertising industry in respect of reaching the audiences. Adform continuous to spend significant time to adjust its policies and practices to comply with the ever changing regulatory landscape under these new regulations, e.g. new data architectures have been developed to ensure privacy by design and exhibit the necessary control and legal framework to set up personal data controller/ processor and joint controller relationships, establish consent protocols for certain types of activities and give the necessary control (e.g. right to information and access, right to be forgotten and data portability) to the consumers and ensuring that the industry has the technical setups to comply with the regulation, e.g. implementation of the IAB's transparency and consent framework version 2.0. Such developments will continue to unfold, and Adform will monitor these developments closely and analyse the effects and the need for changes following such decisions, new regulation as they are adopted and evolvement of the technical specifications as they are released. In addition, as Adform is an adtech provider may risk losing access to valuable data on which they have previously relied to enhance the value of their offerings. The added costs, regulatory requirements and complexities caused by GDPR, ePrivacy, CCPA and other regulations, including the various new decision by courts and additional guidance by supervisory authorities, will continue be rendered and released to Adform and the industry.

In 2020, the Danish Data Protection Agency decided, on its own initiative, to do an audit of Adform and its processing activities related to Adform's products. Adform has delivered all requested material to the Danish Data Protection Agency before, during and after the audit. At the time of this Annual Report, the Adform is still waiting for the conclusion of the audit.

Main operational risks:

Given the online nature of Adform's business – being an online software platform - Adform's result of operations or business may be materially adverse affected by cyber-attacks, malicious actions or unintentional errors

Given the nature of Adform's business model (software online), Adform's result of operations or business may be adverse affected by technological errors and service disruptions

Adform's execution capability and overall success heavily depends on its continued ability to hire, motivate and retain highly skilled employees.

Corporate Governance

The Company operates with a two-tiered governance structure consisting of the Board of Directors and the Executive Management. The two management bodies are separate and have no overlapping members.

The Board of Directors is responsible for the overall strategic direction of the Company, supervising the activities, management and organisation, as well as ensuring that financial and managerial control of the Company is conducted adequately.

The Board of Directors serves as a highly qualified sparring partner to the Executive Management in relation to strategic initiatives and monitors the Group's financial condition, risk management and business activities on an ongoing basis.

The Executive Board has established a formal group reporting process to the Board of Directors, which covers monthly financial reporting comparing to budget and includes explanation of underlying business drivers and material deviances to budget and expectations. In addition to the reporting of earnings, the reporting covers balance sheet and cash flow statements, and supplementary information as needed from time to time. Reporting to the Board of Directors includes update of expectations and financial outlook for the year, when underlying business momentum indicates material shifts in the financial trajectory of the Group.

The Board of Directors consists of five members. In 2020 the Board of Directors consisted of:

- Torben Brandt Munch, Chairman
- Lars Dybkjær, Vice Chairman
- Lars Lunde
- Peter Thorlund Haahr
- Jakob Toftgaard Bak

The Board of Directors is elected at the Annual General Meeting; and all of its members are up for election each year.

The Board of Directors has established a formal Audit Committee under the supervision of the Company's Board of Directors. The Audit Committee tasks are to supervise the Group's audit, financial reporting, risk management and insurance matters, and further supervises the external auditor's independence of the Company.

The Audit Committee consists of two members:

- Lars Lunde
- Peter Thorlund Haahr

No other formal committees have been established.

Executive Board

The Executive Board consists of two members:

Troels Philip Jensen (born 1967, Danish nationality) joined Adform in April 2020 and serves as Chief Executive Officer. Troels brings more than 25 years of experience in advanced software and FinTech. Before joining Adform, Troels served as COO at Itiviti AB and as Managing Director Western Europe at SimCorp. Troels is elected to the Board of Directors for the Danish company, Ole Lynggaard A/S. Troels holds a M.Sc. in Economics International Business from the Copenhagen Business School and Leuven Universiteit.

Christian Duus (born 1974, Danish nationality) joined Adform in May 2015 and serves as Adform's Chief Financial Officer. Prior to acting as Adform's Chief Financial Officer, Christian Duus held the position of Senior Vice President of Corporate Development and Commercial Operations for Adform. Christian Duus brings more than 20 years of experience working with corporate strategy, business development and digitalization, having worked for management consulting firm Bain & Company, GN Store Nord and North Media. Christian holds a M.Sc. in Business Administration, Finance and Accounting from Copenhagen Business School.

Report on Corporate Social Responsibility, cf. section 99a of the Danish Financial Statement Act

Corporate Social Responsibility is part of the business strategy at Adform A/S. The Group has a desire to act responsibly in relation to customers, employees, business partners and the outside world.

Adform A/S has chosen to publish its statement of corporate social responsibility on the Group's website, see https://site.adform.com/company/corporate-governance.

Report on equal gender representation in leadership positions, cf. section 99b of the Danish Financial Statement Act

Adform is committed to adhering to ethical, transparent, and forward-looking best practices while providing an inclusive workplace.

Adform A/S has chosen to publish its statement on the gender composition of management on the Group's website, see https://site.adform.com/company/corporate-governance.

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Management statement

The Executive Board and Board of Directors have reviewed and approved the annual report of Adform A/S for the financial year 1 January to 31 December 2020.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act applying to reporting class C, large enterprises.

In our opinion, the consolidated financial statements and the parent company financial statements provides a true and fair view of the Group's and the Company's financial position as of 31 December 2020, and of the results of the Group's and parent company's operations and cash flows for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's Review includes a true and fair review of the development in the Group's operations and financial matters, as well as the financial results and financial position of the Group and the parent company.

We recommend the annual report to be approved at the annual general meeting.

Copenhagen, 12 March 2021

Executive Board:

Troels Jensen	Christian Duus
CEO	CFO

Board of Directors:

Torben Brandt Munch Chairman	Lars Dybkjær Vice Chairman	Lars Lunde
Peter Thorlund Haahr	Jakob Toftgaard Bak	

Independent auditor's report

To the shareholders of Adform A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Adform A/S for the financial year 1 January – 31 December 2020, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report - continued

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

Independent auditor's report - continued

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 12 March 2021

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Peter Gath

State Authorised Public Accountant

mne19718

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Consolidated financial statements 1 January – 31 December

Consolidated income statement

Note	EUR'000	2020	2019
1	Revenue	74,328	72,780
	Cost of sales	-4,792	-5,941
	Gross profit/loss	69,536	66,839
2,3,4,6	Research and development costs	-25,678	-26,578
2,3,6	Sales and marketing expenses	-28,531	-36,660
2,3,6	Administrative expenses	-11,444	-8,313
	Operating profit/loss (EBIT)	3,883	-4,712
7	Financial income	4,961	3,023
8	Financial expenses	-7,417	-6,249
	Profit/loss before tax	1,427	-7,938
9	Tax for the year	443	220
	Profit/loss for the year	1,870	-7,718
	Attributable to:		
	Shareholders of Adform A/S	1,870	-7,718
18	Earnings per share, basic (EUR)	0.03	-0.11
18	Earnings per share, diluted (EUR)	0.03	-0.10

Consolidated statement of comprehensive income

Note	EUR'000	2020	2019
	Profit/loss for the year	1,870	-7,718
	Other comprehensive income		
	Items that may be reclassified to the income statement in subsequent periods:		
	Exchange differences in translation	698	-169
	Other comprehensive income for the year, net of tax	698	-169
	Total comprehensive income for the year	2,568	-7,887
	Attributable to:		
	Shareholders of Adform A/S	2,568	-7,887

Consolidated financial statements 1 January – 31 December

Consolidated balance sheet

Note	EUR'000	2020	2019
	ASSETS		
	Non-current assets		
11	Intangible assets	15,468	21,132
12	Tangible assets	949	1,499
13	Right of use of assets	11,513	13,863
14	Deferred tax assets	2,287	1,489
15	Other non-current assets	617	619
	Total non-current assets	30,834	38,602
	Current assets		
16,17	Trade receivables	74,431	71,322
17	Other receivables	740	841
	Income tax receivables	500	129
	Prepayments	1,601	1,354
17	Cash	19,731	23,279
	Total current assets	97,003	96,925
	TOTAL ASSETS	127,837	135,527

Note	EUR'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
18	Share capital	93	93
	Foreign currency translation reserve	-30	-118
	Retained earnings	22,711	20,051
	Total equity	22,774	20,026
	Non-current liabilities		
13,19,24	Interest-bearing loans and borrowings	8,825	22,948
14	Deferred tax liabilities	0	0
	Total non-current liabilities	8,825	22,948
	Current liabilities		
13,19,24	Interest-bearing loans and borrowings	3,664	4,754
20,24	Trade payables	82,477	79,789
	Income tax payables	323	129
21,24	Other liabilities	9,774	7,881
	Total current liabilities	96,238	92,553
	Total liabilities	105,063	115,501
	TOTAL EQUITY AND LIABILITIES	127,837	135,527

Consolidated financial statements 1 January – 31 December

Consolidated statement of changes in equity

2020

EUR'000	**Share capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total equity**
Equity 1 January 2020	93	-118	20,051	20,026
Profit for the year	0	0	1,870	1,870
Other comprehensive income				
Foreign currency translation	0	698	0	698
Adjustment to currency translation	0	-610	610	0
Total other comprehensive income	0	88	610	698
Total comprehensive income for the year	0	88	2,480	2,568
Transactions with owners				
Capital increase	0	0	0	0
Expenses, capital increase	0	0	0	0
Share-based payments	0	0	180	180
Total transactions with owners	0	0	180	180
Equity 31 December 2020	93	-30	22,711	22,774

2019

EUR'000	**Share capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total equity**
Equity 1 January 2019	69	51	-1,449	-1,329
Loss for the year	0	0	-7,718	-7,718
Other comprehensive income				
Foreign currency translation	0	-169	0	-169
Total other comprehensive income	0	-169	0	-169
Total comprehensive income for the year	0	-169	-7,718	-7,887
Transactions with owners				
Capital increase	24	0	30,118	30,142
Expenses, capital increase	0	0	-1,507	-1,507
Share-based payments	0	0	607	607
Total transactions with owners	24	0	29,218	29,218
Equity 31 December 2019	93	-118	20,051	20,026

Consolidated financial statements 1 January – 31 December

Consolidated cash flow statement

Note	EUR'000	2020	2019
	Profit/loss before tax	1,427	-7,938
6	*Adjustment for:*		
	Amortisation, depreciation and impairment	14,932	13,517
7,8	Financial items, net (financial income and expenses)	2,456	3,226
	Other non-cash items	180	607
	Cash flow from operating activities before changes in working capital	18,995	9,412
	Changes in working capital	1,326	-3,429
	Cash flow from operations	20,321	5,983
	Financial costs, net	-225	-430
9	Income taxes paid/received	-520	-587
	Cash flow from operating activities	**19,576**	**4,966**
11	Investments in intangible assets	-3,542	-6,458
12	Investments in tangible assets	-405	-569
15	Change in other non-current assets	2	14
	Cash flow from investing activities	**-3,945**	**-7,013**
24	Payment of lease commitments	-4,155	-3,505
8	Payment of lease interest	-680	-823
24	Repayment of bank overdraft	0	0
24	Repayment of debt to credit institutions	-12,881	-12,881
24	Payment of interest related to debt to credit institutions	-1,449	-1,232
24	Proceeds from other interest-bearing debt and bank overdraft	0	0
24	Repayment of other interest-bearing debt	-88	-5,297
24	Proceeds from capital increase	0	30,142
24	Expenses, capital increase	0	-1,507
	Cash flow from financing activities	**-19,253**	**4,897**
	Net cash flow	-3,622	2,850
	Currency adjustments	74	-111
	Cash, 1 January	23,279	20,540
	Cash[1] 31 December	**19,731**	**23,279**

The above cannot be derived directly from the income statement and the balance sheet.

Other non-cash items mainly relate to recognised costs from share-based payments.

[1] Cash comprises cash at bank and in hand

Consolidated financial statements 1 January – 31 December

Notes to the consolidated financial statements

Consolidated financial statements 1 January – 31 December

Notes

1 Revenue

Adform's software platform consists of a number of individual products that each play a role in the digital advertising process.

The Executive Board monitors and operates the Group as one segment in respect of earnings, covering business activities with customers on both the buy side (advertisers and agencies) and the sell side (publishers).

Revenue allocation by region:

Revenue activities are monitored based on the location of respective customers. The revenue is attributed to the geographical market segment Nordic if it is generated by the offices in Denmark, Sweden, Norway and Finland. The revenue generated outside Nordic is reported as International.

EUR'000	2020	2019
Nordic	21,637	22,184
International	52,691	50,596
	74,328	72,780

Revenues per customer category:

EUR'000	2020	2019
Revenue from Buy Side (comprises the fees paid by agencies and advertisers)	61,417	61,570
Revenue from Sell Side (comprises the fees paid by publishers)	12,911	11,210
	74,328	72,780

Revenues per product category:

EUR'000	2020	2019
Trading platforms	46,909	44,027
Ad serving	17,529	18,056
Data	8,503	8,540
Other Services	1,387	2,157
	74,328	72,780

Non-current operating assets (intangible and tangible assets) by country:

EUR'000	2020	2019
Denmark	19,071	26,053
Lithuania	4,454	4,619
Other countries	4,405	5,822
Total non-current operating assets	27,930	36,494
Deferred tax assets and Other non-current assets	2,904	2,108
Total non-current assets	30,834	38,602

Consolidated financial statements 1 January – 31 December

Notes

1 Revenue - continued

In 2020 and in 2019, no customer accounted for more than 10% of total revenue.

Adform has established normal bonus schedules with large customers, where bonuses are released on either a quarterly or an annual basis. Bonus schedules are generally based on total spend through the platform.

Adform does not incur material direct costs in obtaining contracts with customers.

Gross billings

Adform has several revenue streams that are based on different pricing models, including activity-based revenue, percent of media spend, revenue share, subscription-based and other fee models. Adform's gross billings include the value of clients' purchase of media through Adform's platform, plus platform and other fees. The value of media purchased, which is not attributable to Adform, is recognised as media costs and netted out from gross billings (non-IFRS) to revenue. Adform's revenue as a percentage of gross billings can fluctuate due to product mix, the types of services and features selected by clients through the Adform platform and certain volume discounts. Adform reviews gross billings for internal management purposes to assess underlying business momentum, market shares and trading scale as well as to adequately plan for working capital needs and monitor collection risk. Management believes that gross billings represents a good guide to the overall activity of the Group.

The following table provides a reconciliation of revenue as reported under IFRS to gross billings (non-IFRS):

EUR'000	**2020**	**2019**
Gross billings (non-IFRS)	331,727	335,017
Media costs (non-IFRS)	-257,399	-262,237
Reported revenue according to IFRS	74,328	72,780

Set out below is the disaggregation of the Group's revenue from contracts with customers.

Timing of revenue recognition from customers:

EUR'000	**2020**	**2019**
Services transferred at a point of time	74,328	72,780
Services transferred over time	0	0
	74,328	72,780

Adform has concluded that it transfers control over its services (i.e. advertisers and agencies buying of ad inventory, publishers selling ad inventory, and serving of the ad actual impression), at a point in time, because this is when the customer (publishers and advertisers) benefits from the automated ad trading and ad serving performed by the Group's software platform.

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Consolidated financial statements 1 January – 31 December

Notes

2 Staff costs

EUR'000	2020	2019
Wages and salaries	37,622	42,647
Pensions (defined contribution plan)	269	326
Other expenses for social security	3,406	3,402
Share-based compensation expenses (refer to note 3)	180	607
Other employee expenses	250	570
	41,727	47,552
Development costs capitalised as intangible assets	-3,492	-6,054
	38,235	41,498
Average number of employees	647	768

Note staff costs are included in research and development costs, sales and marketing expenses as well as administrative expenses.

*Remuneration to the Executive Board**

EUR'000	2020	2019
Wages and salaries	627	491
Share-based compensation expenses	6	33
	633	524
Compensation to the Board of Directors		
Compensation	128	89
Share-based compensation expenses	11	88
	139	177

* Recording of remuneration to the Executive Board consists of the paid remuneration to registered members of the Executive Board in the individual financial year. The remuneration for the financial year 2019 includes the full calendar year for Gustav Mellentin, whilst for Karsten Bjerregaard is included until 30 July 2019 and for Christian Duus from 1 August 2019. The remuneration for the financial year 2020 includes the full calendar year for Christian Duus whilst for Gustav Mellentin is included until 31 March 2020 and for Troels Philip Jensen from 1 April 2020.

The compensation to the Executive Board consists of base salary and customary benefits (free phone, computer and internet subscription) and the Executive Board participates in the short-term cash-based incentive programme to Executive Board and selected employees (STIP). Furthermore, one member of the Executive Board participates in the long-term incentive programmes to Executive Board and selected employees (Warrant Programme).

The Company can terminate the employment of each member of the Executive Board for any reason upon at least 6 months advance notice. The CEO can terminate his employment with the Company for any reason upon at least 6 month's advance notice and the CFO can terminate his employment with the Company for any reason upon at least 3 month's advance notice.

Consolidated financial statements 1 January – 31 December

Notes

3 Share-based payments

Adform A/S has established incentive programmes under which certain employees and board members of the Parent Company and its subsidiaries have been granted warrants or options to purchase shares. Warrants and share options can be exercised by the employees by cash purchase of shares only.

The valuation of the shares granted in 2020 is based on the following assumptions:

	2020	2019	2018
Share price (EUR)	1.67	1.67	0.001 - 1.46
Volatility	49% - 51%	30%	28 - 30%
Risk-free interest rate	-0.63% - -0.21%	0.0%	-0.51% - 0.31%
Expected dividends	0%	0%	0%
Expected remaining life (years)	7.0	4.0-9.0	7.0

Current share option schemes

Scheme	Options granted	Granted	Exercise period	Exercise price (weighted average)	No. of employees	Market value at date of grant
2015	104,544	August	10 years after date of grant	4.3	1	34,401
2016	1,325,000	September	10 years after date of grant	3.3	2	534,958
2017	131,500	March and November	10 years after date of grant	3.1	2	55,663
2018	3,267,152	January, April, June, September	31-12-2025	0.2	105	6,843,341
2019	1,484,988	October, November	31-12-2027	0.7	59	626,892
2020	596,000	April, August	31-12-2027	1.67	29	226,937

Share option schemes at 31 December 2020

Scheme	Board of Directors	Executive Board	Senior staff	Total	Average price per option
2015	-	-	104,544	104,544	4.3
2016	-	-	1,325,000	1,325,000	3.3
2017	-	-	131,500	131,500	3.1
2018	-	85,403	3,181,749	3,267,152	0.2
2019	200,000	74,728	1,210,260	1,484,988	0.7
2020	-	-	596,000	596,000	0.4
Outstanding at 31 December 2020	**200,000**	**160,131**	**6,549,053**	**6,909,184**	

Consolidated financial statements 1 January – 31 December

Notes

3 Share-based payments - continued

Outstanding share options

	Board of Directors	Executive Board	Senior staff	Total	Average price per option
Outstanding at 1 January 2019	-	85,403	3,667,464	3,752,867	
Granted	200,000	74,728	1,210,260	1,484,988	0.7
Exercised	-	-	0	0	-
Options re-granted	-	-	0	0	-
Options waived/expired	-	-	-222,212	-222,212	0.7
Outstanding at 31 December 2019	200,000	160,131	4,655,512	5,015,643	
Outstanding at 1 January 2020	200,000	160,131	4,655,512	5,015,643	
Granted	-		616,000	616,000	0.4
Exercised	-	-	0	0	-
Options re-granted	-	-	0	0	-
Options waived/expired	-	-	-93,864	-93,864	0.7
Outstanding at 31 December 2020	200,000	160,131	5,177,648	5,537,779	

The table below shows the number of warrants and options granted and vested as of 31 December 2020 and the subscription price per share.

Incentive programme (shares)	**Number**	**Vested as at 31 December 2020***	**Subscription price per share of DKK 0.01**
Warrants (Global programme)	2,081,712	2,030,886	DKK 0.01
Warrants (U.S. employees)	218,577	216,810	DKK 10.91
Warrants 2019, appendix 3	1,258,455	596,787	DKK 12.46
Warrants 2019, appendix 4	680,938	648,938	DKK 0.01
LTIP Options	250,000	250,000	EUR 3.00
LTIP Options	250,000	250,000	EUR 1.00
CSOP Options	161,551	142,995	DKK 0.80
CSOP Options	250,000	125,000	DKK 5.60
Phantom stock award	386,546	372,397	DKK 0.01-10.91

* Vested as at 31 December 2020 due to fulfilment of service requirement by the employee. No exit has occurred.

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3 Share-based payments – continued

Warrants (Global programme and U.S. employees)

In August 2018 and in September 2018 a warrant programme (on equal terms) was initiated under which a number of employees in the parent company and its subsidiaries were granted warrants. The warrant programme replaced a previous restricted stock unit program established in April 2018.

According to the warrant programme, participants can subscribe for new shares in the Company at a subscription price of DKK 0.01 (subscription price for the participants in the US subsidiary is DKK 10.91).

In 2019, a total number of 2,787,239 warrants was granted. In 2020, no new warrants were granted under this program.

Under the terms of the warrant programme, it is a condition for exercising the warrants, that a) an exit as defined in appendix 2 to the Company's articles of association occurs no later than 31 December 2025 and b) provided that the individual participant's employment with parent or one of its subsidiaries has not ceased on each relevant vesting date.

Common good and bad leaver provisions are included in the terms and conditions of the warrant programs.

Based on the characteristics of the warrant programme, the likelihood of an exit has been assessed by Management, which Management has assessed that the probability at grant date was 50% of an exit occurring no later than 31 December 2025 based on the embedded uncertainties. This estimate is by nature associated with uncertainty. The warrant value was calculated with a share price of approximately DKK 16.4.

For the twelve-month period ended 31 December 2020, an expense of EUR 21 thousand (2019: expense of EUR 235 thousand) has been recognised as cost in the income statement and in equity.

Warrants 2019, appendix 3

In October 2019, a new warrant programme was initiated under which a number of employees and board members in the parent company and its subsidiaries were granted warrants. According to the warrant programme, participants can subscribe for new shares in the Company at a subscription price of DKK 12.46.

In total, 1,368,455 warrants have been granted, whereof 772,455 warrants were granted in 2019 and 616,000 in 2020. In 2020 20,000 warrants was waived, hence the total net warrants granted amounts to 596,000.

Under the terms of the warrant programme, it is a condition for exercising the warrants, that a) an exit as defined in appendix 3 to the Company's articles of association occurs no later than 31 December 2027 and b) provided that the individual participant's employment or engagement with parent or one of its subsidiaries has not ceased on each relevant vesting date.

Common good and bad leaver provisions are included in the terms and conditions of the warrant programs.

Based on the characteristics of the warrant programme, the likelihood of an exit has been assessed by Management of an exit occurring no later than 31 December 2027 based on the embedded uncertainties. This estimate is by nature associated with uncertainty. The warrant value was calculated with a share price of DKK 12.46.

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3 Share-based payments – continued

For the twelve-month period ended 31 December 2020, an expense of EUR 165 thousand has been recognised as cost in the income statement and in equity (2019: expense of EUR 100 thousand).

Warrants 2019, appendix 4

In November 2019, a new warrant programme was initiated under which a number of employees in the parent Company and its subsidiaries were granted warrants. According to the warrant programme, participants can subscribe for new shares in the Company at a subscription price of DKK 0.01.

In 2019, a total number of 762,533 warrants was granted. In 2020, no new warrants were granted under this program.

In connection with the grant in November 2019, the previous warrant programme from 2018 (Global programme and U.S. employees) was not cancelled or modified.

If a participant has been granted warrants governed by the warrant programme from 2018 (Global programme and U.S. employees) and warrants governed by the new appendix 4 warrant programme, then it follows that the participant shall not be entitled to exercise both warrants that are granted pursuant to both programmes. If a participant exercise warrants governed by one of these programmes, then participant will be considered to have waived all vested warrants governed by the other programme and these warrants will lapse.

As such, the new warrant programme from November 2019 (appendix 4) is considered a second award to the previous warrant programme from 2018 (Global programme and U.S. employees). Management has evaluated that the new warrant programme from November 2019 (appendix 4) cannot be designated as a replacement award, because the original award (previous warrant programme from 2018) is still in place and therefore Management has evaluated that Adform in regards to awards under appendix 2 and appendix 4 has two awards running 'in parallel'.

Management has assessed the fair value of the new warrant programme from November 2019 (appendix 4) and reassessed the fair value of the original award at the grant date of the new warrant programme. Based on the fair value assessment, the incremental fair value is expenses over the vesting period of the new warrant programme from November 2019 (appendix 4).

Under the terms of the appendix 4 warrant programme, it is a condition for exercising the warrants, that (a) an exit occurs no later than 31 December 2027 and (b) provided that the individual participant's employment with parent or one of its subsidiaries has not ceased on each relevant vesting date.

Common good and bad leaver provisions are included in the terms and conditions of the warrant programs.

The warrant value was calculated with a share price of DKK 12.46.

For the twelve-month period ended 31 December 2020, EUR 6 thousand has been recognised as cost in the income statement and in equity (2019: expense of EUR 265 thousand).

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3 Share-based payments – continued

Options

The long-term stock option programme which one employee (LTIP Options) was granted in 2016. For the twelve-month period ended 31 December 2020, vesting has continued with recognition to equity and salary cost in the income statement of EUR 0 thousand (2019: EUR 7 thousand). For the grant at EUR 1 under the LTIP Options it has been agreed with the participant that an exit (as defined in the program), will accelerate the vesting of this grant to full vesting.

The main principles for the UK CSOP programme are overall in line with the terms and conditions of the warrant programme as described above. Common good and bad leaver provisions are included in the terms and conditions of the LTIP Options programme for the UK market. Thus, at 31 December 2020 no expense in respect to the UK CSOP programme has been recognised in the financial statements (2019: no expense).

Phantom stock award programme

In addition to above, a phantom stock award (PSA) programme was introduced in November 2019 for certain employees in Sweden, UK and the USA. The purpose of this programme is to incentivize retention of certain employees within Adform. Each granted PSA gives the participant the right to a cash payment under certain circumstances. According to the PSA-programme, participants have a right to receive a cash payment calculated as the difference between the fair market value of the share in the parent company at the time of an exit and DKK 0.01 (in respect of Sweden), DKK 0,80 (in respect of UK) and DKK 10.91 (in respect of USA).

Under the terms of the PSA-programme, it is a condition that a) an exit (as defined in the PSA programme) occurs no later than 31 December 2027 and b) provided that the individual participant's employment with parent or one of its subsidiaries has not ceased.

Total granted PSA is 393,249 of which the Executive Board has received 85,403 PSA's.

If a participant has been granted warrants governed by the warrant programme from 2018 (Global programme and U.S. employees) and decided to accept them, and phantom stock awards, then it follows that the participant shall not be entitled to exercise both the warrants under the warrant programme from 2018 and the phantom stock award programme. If a participant exercise warrants governed by the warrant programme from 2018, then participant will be considered to have waived all granted phantom stock awards governed by the other programme and these phantom stock awards will lapse. A similar situation is the case, if the scenario is the other way around.

Based on the characteristics and the link to existing warrant programme for which the PSA's may lapse, the likelihood of an exit has been assessed by Management. Management has based on the embedded uncertainties, the previous postponements of the IPO and alternatives for an IPO which will not constitute an exit, assessed that the probability at grant date was not more like than not (below 50%) of an exit occurring no later than 31 December 2027. This estimate is by nature associated with uncertainty. Thus, as an exit is not considered probable, no expense and debt in respect to the PSA-programme has been recognised in 2020. This assessment is to be updated at every reporting day until exit.

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4 Research and development costs

Adform's research and development activities focuses on the development of the Adform product platform. Research and development costs that are not eligible for capitalisation have been expensed in the period and they are recognised in research and development costs.

EUR'000	**2020**	**2019**
This year incurred research and development costs	17,457	23,248
Amortisation of intangible assets	6,974	6,012
Impairment of intangible assets	2,022	0
Depreciation of tangible assets and right-of-use assets	2,717	3,372
Development costs recognised in intangible assets	-3,492	-6,054
Development costs recognised in research and development costs	25,678	26,578

5 Fees to independent auditors

EUR'000	**2020**	**2019**
Fee for statutory audit	94	135
Other assurance services	0	0
Total audit related services	94	135
Tax and VAT advisory services	72	18
Other services	26	25
Total non-audit services	98	43
Total fees to independent auditors	192	178

For 2020, expenses related to audit and other non audit services were mainly affected by consultations regrading R&D activities and SBP programme. For 2019, expenses related to audit services were affected by implementation of new accounting standards and Adform's capital increase.

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6 Amortisation, depreciation and impairment

EUR'000	2020	2019
Amortisation of intangible assets	7,195	6,700
Impairment of intangible assets	2,022	0
Depreciation of tangible assets	1,522	2,921
Depreciation of right-of-use assets	4,193	3,896
	14,932	13,517

Amortisation and impairment of intangible assets has been recognised in the income statement as follows:

EUR'000	2020	2019
Research and development costs	9,003	6,012
Sales and marketing expenses	163	566
Administrative expenses	51	124
	9,217	6,700

7 Financial income

EUR'000	2020	2019
Interest income on financial assets measured at amortised cost	14	52
Foreign exchange gains and adjustments	4,947	2,971
	4,961	3,023

8 Financial expense

EUR'000	2020	2019
Interest expenses on financial liabilities measured at amortised cost, credit institution	1,449	1,973
Interest expenses on financial liabilities measured at amortised cost, other	88	75
Foreign exchange losses and adjustments	5,089	3,374
Interest expenses from leases (right-of-use assets)	680	823
Other interest expenses	111	4
	7,417	6,249

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9 Tax for the year

EUR'000	2020	2019
Current income tax charge for the year	-595	-652
Tax credit research and development expenses	0	785
Recognition of un-recognised tax asset from previous years	787	0
Change in deferred tax	-2	-31
Adjustment to tax for prior years	253	118
Total tax for the year (positive amount = income, negative amount = expense)	443	220
Deferred tax on other comprehensive income	0	0

Tax reconciliation

	2020		2019	
	EUR '000	**%**	**EUR '000**	**%**
Profit before tax	1,427		-7,938	
Tax using the Danish corporation tax rate (+income)	-314	22 %	1,746	-22 %
Deviation in foreign subsidiaries' tax rates compared to the Danish rate	33	-2 %	-151	2 %
Adjustment for tax prior year	253	-18 %	118	-2 %
Recognition of un-recognised tax asset from previous years	534	-37 %	0	0 %
Non-capitalised tax assets	0	0 %	-1,328	17 %
Non-deductible expenses*	-63	5 %	-165	2 %
Effective tax / tax rate for the year	443	-30 %	220	-3 %

Non-deductible expenses relate mainly to share-based payments. In non-deductible expenses for 2020 is recognised an additional deduction of EUR 253 thousand related to research and development costs, hence the total amount of non-deductible expenses amounts to EUR 189 thousand. In 2019, IPO costs was included in non-deductible expenses.

Adform's operations in Belarus are located in a Hi-Tech Park ("HTP"), which is established to promote the IT industry in Belarus. The HTP resident status was granted in June 2016 and due to the HTP resident status the local entity is tax-exempt. The legal regime has effect until 2049. The local HTP residents pay 1% of their revenue to the HTP Administration. The payment of 1% is recognised as Administration costs.

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10 Government grants

HTP resident status in Belarus

Adform's operations in Belarus are located in a Hi-Tech Park („HTP"), which is established to promote the IT industry in Belarus. The HTP resident status was granted in June 2016 and due to the HTP resident status the local entity is tax-exempt.

Tax credit scheme in Denmark

For 2018 and 2019, Adform have recognised a tax asset related to negative taxable income from development costs due to the Danish tax credit scheme of total EUR 1,473 thousand as of 31 December 2020. The amount is unchanged from 2019 and currently awaits the Danish tax authority's approval.

Other tax credit and funding arrangements in respect of software development

Adform's subsidiary in Lithuania participates in certain tax credit and funding arrangements in respect of software development projects initiated by the European Union. Pursuant to these arrangements, Adform receives monetary benefits, subject to Adform's compliance with certain terms and conditions under the arrangements.

The subsidiary, Adform Lithuania UAB, has in the period 2016 – 2020 received EUR 1,906 thousand in funding. For 2020, EUR 854 thousand has been recognised.

Note that despite Adform having completed external validations or have an inspection performed without any claims raised, Adform may fail to comply with one or more of the terms and conditions under the arrangements, which could cause Adform to become obliged to repay the tax credit or funds and benefits received. No provision has been recognised in this respect.

COVID-19 compensations and relief

During 2020 Adform received government compensations amounting to EUR 121.7 thousand through various COVID-19 government relief schemes across Europa. The majority of these compensations were related to employee tax discounts and compensation for wages. There are no unfulfilled conditions or other contingencies attached to the received compensations.

In addition, Adform utilised the option to temporality postpone the payment of indirect and direct taxes.

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11 Intangible assets

EUR'000	Completed development projects	Licenses	Total
Cost as at 1 January 2020	38,008	3,425	41,433
Foreign currency translation adjustments	29	0	29
Additions	3,492	50	3,542
Cost as at 31 December 2020	41,529	3,475	45,004
Amortisation as at 1 January 2020	17,427	2,874	20,301
Foreign currency translation adjustments	17	1	18
Impairment	2,022	0	2,022
Amortisation	6,781	414	7,195
Amortisation as at 31 December 2020	26,247	3,289	29,536
Carrying amount 31 December 2020	15,282	186	15,468

EUR'000	Completed development projects	Licenses	Total
Cost as at 1 January 2019	31,982	3,022	35,004
Foreign currency translation adjustments	-28	-1	-29
Additions	6,054	404	6,458
Cost as at 31 December 2019	38,008	3,425	41,433
Amortisation as at 1 January 2019	11,429	2,187	13,616
Foreign currency translation adjustments	-13	-2	-15
Amortisation	6,011	689	6,700
Amortisation as at 31 December 2019	17,427	2,874	20,301
Carrying amount 31 December 2019	20,581	551	21,132

Completed development projects include costs related to the continued development of the Adform Platform, which is used by the customers. Development projects are amortised over 5-7 years.

During 2020, an impairment of EUR 2.0 million was incurred and recorded. The impairment was a result of pre-existing platform functionality and code being replaced with FLOW along with the decision to impair certain prior development efforts in extended billing functionality.

The continued development of Adform's product platform is expected to result in a considerable competitive advantage and, hence, a significant increase in the level of activity and results of operations.

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12 Tangible assets

Tangible assets consist of IT equipment, leasehold improvements and other fixtures and fittings.

EUR'000	2020	2019
Cost as at 1 January	13,336	18,862
Reclassification of finance leases to right-of-use assets	0	-6,073
Foreign currency translation adjustments	177	-22
Additions	405	569
Cost as at 31 December	13,918	13,336
Depreciation and impairment losses as at 1 January	11,837	13,812
Reclassification of finance leases to right-of-use assets	0	-4,884
Foreign currency translation adjustments	-390	-12
Depreciation	1,522	2,921
Depreciation and impairment as at 31 December	12,969	11,837
Carrying amount 31 December	949	1,499

13 Leases

The main recognised right-of-use of asset is property, for which Adform leases 33 office premises and data centres.

Right-of use assets specifies as highlighted in the following:

EUR'000	2020	2019
Carrying amount as of 1 January (reclassification from tangible assets)	13,863	1,189
Foreign currency translation adjustments	-353	-3
Impact of IFRS 16 implementation	0	13,754
Remeasurement	54	0
Additions for the year	2,142	2,819
Depreciations for the year	-4,193	-3,896
Carrying amount total right-of-use assets	11,513	13,863

The carrying amount of the total right-of-use assets can be specified in the following lease classes:

EUR'000	2020	2019
Property	8,848	10,581
IT and other fixtures and equipment	2,665	3,282
Carrying amount total right-of-use assets	11,513	13,863

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13 Leases - continued

Analysis of lease liabilities, showing the remaining contractual maturities, is provided in the following table:

EUR'000	**2020**	**2019**
Less than one year	4,181	5,079
Between one and five years	9,329	10,717
More than five years	141	0
Total contractual cash flows	13,651	15,796
Carrying amount	12,489	14,821
Maturity of carrying amount		
Non-current	8,825	10,067
Current	3,664	4,754
Total lease liabilities	12,489	14,821

Lease liabilities are recognised in Interest-bearing loans and borrowings.

The profit or loss impact of leases recognised for the year are specified below:

EUR'000	**2020**	**2019**
Depreciations for the year	4,193	3,896
Interest expenses on lease liabilities	680	823
Expenses related to short-term leases	0	0
Expenses related to low-value-leases	0	0
Total effect in the income statement	4,873	4,719

Total cash outflow relating to leases was EUR 4,835 thousand for the period.

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14 Deferred tax

EUR'000	**2020**	**2019**
Deferred tax as at 1 January	1,489	735
Foreign currency translation adjustments	7	0
Recognised in the income statements regarding tax credit	0	785
Change in other deferred tax	4	-31
Recognition of un-recognised tax assets from previous years	787	0
Tax credit for research and development received	0	0
Reversal due to exercise of warrants under the convertible loan agreement	0	0
Deferred tax 31 December	2,287	1,489
Recognised in the balance sheet as follows:		
Deferred tax assets	2,287	1,489
Deferred tax liabilities	0	0
Deferred tax, net	2,287	1,489
Specification of deferred tax:		
Temporary differences on assets and liabilities	-2,117	-3,532
Tax loss carry-forward	6,817	7,547
Recognised deferred tax asset related to tax credit	1,489	1,473
Non-recognised deferred tax asset	-3,902	-3,999
Deferred tax, net	2,287	1,489

In 2019, a deferred tax asset of total EUR 1,473 thousand relates to negative taxable income from development costs for 2018 and 2019 where Adform expects to be able to make cash conversion due to the Danish tax credit scheme.

As of 31 December 2020, the Management has assessed the extent to which tax profits under applicable tax legislation can be realised in the foreseeable future. On this basis, a deferred tax asset of EUR 787 thousand has been recognised. The capitalisation has been made based on expected positive earnings over the next three years. The non-recognised deferred tax asset amounts to EUR 3,902 thousand.

At 31 December 2020, latent tax liabilities on undistributed dividends amounts to EUR 10 thousand (31 December 2019: EUR 18 thousand) relating to withholding tax on dividend which will be payable if retained earnings are distributed as dividend from the entity in Belarus. At 31 December 2020, the Executive Board does not intend to distribute this dividend.

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15 Other non-current assets

Other non-current assets consist of deposits.

EUR'000	**2020**	**2019**
Cost as at 1 January	619	633
Foreign currency translation adjustments	-11	8
Additions	78	27
Disposals	-69	-49
Cost as at 31 December	617	619
Value adjustments	0	0
Carrying amount 31 December	617	619

16 Trade receivables

The Company's trade receivables splits into (a) trade receivables and (b) receivables related to trading orders:

EUR'000	**2020**	**2019**
Trade receivables	16,677	15,143
Receivables related to trading orders	57,754	56,179
Carrying amount 31 December	74,431	71,322

Receivables related to trading orders represent receivables from agencies and advertisers, where Adform has processed transactions (equal in value to gross billings) on behalf of media agencies and advertisers.

The Group is exposed to credit risk associated with (a) trade receivables and (b) receivables related to trading orders. In 2020, Adform incurred EUR 159 thousand loss from an individual client in US market when Adform was informed about entity along with its mother company was dissolved by Government, effectively.

leaving no path for legal action. Apart from abovementioned case, no significant losses were incurred in respect of individual trade receivables in 2019 and 2020. Credit risk and ageing analysis is further described in note 22.

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17 Financial instruments by category

EUR'000	2020	2019
Financial assets measured at amortised cost		
Trade receivables	16,677	15,143
Receivables related to trading orders	57,754	56,179
Other receivables, non-current and current	740	841
Cash	19,731	23,279
	94,902	95,442
Financial liabilities measured at amortised cost		
Interest-bearing loans and borrowings, non-current	8,825	22,948
Interest-bearing loans and borrowings, current	3,664	4,754
Trade payables	1,968	2,929
Payables related to trading orders	80,509	76,860
Other liabilities[1]	1,370	1,587
	96,336	109,078

1 Excludes non-financial instruments such as public debt and staff payables of EUR 8,404 thousand (2019: EUR 6,294 thousand).

The fair value of the assets and liabilities listed above is not materially different from the carrying amount. Management has assessed that cash, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

In 2016, Adform entered into a secured and convertible loan of nominal EUR 20,000 thousand with a credit institution. The loan had an interest rate of 9% p.a. Following the IFRS transition in 2017, the fair value amounting to EUR 3,091 thousand, of the liability component was recognised under equity, while the remaining amount was recognised as Interest-bearing loans and borrowings, non-current. On 28 September 2018, the credit institution exercised its option under the agreement with the Company. As a consequence, the credit institution became a shareholder in the Company holding 2.27% of the Company's share capital. Based on this, the remaining fair value of the equity component recognised in 2016 in respect to the entered secured and convertible loan agreement with the credit institution, amounted to EUR 1,563 thousand, was released from equity and Interest-bearing loans and borrowings, non-current. Total release to equity net of tax amounted to EUR 1,336 thousand.

In 2019 April, Adform signed an amendment to the existing secured loan agreement. Based on this amendment, Adform made a partial redemption of 50% of the accumulated debt towards the credit institution, in total approximately EUR 13 million. The partial redemption was paid subsequent to a cash contribution by GRO Capital. Also, the future interest rate has been fixed at 14% p.a. and the financial covenants were adjusted.

In 2020, Adform has fully repaid its debt pursuant to the secured and convertible loan of nominal EUR 20,000,000 following which no further debt is owed pursuant hereto.

In conjunction with the final repayment in November 2020, Adform increased the limits on its multicurrency cash pool credit with its main bank provider from DKK 60,000,000 to DKK 75,000,000, made the multicurrency cash pool credit a committed facility until 30 September 2021, and increased the adjacent floating charge security (virksomhedspant) to the benefit of the bank from DKK 60,000,000 to DKK 75,000,000.

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18 Share capital

The Company's share capital is DKK 692,232.92 divided into shares of DKK 0.01. No shares carry any special rights.
Specification of movements in share capital:

EUR'000	2020	2019	2018
Share capital 1 January	93	69	67
Capital increase	0	24	2
Share capital 31 December	93	93	69

In order to strengthen the equity, secure the capital base and liquidity and to support the continued development of Adform, the existing shareholders and Adform A/S have on 4 April 2019 signed an Investment Agreement with GRO Capital, pursuant to which GRO Capital made an equity injection of DKK 225 million in Adform A/S. The equity injection was paid by GRO Capital as a cash contribution on 30th April 2019. There were no changes in equity during 2020.

Earnings per share

EUR'000	2020	2019
Profit attributable to equity holders	1,870	-7,718
Weighted average number of ordinary shares	69,223,292	69,223,292
Dilutive effect of share-based payments	5,026,344	5,237,895
Weighted average number of ordinary shares adjusted for the effect of dilution	74,249,636	74,461,187
Basic earnings per share, EUR	0.03	-0.11
Diluted earnings per share, EUR	0.03	-0.10

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19 Interest-bearing loans and borrowings

EUR'000	2020	2019
Non-current borrowings		
Debt to credit institutions	0	12,881
Finance lease liabilities	8,825	10,067
	8,825	22,948
Current borrowings		
Bank overdraft	0	0
Finance lease liabilities	3,664	4,754
Other interest-bearing debt	0	0
	3,664	4,754
Maturity of current and non-current borrowings		
Less than one year	3,664	4,754
Between one and five years	8,685	22,948
More than five years	140	0
	12,489	27,702

In 2020, Adform has fully repaid its debt pursuant to the secured and convertible loan of nominal EUR 20,000,000 following which no further debt is owed pursuant hereto.

In conjunction with the final repayment in November 2020, Adform increased the limits on its multicurrency cash pool credit with its main bank provider from DKK 60,000,000 to DKK 75,000,000, made the multicurrency cash pool credit a committed facility until 30 September 2021, and increased the adjacent floating charge security (virksomhedspant) to the benefit of the bank from DKK 60,000,000 to DKK 75,000,000.

20 Trade payables

The Group's trade payables split into (a) trade payables and (b) payables related to trading orders:

EUR'000	2020	2019
Trade payables	1,968	2,929
Payables related to trading orders	80,509	76,860
	82,477	79,789

Trade payables are non-interest-bearing and are normally settled on a 30-60-day term.

Payables related to trading orders represent payable amounts (media costs) to publishers, where Adform has processed transactions on behalf of agencies and advertiser. Payables related to trading orders represents the total costs invoiced by the

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20 Trade payables – continued

publisher to Adform in connection with the order processing of transactions delivered by the Group on behalf of third party where the Group, as part of its activities, performs the order processing and holds the credit risk.

21 Other liabilities

EUR'000	2020	2019
Staff payables	6,145	4,736
Duties to public authorities	2,259	1,558
Other accrued expenses	1,370	1,590
	9,774	7,884

22 Credit risk, liquidity risk and currency risk

Adform's principal financial liabilities comprise loans and borrowings, trade payables and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. Hence, the Group has considerable amounts of trade and other receivables and cash that derive directly from its operations.

Adform is exposed to market risk, credit risk and liquidity risk. The Group is not materially exposed to interest rate risk as the Group's interest rates on long-term debt obligations is fixed.

It is Adform's policy not to trade in derivatives for speculative purposes.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from its operating activities (primarily Trade receivables and Receivables related to trading orders), including deposits with banks and other financial instruments.

Credit risk relating to Trade receivables and Receivables related to trading orders

A limited number of Adform's contracts with media agencies provide that if the advertiser does not pay the agency, the agency is not liable to Adform, and Adform must seek payment solely from the advertiser, a type of arrangement called sequential liability. Despite Adform's process of taking out insurances on as many clients as possible, contracting with these agencies, which in some cases have or may develop higher-risk credit profiles, may subject Adform to greater credit risk than if Adform was to contract directly with advertisers. This credit risk may vary depending on the nature of a media agency's aggregated advertiser base. Adform may also be involved in disputes with agencies and their advertisers over the operation of Adform's platform, the terms of its agreements or its billings for purchases made by them through its platform.

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22 Credit risk, liquidity risk and currency risk - continued

If Adform is unable to collect or make adjustments to bills to clients, Adform could incur credit losses, which could have a material adverse effect on its results of operations for the periods in which the credit loss occur. In the future, credit loss may exceed the allowance for expected credit losses and its credit loss exposure may increase over time. An increase in the allowance for expected credit losses could have a materially negative effect on the Group's business, financial condition and operating results. Even if Adform is not paid by its clients on time or at all, Adform may still be obligated to pay for the advertising Adform has purchased for the advertising campaign.

As at 31 December, the ageing analysis of Trade receivables and Receivables related to trading orders is as follows:

EUR'000				Past due, but not impaired					
	Total carrying amount	Allowance for expected credit loss	Neither past due nor impaired	< 30 days	31-60 days	61-90 days	91-180 days	181-360 days	>360 days
2020	74,431	-1,763	49,786	20,243	3,030	989	678	615	853
2019	71,322	-1,840	48,166	18,406	2,252	1,108	2,409	669	152

Generally, Adform takes out credit insurances to cover a part of its outstanding receivables, however it does not have 100% insurance coverage on all its customers, and consequently Adform is subject to credit risks on its customers. As of 31 December 2020, the outstanding receivables covered by insurance amounted to 56%.

No significant losses were incurred in respect of individual trade receivables in 2019 and 2020 to date.

In 2019, the Group terminated its factoring agreement.

Analysis of movements in allowance for expected credit losses regarding Trade receivables:

EUR'000	2020	2019
Allowance for expected credit losses as at 1 January	-1,840	-642
Additions	-1,545	-1,726
Utilised	344	148
Unused amounts reversed	1,278	380
Allowance for expected credit losses as at 31 December	-1,763	-1,840

Adform uses a provision matrix to calculate the expected credit losses for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

In addition, Adform continuously conduct individual assessments to evaluate the need for allowances for expected credit losses. If this leads to an assessment that Adform will not be able to collect outstanding payment, an allowance for the expected credit loss is recognised immediately.

22 Credit risk, liquidity risk and currency risk - continued

The provision matrix is initially based on Adform’s historical observed default rates. Adform will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the advertising sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The provision for expected credit losses as at 31 December 2020 amounts to EUR 1,763 thousand. The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. Adform’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. Management believes that the write-downs made for expected credit losses are adequate. However, the actual credit losses based on the outstanding balance may deviate from this and is dependent on Adform’s ability to collect payments.

Credit risk from balances with banks and financial institutions

Credit risk from balances with banks and financial institutions is managed by Management on a regular basis. Based on external credit ratings, no material risk has been identified in respect to the Group’s cash balances.

Liquidity risk

A substantial part of Adform's buy side business is from media agencies. Adform is generally contractually required to pay advertising inventory and data suppliers within a negotiated period of time, regardless of whether its clients pay Adform on time, or at all. Additionally, while Adform attempts to negotiate long payment periods with its suppliers and shorter periods from its clients, Adform is not always successful. As a result, Adform fairly often face a timing issue with its accounts payables vis-a-vis accounts receivables, requiring Adform to remit payments from its own funds, and accept the risk of bad debt, provided such risk is not covered by Adform’s insurance scheme.

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22 Credit risk, liquidity risk and currency risk - continued

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

		Contractual maturity incl. interest (cash flow)			
EUR'000	**Carrying amount**	**Total**	**Within one year**	**1 to 5 years**	**> 5 years**
31 December 2020					
Interest-bearing loans and borrowings, non-current	8,825	9,470	0	9,329	141
Interest-bearing loans and borrowings, current	3,664	4,181	4,181	0	0
Trade payables	1,968	1,968	1,968	0	0
Payables related to trading orders	80,509	80,509	80,509	0	0
Other liabilities[1]	1,370	1,370	1,370	0	0
	96,336	97,498	88,028	9,329	0
31 December 2019					
Interest-bearing loans and borrowings, non-current	22,948	31,593	1,833	29,760	0
Interest-bearing loans and borrowings, current	4,754	5,079	5,079	0	0
Trade payables	2,929	2,929	2,929	0	0
Payables related to trading orders	76,860	76,860	76,860	0	0
Other liabilities[1]	1,587	1,587	1,587	0	0
	109,078	118,048	88,288	29,760	0

1 Excluding non-financial instruments such as public debt and staff payables of EUR 8,404 thousand (2019: EUR 6,294 thousand).

Currency risk

The majority of the transactions through Adform's platform are denominated in EUR. Adform transacts in other currencies, including Danish Kroner, Norwegian Kroner, Swedish Kronar, U.S. Dollars, British Pounds and Indian Rupees. Additionally, some transactions involve a mismatch between the currency in which Adform pays and the currency in which Adform invoices its clients. Adform expects the number of transactions in foreign currencies to continue to grow in the future. In addition, a large amount of Adform's expenses are in Danish Kroner and EUR, whilst some income stem from other currencies as mentioned above. Consequently, Adform is subject to risks associated with currency exchange rate fluctuations.

Adform does not hedge its exposure to foreign currency fluctuations. A hedging strategy might not be possible to execute as hedging instruments may not be available for all currencies, or may not always offset losses resulting from currency exchange rate fluctuations. Moreover, the use of hedging instruments can itself result in losses if the Group is unable to structure effective hedges with such instruments. As a result of that, Adform seeks to mitigate currency risk by renegotiating invoicing currencies of clients and suppliers to ensure the currency inflows and outflows are balanced.(natural hedging).

Operating costs are also exposed to foreign currency exchange rates, albeit to a lower degree. Currency risks on items of the statement of financial position are monitored weekly.

The following table shows how a +10% change in the Group companies' functional currencies would affect the Group's pre-tax equity.

The Group's exposure to foreign currencies changes for all other currencies is not assessed material.

The impact would have been opposite if the exchange rates had been decreasing with the identical percentages.

Sensitivity analysis, impact on equity as at 31 December:

EUR'000	**2020**	**2019**
NOK	154	122
SEK	424	327
GBP	310	410
USD	-288	-350

A sensitivity analysis of the transaction exposure shows the impact on pre-tax profit or loss of a +10% exchange rate change in Group receivables and liabilities and cash denominated in foreign currencies.

The Group's exposure to foreign currencies changes for all other currencies is not material.

The impact would have been opposite if the exchange rates had been decreasing with the identical percentages.

Sensitivity analysis, impact on pre-tax profit as at 31 December:

EUR'000	**2020**	**2019**
NOK	159	123
SEK	434	328
GBP	313	411
USD	-248	-316

23 Capital management

The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. Cash and financial assets are monitored on a regular basis by Management and the Board of Directors in assessing current and long-term capital needs. To maintain or adjust the capital structure, the Group may adjust transactions to shareholders. There has not been paid any dividends to shareholders in previous years. Adform relies primarily on cash flow from operating activities to finance its operations.

In 2020, Adform repaid is debt to its credit institutions, hence the Group do not have any borrowings as of 31 December 2020. The current debt consists of lease liabilities, which as per 31 December 2020.

Adform have a committed multicurrency cash pool facility of EUR 10.0 million available with its main bank provider, which is undrawn as per 31 December 2020. There are standard terms and conditions governing the committed multicurrency cash pool facility, and further, Adform has increased the adjacent floating charge security (virksomhedspant) to the benefit of the bank from DKK 60,000,000 to DKK 75,000,000 as security.

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24 Changes in liabilities arising from financing activities

EUR'000	1 January 2020	Cash flows	New leases	Other	31 December 2020
Non-current interest-bearing loans and borrowings (excluding items listed below)	12,881	-14,330	0	1,449	0
Finance lease, non-current	10,963	0	1,521	-3,659	8,825
Finance lease, current	4,754	-4,835	621	3,124	3,664
Other interest-bearing debt, current	0	0	0	0	0
Proceeds from capital increase	31,045	0	0	0	0
Total liabilities from financing activities	59,643	-19,165	2.142	914	12,489

EUR'000	1 January 2019	Cash flows	New leases	Other	31 December 2019
Non-current interest-bearing loans and borrowings (excluding items listed below)	25,021	-14,113	0	1,973	12,881
Finance lease, non-current	896	0	9,117	0	10,963
Finance lease, current	803	-3,505	7,456	0	4,754
Other interest-bearing debt, current	5,297	-5,297	0	0	0
Proceeds from capital increase	2,410	28,635	0	0	31,045
Total liabilities from financing activities	34,427	5,720	16,573	1,973	59,643

In 2020, Adform paid a full redemption of of the debt towards the credit institution, in total EUR 12,881 thousand. In addition, interest payments amounted to EUR 1,449 thousand.

Other relates to rolled-up and accrued interest and reclassifications between current and non-current.

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25 Commitments, contingencies, commitments and pledges etc.

Contingent liabilities

Litigation and claims

Adform is, due to its ordinary activity, part of various disputes. Management has assessed that these are not expected to have a material effect on the Group's financial position or future earnings.

As described in the management review (under the main regulatory risks section), the Danish Data Protection Agency in 2020 decided, on its own initiative, to do an audit of Adform and its processing activities related to Adform's products. Adform has delivered all requested material to the Danish Data Protection Agency before, during and after the audit. At the time of this Annual Report, Adform is still waiting for the conclusion of the audit. Due to the nature of an audit, and the discretion which is held by the Danish Data Protection Agency pursuant to the GDPR, the outcome of the audit is uncertain. With the knowledge and insights available, the Board of Directors and the Executive Management consider it as low risk that the Danish Data Protection Agency will render a conclusion of its audit that will have a material negative impact on Adform.

Pledges and securities

As security for all obligations with Danske Bank, Adform A/S has granted a floating charge in the amount of DKK 75 million over certain of its assets, which is registered in favour of Danske Bank in the Danish Personal Register. The floating charge was increased with DKK 15 million during 2020, from DKK 60 million to DKK 75 million. Further, a negative pledge has been registered in the Danish Personal Register over certain of Adform A/S's assets.

A joint and several guarantees have been provided as security for the account with Danske Bank relating to Adform Norway AS, Adform Sweden AB and Adform Germany GmbH.

Guarantees

Pursuant to a guarantee agreement entered into by the parent company and its subsidiary, Adform Italy S.R.L., the parent company has unconditionally and irrevocably guaranteed to a supplier as primary obligor the due and punctual performance by Adform Italy S.R.L of all its obligations arising in its ordinary course of business with this specific supplier. The guarantee continues to be effective until 31 December 2020. The guarantee was entered because it secured extended payment terms to the customer from 30 days to 45 days. The parent company has provided guarantees and a payment warranty. As at 31 December 2020, the balance towards the customer (supplier) amounted to EUR 4.7 million (2019: EUR 7.2 million).

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26 Related parties

Shareholders

- GCM Holding ApS, Copenhagen K, Denmark, 38.12%
- GRO Holding VIII ApS, Copenhagen K, Denmark, 27.24%
- VIA equity Fund A K/S, Hellerup, Denmark, 22.68%
- Accredonet Holding ApS, Charlottenlund, Denmark, 4.27%
- Stefan Juricic, Hvidovre, Denmark, 1.89%
- QIC Private Capital Pty Ltd in its capacity as trustee for QIC Private Equity Fund No.3, Brisbane, Australia, 1.59%
- QIC Investments No.1 Pty Ltd in its capacity as trustee for QIC Private Equity Fund (W), Brisbane, Australia, 1.43%
- QIC Investments No.3 Pty Ltd in its capacity as trustee for QIC Private Equity Fund (R), Brisbane, Australia, 1.84%
- QIC Investments No.3 Pty Ltd in its capacity as trustee for QIC Private Equity Fund (CP1), Brisbane, Australia, 0.93%

As a result of the shareholder agreement, GCM Holding ApS does not hold the majority of the voting rights, even though the Company holds the majority of the shares.

Other related parties

Other related parties of Adform with significant influence include the Board of Directors, Executive Board and their close family members. Related parties also include companies in which the aforementioned persons have control or significant interests.

Transactions with related parties

During 2020, Adform A/S has made a full redemption of the debt towards to the former shareholder Danica Pension for EUR 12.881 thousand.

Transactions with Management

Adform did not enter into any transactions with members of the Board of Directors or the Executive Board, except for compensation and benefits received as a result of their membership of the Board of Directors, employment with Adform or shareholdings in Adform.

27 Events after reporting period

The exact outcome and impact of the pro-longed Corona outbreak on the Group's activity and financial performance is still uncertain as of the date of the approval of the annual report. The uncertainty stems in particular from the challenge in predicting duration of impact on advertisers marketing activities along with the pacing towards a normalized state.

In January 2021, a management investment program was introduced (the "MIP-Program"). It is certain people from management who participate in the MIP-Program. The MIP-Program participants have acquired B-shares and warrants in the Company.

27 Events after reporting period– continued

There are no single events with a material effect on the financial position of the Company after the close of the balance sheet date. There are no other materials events after the reporting period to be disclosed.

28 Accounting policies

Corporate information

Adform A/S is a public limited company with its registered office in Denmark. The consolidated financial statements of Adform A/S for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors as of 12 March 2021, with the aim to have shareholders approval on the annual general meeting scheduled for 17 March 2021.

Basis of preparation

The consolidated financial statements of Adform A/S (the Company or the parent company) and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish requirements applying to entities of reporting class C (large).

The consolidated financial statements are prepared based on the standards and interpretations that are effective as of 31 December 2020.

The consolidated financial statements have been prepared on a historical cost basis.

The accounting policies have been applied consistently in the financial year and for the comparative figures.

The consolidated financial statements are presented in EUR. All values are rounded to the nearest thousand (EUR’000), except when otherwise indicated.

Alternative performance measures

Adform presents financial measures in the annual report that are not defined according to IFRS. Adform believes these non-GAAP measures provide valuable information to Adform’s management when evaluating performance. Since other companies may calculate these differently from Adform, they may not be comparable to the measures used by other companies. These financial measures should therefore not be considered to be a replacement for measures defined under IFRS.

For definitions of the performance measures used by Adform, refer to the section of financial definitions.

Consolidated financial statements 1 January – 31 December

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28 Accounting policies – continued

Consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Current versus non-current classification

- The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

Consolidated financial statements 1 January – 31 December

Notes

28 Accounting policies – continued

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Foreign currency translation

Items included in the financial statements of each of Adform entities are measured using the currency of the primary economic environment in which the entity operates (‘functional currency’). Adform is a Danish group, however the consolidated financial statements are presented in EUR (‘presentation currency’) representing the predominant currency within the Group.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency translation adjustments resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group companies

The items of the income statements and balance sheets of foreign subsidiaries with a functional currency other than EUR are translated into the presentation currency as follows:

i. assets and liabilities are translated at the closing rate at the date of the balance sheet;
ii. income and expenses are translated at the rate of the transaction date or at an approximate average rate; and
iii. all resulting foreign currency translation adjustments are recognised as a separate component of equity.

Foreign currency translation adjustments of a loan or payable to subsidiaries which are neither planned nor likely to be settled in the foreseeable future and which are therefore considered to form part of the net investment in the subsidiary are recognised directly in other comprehensive income.

When a foreign operation is disposed or a significant capital reduction in a foreign operation is effected, the Group’s share of accumulated foreign exchange adjustments are recycled from other comprehensive income and recognised in the income statement as part of the gain or loss on the sale.

adform

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28 Accounting policies – continued

Income statement

Revenue recognition

Adform is in the business of providing software systems that buyers and sellers of digital display advertising use to automate their advertising processes.

Adform's software platform consists of a number of individual products that each plays a role in the digital advertising process. These products are organised into two suites:

1) Advertiser Edge for buy-side customers (i.e. customers buying ad inventory, such as advertisers and agencies), and
2) Publisher Edge for sell-side customers (i.e. customers selling ad inventory, such as publishers).

The products in Advertiser Edge allow buy-side customers to engage in bidding for advertising space and to serve the right ads to a user's browser based on available data. Similarly, Publisher Edge allows sell-side customers to sell ad inventory via real-time auctioning and to display the buyers' ads in the right placements on the page.

In general, revenue from contracts with customers is recognised when control is transferred to the customer at an amount that reflects the consideration to which Adform expects to be entitled in exchange for those services.

Trading platforms

Under the contracts, the Adform provides the software system, i.e.,

- enables the advertisers access to planning and buying of ad inventory from a broad range of sources and channels that can be transacted via a number of buying and bidding options, or
- enables the publishers to sell their ad inventory in an automated way and offers flexibility around inventory and creative management as well as functionality for audience segmentation, sales channel management, yield optimisation and analytics).

The performance obligation is satisfied at the point in time when the actual buying and selling of ad inventory is completed, as this is when the customer (publishers and advertisers) benefits from the automated trading performed by the Group's software platform and the ad is shown.

Payment is generally due within 30-90 days from month end.

The Group has concluded that it for accounting purposes acts as an agent in relation to the transaction services (trading platforms), which is processed between an advertiser, media agency or publisher (e.g. the customers). Therefore, Adform's net revenue from transaction services consist of the commission income (the net amount from gross billings and media costs), which is recognised in the income statement, when the services have been delivered. All discounts and rebates granted are recognised in revenue. Revenue (gross billings and media costs) is based on the activity through the platform and thus no material uncertainty exist in respect of measuring of revenue.

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28 Accounting policies – continued

The following factors indicate that Adform does not control the goods and services before they are being transferred to customers. Therefore, Adform determined that it is an agent in these contracts.

- Adform is not primarily responsible for fulfilling the promise to provide the specified ad.
- Adform does not have ad inventory risk before or after the specified ad inventory has been bought or sold through the Adform Platform and does not hold any ad inventory on its balance sheet.
- Adform has no discretion in establishing the price for the specified ad inventory. The Group's consideration in these contracts are typically charged as a percentage of the total media spend served through the platform.

Due to the activity, the Group is however subject to potential chargeback risk and other types of credit risk from transactions processed between an advertiser, media agency or publisher (e.g. the customers).

The Adform's invoicing of media costs to media agencies and advertisers is recognised as 'Receivables related to trading orders'. The receivable represents the total selling price ('gross billings') for transaction services delivered by the Group on behalf of third party where the Group, as part of its activities, performs the order processing and has the credit risk. The publisher's invoicing of media costs to Adform is recognised as 'Payables related to trading orders' in the primary financial statements until settled by Adform. Adform is responsible for the netting of these items.

Ad serving

Adform's Ad Serving enables customers to centrally host and deliver ads to digital screens and track and monitor their performance, allowing effective control of ads across multiple campaigns and publishers. Furthermore, the ad server has large amounts of features, options and automations that allow Adform's customers to run large global campaigns effectively.

The ad serving products are typically charged on a CPM basis (cost per mille (1,000) ad impressions served), except for few select geographies where third-party ad server services is charged as a percentage of ad spend similar to Trading platforms.

The Group has concluded that it for accounting purposes acts as the principal in relation to Ad Serving as Adform is responsible for making the platform available and deliver the services within to be used by the customers. In addition, no transactions is processed and therefore no direct media costs is involved in these services.

Therefore, Adform's revenue from Ad Serving consist of the total amount invoiced to customers, which is recognised in the income statement, when the services have been delivered.

The performance obligation is satisfied at a point in time in connection with hosting and delivering ads to digital screens as this is when the customer (publishers and advertisers) benefits from the Group's automate digital display software systems.

Data

Under the contracts, the software system allows customers to capture, organise and activate their data assets as well as to merge and enhance them with third-party data sets.

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28 Accounting policies – continued

In general, Adform charges customers on a revenue share model (branded data marketplace) or for pure data management on a subscription-based model (enterprise DMP), i.e. as a monthly fee based on the need for data storage, data updates etc.

Branded data marketplace

When third-party data is purchased by the customer through the Adform platform, the Group has concluded that it for accounting purposes acts as an agent, mainly as Adform is not primarily responsible for fulfilling the promise to provide the specified third party data, Adform does not independently buy and hold any third party data and Adform does not have the full discretion in establishing the price for the specified third party data. The consideration in these contracts are typically a revenue share model, which is based on the customers total data spend.

Due to the activity, the Group is however subject to potential chargeback risk and other types of credit risk as described previously.

Enterprise DMP

For enterprise DMP, the Group has concluded that it for accounting purposes acts as the principal in relation to the Data services. The services mainly relates to the customer’s use of Adform’s platform services for data storage, data updates etc.

Other services

Other services mainly comprise of creative production or consultancy services. These service accounts for a small part of total revenue.

The Group has concluded that it for accounting purposes acts as the principal in relation to these services because no direct media costs is involved in these services and Adform carries the risk for these services.

Cost of sales

Cost of sales mainly includes expenses for hosting of own and external data centres which are used when processing transactions, between an advertiser, media agency or publisher.

Research and development costs

Research and development expenses include costs associated with the development of new products, enhancements of existing products for which technological feasibility has not been achieved and quality assurance activities. This includes compensation and benefits, share-based compensation costs, consulting costs, depreciation and amortisation costs, the cost of software development equipment, and allocated overhead.

Sales and marketing expenses

Sales and marketing expenses include costs associated with sales, marketing and product marketing personnel and consist of compensation and benefits, commissions and bonuses, share-based compensation costs, depreciation and amortisation, promotional and advertising expenses, travel and entertainment expenses related to these personnel.

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28 Accounting policies – continued

Administrative expenses

Administrative expenses include costs for executive, finance, human resources, information technology, legal and administrative support functions. This includes compensation and benefits, share-based compensation, professional services, depreciation and amortisation costs.

Financial income and expenses

Financial income and expenses comprise interest income and expense, charges in respect of finance leases, realised and unrealised gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Corporation tax and deferred tax

The tax for the year consists of current tax and changes in deferred tax for the year. The tax for the year is recognised in the income statement, other comprehensive income or equity.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

28 Accounting policies – continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances changes. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period and relates to new information about facts and circumstances at the acquisition date or recognised in the income statement.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Statement of comprehensive income

Other comprehensive income consists of income and costs not recognised in the income statement, including exchange rate adjustment arising from the translation from functional currency to presentation currency.

In the event of the disposal of an entity, the accumulated exchange rate adjustment relating to the relevant entity is reclassified to the income statement.

Balance sheet

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Adform’s useful lives of intangible assets are all finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation

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Notes

28 Accounting policies – continued

period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Research and development cost. During the period of development, the asset is tested for impairment annually. The amortisation period is 5-7 years.

Licences

Licences with a definite useful life are measured at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the estimated useful lives of the assets. The amortisation period is 3-5 years.

Tangible assets

IT equipment, leasehold improvements and other fixtures and fittings are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are 3-5 years.

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Notes

28 Accounting policies – continued

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement in the financial caption item “Amortisation and depreciation”.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Leases

Right-of-use assets are recognised at the commencement date of the lease when the asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. At each reporting date it is assessed whether there is any indication that a right-of-use asset may be impaired. If any such indication exists an impairment tests is conducted.

Lease liabilities is recognised at the commencement date of the lease, measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable. Some leases are exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. Payments relating to services are not included in lease liabilities.

In calculating the present value of lease payments, an incremental borrowing rate at the lease commencement date is used. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The short-term lease recognition exemption is applied to any short-term leases. Payments related to short-term leases and leases of low-value assets continue to be recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

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Notes

28 Accounting policies – continued

Other non-current assets

Other non-current assets comprise deposits, which are measured at cost.

Trade receivables

Trade receivables are recognised at the trade date, initially measured at fair value.

Adform holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Adform applies the simplified approach to measure the expected credit loss and a lifetime expected loss allowance for all trade receivables.

Adform has established a provision matrix which is based on the historical credit loss experience, geographical location of the debtor, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade receivables related to trading orders

Receivables related to trading orders represent receivables from agencies and advertisers where Adform has processed transactions (gross billings) on behalf of media agencies and advertisers. The receivable represents the total selling price for processing of transactions on behalf of third party where the Group, as part of its activities, performs the order processing and has the credit risk.

Prepayments

Prepayments recognised under “Current assets” comprise expenses incurred concerning subsequent financial years.

Shareholders’ equity

Foreign currency translation reserve

The exchange adjustment reserve in the consolidated financial statements comprises exchange differences arising on the translation of the financial statements of foreign enterprises from their functional currencies into EUR. On realisation, accumulated value adjustments are taken from equity to financial items in the income statement.

Liabilities

Provisions are recognised when Adform has a legal or constructive obligation as a result of past events and it is more probable than not that there will be an outflow of resources embodying economic benefits to settle the obligation. The amount recognised as a provision is Management’s best estimate of the present value of the amount at which the liability is expected to be settled.

Notes

28 Accounting policies – continued

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value (typically the amount of the proceeds received) and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts. The Group has not designated any financial liability as at fair value through profit or loss.

After initial recognition, trade and other payables, loans and borrowings including bank overdrafts are subsequently measured at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Convertible debt

Convertible debt are separated into liability and equity components based on the terms of the contract. On issuance of the convertible debt, the fair value of the liability component is determined using a market rate for an equivalent nonconvertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent accounting periods.

Payables related to trading orders

Payables related to trading orders represent payable amount (media costs) to publishers where Adform has processed transactions on behalf of media agencies and advertiser. Payables related to trading orders represents the total costs invoiced by the publisher to Adform in connection with the order processing of transactions delivered by the Group on behalf of third party where the Group, as part of its activities, performs the order processing and has the credit risk. As Adform is responsible for the netting of these items (Receivables related to trading orders and Payables related to trading orders), the individual working capital components increases to a level that does not directly relate to Adform's recognised net revenue.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ("exit price"). The fair value is a market-based and not an entity specific measurement. Adform uses the assumptions that the market participants would use for the pricing of the asset or liability based on the current market conditions, including risk assumptions. Adform's purpose of holding the asset or settling the liability is thus not taken into account when the fair value is determined. The fair value measurement is based on the principal market. If a principal market does not exist, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or minimise the liability less transaction and transport costs.

Consolidated financial statements 1 January – 31 December

Notes

28 Accounting policies – continued

All assets and liabilities measured at fair value, or in respect of which the fair value is disclosed, are classified based on the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level of input significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

Share-based payments

Adform operates an equity-settled, share-based compensation plan. The value of services received in exchange for options granted is measured to the fair value at the grant date of the options granted using an appropriate valuation method. The fair value is recognised as costs in the income statement with a corresponding entry in equity, over the period in which the service conditions are fulfilled (the vesting period). At the initial recognition of the share options the number of options expected to vest are estimated. Subsequently, the amount is adjusted for changes in the estimate of the number of options ultimately vested.

Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Adform has not received grants related to capitalised assets.

Statement of cash flow

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from corporate acquisitions are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and financial assets.

Consolidated financial statements 1 January – 31 December

Notes

28 Accounting policies – continued

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividend to shareholders.

Cash flows from assets held under finance leases are recognised as payment of interest and payment of debt.

Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and in hand.

Segments

Adform markets two product suites: Advertiser Edge for the buy-side customers and Publisher Edge for the sell-side customers. The products within each suite are fully competitive as stand-alone solutions.

Adform's products are delivered as a web service with online login and access to the product platform. Products are delivered with limited customisation to each customer however with individual configuration.

In order to support customer adoption of Adform's products, the Group offers a number of paid value-added services. This includes consulting on matters, such as data strategy and roll-out strategy. In addition, Adform offers a number of paid operational services including campaign management, creative solutions, team training and on-boarding. These services are typically used early in the customer lifecycle in order to facilitate platform self-serve adoption.

Geographical segmentation

Adform monitors revenue based on the location of the respective customers. The revenue is attributed to the geographical market segment Nordic if it is generated by the offices in Denmark, Sweden, Norway and Finland. The revenue generated outside Nordic is reported as International.

Product segmentation

Buy Side revenue represents the fees paid by agencies and advertisers. Sell Side revenue comprises the fees collected from publishers.

Consolidated financial statements 1 January – 31 December

Notes

28 Accounting policies – continued

Financial definitions

Key figures and financial ratios stated in the consolidated financial statements have been calculated in accordance with the Danish Finance Society's guidelines.

Total revenue growth, %:	$\frac{Revenue\ (last\ year) - Revenue\ (this\ year)}{Revenue\ (last\ year)}$
Gross margin, %:	Gross margin / revenue
EBITDAC margin, %:	EBITDAC / revenue
EBITDA margin, %:	EBITDA / revenue
EBIT margin, %:	EBIT / revenue
Equity ratio, %:	Equity / total assets
NIBD/EBITDA:	NIBD / EBITDA
EPS basic:	Net profit / average numbers of shares outstanding
EPS diluted:	Net profit / average numbers of shares outstanding, including the dilutive effect of share options

Adform presents the following alternative performance measures not defined according to IFRS (non-GAAP measures) in the annual report:

Gross Billings:	Gross billings include the value of clients' purchase of media through Adform's platform plus platform and other fees. The value of media purchased, not attributable to Adform, is recognised as media costs and netted out from gross billing to revenue.
EBITDAC:	Operating profit/loss (EBIT) before depreciation, amortisation, capitalization and special items
EBITDA:	Operating profit/loss (EBIT) before depreciation and amortisation
EBITDA before special items:	EBITDA excluding special items such IPO related costs, shared-based payments,restructuring costs and impairment
NIBD:	Cash less interest-bearing loans and borrowings (current and non-current)

Consolidated financial statements 1 January – 31 December

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29 Significant accounting estimates and judgements

In connection with the preparation of the consolidated financial statements, Management has made accounting estimates and judgements affecting the assets and liabilities reported at the balance sheet date as well as the income and expenses reported for the financial period.

Management continuously reassess these estimates and judgements based on a number of factors in the given circumstances. The following accounting estimates are considered significant for the financial reporting.

Revenue and related balance sheet accounts

Adform has several revenue streams that are based on different pricing models, including volume-based revenue, percent of budget, revenue sharing and other fees. Adform has concluded that it for accounting purposes acts as an agent in relation to the transaction services, which is processed between an advertiser, media agency or publisher (i.e. the customers). Therefore, Adform's revenue from transaction services consist of the commission income, which is recognised in the income statement, when the services have been delivered.

Due to the activity, the Group is, however, subject to potential chargeback risk and other types of credit risk from transactions processed between an advertiser, media agency or publisher (i.e. the customers).

In the event that Adform is not able to collect a receivable related to the processed transactions, or if the third party refuses or is unable, due to closure, bankruptcy or any other reason, to reimburse Adform, Adform may in some situations bear the loss.

The invoicing to the media agencies is recognised as 'Receivables related to trading orders' in the primary financial statements until settled by payment. The receivable represents the total selling price for transaction services delivered by the Group on behalf of third party where the Group, as part of its activities, performs the order processing and has the credit risk. The invoicing from the Publisher is recognised as 'Payables related to trading orders' in the primary financial statements until settled by Adform. As Adform is responsible for the netting of these items, the individual working capital components come to a level that does not directly relate to Adform's recognised revenue. When seen as net working capital then the payables element has balanced the receivables.

Although Adform has put in place policies to manage this credit risk, it may experience losses in the future. Any increase in chargebacks not paid by Adforms' customers default on any other obligations to Adform could have a material adverse effect on the Group's business, financial condition and results of operation. Credit risk and ageing analysis is further described in note 22.

Development projects

For development projects, Management estimates on an ongoing basis whether this is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria. The useful life of development projects is determined based on periodic assessments of actual useful life and the intended use for those assets. Such assessments are completed or updated when new events occur that have the potential to impact the determination of the useful life of the asset, i.e. when events or circumstances occur that indicate the carrying amount of the asset may not be recoverable and should therefore be tested for impairment.

29 Significant accounting estimates and judgements - continued

Share-based compensation

The calculated fair value and subsequent compensation expenses for Adform's share-based compensation are subject to significant assumptions and estimates. The variables and the pricing model are described in note 3.

Based on the characteristics of the warrant programme (Global programme), the likelihood of an exit has been assessed by Management. Management has based on the embedded uncertainties, including the previous postponements of the IPO and alternatives for an IPO which will not constitute an exit, assessed that the probability at grant date was 50% of an exit occurring no later than 31 December 2025. This estimate is by nature associated with uncertainty.

Based on the characteristics of the option programme (UK CSOP programme), management has assessed that an exit is not more likely than not. Thus, as an exit is not considered probable and this is a non-market performance condition, no expense in respect to the long-term incentive programme has been recognised in the financial statements. This estimate is by nature associated with uncertainty.

Deferred tax asset

Deferred tax assets are recognised to the extent that it is considered likely that tax profits will be realised in the foreseeable future (three to five years) in which tax losses etc. can be offset. The amount that can be recognised as deferred tax assets shall be determined on the basis of an estimate of the likely timing and amount of future taxable profits and taking into account applicable tax legislation. Forecasts of future profits in companies where deficits can be used are updated annually. At the end of the financial year, Management shall assess the extent to which the tax profits under applicable tax legislation could be realised in the foreseeable future and the tax rates in force at the time of application. On this basis, the recognition of deferred tax assets is reassessed.

Non-capitalised tax asset in Adform relate to tax losses that can be carried forward. These can be capitalised when the group shows the necessary positive results. The deferred tax is calculated at the tax rates applicable in the respective countries from which the deferred tax originates.

30 New standards, interpretations and amendments adopted by the Group

Adform Group has adopted relevant new or amended standards and interpretations as adopted by the EU and which are effective for the financial year 1 January – 31 December 2020. Adform Group has assessed that the new or amended standards and interpretations have not had any material impact on Adform Group's Annual Report in 2020.

At the date of authorisation of these financial statements, the Group has assessed the new and revised IFRS Standards that have been issued but are not yet effective. Based on the current business setup, none of the new standards or interpretations are expected to have a material impact on Adform Group's Annual Report.

Parent company financial statements 1 January – 31 December

Income statement

Note	EUR'000	2020	2019
1	Revenue	65,944	64,735
	Cost of sales	-5,082	-6,407
	Gross profit/loss	60,862	58,328
2,3,4,6	Research and development costs	-27,257	-26,912
2,3,6	Sales and marketing expenses	-20,207	-25,462
2,3,6	Administrative expenses	-13,148	-13,446
	Operating profit/loss (EBIT)	250	-7,492
	Income from subsidiaries	2,350	2,825
7	Financial income	4,826	2,934
8	Financial expenses	-6,727	-5,796
	Profit/loss before tax	700	-7,529
9	Tax for the year	720	785
	Profit/loss for the year	1,420	-6,744

Statement of comprehensive income

Note	EUR'000	2020	2019
	Profit/loss for the year	1,420	-6,744
	Other comprehensive income		
	Items that may be reclassified to the income statement in subsequent periods:		
	Exchange differences in translation	-31	-18
	Other comprehensive income/loss for the year, net of tax	-31	-18
	Total comprehensive income for the year	1,389	-6,762

Parent company financial statements 1 January – 31 December

Balance sheet

Note	EUR'000	2020	2019
	ASSETS		
	Non-current assets		
11	Intangible assets	16,680	22,585
12	Tangible assets	526	1,106
13	Right of use of assets	3,127	3,933
14	Investment in subsidiaries	129	131
15	Deferred tax assets	2,267	1,473
16	Other non-current assets	76	31
	Total non-current assets	22,805	29,259
	Current assets		
17,18	Trade receivables	67,197	59,811
	Receivables from subsidiaries	8,263	19,885
18	Other receivables	459	484
	Prepayments	1,199	1,052
18	Cash	15,276	18,393
	Total current assets	92,394	99,625
	TOTAL ASSETS	115,199	128,884

Note	EUR'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
19	Share capital	93	93
	Foreign currency translation reserve	30	61
	Reserve for development cost	12,133	15,445
	Retained earnings	9,240	4,328
	Total equity	21,496	19,927
	Non-current liabilities		
20,25	Interest-bearing loans and borrowings	2,261	15,558
15	Deferred tax liabilities	0	0
		2,261	15,558
	Current liabilities		
20,25	Interest-bearing loans and borrowings	1,492	1,875
21,25	Trade payables	73,082	68,091
	Income tax payable	67	0
	Payables to subsidiaries	13,405	21,021
22,25	Other liabilities	3,396	2,412
		91,442	93,399
	Total liabilities	93,703	108,957
	TOTAL EQUITY AND LIABILITIES	115,199	128,884

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Parent company financial statements 1 January – 31 December

Statement of changes in equity

2020

EUR'000	Share capital	Foreign currency translation reserve	Reserve for develop-ment cost	Retained earnings	Total equity
Equity 1 January 2020	93	61	15,445	4,328	19,927
Profit for the year	0	0	-3,312	4,732	1,420
Other comprehensive income					
Foreign currency translation	0	-31	0	0	-31
Total other comprehensive income	0	-31	0	0	-31
Total comprehensive income for the year	0	-31	-3,312	4,732	1,389
Transactions with owners					
Share-based payments	0	0	0	180	180
Capital increase	0	0	0	0	0
Expenses, capital increase	0	0	0	0	0
Total transactions with owners	0	0	0	180	180
Equity 31 December 2020	93	30	12,133	9,240	21,496

2019

EUR'000	Share capital	Foreign currency translation reserve	Reserve for develop-ment cost	Retained earnings	Total equity
Equity 1 January 2019	69	79	14,262	-16,963	-2,553
Loss for the year	0	0	1,183	-7,927	-6,744
Other comprehensive income					
Foreign currency translation	0	-18	0	0	-18
Total other comprehensive income	0	-18	0	0	-18
Total comprehensive income for the year	0	-18	1,183	-7,927	-6,762
Transactions with owners					
Share-based payments	0	0	0	607	607
Capital increase	24	0	0	30,118	30,142
Expenses, capital increase	0	0	0	-1,507	-1,507
Total transactions with owners	24	0	0	29,218	29,242
Equity 31 December 2019	93	61	15,445	4,328	19,927

Parent company financial statements 1 January – 31 December

Cash flow statement

Note	EUR'000	2020	2019
	Profit/loss before tax	700	-7,529
6	*Adjustment for:*		
	Amortisation, depreciation and impairment	12,497	10,485
	Dividends from subsidiaries	-2,350	-2,825
7,8	Financial items, net (financial income and expenses)	1,901	2,633
	Other non-cash items	180	607
	Cash flow from operating activities before changes in working capital	12,928	3,371
	Changes in working capital	2,473	-6,464
	Cash flow from operations	15,401	-3,093
	Financial costs, net	-144	-389
9	Income taxes received	0	0
	Cash flow from operating activities	**15,257**	**-3,482**
11	Investments in intangible assets	-3,821	-6,910
12	Investments in tangible assets	-259	-384
14	Investments in subsidiaries	0	-2
16	Change in other non-current assets	-45	11
	Dividends from subsidiaries	2,350	2,825
	Cash flow from investing activities	**-1,775**	**-4,460**
25	Payment of lease commitments	-1,870	-1,628
8	Payment of lease interest	-222	-271
25	Repayment of bank overdraft	0	0
25	Repayment of debt to credit institutions	-12,881	-12,881
25	Payment of interest related to debt to credit institutions	-1,449	-1,232
25	Proceeds from other interest-bearing debt and bank overdraft	0	0
25	Repayment of other interest-bearing debt	-84	-5,297
25	Cash increase of capital	0	30,142
25	Expenses, capital increase	0	-1,507
	Cash flow from financing activities	**-16,506**	**7,326**
	Net cash flow	-3,024	-616
	Currency adjustments	-93	0
	Cash, 1 January	18,393	19,009
	Cash[1] 31 December	15,276	18,393

The above cannot be derived directly from the income statement and the balance sheet.

Other non-cash items mainly relate to recognised costs from share-based payments.

[1] Cash comprises cash at bank and in hand

Notes to the parent financial statement

Parent company financial statements 1 January – 31 December

Notes

1 Revenue

Adform's software platform consists of a number of individual products that each plays a role in the digital advertising process.

The Executive Board monitors and operates the Group as one segment in respect of earnings, covering business activities with customers on both the buy side (advertisers and agencies) and the sell side (publishers).

Revenue allocation by region:

Revenue activities are monitored based on the location of respective customers. The revenue is attributed to the geographical market segment Nordic if it is generated by the offices in Denmark, Sweden, Norway and Finland. The revenue generated outside Nordic is reported as International.

EUR'000	2020	2019
Nordic	21,503	22,095
International	44,441	42,640
Total revenue	65,944	64,735

Revenues per customer category:

EUR'000	2020	2019
Revenue from Buy Side (comprises the fees paid by agencies and advertisers)	53,536	53,941
Revenue from Sell Side (comprises the fees paid by publishers)	12,408	10,794
	65,944	64,735

Revenues per product category:

EUR'000	2020	2019
Trading platforms	42,113	39,246
Ad serving	15,077	16,016
Data	7,523	7,722
Other Services	1,231	1,751
	65,944	64,735

In 2020 and in 2019, no customers accounted for more than 10% of total revenue.

Adform has established normal bonus schedules with large customers, where bonuses are released on either a quarterly or an annual basis. Bonus schedules are generally based on total spend through the platform.

Adform does not incur material direct costs in obtaining contracts with customers.

Gross billings

Adform has several revenue streams that are based on different pricing models, including activity-based revenue, percent of media spend, revenue share, subscription-based and other fees models. Adform's gross billings includes the value of clients' purchase of media through Adform's platform plus platform and other fees. The value of media purchased, which is not attributable to Adform, is recognised as media costs and netted out from gross billings (non-IFRS) to revenue. Adform's revenue as a percentage of gross billings can fluctuate due to product mix, the types of services and features selected by clients through the Adform platform and

Parent company financial statements 1 January – 31 December

Notes

1 Revenue - continued

certain volume discounts. Adform reviews gross billings for internal management purposes to assess underlying business momentum, market shares and trading scale as well as to adequately plan for working capital needs and monitor collection risk. Management believes that gross billings represents a good guide to the overall activity of the company.

The following table provides a reconciliation of revenue as reported under IFRS to gross billings (non-IFRS):

EUR'000	2020	2019
Gross billings (non-IFRS)	309,946	311,277
Media costs (non-IFRS)	-244,002	-246,542
Reported revenue according to IFRS	65,944	64,735

Set out below is the disaggregation of revenue from contracts with customers.

Timing of revenue recognition from customers:

EUR'000	2020	2019
Services transferred at a point of time	65,944	64,735
Services transferred over time	0	0
	65,944	64,735

Adform has concluded that it transfers control over its services (i.e. advertisers and agencies buying of ad inventory, publishers selling ad inventory, and serving of the ad actual impression), at a point in time, because this is when the customer (publishers and advertisers) benefits from the automated ad trading and ad serving performed by the Group's software platform.

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Notes

2 Staff cost

EUR'000	2020	2019
Wages and salaries	6,226	7,547
Other expenses for social security	188	303
Share-based payments (refer to note 3)	180	607
Other employee expenses	131	180
	6,725	8,637
Development costs capitalised as intangible assets	0	0
	6,725	8,637
Average number of employees	27	35
Remuneration to the Executive Board		
Wages and salaries	627	491
Share-based compensation expenses	6	33
	633	524
Compensation to the Board of Directors		
Compensation	128	89
Share-based compensation expenses	11	88
	139	177

Further information about staff cost is disclosed in note 2 in the consolidated financial statements.

3 Share-based payments

The share option programmes are issued by the parent company. Information is disclosed in note 3 in the consolidated financial statements.

4 Research and development costs

Adform's research and development activities focuses on the development of the Adform product platform. Research and development costs that are not eligible for capitalisation have been expensed in the period and they are recognised in research and development costs.

EUR'000	2020	2019
This years incurred research and development costs	19,492	25,750
Amortisation of intangible assets	7,523	6,674
Impairment of intangible assets	2,185	0
Depreciation of tangible assets and right-of-use assets	1,828	1,027
Development costs recognised in intangible assets	-3,771	-6,539
Development costs recognised in research and development costs	27,257	26,912

Notes

5 Fees to independent auditors

EUR'000	2020	2019
Fee for statutory audit	38	99
Other assurance services	0	0
Total audit related services	38	99
Tax and VAT advisory services	72	18
Other services	26	25
Total non-audit services	98	43
Total fees to independent auditors	136	142

For 2020, expenses related to audit services and other non-audit services were mainly affected by consultations regrading R&D activities and SBP programme. For 2019, expenses related to audit services were affected by implementation of new accounting standards and Adform's capital increase.

6 Amortisation, depreciation and impairment

EUR'000	2020	2019
Amortisation of intangible assets	7,621	7,052
Impairment of intangible assets	2,185	0
Depreciation of tangible assets	848	1,545
Depreciation of right-of-use of assets	1,843	1,888
	12,497	10,485

Amortisation and impairment of intangible assets has been recognised in the income statement as follows:

EUR'000	2020	2019
Research and development costs	9,708	6,674
Sales and marketing expenses	43	140
Administrative expenses	55	238
	9,806	7,052

Further information about the impairment is disclosed in note 6 in the consolidated financial statements.

7 Financial income

EUR'000	2020	2019
Interest income from subsidiaries	0	1
Interest income on financial assets measured at amortised cost	14	52
Foreign exchange gains and adjustments	4,812	2,881
	4,826	2,934

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8 Financial expense

EUR’000	**2020**	**2019**
Interest expenses on financial liabilities measured at amortised cost, credit institution	1,449	1,973
Interest expenses on financial liabilities measured at amortised cost, other	85	75
Foreign exchange losses and adjustments	4,971	3,248
Interest expenses from leases (right-of-use assets)	222	271
	6,727	5,567

9 Tax for the year

EUR’000	**2020**	**2019**
Current income tax charge for the year	-442	0
Tax credit research and development expenses	0	785
Recognition of un-recognised tax assets from previous years	375	0
Change in deferred tax	787	0
Adjustment to tax for prior years	0	0
Total tax for the year (positive amount = income, negative amount = expense)	720	785
Deferred tax on other comprehensive income	0	0

Tax reconciliation

-	**2020**		**2019**	
	EUR ‘000	**%**	**EUR ‘000**	**%**
Profit/loss before tax	700		-7,529	
Tax using the Danish corporation tax rate	-154	22 %	1,656	22 %
Adjustment for tax prior year	0	0 %	0	0 %
Recognition of un-recognised tax assets from previous years	534	-76 %	0	0 %
Non-taxable dividend income	517	-74 %	622	8 %
Non-capitalised tax, assets	0	0 %	1,328	-18 %
Non-deductible expenses	-177	26 %	-165	-2 %
Effective tax / tax rate for the year	**720**	-102 %	**785**	10 %

In non-deductible expenses is recognised an additional deduction of EUR 253 thousand related to research and development costs, hence the total amount of non-deductible expenses amounts to EUR 68 thousand.

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10 Government grants

Tax credit scheme in Denmark

For 2018 and 2019, the parent company have recognised a tax assets related to negative taxable income from development costs due to the Danish tax credit scheme, and therefore a deferred tax assets of EUR 1,473 thousand is recognised as of 31 December 2020. The amount is unchanged from 2019 and currently awaits the Danish tax authority's approval.

COVID-19 compensations and relief

As a result of the COVID-19 pandemic Adform A/S have utilised the option to temporality postpone the payment of indirect and direct taxes of total EUR 124 thousand, which will be paid in 2021.

11 Intangible assets

EUR'000	Completed development projects	Licenses	Total
Cost as at 1 January 2020	40,999	2,903	43,902
Foreign currency translation adjustments	176	11	187
Additions	3,771	50	3,821
Cost as at 31 December 2020	44,946	2,964	47,910
Amortisation as at 1 January 2020	18,797	2,520	21,317
Foreign currency translation adjustments	96	11	107
Impairment	2,185	0	2,185
Amortisation	7,323	298	7,621
Amortisation as at 31 December 2020	28,401	2,829	31,230
Carrying amount 31 December 2020	16,545	135	16,680

EUR'000	Completed development projects	Licenses	Total
Cost as at 1 January 2019	34,488	2,533	37,021
Foreign currency translation adjustments	-28	-1	-29
Additions	6,539	371	6,910
Cost as at 31 December 2019	40,999	2,903	43,902
Amortisation as at 1 January 2019	12,318	1,962	14,280
Foreign currency translation adjustments	-13	-2	-15
Amortisation	6,492	560	7,052
Amortisation as at 31 December 2019	18,797	2,520	21,317
Carrying amount 31 December 2019	22,202	383	22,585

Further information about intangible assets is disclosed in note 11 in the consolidated financial statements.

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12 Tangible assets

Tangible assets consists of IT equipment, leasehold improvements and other fixtures and fittings.

EUR'000	2020	2019
Cost as at 1 January	9,099	14,675
Reclassification of finance leases to right-of-use assets	0	-5,938
Foreign currency translation adjustments	41	-22
Additions	259	384
Cost as at 31 December	9,399	9,099
Depreciation and impairment losses as at 1 January	7,993	11,227
Reclassification of finance leases to right-of-use assets	0	-4,767
Foreign currency translation adjustments	32	-12
Depreciation	848	1,545
Depreciation and impairment as at 31 December	8,873	7,993
Carrying amount 31 December	526	1,106

13 Leases

In 2019, accounting for operating leases changed with the implementation of IFRS 16 'Leases'. The main recognised right-of-use of asset is property for which the parent company lease office premises and data centres.

Right-of use assets specifies as highlighted in the following:

EUR'000	2020	2019
Carrying amount as of 1 January (reclassification from tangible assets)	3,933	1,171
Foreign currency translation adjustments	16	-3
Impact of IFRS 16 implementation	0	1,447
Remeasurement	-319	0
Additions for the year	1,340	3,206
Depreciations for the year	-1,843	-1,888
Carrying amount total right-of-use assets	3,127	3,933

The carrying amount of the total right-of-use assets can be specified in the following lease classes:

EUR'000	2020	2019
Property	621	886
IT and other fixtures and equipment	2,506	3,047
Carrying amount total right-of-use assets	3,127	3,933

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13 Leases - continued

Analysis of lease liabilities showing the remaining contractual maturities, is provided in the following table:

EUR'000	2020	2019
Less than one year	1,650	2,063
Between one and five years	2,399	2,884
More than five years	0	0
Total contractual cash flows	4,049	4,947
Carrying amount	3,753	4,552
Maturity of carrying amount		
Non-current	2,261	2,677
Current	1,492	1,875
Total lease liabilities	3,753	4,552

Lease liabilities are recognised in Interest-bearing loans and borrowings.

The profit or loss impact of leases recognised for the year are specified below:

EUR'000	2020	2019
Depreciations for the year	1,843	1,888
Interest expenses on lease liabilities	222	271
Expenses related to short-term leases	0	0
Expenses related to low-value-leases	0	0
Total effect in the income statement	2,065	2,159

Total cash outflow relating to leases was EUR 2,092 thousand for the period.

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14 Investments in subsidiaries

EUR'000	2020	2019
Cost as at 1 January	131	128
Foreign currency translation adjustments	-2	1
Additions	0	2
Cost as at 31 December	129	131
Value adjustments as at 1 January	0	0
Value adjustments as at 31 December	0	0
Carrying amount 31 December	129	131

Name	Ownership	Registered office
Adform Lithuania UAB	100 %	Lithuania
Adform London Ltd.	100 %	UK
Adform Sweden AB	100 %	Sweden
Adform Norway AS	100 %	Norway
Adform Italy S.r.l	100 %	Italy
Adform Germany GmbH	100 %	Germany
Adform Software Spain S.L	100 %	Spain
Adform Finland Oy	100 %	Finland
Adform B.V.	100 %	Netherland
Adform Inc.	100 %	USA
Adform Sp.zo.o.	100 %	Poland
Adform s.r.o	100 %	Czech republic
Adform BY LLC	*100 %	Belarus
Adform Technologies Pte Ltd. (Singapore)	100 %	Singapore
Adfrom (Australia) Pty Ltd.	100 %	Sydney
Adform (Pty) Ltd. (South Africa)	100 %	Johannesburg
Adform Technologies JSC (Turkey)	100 %	Istanbul
Adform Software (Shanghai) Co., Ltd.	100 %	Shanghai
Adform India LLP	100 %	Mumbai

* The parent company owns 90% directly and 10% in-directly through Adform Lithuania UAB. Adform BY LLC is as of 31 December 2020 undergoing a solvent liquidation process.

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15 Deferred tax

EUR'000	2020	2019
Deferred tax as at 1 January	1,473	688
Foreign currency translation adjustments	7	0
Recognised in the income statements regarding tax credit	0	785
Tax credit for research and development received	0	0
Recognition of un-recognised tax assets from previous years	787	0
Reversal due to exercise of warrants under the convertible loan agreement	0	0
Deferred tax 31 December	2,267	1,473
Recognised in the balance sheet as follows:		
Deferred tax assets	2,067	1,473
Deferred tax liabilities	0	0
Deferred tax, net	2,067	1,473
Specification of deferred tax:		
Temporary differences on assets and liabilities, net	-2,121	-3,548
Tax loss carry-forwards	6,817	7,547
Recognised deferred tax asset related to tax credit	1,473	1,473
Non-recognised deferred tax asset	-3,902	-3,999
Deferred tax, net	2,267	1,473

In 2019, a deferred tax asset of total EUR 1,473 thousand relates to negative taxable income from development costs for 2018 and 2019 where the parent company expects to be able to make cash conversion due to the Danish tax credit scheme.

For information about the utilisation of the deferred tax asset recognised in 2020 is disclosed in note 14 in the consolidated financial statement.

16 Other non-current assets

Other non-current assets consist of deposits.

EUR'000	2020	2019
Cost as at 1 January	31	41
Foreign currency translation adjustments	-2	1
Additions	63	7
Disposals	-16	-18
Cost as at 31 December	76	31
Value adjustments	0	0
Carrying amount 31 December	76	31

Notes

17 Trade receivables

EUR'000	2020	2019
Trade receivables	14,297	12,211
Receivables related to trading orders	52,900	47,600
	67,197	59,811

Further information about Trade receivables and Receivables related to trading orders is disclosed in note 16 in the consolidated financial statements. Credit risk and ageing analysis is further described in note 22.

18 Financial instruments by category

EUR'000	2020	2019
Financial assets measured at amortised cost		
Trade receivables	14,297	12,211
Receivables related to trading orders	52,900	47,600
Receivables from subsidiaries	8,263	19,885
Other receivables, non-current and current	1,658	1,536
Cash	15,276	18,393
	92,394	99,625
Financial liabilities measured at amortised cost		
Interest-bearing loans and borrowings, non-current	2,261	15,558
Interest-bearing loans and borrowings, current	1,492	1,875
Trade payables	5,227	1,964
Payables related to trading orders	67,855	66,127
Payables to subsidiaries	13,405	21,022
Other liabilities[1]	1,249	1,474
	91,489	108,020

[1] Excludes non-financial instruments such as public debt and staff payables of EUR 2,147 thousand (2019: EUR 938 thousand).

Further information about Financial instruments by category is disclosed in note 17 in the consolidated financial statements.

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19 Share capital

Please refer to note 18 in the consolidated financial statements.

20 Interest-bearing loans and borrowings

EUR'000	2020	2019
Non-current borrowings		
Debt to credit institutions	0	12,881
Finance lease liabilities	2,261	2,677
	2,261	15,558
Current borrowings		
Bank overdraft	0	0
Finance lease liabilities	1,492	1,875
Other interest-bearing debt	0	0
	1,492	1,875
Maturity of current and non-current borrowings		
Less than one year	1,492	1,875
Between one and five years	2,261	15,558
More than five years	0	0
	3,753	17,433

Further information about Interest-bearing loans and borrowings is disclosed in note 19 in the consolidated financial statements.

21 Trade payables

The Company's trade payables split to trade payables and payables related to trading orders:

EUR'000	2020	2019
Trade payables	5,227	1,964
Payables related to trading orders	67,855	66,127
	73,082	68,091

Further information about Trade payables and Payables related to trading orders is disclosed in note 20 in the consolidated financial statements.

Notes

22 Other liabilities

EUR'000	2020	2019
Staff payables	1,538	881
Duties to public authorities	609	57
Other accrued expenses	1,249	1,474
	3,396	2,412

Further information about Other liabilities is disclosed in note 21 in the consolidated financial statements.

23 Credit risk, liquidity risk and currency risk

Adform A/S' financial risks and the management of these are in all material aspects identical to the disclosures made in note 22, Credit risk, liquidity risk and currency risk, to the consolidated financial statements, unless otherwise stated below.

Credit risk

The Company's credit risk also includes the risk related to receivables from subsidiaries.

As at 31 December, the ageing analysis of Trade receivables and Receivables related to trading orders is as follows:

EUR'000				Past due, but not impaired					
	Total carrying amount	Allowance for expected credit losses	Neither past due nor impaired	< 30 days	31-60 days	61-90 days	91-180 days	181-360 days	>360 days
2020	67,197	-1,340	44,393	18,601	2,717	957	631	554	683
2019	59,811	-1,607	40,076	15,772	1,988	906	2,008	543	125

Analysis of movements in allowance for expected credit losses regarding Trade receivables and Receivables related to trading orders:

EUR'000	2020	2019
Allowance for expected credit losses as at 1 January	-1,607	-589
Additions	-1,340	-1,493
Utilised	173	127
Unused amounts reversed	1,434	348
Allowance for expected credit losses 31 December	-1,340	-1,607

Further information is disclosed in note 22 in the consolidated financial statements.

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Notes

23 Credit risk, liquidity risk and currency risk - continued

Liquidity risk

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

EUR'000	Carrying amount	Contractual maturity incl. interest (cash flow) Total	Within one year	1 to 5 years	> 5 years
31 December 2020					
Interest-bearing loans and borrowings, non-current	2,261	2,399	0	2,399	0
Interest-bearing loans and borrowings, current	1,492	1,650	1,650	0	0
Trade payables	5,227	5,227	5,227	0	0
Payables related to trading orders	67,855	67,855	67,855	0	0
Payables to subsidiaries	13,405	13,405	13,405	0	0
Other liabilities[1]	1,249	1,249	1,249	0	0
	91,489	91,785	89,386	2,399	0

EUR'000	Carrying amount	Total	Within one year	1 to 5 years	> 5 years
31 December 2019					
Interest-bearing loans and borrowings, non-current	15,558	23,760	1,833	21,927	0
Interest-bearing loans and borrowings, current	1,875	2,063	2,063	0	0
Trade payables	1,964	1,964	1,964	0	0
Payables related to trading orders	66,127	66,127	66,127	0	0
Payables to subsidiaries	21,022	21,022	21,022	0	0
Other liabilities[1]	1,474	1,474	1,474	0	0
	108,020	116,410	94,483	21,927	0

[1] Excluding non-financial instruments such as public debt and staff payables of EUR 2,147 thousand (2019: EUR 938thousand).

24 Capital management

Please refer to note 23 in the consolidated financial statements.

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25 Changes in liabilities arising from financing activities

EUR'000	1 January 2020	Cash flows	New leases	Other	31 December 2020
Non-current interest-bearing loans and borrowings (excluding items listed below)	12,881	-14,330	0	1,449	0
Finance lease, non-current	2,677	0	949	-1,365	2,261
Finance lease, current	1,875	-2,092	391	1,318	1,492
Other interest-bearing debt, current	0	0	0	0	0
Proceeds from capital increase, net	31,045	0	0	0	0
Total liabilities from financing activities	48,478	-16,422	1,340	1,402	3,753

EUR'000	1 January 2019	Cash flows	New leases	Other	31 December 2019
Non-current interest-bearing loans and borrowings (excluding items listed below)	25,021	-14,113	0	1,973	12,881
Finance lease, non-current	815	0	1,862	0	2,677
Finance lease, current	712	-1,628	2,791	0	1,875
Other interest-bearing debt, current	5,297	-5,297	0	0	0
Proceeds from capital increase, net	2,410	28,635	0	0	31,045
Total liabilities from financing activities	34,255	7,597	4,653	1,973	48,478

Other relates to rolled-up and accrued interest, reclassification of maturity of liabilities and foreign currency translation adjustments.

26 Commitments, contingencies, commitments and pledges etc.

Please refer to note 25 in the consolidated financial statements.

Notes

27 Related parties

Shareholders

- GCM Holding ApS, Copenhagen K, Denmark, 38.12%
- GRO Holding VIII ApS, Copenhagen K, Denmark, 27.24%
- VIA equity Fund A K/S, Hellerup, Denmark, 22.68%
- Accredonet Holding ApS, Charlottenlund, Denmark, 4.27%
- Stefan Juricic, Hvidovre, Denmark, 1.89%
- QIC Private Capital Pty Ltd in its capacity as trustee for QIC Private Equity Fund No.3, Brisbane, Australia, 1.59%
- QIC Investments No.1 Pty Ltd in its capacity as trustee for QIC Private Equity Fund (W), Brisbane, Australia, 1.43%
- QIC Investments No.3 Pty Ltd in its capacity as trustee for QIC Private Equity Fund (R), Brisbane, Australia, 1.84%
- QIC Investments No.3 Pty Ltd in its capacity as trustee for QIC Private Equity Fund (CP1), Brisbane, Australia, 0.93%

As a result of the shareholder agreement, GCM Holding ApS does not hold the majority of the voting rights, even though the Company holds the majority of the shares.

Other related parties

Other related parties of Adform with significant influence include the Board of Directors, Executive Board and their close family members. Related parties also include companies in which the aforementioned persons have control or significant interests.

Transactions with related parties and Management

Please refer to note 26 in the consolidated financial statements.

28 Events after reporting period

Please refer to note 27 in the consolidated financial statements.

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29 Accounting policies

The parent company financial statements of Adform A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish requirements applying to entities of reporting class C (large).

The parent company financial statements are prepared based on the standards and interpretations that are effective as of 31 December 2020.

The parent company financial statements have been prepared on a historical cost basis.

The parent company financial statements are presented in EUR. All values are rounded to the nearest thousand (EUR'000), except when otherwise indicated.

The parent company has the same accounting policies for recognition and measurement as Group. The parent company's accounting policies deviate from the Group's accounting policies as described below. For detailed description of the group's accounting policies please refer to the consolidated financial statements, note 28.

Supplementary accounting policies for the Parent Company

Income statement

Income from investment in subsidiaries

Dividend from investments in subsidiaries is recognised in the income statement in the year of declaration. Distributions of dividend where the dividend exceeds the profit for the year or where the carrying amount of the Company's investments in the subsidiary exceeds the carrying amount of the subsidiary's net asset value will be evidence of impairment, meaning that an impairment test must be conducted.

Balance sheet

Investment in subsidiaries

Investments in subsidiaries are measured at cost. Cost includes the consideration measured at fair value plus direct purchase costs. In case of evidence of impairment, an impairment test must be conducted. Investments are written down to the lower of the carrying amount and the recoverable amount.

Impairment of assets

The carrying amount of investments in subsidiaries and associates are tested annually for impairment.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

29 Accounting policies - continued

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

30 Significant accounting estimates and assumptions

In connection with the preparation of the parent company financial statements, Management has made accounting estimates and judgements that affect the assets and liabilities reported at the balance sheet date as well as the income and expenses reported for the financial period. Management continuously reassesses these estimates and judgements based on a number of other factors in the given circumstances.

Management assesses that, in respect of the financial reporting for the parent company, no accounting estimates or judgements are made when applying the parent company's accounting policies, which are significant to the financial reporting apart from those disclosed in note 29 to the consolidated financial statements expect for:

The write-down of loans and receivables is expected to be slightly higher in the parent company compared to the Group, due to the recognition of a loss allowance on the Group internal loan and receivables. The effect is however still considered immaterial.

31 New standards

The description in note 30 for the group regarding new standards issued but not yet effective, fully cover the parent company as well.