Annual report 2018

Adform A/S

Wildersgade 10 B, 1., 1408 Copenhagen K
CVR no. 26 43 48 15

Contents

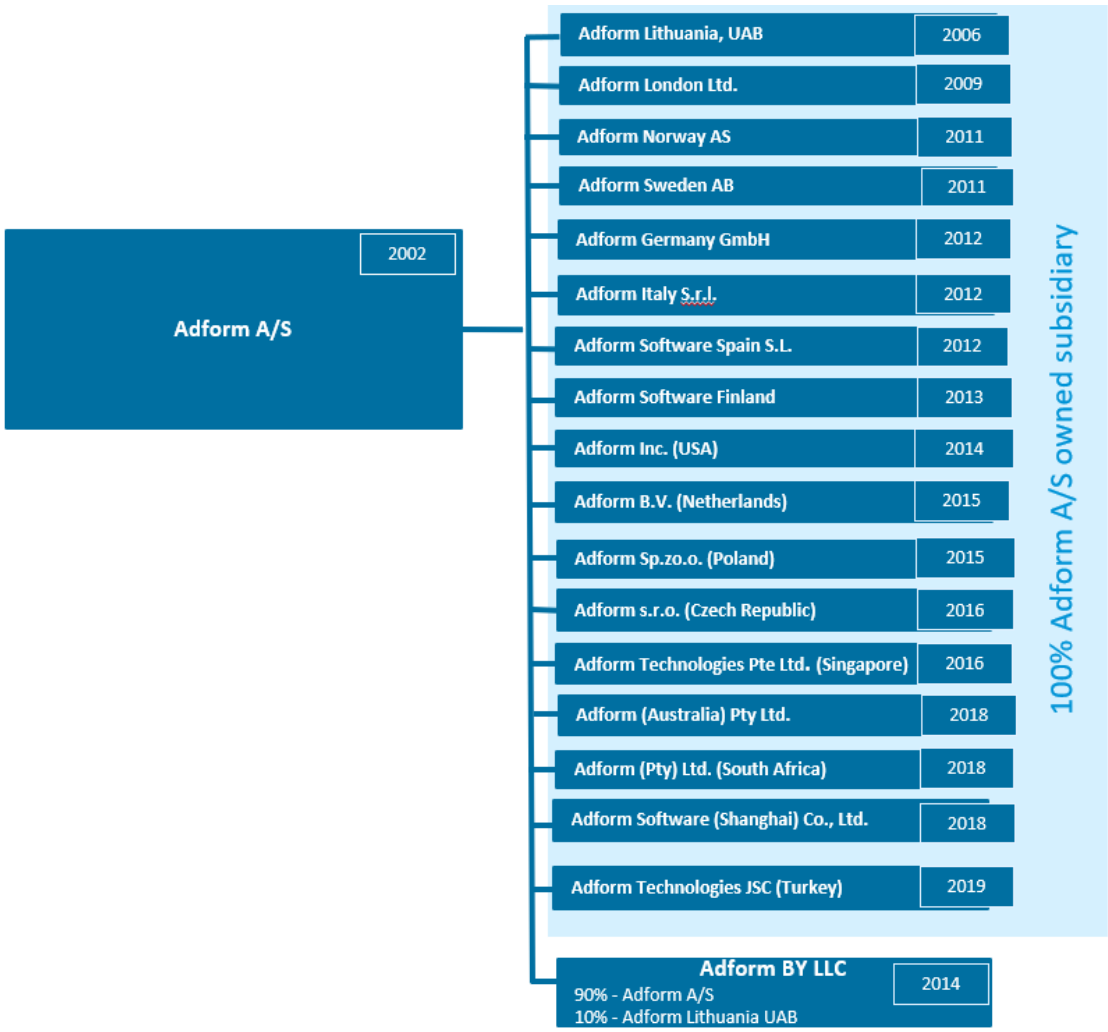
Management's review

Company details

Name	Adform A/S
Address, zip code, city	Wildersgade 10 B, 1., 1408 Copenhagen K
CVR no.	26 43 48 15
Established	17 January 2002
Registered office	Copenhagen
Financial year	1 January – 31 December
Board of Directors	Peter Lorens Ravn, Chairman Lars Fløe Nielsen, vice-chair Jakob Toftgaard Bak Lars Holtug Hermann Haraldsson
Executive Board	Gustav Christen Mellentin Karsten Bjerregaard
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, 2000 Frederiksberg, Denmark

Management's review

Group chart



Note: Year in chart indicates year of incorporation. All subsidiaries 100% direct owned except Adform BY LCC in Belarus, which is 10% owned by Adform Lithuania UAB.

Management's review

Financial highlights for the Group

EUR'000	2018	2017	2016	2015	2014
Key figures					
Gross billings[1]	319,779	255,495	184,026	115,372	71,242
Revenue	67,881	59,493	50,045	40,552	27,275
EBITDA[1]	276	6,038	1,318	2,206	4,918
EBITDA before special items[1/2]	5,030	6,223	1,600	2,225	4,918
Operating profit/loss (EBIT)	-9,203	-1,337	-3,800	-390	3,555
Net financials	-4,043	-3,021	-2,026	-109	-303
Profit/loss for the year	-13,010	-2,582	-5,708	-638	2,448
Total assets	117,304	106,690	83,128	47,029	28,256
Capitalised development projects for the year	7,847	7,701	7,510	5,787	1,953
Investments in tangible assets for the year	1,570	4,287	4,734	5,097	1,186
NIBD[1]	-11,477	-15,384	-12,955	-4,073	529
Equity	-1,329	8,027	10,385	13,458	12,224
Cash flow from operating activities	15,773	11,508	2,705	4,092	1,813
Cash flow from investing activities	-9,836	-9,673	-12,968	-8,770	-2,516
Cash flow from financing activities	74	2,095	18,770	4,024	1,533
Net cash flow	6,011	3,930	8,507	-654	830
Financial ratios					
Gross billings[1] growth, %	25.2%	38.8%	59.5%	61.9%	113.8%
Revenue growth, %	14.1%	18.9%	23.4%	48.7%	69.1%
Gross margin, %	88.9%	92.0%	92.9%	84.5%	77.3%
EBITDA[1] margin, %	0.4%	10.1%	2.6%	5.4%	18.0%
EBIT Margin, %	-13.6%	-2.2%	-7.6%	-1.0%	13.0%
Equity ratio, %	-1.1%	7.5%	12.5%	28.6%	43.3%
NIBD[1]/EBITDA[1]	-41.5	-2.5	-9.8	-1.8	0.1
Earnings per share, basic, EUR	-0.26	-0.05	-0.11	-0.01	
Earnings per share, diluted, EUR	-0.24	-0.05	-0.11	-0.01	
Average number of employees	843	773	759	584	356

[1] For terms and definitions of financial ratios and alternative performance measures not defined by IFRS, refer to accounting policies note 30.

[2] Special items includes IPO related costs and share based payment expenses (SBP). 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). There were no such special items in 2014.

As of 2017, Adform A/S prepares the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statement Act. The figures for 2015, 2016, 2017 and 2018 are prepared in accordance with IFRS, whereas 2014 comparative figures are prepared in accordance with the Danish Financial Statements Act.

The Group applies, for the first time in 2018, IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers. The implementation has for Adform resulted in a more detailed presentation and disclosure requirements than under the previous standards. Apart from this, the implementation have not had any material impact on the recognition and measurement.

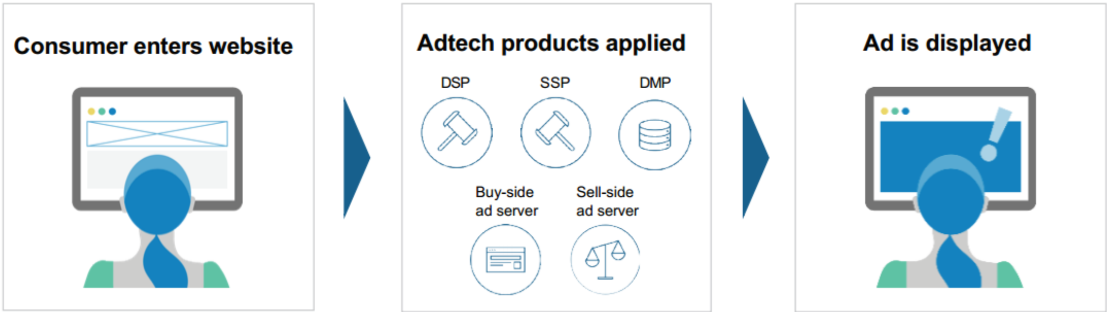
Management's review

Business overview

Adform is an advertising technology company established in Copenhagen in 2002 by Gustav Mellentin, Jakob Toftgaard Bak and Stefan Juricic (the "Founders"). The Founders early on identified the inefficient workflows of the advertising industry and believed that there was an opportunity to make an impact through software automation as the industry underwent digital transformation. Hence, the Founders set out to develop a software platform with the goal of automating the advertising industry, and consequently became early entrants in what is today referred to as the adtech industry.

Today, Adform's main business is, in essence, to provide the software systems that buyers and sellers of digital display advertising use to automate their advertising processes.

Adtech simplified:



The figure illustrates a typical way of applying adtech products: When a consumer enters a publisher's website, the publisher registers an opportunity to sell ad inventory. Adtech products are then used to e.g. analyse the consumer profile, programmatically trade the ad inventory and ensure the right ad is displayed on the publisher's website. This process is highly automated and happens within fractions of seconds.

Adform's software platform consists of a number of individual products that each plays a role in the process. These products are organised into two suites: Advertiser Edge for buy-side customers (i.e. customers buying ad inventory, such as advertisers and agencies) and 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. The underlying, individual products are especially useful when used as a suite, but are interoperable with other industry solutions and, hence, also compete on an individual basis.

More than 10 years ago, the Group started solidifying its footprint across the Nordic region, which was soon after followed by expansion into the rest of Europe and recently beyond the European continent. As at 31 December 2018, Adform has a presence in 16 countries in Europe as well as entry positions in the U.S., Turkey, Singapore, China, Australia, United Arab Emirates (Dubai) and India. In total, Adform has a sizeable footprint counting 28 offices in 25 countries globally.

Adform has grown its organisation to 884 employees as at 31 December 2018. While still headquartered in Copenhagen, the majority of the employees are located in the Group's offices in Central Eastern Europe. Adform's largest presence in the region is in Lithuania where a software development site was set up in 2006 and where Adform is established as a well-reputed brand name. Today, Adform's Lithuanian operations have matured and include business support functions, such as customer services, sales operations, finance and HR. Since 2014, Adform has expanded its footprint in the region with establishing software development sites in Belarus, Poland and a smaller site in Malaysia. Additionally, there are small scale development activities in Denmark and Germany.

Management's review - continued

Headlines for the Group in 2018

- In November 2018, the Company announced its intention to launch an Initial Public Offering ("IPO") and to list shares on Nasdaq Copenhagen and published prospectus. The Company received substantial support, especially from domestic investors. Notwithstanding this, it was decided to postpone the IPO due to the continued uncertainty and volatility in the financial markets and given the existing shareholders and the Company's desire to achieve a successful IPO with an orderly aftermarket.
- Revenue in 2018 was EUR 67.9 million compared to EUR 59.5 million in 2017 corresponding to a revenue growth of 14% (currency adjusted 15%). Revenue growth was primarily driven by increased International activities.
- EBITDA before special items was EUR 5.0 million (EBITDA margin before special items amounting to 7%) compared to an EBITDA before special items of EUR 6.2 million in 2017. Special items included the Company's share-based payment programmes and IPO related costs. These costs significantly increased in 2018 due to Adform's postponed public offering (IPO).
- Due to the postponed public offering (IPO), all direct incurred costs in respect to the IPO has for accounting purposes been expenses in 2018, amounting to EUR 2,311 thousand.
- In 2018, Adform recognised accelerated expenses of EUR 2,440 thousand in respect of share-based compensation due to the new initiated warrant programme, under which a number of employees have been granted warrants.
- As at 31 December 2018, Adform has a presence in 16 countries in Europe as well as entry positions in the U.S., Turkey, Singapore, China, Australia, United Arab Emirates (Dubai) and India. In total, Adform has a sizeable footprint counting 28 offices in 25 countries globally.
- Adform has grown its organisation to 884 employees as at 31 December 2018. While still headquartered in Copenhagen, the majority of the employees are located in the Group's offices in Central Eastern Europe.

In 2019, a new Investment Agreement with GRO Capital and amendments in respect of the existing secured loan agreement with a credit institution have been entered. Reference is made to the section *Financing and liquidity*.

Follow up on financial guidance
Below is a comparison between the Company's financial guidance provided during 2018 and actual results:

EUR million	**2017 Annual Report**	**2018 Q3 Guidance**	**2018 Actual Results**
Revenue	Revenue growth of 15 – 20%	68.0 - 69.0	67.9
EBITDA	-	-0.7 - 0.3	0.3
EBITDA before special items	EBITDA margin of 5 – 10%	-	7%
EBIT	-	-9.8 - -8.8	-9.2

Guidance for EBITDA margin in the 2017 Annual report did not include costs regarding special items.

Both EBITDA and EBIT were in line with provided Q3 2018 guidance. Revenue was slightly under due to lower revenue from Ad serving product.

Revenue growth and geographical expansion
Adform continued to deliver double-digit revenue growth in 2018. Revenue growth was primarily driven by increased International activities. In 2018 Nordic revenue growth was 2% compared to 2017, whereas International revenue (non Nordics) growth was 23% compared to 2017.

International revenue growth was driven by increased market penetration, upselling to existing customers, client wins and geographical expansion, supported by continued development of Adform's technology platform.

Management's review - continued

In line with the strategy, Adform continued the build-up in markets entered recently, including Australia, Dubai, and India. Adform's global network spanned 28 offices in 25 countries as at 31 December 2018. International revenue accounted for 63% of total revenue in 2018 compared to 58% in 2017.

While Adform is generally well positioned across Europe, including strong presence in markets such as Germany, Italy, the Netherlands, the Nordics as well as Central and Eastern Europe, Adform will continue to strengthen its footprint in key existing markets such as the United States and expand into new markets in Asia Pacific, Latin America and the Middle East to serve existing global customers and pursue new growth opportunities.

Buy Side revenue growth in 2018 was 14% compared to 2017, especially driven by the DSP and DMP, and the revenue category accounted for 85% of total revenue compared to 84% in 2017. Sell Side revenue growth was 13% compared to 2017, and the revenue category accounted for 16% of total revenue in 2018 compared to 15.7% for 2017. The development was driven by growth in the full suite of sell-side products partly offset by reduction in non-platform related services.

Attractive market conditions

Adform continues to benefit from attractive market conditions, particularly within the high-growth market segment pertaining to digital display advertising on PCs, smartphones, tablets, etc.

Within this market, 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 as an early mover is well positioned to capture greater revenue pools as the programmatic market is expected to grow and traditional media channels such as television, radio/audio and out-of-home become digitised and adopt adtech solutions and trading practices.

Driven by industry trends such as the market shift to programmatic trading, Adform from 2015 to 2018 realised a revenue CAGR of 18.7% and EBITDA was positive throughout this period despite the investments into new geographies, products and enhanced scalability.

Strong and ambitious organisation with technology and customer focus

Adform is a founder-driven organisation with a strong and consistent focus on long-term success. The Founders' vision for Adform has been pivotal to the Group's development over the years. In recent years, Adform has hired a number of experienced industry profiles to further strengthen the leadership team and ensure scalability as the Group pursues additional growth opportunities over the coming years.

Adform is a technology and customer-focused organisation with the majority of its employees engaged in software development and IT as well as customer-centric roles. Employees are generally highly skilled, whereas personnel costs on average are relatively low due to the Group's set-up in Central and Eastern Europe for its IT, software development and support functions. A significant share of the employees is located in Lithuania and Belarus, which provides for a relatively efficient cost structure and access to large talent pools. To complement several of the Group's technology and product specialists are recruited from leading international technology companies in order to enhance the organisation's technical competencies and leverage their experience from previous positions.

Adform must continue to attract qualified employees to successfully execute its business and development plans.

Strengthening the technology platform

Adform sustained its investments in hardware infrastructure, platform architecture and applications for both buy-side and sell-side customers. Total incurred research and development costs amounted to EUR 25 million in 2018. Capitalised development costs related to platform architecture and applications amounted to EUR 7.8 million and were largely in line with 2017, while investments in data centres and equipment totalled EUR 1.5 million.

Adform is well positioned to address critical challenges in the advertising market by offering a comprehensive technology platform as opposed to most competitors that provide single-product offerings, so-called point solutions. Adform's platform approach offers considerable benefits to customers as compared to point solutions, such as improved workflow efficiency, data effectiveness and return on investment (supported by Forrester: Total Economic ImpactTM Of Adform).

Management's review - continued

While customers can access individual parts of Adform's platform, by aggregating functionality in one platform, Adform offers a proposition worth more than the sum of its parts (supported by Forrester: Total Economic ImpactTM Of Adform), which Adform believes to be a winning strategy and a strategic asset that is difficult to replicate.

Adform believes it has a proven ability to deliver high-performing services, and the Group has successfully achieved international recognition in this regard. During October 2018 Gartner positioned Adform as a Leader in its Magic Quadrant for Ad Tech based on its Advertiser Edge, recognising Adform for its completeness of vision and ability to execute. Furthermore, Adform's DSP and DMP are individually ranked as Strong Performer globally in The Forrester Wave™ by Forrester Research.

Financial review

Income statement

Revenue in 2018 was EUR 67.9 million compared to EUR 59.5 million in 2017 corresponding to a revenue growth of 14%.

Revenue growth was primarily driven by increased International activities. In 2018 Nordic revenue growth was 2% compared to 2017, whereas International revenue growth was 23% compared to 2017. Nordic revenue accounted for 37% of total revenue in 2018 compared to 42% in 2017, while International revenue accounted for 63% of total revenue in 2018 compared to 58% in 2017.

Buy Side revenue growth in 2018 was 14%, and accounted for 84% of total revenue - the same as in 2017. Sell Side revenue growth in 2018 was 13% and accounted for 16%. The development was driven by growth in the full suite of sell-side products partly offset by reduction in non-platform related services.

EBITDA in 2018 was EUR 0.3 million corresponding to an EBITDA margin of 0.4%, compared to an EBITDA of EUR 6 million (EBITDA margin of 10.1%) in 2017. The development in EBITDA and EBITDA margin was mainly due to issuing of warrants in respect of the Company's share-based payment programmes in 2018 and directly IPO related costs. Further, Adform built up resources in functions and geographies during the year.

Bridge between operating profit/loss (EBIT) according to the consolidated financial statements and EBITDA:

EUR'000	**2018**	**2017**
Operating loss (EBIT)	-9,203	-1,337
Amortisation and depreciation	9,482	7,375
EBITDA	279	6,038
Special items		
IPO related costs (recognised in Administrations costs)	2,311	0
Share based payments (recognised in Operating expenses)	2,440	185
EBITDA before special items	5,030	6,223

EBIT in 2018 was a loss of EUR 9.2 million compared to a loss of EUR 1.3 million in 2017. The EBIT margin was negative 13.6% in 2018 compared to negative 2.2% in 2017. The development in EBIT and EBIT margin was mainly to the issuing of warrants in respect of the Company's share-based payment programmes in 2018, IPO related costs and also increased amortization costs.

Net financial expenses in 2018 amounted to EUR 4.0 million, compared to EUR 3.0 million in 2017. Net financial expenses were negatively effected by currency effect primarily related to changes in the US Dollar, Turkish Liras and Swedish Kroner. Further, net financial expenses were affected by increased interest costs.

Tax for the year in 2018 was an income of EUR 0.2 million. The income tax was positive for the period in 2018 due to the recognition of the Danish tax credit scheme regarding research and development activities.

Loss for the year in 2018 was EUR 13 million compared to a loss of EUR 2.6 million in 2017.

Management's review - continued

Cash flow

Cash flow from operating activities in 2018 was EUR 15.7 million. Main positive impact was a EUR 12.8 million change in working capital, which increased due to improved payment terms with suppliers and customers. Also positive impacted by the received tax credit of EUR 2.2 million in respect of development costs (refer to note 10).

Cash flow from investing activities in 2018 was negative EUR 9.8 million compared to negative EUR 9.7 million in 2017. The level of capitalisation in development projects in relation to the technology platform was at the same level in both years.

Cash flow from financing activities in 2018 was positive EUR 0.1 million. Cash flows from financing activities was impacted by repayment of bank overdraft, however positive impacted by the increase of capital.

Net cash flow in 2018 was positive EUR 5.9 million.

Balance sheet

The **balance sheet total** as at 31 December 2018 was EUR 117.3 million compared to EUR 106.7 million in 2017. The increase was primarily due to continued net capitalisation of development costs and an increase in receivables and payables related to trading orders and increase of the Group's cash position.

Total equity as at 31 December 2018 was negative EUR 1.3 million, compared to EUR 8 million as at 31 December 2017, as a result of the loss for the year.

Net interest-bearing debt was EUR 11.5 million as at 31 December 2018 compared to EUR 15.4 million as at the 31 December 2017. In 2018, the interest-bearing debt decreased due to increased cash position.

EUR'000	2018	2017
Cash	20,540	14,573
Interest-bearing loans and borrowings, non-current	-25.917	-22,169
Interest-bearing loans and borrowings, current	-6,100	-7,788
NIBD (Net Interest Bearing Debt)	-11,477	-15,384

Financing and liquidity

As at 31 December 2018 the Group had negative equity equal to EUR 1.3 million (parent company; negative equity equal to EUR 2.6 million).

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 has agreed to make an equity injection of EUR 30 million in Adform A/S. The equity injection of EUR 30 million will be paid by GRO Capital as a cash contribution no later than 12 business days after signing of the Investment Agreement as of 4 April 2019.

As part of the Investment Agreement with GRO Capital, amendments in respect of the existing secured loan agreement with a credit institution has been entered. The amendments stipulates Adform A/S to make a partial redemption of 50% of the accumulated debt towards the credit institution, in total approximately EUR 13 million. The partial redemption is to be paid subsequent to the cash contribution by GRO Capital. As part of the amendments, the future interest are payable quarterly, the future interest rate has been fixed at 14% p.a. and the financial covenants have been adjusted.

Following the equity injection of EUR 30 million, the partial redemption of EUR 13 million and related costs in respect of the raising of new capital, net financing cash flow to Adform A/S from the above agreements is expected to amount to approximately EUR 15-16 million.

In addition, the existing revolving credit facility with a financial institution has been extended from DKK 25 million (approximately EUR 3.4 million) to DKK 60 million (approximately EUR 8.0 million). Furthermore, Adform expects to phase out the use of factoring.

Management's review - continued

Based on the abovementioned agreements and after examination of the updated budgets, including expected cash flow and development in the capital base etc., the presence of credit facilities as well as financial covenants, the Board of Directors and the Executive Board consider it reasonable and well-founded to base the financial reporting on going concern assumption.

Events after the balance sheet date

Reference is made to the section, *Financing and liquidity*, in respect of the entered Investment Agreement with GRO Capital and related amendments in respect of the existing secured loan agreement with the credit institution.

No other significant events have occurred after the balance sheet date which would influence the evaluation of these financial statements.

Outlook for 2019

The Group will continue to execute on its growth strategy in 2019. Management expects its financial performance to reflect investments in development and geographical expansion, affecting both revenue and costs. Consequently, Management expects continued double-digit growth, primarily driven by sales to the International markets.

The Group expects an improved EBITDA in 2019.

Parent Company

Parent company administer significant part of Group's sales activities. Parent company's revenue in 2018 was EUR 62.1 million compared to EUR 55.8 million in 2017 corresponding to a revenue growth of 11%.

Revenue growth was primarily driven by increased International activities. In 2018 Nordic revenue growth was 2% compared to 2017, whereas International revenue growth was 19% compared to 2017. Nordic revenue accounted for 41% of total revenue in 2018, compared to 44% in 2017, while International revenue accounted for 59% of total revenue in 2018.

Buy Side revenue growth in 2018 was 11%, and accounted for 84% of total revenue - the same as in 2017. Sell Side revenue growth in 2018 was 13% and accounted for 16%. The development was driven by growth in the full suite of sell-side products partly offset by reduction in non-platform related services.

EBIT in 2018 was a loss of EUR 12 million compared to a loss of EUR 4.5 million in 2017. The EBIT margin was negative 19.4% in 2018 compared to negative 8% in 2017.

Loss for the year in 2018 was EUR 12.2 million compared to a loss of EUR 2.6 million in 2017.

As at 31 December 2018, the parent company had 37 employees – most of them working in Revenue and Operations department. Other main activities such as finance, development and maintenance of the platform and HR are outsourced to subsidiaries.

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, analysed, and managed.

The Group's procedures and internal controls are planned and executed to ensure a reasonable level of comfort that the financial reporting is reliable and in compliance with internal policies and 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. The evaluation of the risks includes an assessment of the likelihood that an error will occur and whether the financial impact of such error would be material.

Main commercial and regulatory risks:

- Adform is dependent on its relationship with agencies - Adform does not have any exclusive relationships with these customers and they typically do not agree to any minimum spend or similar guarantees

Management's review – continued

- Adform's future success depends on the continuing efforts of its management and its ability to hire, motivate and retain highly skilled employees
- Adform is dependent on third-party providers and on obtaining access to third-party services at reasonable costs
- Restriction on the use of unique identifiers may adversely affect Adform
- The General Data Protection Regulation (GDPR) was introduced on 25 May 2018. 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 and transparency, 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).

  The GDPR and other regulation are aimed at safeguarding the interests of the consumers have had and will continue to have significant impact for adtech and other players in the advertising industry in respect of reaching the audiences. Adform has undertaken significant work to prepare for 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 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. 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. 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 and other regulations, including the various new decisions by courts and regulatory, will continue to unfold for Adform.

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

Control activities are based upon the risk assessment. The aim of the group's control activities is to ensure that the objective, policies, manuals, procedures etc. of the Executive Board are fulfilled, as well as to prevent, detect and correct any errors, deviations and omissions etc. timely. The Executive Board has established coherent and transparent business systems that are easily accessible to the relevant levels in the Group.

The Executive Board has established a formal group reporting process, which covers budget reporting and monthly reporting incl. exception reports with quarterly updating of estimates for the year. In addition to the reporting of earnings, the reporting covers balance sheet and cash flow statements, and supplementary information.

Corporate Governance

The Board of Directors is responsible for ensuring the overall strategic management and that the financial and managerial control of the Company is conducted adequately.

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

The Board of Directors may appoint committees for special tasks.

The Board of Directors consists of five members:

- Peter Lorens Ravn
- Lars Fløe Nielsen
- Jakob Toftgaard Bak
- Lars Holtug
- Hermann Haraldsson

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

Management's review – continued

Peter Lorens Ravn

Chairman and independent member

Male

Year of birth: 1955

Member since: December 2017

Professional positions: Chairman of the Board of Directors of Systematic A/S and Chairman of the Board of Directors of Stibo A/S. Member of the Board of Directors of Danske Commodities A/S.

Number of shares/options: None

Lars Fløe Nielsen

Independent member

Male

Year of birth: 1969

Member since: March 2018

Professional positions:

M.I.L ApS, Galm Holding ApS, Mini M.I.L ApS, M.I.L 2 ApS, Nordic Makers Invest 10 IVS, Floe Consulting ApS, Nordic Makers Invest 19 IVS, Nordic Makers Invest 24 IVS, Nordic Makers General Partner ApS

Board member in Intervare A/S (Deputy Chairman), Nemlig.com A/S (Deputy Chairman). Bookboon ApS (Board Member), Bookboon Corporate A/S (Board Member), CPHFTW Fonden (Board Member)

Number of shares/options: None

Jakob Toftgaard Bak

Non-independent member

Male

Year of birth: 1972

Member since: November 2009

Professional positions:

CTO of Adform A/S

Member of the Executive Management of Accredonet Holding ApS and member of the Board of Directors of Effective Retail ApS.

Number of shares: Owns 12.12 % of Adform A/S through Accredonet Holding ApS

Lars Holtug

Independent member

Male

Year of birth: 1958

Member since: December 2017

Professional positions: Member of the Executive Management in LH2022 ApS.

Chairman of the Board of Directors of Gaming Investment A/S and subsidiaries, Valizo ApS and 87KDSL A/S.

Member of the board of Ascendis Pharma A/S and Chairman of the Audit Committee

Number of shares/options: None

Hermann Haraldsson

Independent member

Male

Year of birth: 1966

Member since: March 2018

Professional positions: CEO of Boozt Fashion AB and Boozt AB. Member of the Executive Management of Langanes ApS, Egilsgata Invest ApS, Buland Invest ApS and MMFC 2008 ApS.

Chairman of the Board of Directors of Boozt Fashion ApS, Boozt Retail A/S, Beauty by Boozt A/S and Boozt Technology A/S. Member of the Board of Directors of TV2 Danmark A/S.

Number of shares/options: None

Management’s review - continued

Executive Board

Gustav Mellentin (born 1966, Danish nationality) founded and joined Adform in 2002 and has held the current position as Chief Executive Officer since 2002. He is currently also CEO of GCM Holding ApS. In the past five years, Mr. Mellentin has served as member of the executive management of GC Solutions ApS (dissolved by declaration) and GCM Holding ApS. Member of the board of directors of CW Obel A/S. Mr. Mellentin holds a Master degree in Engineering from the Technical University of Denmark and a MBA from IMD, Switzerland.

Karsten Bjerregaard (born 1960, Danish nationality) joined Adform in 2015 and has held the current position as Chief Financial Officer since 2015. In the past five years, Mr. Bjerregaard has served as member of the boards of directors of KOMFO ApS and DIBA A/S and as chief financial officer of Sitecore Corporation A/S. Mr. Bjerregaard holds an HD in Accounting from Copenhagen Business School and a MBA from Insead, France.

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

Corporate Social Responsibility is an integral 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 A/S has also chosen to publish its statement on the gender composition of management on the Group's website, see https://site.adform.com/company/corporate-governance.

Management statement

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Adform A/S for the financial year 1 January – 31 December 2018.

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 give a true and fair view of the Group's and the Company's financial position as at 31 December 2018 and of the results of the Group's and parent company's operations and cash flows for the financial year 1 January – 31 December 2018.

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

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

Copenhagen, 4 April 2019
Executive Board:

Gustav Christen Mellentin CEO	Karsten Bjerregaard CFO

Board of Directors:

Peter Lorens Ravn Chairman	Lars Fløe Nielsen Vice-chair	Jakob Toftgaard Bak
Lars Holtug	Hermann Haraldsson	

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 2018, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for 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 as at 31 December 2018 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 2018 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" 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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.

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

Management's responsibilities for the consolidated financial statements and the parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report – continued

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 these consolidated financial statements and parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company 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.

Independent auditor's report - continued

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, 4 April 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath State Authorised Public Accountant mne19718	Kristian Bjerge State Authorised Public Accountant mne40740

Consolidated financial statements 1 January – 31 December

Consolidated income statement

Note	EUR'000	2018	2017
2	Revenue	67,881	59,493
	Cost of sales	-7,568	-4,758
	Gross profit	60,313	54,735
3,4,5,6	Research and development costs	-23,958	-18,525
3,4	Sales and marketing expenses	-36,687	-28,728
3,4,7	Administrative expenses	-8,871	-8,819
	Operating loss (EBIT)	-9,203	-1,337
8	Financial income	3,270	2,461
9	Financial expenses	-7,313	-5,482
	Loss before tax	-13,246	-4,358
10	Tax for the year	236	1,776
	Loss for the year	-13,010	-2,582
	Attributable to:		
	Shareholders of Adform A/S	-13,010	-2,582
12	Earnings per share, basic (EUR)	-0.26	-0.05
12	Earnings per share, diluted (EUR)	-0.24	-0.05

Consolidated statement of comprehensive income

Note	EUR'000	2018	2017
	Loss for the year	-13,010	-2,582
	Other comprehensive income		
	Items that may be reclassified to the income statement in subsequent periods:		
	Exchange differences in translation of foreign entities	140	2
	Other comprehensive income for the year, net of tax	140	2
	Total comprehensive income for the year	-12,870	-2,580
	Attributable to:		
	Shareholders of Adform A/S	-12,870	-2,580

Consolidated financial statements 1 January – 31 December

Consolidated balance sheet

Note	EUR'000	2018	2017
	ASSETS		
	Non-current assets		
13	Intangible assets	21,388	18,033
14	Tangible assets	5,041	7,680
15	Deferred tax assets	735	2,260
16	Other non-current assets	633	642
	Total non-current assets	27,797	28,615
	Current assets		
17,18	Trade receivables	66,312	61,539
18	Other receivables	1,062	409
	Income tax receivables	72	0
	Prepayments	1,521	1,554
18	Cash	20,540	14,573
	Total current assets	89,507	78,075
	TOTAL ASSETS	117,304	106,690

Note	EUR'000	2018	2017
	EQUITY AND LIABILITIES		
1	**Equity**		
19	Share capital	69	67
	Foreign currency translation reserve	51	-89
	Retained earnings	-1,449	8,049
	Total equity	-1,329	8,027
	Non-current liabilities		
20,25	Interest-bearing loans and borrowings	25,917	22,169
15	Deferred tax liabilities	0	326
	Total non-current liabilities	25,917	22,495
	Current liabilities		
20,25	Interest-bearing loans and borrowings	6,100	7,788
21,25	Trade payables	78,655	58,420
	Income tax payables	99	93
22,25	Other liabilities	7,862	9,867
	Total current liabilities	92,716	76,168
	Total liabilities	118,633	98,663
	TOTAL EQUITY AND LIABILITIES	117,304	106,690

Consolidated financial statements 1 January – 31 December

Consolidated statement of changes in equity

2018

EUR'000	Share capital	Foreign currency translation reserve	Retained earnings	Total equity
Equity 1 January 2018	67	-89	8,049	8,027
Loss for the year	0	0	-13,010	-13,010
Other comprehensive income				
Foreign currency translation of foreign entities	0	140	0	140
Total other comprehensive income	0	140	0	140
Total comprehensive income for the year	0	140	-13,010	-12,870
Transactions with owners				
Capital increase	2	0	2,408	2,410
Release of convertible loan element, net of tax	0	0	-1,336	-1,336
Share-based payments	0	0	2,440	2,440
Total transactions with owners	2	0	3,512	3,514
Equity 31 December 2018	69	51	-1,449	-1,329

2017

EUR'000	Share capital	Foreign currency translation reserve	Retained earnings	Total equity
Equity 1 January 2017	67	-91	10,409	10,385
Loss for the year	0	0	-2,582	-2,582
Other comprehensive income				
Foreign currency translation of foreign entities	0	2	0	2
Total other comprehensive income	0	2	0	2
Total comprehensive income for the year	0	2	-2,582	-2,580
Transactions with owners				
Share-based payments	0	0	222	222
Total transactions with owners	0	0	222	222
Equity 31 December 2017	67	-89	8,049	8,027

Consolidated financial statements 1 January – 31 December

Consolidated cash flow statement

Note	EUR'000	2018	2017
	Loss before tax	-13,246	-4,358
7	*Adjustment for:*		
	Amortisation and depreciation	9,480	7,375
8,9	Financial items, net (financial income and expenses)	4,043	3,021
	Other non-cash items	2,509	222
	Cash flow from operating activities before changes in working capital	2,786	6,260
	Changes in working capital	12,837	6,500
	Cash flow from operations	15,623	12,760
	Financial costs, net	-1,542	-603
10	Income taxes paid/received	1,692	-649
	Cash flow from operating activities	**15,773**	**11,508**
13	Investments in intangible assets	-8,601	-7,330
14	Investments in tangible assets	-1,570	-4,287
	Of which not paid/or finance lease	326	1,924
16	Change in other non-current assets	9	20
	Cash flow from investing activities	**-9,836**	**-9,673**
	Payment of lease commitments	-985	-1,224
	Repayment of bank overdraft	-2,852	-477
	Proceeds from other interest-bearing debt and bank overdraft	1,501	3,796
	Proceeds from capital increase	2,410	0
25	**Cash flow from financing activities**	**74**	**2,095**
	Net cash flow	6,011	3,930
	Currency adjustments	-44	0
	Cash, 1 January	14,573	10,643
	Cash[1] 31 December	**20,540**	**14,573**

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

Other non-cash items mainly relates 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 Financing and liquidity

As at 31 December 2018 the Group had a negative equity equal to EUR 1.3 million (and the parent company negative equity equalling EUR 2.6 million).

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 has agreed to make an equity injection of EUR 30 million in Adform A/S. The equity injection of EUR 30 million will be paid by GRO Capital as a cash contribution no later than 12 business days after signing of the Investment Agreement as of 4 April 2019.

As part of the Investment Agreement with GRO Capital, amendments in respect of the existing secured loan agreement with a credit institution has been entered. The amendments stipulates Adform A/S to make a partial redemption of 50% of the accumulated debt towards the credit institution, in total approximately EUR 13 million. The partial redemption is to be paid subsequent to the cash contribution by GRO Capital. As part of the amendments, the future interest are payable quarterly, the future interest rate has been fixed at 14% p.a. and the financial covenants have been adjusted.

Following the equity injection of EUR 30 million, the partial redemption of EUR 13 million and related costs in respect of the raising of new capital, net financing cash flow to Adform A/S from the above agreements is expected to amount to approximately EUR 15-16 million.

In addition, the existing revolving credit facility with a financial institution has been extended from DKK 25 million (approximately EUR 3.4 million) to DKK 60 million (approximately EUR 8.0 million). Furthermore, Adform expects to phase out the use of factoring.

Based on the abovementioned agreements and after examination of the updated budgets, including expected cash flow and development in the capital base etc., the presence of credit facilities as well as financial covenants, the Board of Directors and the Executive Board consider it reasonable and well-founded to base the financial reporting on going concern assumption.

2 Revenue

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

The Executive Board monitors and operates the Group as one segment on earnings with customers on both the buy side (advertisers and agencies) and the sell side (publishers), and on countries and products when monitoring revenue activities.

Management 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.

Revenue allocation by region:

EUR’000	**2018**	**2017**
Nordic	25,238	24,818
International	42,643	34,675
	67,881	59,493

Consolidated financial statements 1 January – 31 December

Notes

2 Revenue - continued

External revenue invoiced by the parent company, located in Denmark, amounted to EUR 62,144 thousand in 2018 and EUR 55,837 thousand in 2017.

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

EUR'000	**2018**	**2017**
Denmark	24,702	23,886
Lithuania	1,173	1,029
Other countries	554	798
Total non-current operating assets	26,429	25,713
Deferred tax assets and Other non-current assets	1,368	2,902
Total non-current assets	27,797	28,615

Products are organised into two revenue categories:

– Buy Side revenue comprises the fees paid by agencies and advertisers.

– Sell Side revenue comprises the fees paid by publishers.

EUR'000	**2018**	**2017**
Revenue from Buy Side *(Advertiser Edge)*	57,342	50,162
Revenue from Sell Side *(Publisher Edge)*	10,539	9,331
	67,881	59,493

Revenue per product:

EUR'000	**2018**	**2017**
Trading platforms	40,538	33,844
Ad serving	18,754	19,195
Data	6,469	3,827
Other Services	2,120	2,627
	67,881	59,493

In 2018 and in 2017, 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.

Consolidated financial statements 1 January – 31 December

Notes

2 Revenue - continued

Gross billings

Adform has several revenue streams that are based on different pricing models, including volume-based revenue, percent of media spend, revenue sharing and other fees. 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 certain volume discounts. Adform reviews gross billings for internal management purposes to assess market share and 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	**2018**	**2017**
Gross billings (non-IFRS)	319,779	255,608
Media costs (non-IFRS)	(251,898)	(196,115)
Reported revenue according to IFRS	67,881	59,493

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

Timing of revenue recognition from customers:

EUR'000	**2018**	**2017**
Services transferred at a point of time	67,881	59,493
Services transferred over time	0	0
	67,881	59,493

Adform has concluded that it transfers control over its services (i.e., planning and buying ad inventory, publishers selling their ad inventory in an automated way and etc.), at a point in time, because this is when the customer (publishers and advertisers) benefits from the Group's automate digital display software systems.

Consolidated financial statements 1 January – 31 December

Notes

3 Staff costs

EUR'000	2018	2017
Wages and salaries	41,056	36,039
Pensions (defined contribution plan)	260	200
Other expenses for social security	7,160	6,377
Share-based compensation expenses (refer to note 4)	2,440	222
Other employee expenses	898	590
	51,814	43,428
Development costs capitalised as intangible assets	-7,847	-7,132
	43,967	36,296
Average number of employees	843	773

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	2018	2017
Wages and salaries	435	371
Share-based compensation expenses	175	0
	610	371
Compensation to the Board of Directors		
Compensation	155	4

* Consist of the paid remuneration to registered members of the Executive Board in the individual financial year. The remuneration for the financial year 2018 includes the full calendar year for Gustav Mellentin and Karsten Bjerregaard, whilst Jakob Toftgaard Bak's base salary is included until 31 March 2018, where he was de-registered as part of the registered management from the Danish Business Authority.

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 9 months advance notice. Each member of the Executive Board can terminate his employment with the Company for any reason upon at least 3 month's advance notice. The members of the Executive Board are not entitled to any severance payments under their employment contracts. The members of the Executive Board are subject to restrictive covenants (non-competition or non-solicitation restrictions) during the term of their employment and for a period of 12 months thereafter under their employment contracts.

Other key employees include the Chief Operations Officer, Chief Strategy Officer and Chief HR Officer. The total remuneration amounted to EUR 1,405 thousand, of which share-based compensation expenses amounted to EUR 363 thousand and wages and salaries EUR 1,042 thousand.

Consolidated financial statements 1 January – 31 December

Notes

4 Share-based payments

Adform A/S has established incentive programmes under which certain employees 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 2018 is based on the following assumptions:

	2018	2017
Share price (EUR)	0.001 - 1.46	1.9
Volatility	28 - 30%	28.9%
Risk-free interest rate	-0.51% - 0.31%	0.4%
Expected dividends	0%	0%
Expected remaining life (years)	7.0	3.5

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	2025-12-31	0.2	105	6,843,341

Consolidated financial statements 1 January – 31 December

Notes

4 Share-based payments - continued

Share option schemes at 31 December 2018

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
Outstanding at 31 December 2018	-	85,403	4,742,793	4,828,196	

Outstanding share options

	Board of Directors	Executive Board	Senior staff	Total	Average price per option
Outstanding at 1 January 2017	-	-	1,429,544	1,429,544	3.8
Granted	-	-	131,500	131,500	3.1
Exercised	-	-	-	-	-
Options re-granted	-	-	-	-	-
Options waived/expired	-	-	-	-	-
Outstanding at 31 December 2017	-	-	1,561,044	1,561,044	
Outstanding at 1 January 2018	-	-	1,561,004	1,561,004	
Granted	-	85,403	3,181,749	3,267,152	0.2
Exercised	-	-	0	0	-
Options re-granted	-	-	-1,061,044	-1,061,044	3.5
Options waived/expired	-	-	-14,245	-14,245	0.2
Outstanding at 31 December 2018	-	85,403	3,667,464	3,752,867	

Consolidated financial statements 1 January – 31 December

Notes

4 Share-based payments - continued

The table below shows the number of warrants and options granted and vested as at 31 December 2018 and the subscription price per share.

Incentive programme	Number	Vested as at 31 December 2018*	Subscription price per share of DKK 0.01
Warrants	2,561,959	2,053,338	DKK 0.01
Warrants (3 employees in U.S. subsidiary)	225,280	218,289	DKK 10.91
LTIP Options	250,000	140,620	EUR 3.00
LTIP Options	250,000	140,620	EUR 1.00
CSOP Options	215,668	0	DKK 0.80
CSOP Options	250,000	0	DKK 5.60

* Vested as at 31 December 2018 due to fulfilment of service requirement by the employee. No exit has occurred.

Warrants

In August 2018 and in September 2018 a warrant program (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 total, 2,787,239 warrants have been granted.

Under the terms of the warrant programme, it is a condition for exercising the warrants, that a) an exit (an initial public offering constitutes an exit) 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.

If a participant ceases to be employed by Adform and the participant is a "bad leaver" the participant is entitled to keep all warrants already vested. "Good leavers" are entitled to keep all warrants already granted and is furthermore entitled to receive a proportionate part of the warrants that the participant would have received on the forthcoming vesting date.

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 has been calculated with a share price of approximately DKK 16.4.

For the twelve-month period ended 31 December 2018, an expense of EUR 2,349 thousand has been recognised as cost in the income statement and in equity.

Options

The long-term stock option programme which one employee (LTIP Options) was granted in 2016. For the twelve-month period ended 31 December 2018, vesting has continued with recognition to equity and salary cost in the income statement of EUR 91 thousand. For the grant at EUR 1 under the LTIP Options it has been agreed with the participant that an exit (an initial public offering constitutes an exit), 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. However, contrary to the warrant programme, if a participant ceases to be employed by Adform’s subsidiary in the UK and the participant is not a "good leaver", unvested options granted to the holder will lapse. Accordingly, the occurrence of an exit is a non-market performance condition (vesting condition). Thus, at 31 December 2018 no expense in respect to the UK CSOP programme has been recognised in the financial statements.

Consolidated financial statements 1 January – 31 December

Notes

5 Research and development costs

Adform's research and development focuses on the development of the Adform 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	2018	2017
This years incurred research and development costs	24,950	20,957
Amortisation of intangible assets	4,650	3,255
Depreciation of tangible assets	2,205	1,445
Development costs recognised in intangible assets	-7,847	-7,132
Development costs recognised in research and development costs	23,958	18,525

6 Fees to independent auditors

EUR'000	2018	2017
Fee for statutory audit	211	71
Other assurance services	391	81
Total audit related services	602	152
Tax and VAT advisory services	115	44
Other services	60	0
Total non-audit services	175	44
Total fees to independent auditors	777	196

For 2018, expenses related to audit services and other non-audit services were significantly affected by Adform's preparations in respect to the intended Initial Public Offering on Nasdaq Copenhagen, including the work performed in 2018 in respect to the Groups transition to IFRS.

7 Amortisation and depreciation

EUR'000	2018	2017
Amortisation of intangible assets	5,214	3,551
Depreciation of tangible assets	4,266	3,824
	9,480	7,375

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

EUR'000	2018	2017
Research and development costs	4,650	3,255
Sales and marketing expenses	442	227
Administrative expenses	122	69
	5,214	3,551

Consolidated financial statements 1 January – 31 December

Notes

8 Financial income

EUR'000	2018	2017
Interest income on financial assets measured at amortised cost	16	15
Foreign exchange gains and adjustments	3,254	2,446
	3,270	2,461

9 Financial expense

EUR'000	2018	2017
Interest expenses on financial liabilities measured at amortised cost	2,792	2,555
Foreign exchange losses and adjustments	4,404	2,808
Other interest expenses	117	119
	7,313	5,482

10 Tax for the year

EUR'000	2018	2017
Current income tax charge for the year	-621	-579
Tax credit research and development expenses	742	922
Recognition of un-recognised tax asset from previous years	0	1,478
Adjustment to tax for prior years	115	-45
Total tax for the year (-expense)	236	1,776
Deferred tax on other comprehensive income	0	0

Tax reconciliation

	2018		2017	
	EUR '000	**%**	**EUR '000**	**%**
Loss before tax	-13,246		-4,358	
Tax using the Danish corporation tax rate (+income)	2,914	-22 %	959	22 %
Deviation in foreign subsidiaries' tax rates compared to the Danish rate	177	-1 %	-364	-10 %
Adjustment for tax prior year	115	-1 %	-45	1 %
Recognition of un-recognised tax asset from previous years	0	0 %	1,478	34 %
Non-capitalised tax assets	-2,430	-18 %	-252	-6 %
Non-deductible expenses	-540	-4 %	0	0 %
Effective tax / tax rate for the year	236	-2 %	1,776	41 %

Non-deductible expenses relates mainly to IPO costs.

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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11 Government grants

HTP resident status in Belarus

Adform's operations in Belarus are localted 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

In 2018, the parent company received EUR 2,264 thousand in respect of development costs due to the Danish tax credit scheme for the income years 2015, 2016 and 2017. Adform also plans to apply the tax credit scheme for 2018, equalling approximately EUR 738 thousand.

Other tax credit and funding arrangements in respect of software development

Adform's subsidiaries in Lithuania and the Netherlands participate in certain tax credit and funding arrangements in respect of software development projects initiated by the European Union and the state of Netherlands. 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 – 2018 received EUR 933 thousand in funding. For 2018, EUR 252 thousand has been recognised.

The subsidiary in the Netherlands has in 2018 received EUR 19 thousand.

Despite Adform having completed either 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.

12 Earnings per share

EUR'000	2018	2017
Profit attributable to equity holders	-13,010	-2,582
Weighted average number of ordinary shares	50,290,000	50,000,000
Dilutive effect of share-based payments	3,752,867	1,561,044
Weighted average number of ordinary shares adjusted for the effect of dilution	53,104,650	51,547,566
Basic earnings per share, EUR	-0.26	-0.05
Diluted earnings per share, EUR	-0.24	-0.05

For more detailed information about changes in number of shares, please see note 19.

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13 Intangible assets

EUR'000	Completed development projects	Licenses	Total
Cost as at 1 January 2018	24,185	2,268	26,453
Foreign currency translation adjustments	-50	0	-50
Additions	7,847	754	8,601
Cost as at 31 December 2018	31,982	3,022	35,004
Amortisation as at 1 January 2018	6,793	1,627	8,420
Foreign currency translation adjustments	-20	2	-12
Amortisation	4,656	558	5,214
Amortisation as at 31 December 2018	11,429	2,187	13,616
Carrying amount 31 December 2018	20,553	835	21,388

EUR'000	Completed development projects	Licenses	Total
Cost as at 1 January 2017	17,095	2,070	19,165
Foreign currency translation adjustments	-42	0	-42
Additions	7,132	198	7,330
Cost as at 31 December 2017	24,185	2,268	26,453
Amortisation as at 1 January 2017	3,725	1,153	4,878
Foreign currency translation adjustments	-8	-1	-9
Amortisation	3,076	475	3,551
Amortisation as at 31 December 2017	6,793	1,627	8,420
Carrying amount 31 December 2017	17,392	641	18,033

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.

The continued product development of the Adform 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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14 Tangible assets

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

EUR'000	2018	2017
Cost as at 1 January	17,273	13,033
Foreign currency translation adjustments	19	-47
Additions	1,570	4,287
Cost as at 31 December	18,862	17,273
Depreciation and impairment losses as at 1 January	9,593	5,792
Foreign currency translation adjustments	-47	-23
Depreciation	4,266	3,824
Depreciation and impairment as at 31 December	13,812	9,593
Carrying amount 31 December	5,050	7,680
Items of tangible assets include assets held under finance leases with a total carrying amount of	1,189	1,693

15 Deferred tax

EUR'000	2018	2017
Deferred tax as at 1 January	1,934	-470
Foreign currency translation adjustments	-2	4
Recognised in the income statements	742	922
Recognition of un-recognised tax assets from previous years	0	1,478
Tax credit for research and development received	-2,264	0
Reversal due to exercise of warrants under the convertible loan agreement	325	0
Deferred tax 31 December	735	1,934
Recognised in the balance sheet as follows:		
Deferred tax assets	735	2,260
Deferred tax liabilities	0	-326
Deferred tax, net	735	1,934
Specification of deferred tax:		
Intangible assets	-5,013	-4,153
Property, plant and equipment	1,408	-280
Liabilities etc.	23	-23
Tax loss carry-forwards	4,317	6,390
Deferred tax, net	735	1,934

As at 31 December 2018, deferred tax assets of EUR 688 thousand relate to the parent company. In 2018, a tax asset has been recognised as the parent company expect to be able to make a cash conversion of the recognised tax assets related to negative taxable income from development costs in 2018 due to the Danish tax credit scheme.

At 31 December 2018, latent tax liabilities on undistributed dividends amounts to EUR 36 thousand relating to withholding tax on dividend which will be payable if retained earnings are distributed as dividend from the entity in Belarus. At present, the Executive Board does not intend to distribute this dividend.

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16 Other non-current assets

Other non-current assets consist of deposits.

EUR'000	2018	2017
Cost as at 1 January	642	673
Foreign currency translation adjustments	21	-11
Additions	30	35
Disposals	-60	-55
Cost as at 31 December	633	642
Value adjustments	0	0
Carrying amount 31 December	633	642

17 Trade receivables

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

EUR'000	2018	2017
Trade receivables	14,076	14,734
Receivables related to trading orders	52,236	46,805
	66,312	61,539

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 Group is exposed to credit risk related to the Trade receivables and Receivables related to trading orders. No significant losses were incurred in respect of individual trade receivables in 2017 and 2018. Credit risk and ageing analysis is further described in note 23.

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18 Financial instruments by category

EUR'000	2018	2017
Financial assets measured at amortised cost		
Trade receivables	14,076	14,734
Receivables related to trading orders	52,236	46,805
Other receivables, non-current and current	1,062	409
Cash	20,540	14,573
	87,914	76,521
Financial liabilities measured at amortised cost		
Interest-bearing loans and borrowings, non-current	25,917	22,169
Interest-bearing loans and borrowings, current	6,100	7,788
Trade payables	5,266	5,032
Payables related to trading orders	73,389	53,388
Other liabilities[1]	1,135	790
	111,807	89,167

[1] Excluding non-financial instruments such as public debt and staff payables of EUR 6,727 thousand (2017: EUR 9,077 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 has an interest rate of 9 % per year. 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.

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19 Share capital

The share capital comprises of 51,160,000 shares of DKK 0.01 each. No shares carry any special rights. Specification of movements in share capital:

EUR'000	2018	2017	2016
Share capital 1 January	67	67	67
Capital increase	2	-	-
Share capital 31 December	69	67	67

On 28 September 2018, Danica Pension exercised its warrants under the agreement with the Company. As a consequence, Danica Pension became a shareholder in the Company holding 2.27% of the Company's share capital. In connection with the exercise, nominal DKK 11,600 new shares was issued to Danica Pension. The total exercise prices amounted to EUR 2,410 thousand.

20 Interest-bearing loans and borrowings

EUR'000	2018	2017
Non-current borrowings		
Debt to credit institutions	25,021	20,952
Finance lease liabilities	896	1,217
	25,917	22,169
Current borrowings		
Bank overdraft	0	2,852
Finance lease liabilities	803	1,140
Other interest-bearing debt	5,297	3,796
	6,100	7,788
Maturity of current and non-current borrowings		
Less than one year	6,100	7,788
Between one and five years	25,917	22,169
More than five years	0	0
	32,017	29,957

Pursuant to the loan agreement between the parent company as issuer and Danske Bank A/S as security agent, the parent company has issued EUR 20 million secured notes to the credit institution. The secured notes are recognised as Debt to credit institutions. Subject to potential listing of all or part of any class of the share capital of the parent company on any stock exchange or other regulated market place, the parent company shall redeem the notes if the credit institution exercises its put option. Reference is made to note 24 in respect of loan covenants.

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20 Interest-bearing loans and borrowings - continued

Finance lease liabilities

The Group has entered into finance leases in regards to computer equipment.

EUR'000	2018 Minimum lease payments	2018 Present value of minimum lease payments	2017 Minimum lease payments	2017 Present value of minimum lease payments
0-1 year	890	803	1,251	1,140
1-5 years	954	896	1,305	1,217
>5 years	0	0	0	0
	1,844	1,699	2,556	2,357
Interest element	-145	-	-199	-
Present value of minimum lease payments	1,699	1,699	2,357	2,357

The carrying amount of finance lease assets is disclosed in note 14.

21 Trade payables

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

EUR'000	2018	2017
Trade payables	5,266	5,032
Payables related to trading orders	73,389	53,388
	78,655	58,420

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

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.

22 Other liabilities

EUR'000	2018	2017
Staff payables	4,680	3,761
Duties to public authorities	2,047	5,316
Other accrued expenses	1,135	790
	7,862	9,867

In 2017, Duties to public authorities included an interest-free export VAT loan from the Danish tax authorities. The tax scheme was terminated 1 January 2018 and as a result the loan was repaid in January 2018.

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23 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. The Group has 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. 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
2018	66,312	-642	45,896	15,266	2,773	983	1,410	494	132
2017	61,539	-802	39,829	16,239	4,556	504	941	248	24

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 2018, the outstanding receivables covered by insurance amounted to 57%.

No significant losses were incurred in respect of individual trade receivables in 2017 and 2018 to date.

The Group has entered into a factoring agreement pursuant to which the provider of factoring has made a EUR 10 million factoring facility available to finance certain credit sales in the ordinary course of business of Adform. Adform has assessed that the Company retains substantially all the risk and rewards of the assets and therefore the financial assets are not derecognised in line with the requirements of IFRS 9. As a result, receivables is continued to be recognised and measured at amortised cost.

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23 Credit risk, liquidity risk and currency risk - continued

Pursuant to the factoring agreement, Adform is obliged to provide certain information to the provider of factoring, including information of any transfer of a controlling amount of shares in the parent company. If, on the basis of a factual assessment of a new controlling shareholder, the provider of factoring finds such assessment to be negative, the provider of factoring may terminate the factoring agreement with five days' notice.

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

EUR'000	2018	2017
Allowance for expected credit losses as at 1 January	-802	-1,613
Additions	-378	-664
Utilised	288	332
Unused amounts reversed	250	1,143
Allowance for expected credit losses as at 31 December	-642	-802

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.

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 2018 amounts to EUR 642 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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23 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 2018					
Interest-bearing loans and borrowings, non-current	25,917	33,055	0	33,055	0
Interest-bearing loans and borrowings, current	6,100	6,172	6,172	0	0
Trade payables	5,266	5,266	5,266	0	0
Payables related to trading orders	73,389	73,389	73,389	0	0
Other liabilities[1]	1,135	1,135	1,135	0	0
	111,807	119,017	85,962	33,055	0
31 December 2017					
Interest-bearing loans and borrowings, non-current	22,169	33,408	0	33,408	0
Interest-bearing loans and borrowings, current	7,788	8,029	8,029	0	0
Trade payables	5,032	5,032	5,032	0	0
Payables related to trading orders	53,388	53,388	53,388	0	0
Other liabilities[1]	790	790	790	0	0
	89,167	100,647	67,239	33,408	0

[1] Excluding non-financial instruments such as public debt and staff payables of EUR 6,727 thousand (2017: EUR 9,077 thousand).

Operating lease agreements are not included, but disclosed in note 26.

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.

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.

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23 Credit risk, liquidity risk and currency risk - continued

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	2018	2017
NOK	359	608
SEK	408	688
GBP	245	109
USD	-736	-134

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	2018	2017
NOK	365	603
SEK	418	679
GBP	248	87
USD	-700	-162

24 Capital management

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

In order to achieve this overall objective, the Group's capital management aims, at ensuring that it meets financial covenants connected with the interest-bearing loans and borrowings that define capital structure requirements. Adform relies primarily on cash flow from operating activities, external loans and a factoring setup to finance its operations.

The loan agreement with the credit institution contains certain undertakings in respect of the future maintenance and conduct of Adform's business, including various covenants, such as restrictions on acquisitions, incurrence of financial indebtedness, changes to the nature of the business of the Company, granting of loans and guarantees, providing security, disposals of assets, declaration and payment of dividend and other distributions. The loan agreement also includes several financial covenants. The covenants in the Company's credit facilities may limit its ability to take actions and, in the event that the Company breaches one or more covenants, its lenders may choose to declare an event of default and require that the Company immediately repay all amounts outstanding and foreclose on the collateral granted to them to collateralise such indebtedness. In addition, if the Company fails to meet the required covenants, the Company will not have access to further draw-downs under the factoring agreement.

There have been no breaches of the financial covenants in the current period.

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25 Changes in liabilities arising from financing activities

EUR'000	1 January 2018	Cash flows	New leases	Other	31 December 2018
Non-current interest-bearing loans and borrowings (excluding items listed below)	20,952	0	0	4,069	25,021
Finance lease, non-current	1,217	-633	312	0	896
Bank overdraft, current	2,852	-2,852	0	0	0
Finance lease, current	1,140	-352	15	0	803
Other interest-bearing debt, current	3,796	1,501	0	0	5,297
Proceeds from capital increase	0	2,410	0	0	2,410
Total liabilities from financing activities	29,957	74	327	4,069	34,427

EUR'000	1 January 2017	Cash flows	New leases	Other	31 December 2017
Non-current interest-bearing loans and borrowings (excluding items listed below)	18,611	0	0	2,341	20,952
Other interest-bearing debt, non-current	826	0	391	0	1,217
Bank overdraft, current	3,329	-477	0	0	2,852
Other interest-bearing debt, current	832	2,572	1,532	0	4,936
Total liabilities from financing activities	23,598	2,095	1,923	2,341	29,957

Other relates to rolled-up and accrued interest. In 2018, Danica Pension 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 Danica Pension, 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.

26 Operating leases

The Group leases office premises and IT equipment under operating leases. The leasing period is typically between 2 and 5 years with the possibility for Adform of extending the contracts.

Non-cancellable operating lease payments are as follows:

EUR'000	2018	2017
0-1 year	2,679	2,461
1-5 years	4,309	4,769
>5 years	641	569
	7,629	7,799
Operating lease cost expensed in the income statement	2,918	4,043

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27 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.

Pledges and securities

As security for all obligations with Danske Bank, the parent company has granted a floating charge in the amount of DKK 25 million over certain of its assets, which is registered in favour of Danske Bank in the business of the parent company in the Danish Personal Register.

A joint and several guarantee has been provided as security for the account with Danske Bank relating to Adform Norway AS and Adform Sweden AB.

All obligations under the loan agreement with the credit institution are guaranteed by certain subsidiaries of the parent company. Furthermore, the obligations under the loan agreement are secured by pledges over the issued share capital of the parent company and the subsidiaries which are guarantors under the loan agreement. Further, a negative pledge has been registered in the Danish Personal Register over certain assets of the parent company. As at 31 December 2018, the loan has a carrying amount of EUR 25,021 thousand (2017: EUR 20,952 thousand).

As security for all obligations under the factoring agreement, some receivables (from selected clients) owed to the Group in relation to its credit sales (subject to agreed exceptions) are pledged. Also, the Group has assigned to the provider of factoring any amount of damages paid out pursuant to a credit insurance policy entered into by the Group with Atradius as insurer. A negative pledge has been registered in the Danish Personal Register in respect of the Company, by which the parent company may not mortgage or charge any unsecured claims owed to it resulting from its sale of goods and services, including by way of a receivables charge. The provider of factoring has accepted that should the credit institution, who the negative pledge is registered in favor of, demand the deletion of the negative pledge in favor of the factoring provider, the factoring provider will take the necessary steps to delete such negative pledge (subject to certain exceptions).

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 customer (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 customer. The guarantee continue to be effective until 31 December 2018. 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 2018, the balance towards the customer (supplier) amounted to EUR 5.4 million (2017: EUR 3.9 million).

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28 Related parties

Shareholders

- GCM Holding ApS, Charlottenlund, Denmark, 51.91%
- Via Equity Fond I K/S, Hillerød, Denmark, 27.98%
- Accredonet Holding ApS, Frederiksberg, Denmark, 12.12%
- Stefan Juricic, Hvidovre, Denmark, 5.73%
- Danica Pension, 2.27%

Due to 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

On 28 September 2018, Danica Pension exercised its warrants under the agreement with the Company. As a consequence, Danica Pension became a shareholder in the Company holding 2.27% of the Company's share capital. In connection with the exercise, nominal DKK 11,600 new shared has been issued to Danica Pension. The total exercise prices amounted to EUR 2,410 thousand.

In 2016, Adform entered into a loan agreement of nominal EUR 20,000 thousand with Danica Pension. The loan has an interest rate of 9 % per year. At 31 December 2018, the loan including rolled-up and accrued interest amounted to EUR 25,021 thousand and has been recognised as Interest-bearing loans and borrowings, non-current.

Besides the capital increase and the loan towards Danica Pension, there have, except compensation for employment with Adform according to below, not been other transactions with shareholders in 2018 and 2017.

Transactions with Management

Adform did not enter into any significant 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.

29 Events after reporting period

Reference is made to note 1 in the consolidated financial statements in respect of the entered Investment Agreement with GRO Capital and related amendments in respect of the existing secured loan agreement with the credit institution.

No other significant events have occurred after the balance sheet date which would influence the evaluation of these consolidated financial statements.

Consolidated financial statements 1 January – 31 December

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30 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 2018 were authorised for issue in accordance with a resolution of the Board of Directors as of # May 2019.

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 2018.

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

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. 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

Consolidated financial statements 1 January – 31 December

Notes

30 Accounting policies - continued

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

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.

Consolidated financial statements 1 January – 31 December

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30 Accounting policies - continued

Consolidated financial statements - continued

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.

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 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.

Consolidated financial statements 1 January – 31 December

Notes

30 Accounting policies - continued

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 a point in time in connection with actual buying/selling of ad inventory, as this is when the customer (publishers and advertisers) benefits from the Group's automate digital display software systems. 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.

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 medica 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.

Consolidated financial statements 1 January – 31 December

Notes

30 Accounting policies - continued

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.

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.

Consolidated financial statements 1 January – 31 December

Notes

30 Accounting policies - continued

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.

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.

Consolidated financial statements 1 January – 31 December

Notes

30 Accounting policies - continued

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.

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.

Consolidated financial statements 1 January – 31 December

Notes

30 Accounting policies - continued

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 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.

Consolidated financial statements 1 January – 31 December

Notes

30 Accounting policies - continued

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 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.

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

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Consolidated financial statements 1 January – 31 December

Notes

30 Accounting policies - continued

Other non-current assets

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

Trade receivables

Trade receivables (applying before 1 January 2018)

Trade receivables are recognised at the trade date, initially measured at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that Adform will not be able to collect all amounts due according to the original terms of the receivables.

Trade receivables (applying after 1 January 2018)

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.

With the implementation of IFRS 9 Financial instruments, Adform has applied 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.

The transition to the expected loss model did not have a material impact, mainly due to the low historically realised losses.

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.

Consolidated financial statements 1 January – 31 December

Notes

30 Accounting policies - continued

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.

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.

Consolidated financial statements 1 January – 31 December

Notes

30 Accounting policies - continued

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. 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.

Consolidated financial statements 1 January – 31 December

Notes

30 Accounting policies - continued

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.

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

The Group’s business activity is managed as one operating segment, which is to trade, deliver and segment digital media and resulting data for advertising and publishing purposes. Adform is focusing on serving both the demand and the supply side, both related to the single operating segment.

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

30 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
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.
EBITDA:	Operating profit/loss (EBIT) before depreciation and amortisation
EBITDA before special items:	EBITDA excluding special items such IPO related costs and shared-based payments.
NIBD:	Cash less interest-bearing loans and borrowings (current and non-current)

31 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).

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31 Significant accounting estimates and judgements - continued

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 23.

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.

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 4.

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.

Financing and liquidity

As at 31 December 2018 the Company had negative equity equal to EUR 1.3 million (parent company; negative equity equal to EUR 2.6 million). Based on the entered Investment Agreement and amendments, as described in note 1 to the consolidated financial statements, the Board of Directors and the Executive Board consider it reasonable and well-founded to base the financial reporting on going concern assumption.

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Notes

32 New standards, interpretations and amendments adopted by the Group

The Group applies, for the first time, IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers. Several other amendments and interpretations also apply for the first time in 2018. None of these had an impact on the recognition or measurement in the consolidated financial statements.

IFRS 9 'Financial instruments'

IFRS 9 replaces IAS 39, which changes the classification, measurement and impairment of financial assets, and introduces new rules for hedge accounting. IFRS 9 requires the Group to record expected credit losses on all its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group applied the simplified method upon adoption of IFRS 9 on 1 January 2018 and record lifetime expected losses on all trade receivables.

Based on the portfolio of financial assets and liabilities and the historical low realised loss on trade receivables, the adoption of the new standard did not have any material impact on the Group's consolidated financial statements and therefore no effect on retained earnings at 1 January 2018.

Adform has a factoring arrangement in which receivables are used as funding. Adform has assessed that the Company retains substantially all the risk and rewards of the assets and therefore the financial assets are not derecognised in line with the requirements of IFRS 9. As a result, receivables is continued to be recognised and measured at amortised cost.

No other elements from the adoption of the standard has affected recognition, measurement and classification.

IFRS 15 'Revenue from contracts with customers'

With effective date 1 January 2018, IFRS 15 introduces a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The implementation of IFRS 15 has for Adform resulted in a more detailed presentation and disclosure requirements than under the previous standards. Apart from this, the implementation of IFRS 15 have not had any material impact on the recognition and measurement of revenue, and the adoption has had no material impact on the statement of cash flows and no impact on basic and diluted EPS.

Standards issued but not yet effective

The most significant standards and interpretations that are recently issued, but not yet effective, up to the date of issuance of Adform's financial statements are disclosed below. Adform intends to adopt these standards, when they become effective.

IFRS 16 'Leases'

IFRS 16 was issued in January 2016 with effective date 1 January 2019. It will result in almost all leases being recognised in the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, a lease asset (the 'right of use' asset) and a financial liability to pay rentals are recognised. There are only few exceptions which are related to short-term and low-value leases.

Adform will as lessee be required to separately recognise interest expenses on the finance lease liability and depreciation expenses on the right of use asset. Further, Adform will also be required to account for lease modifications such as changes to the lease term as well as changes in the future lease payments resulting from a change in an index or rate used to determine those payments. The amount of the re-measurement will be recognised as an adjustment to the lease liability and right of use asset.

Adform intend to adopt the standard on 1 January 2019 applying the simplified transition approach without restating comparative amounts for the year prior to first adoption.

As a result of the new standard, EBITDA will be impacted by the reclassification of expensed rent to depreciation and interest expenses. Free cash flow will be impacted positively as the classification of the leasing payments change from operational cash flow to cash flow from financing. Aside from EBITDA, IFRS 16 will also impact the balance sheet and balance sheet-related ratios such as NIBD due to the recognition of the lease asset and finance liability.

Consolidated financial statements 1 January – 31 December

Notes

32 New standards, interpretations and amendments adopted by the Group - continued

At the reporting date, Adform had non-cancellable operating lease commitments of EUR 7,629 thousand (note 26). During 2018, Adform has finalised the assessment and it is assessed, that most of the current leases will qualify as leases to be recognised in the balance sheet under IFRS 16 and only insignificant commitments may be covered by exceptions. As of the date of approval of the consolidated financial statements, Management assesses to recognise additional EUR 13,454 thousand in lease liabilities and a similar amount as right-of-use assets as of 1 January 2019. No equity effect is assessed. The Group has in connection with the measurement of the discounted value of the lease liability applied incremental interest rates in a range between 4% and 10%.

All other new or amended standards and interpretations not yet effective are not expected to have a material impact on Adform’s annual report.

Parent company financial statements 1 January – 31 December

Income statement

Note	EUR'000	2018	2017
2	Revenue	62,144	55,837
	Cost of sales	-6,853	-4,510
	Gross profit	55,291	51,327
3,4,5,7	Research and development costs	-23,702	-20,529
3,4,7	Sales and marketing expenses	-33,429	-27,243
3,4,7	Administrative expenses	-10,193	-8,032
	Operating loss (EBIT)	-12,033	-4,477
	Income from subsidiaries	2,970	2,274
8	Financial income	3,191	2,379
9	Financial expenses	-7,099	-5,234
	Loss before tax	-12,970	-5,058
10	Tax for the year	738	2,396
	Loss for the year	-12,232	-2,662

Statement of comprehensive income

Note	EUR'000	2018	2017
	Loss for the year	-12,232	-2,662
	Other comprehensive income		
	Items that may be reclassified to the income statement in subsequent periods:		
	Exchange differences in translation	82	-8
	Other comprehensive income/loss for the year, net of tax	82	-8
	Total comprehensive income for the year	-12,150	-2,670

Parent company financial statements 1 January – 31 December

Balance sheet

Note	EUR'000	2018	2017
	ASSETS		
	Non-current assets		
12	Intangible assets	22,741	19,354
13	Tangible assets	3,448	5,522
14	Investment in subsidiaries	128	132
15	Deferred tax assets	688	2,218
16	Other non-current assets	41	31
	Total non-current assets	27,046	27,257
	Current assets		
17,18	Trade receivables	60,650	57,616
	Receivables from subsidiaries	7,486	3,522
	Income tax receivable	0	0
18	Other receivables	726	199
	Prepayments	975	872
18	Cash	19,009	12,431
	Total current assets	88,846	74,640
	TOTAL ASSETS	115,892	101,897

Note	EUR'000	2018	2017
	EQUITY AND LIABILITIES		
1	**Equity**		
19	Share capital	69	67
	Foreign currency translation reserve	79	-3
	Reserve for development cost	14,262	10,126
	Retained earnings	-16,963	-4,107
	Total equity	-2,553	6,083
	Non-current liabilities		
20,25	Interest-bearing loans and borrowings	25,836	22,138
15	Deferred tax liabilities	0	327
		25,836	22,465
	Current liabilities		
20,25	Interest-bearing loans and borrowings	6,009	7,754
21,25	Trade payables	69,025	49,526
	Payables to subsidiaries	15,408	11,097
22,25	Other liabilities	2,167	4,972
		92,609	73,349
	Total liabilities	118,445	95,814
	TOTAL EQUITY AND LIABILITIES	115,892	101,897

Parent company financial statements 1 January – 31 December

Statement of changes in equity

2018

EUR'000	Share capital	Foreign currency translation reserve	Reserve for develop-ment cost	Retained earnings	Total equity
Equity 1 January 2018	67	-3	10,126	-4,107	6,083
Loss for the year	0	0	4,136	-16,368	-12,232
Other comprehensive income					
Foreign currency translation	0	82	0	0	82
Total other comprehensive income	0	82	0	0	82
Total comprehensive income for the year	0	82	4,136	-16,368	-12,150
Transactions with owners					
Share-based payments	0	0	0	2,440	2,440
Capital increase	2	0	0	2,408	2,410
Release of convertible loan element, net of tax	0	0	0	-1,336	-1,336
Total transactions with owners	2	0	0	3,512	3,514
Equity 31 December 2018	69	79	14,262	-16,963	-2,553

2017

EUR'000	Share capital	Foreign currency translation reserve	Reserve for develop-ment cost	Retained earnings	Total equity
Equity 1 January 2017	67	5	5,109	3,350	8,531
Loss for the year	0	0	5,017	-7,679	-2,662
Other comprehensive income					
Foreign currency translation	0	-8	0	0	-8
Total other comprehensive income	0	-8	0	0	-8
Total comprehensive income for the year	0	-8	5,017	-7,679	-2,670
Transactions with owners					
Share-based payments	0	0	0	222	222
Total transactions with owners	0	0	0	222	222
Equity 31 December 2017	67	-3	10,126	-4,107	6,083

Parent company financial statements 1 January – 31 December

Cash flow statement

Note	EUR'000	2018	2017
	Loss before tax	-12,970	-5,058
7	*Adjustment for:*		
	Amortisation and depreciation	8,754	6,794
	Dividends from subsidiaries	-2,970	-2,274
8,9	Financial items, net (financial income and expenses)	3,907	2,855
	Other non-cash items	2,509	222
	Cash flow from operating activities before changes in working capital	-770	2,539
	Changes in working capital	13,377	7,423
	Cash flow from operations	12,607	12,236
	Financial costs, net	-1,399	-368
10	Income taxes received	2,264	0
	Cash flow from operating activities	**13,472**	**11,868**
12	Investments in intangible assets	-8,952	-7,701
13	Investments in tangible assets	-1,196	-3,412
	Of which not paid/or finance lease	186	1,578
16	Change in other non-current assets	-10	0
	Dividends from subsidiaries	2,970	2,274
	Cash flow from investing activities	**-7,002**	**-9,535**
	Payment of lease commitments	-951	-1,192
	Repayment of bank overdraft	-2,852	-477
	Proceeds from other interest-bearing debt and bank overdraft	1,501	3,796
	Cash increase of capital	2,410	0
25	**Cash flow from financing activities**	**108**	**2,127**
	Net cash flow	6,578	4,460
	Cash, 1 January	12,431	7,971
	Cash[1] 31 December	19,009	12,431

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

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

[1] Cash comprises cash at bank and in hand

Parent company financial statements 1 January – 31 December

Notes to the parent financial statement

Parent company financial statements 1 January – 31 December

Notes

1 Financing and liquidity

The parent company has negative equity equaling EUR 2.6 million.

Further information about financing and liquidity is disclosed in note 1 in the consolidated financial statements.

2 Revenue

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

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.

Revenue allocation by region:

EUR'000	2018	2017
Nordic	25,182	24,710
International	36,962	31,127
Total revenue	62,144	55,837

Products are organised into two revenue categories:

– Buy Side revenue comprises the fees paid by agencies and advertisers.

– Sell Side revenue comprises the fees paid by publishers.

EUR'000	2018	2017
Revenue from Buy Side	52,135	46,985
Revenue from Sell Side	10,009	8,852
	62,144	55,837

Revenue per product:

EUR'000	2018	2017
Trading platforms	37,257	31,830
Ad serving	17,205	18,212
Data	5,976	3,675
Other Services	1,706	2,121
	62,144	55,837

In 2018, no customers accounted for more than 10% of total revenue. In 2017, one customer account for 10% of total revenue amounting to EUR 5.5 million.

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Notes

2 Revenue - continued

Gross billings

Adform has several revenue streams that are based on different pricing models, including volume-based revenue, percent of media spend, revenue sharing and other fees. 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 certain volume discounts. Adform reviews gross billings for internal management purposes to assess market share and 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	**2018**	**2017**
Gross billings (non-IFRS)	304,724	246,188
Media costs (non-IFRS)	(242,580)	(190,351)
Reported revenue according to IFRS	62,144	55,837

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

Timing of revenue recognition from customers:

EUR'000	**2018**	**2017**
Services transferred at a point of time	62,144	55,837
Services transferred over time	0	0
	62,144	55,837

Adform has concluded that it transfers control over its services (i.e., planning and buying ad inventory, publishers selling their ad inventory in an automated way and etc.), at a point in time, because this is when the customer (publishers and advertisers) benefits from the Group's automate digital display software systems.

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Notes

3 Staff cost

EUR'000	2018	2017
Wages and salaries	6,622	5,544
Other expenses for social security	325	271
Share-based payments (refer to note 4)	2,440	222
Other employee expenses	171	141
	9,558	6,178
Development costs capitalised as intangible assets	0	0
	9,558	6,178
Average number of employees	51	42
Remuneration to the Executive Board		
Wages and salaries	435	371

Further information about staff cost is disclosed in note 3 in the consolidated financial statements.

4 Share-based payments

The share option programmes are issued by the parent company. Information is disclosed in note 4 in the consolidated financial statements.

5 Research and development costs

Adform's research and development focuses on the development of the Adform 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	2018	2017
This years incurred research and development costs	26,222	23,479
Amortisation of intangible assets	5,140	3,472
Depreciation of tangible assets	815	1,279
Development costs recognised in intangible assets	-8,475	-7,701
Development costs recognised in research and development costs	23,702	20,529

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6 Fees to independent auditors

EUR'000	2018	2017
Fee for statutory audit	155	15
Other assurance services	391	81
Total audit related services	546	96
Tax and VAT advisory services	155	44
Other services	59	0
Total non-audit services	214	44
Total fees to independent auditors	760	140

For 2018, expenses related to audit services and other non-audit services were significantly affected by Adform's preparations in respect to the intended Initial Public Offering on Nasdaq Copenhagen, including the work performed in 2018 in respect to the Groups transition to IFRS..

7 Amortisation and depreciation

EUR'000	2018	2017
Amortisation of intangible assets	5,495	3,737
Depreciation of tangible assets	3,259	3,057
	8,754	6,794

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

EUR'000	2018	2017
Research and development costs	5,140	3,472
Sales and marketing expenses	201	205
Administrative expenses	154	60
	5,495	3,737

8 Financial income

EUR'000	2018	2017
Interest income from subsidiaries	29	95
Interest income on financial assets measured at amortised cost	16	15
Foreign exchange gains and adjustments	3,146	2,269
	3,191	2,379

9 Financial expense

EUR'000	2018	2017
Interest expenses on financial liabilities measured at amortised cost	2,787	2,550
Foreign exchange losses and adjustments	4,312	2,683
Other interest expenses	0	1
	7,099	5,234

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Notes

10 Tax for the year

EUR'000	2018	2017
Current income tax charge for the year	0	0
Tax credit research and development expenses	738	918
Recognition of un-recognised tax assets from previous years	0	1,478
Adjustment to tax for prior years	0	0
Total tax for the year (-expense)	738	2,396
Deferred tax on other comprehensive income	0	0

Tax reconciliation

	2018		2017	
	EUR '000	**%**	**EUR '000**	**%**
Loss before tax	-12,970		-5,058	
Tax using the Danish corporation tax rate	2,853	-22 %	1,113	22 %
Adjustment for tax prior year	0	0 %	0	0 %
Recognition of un-recognised tax assets from previous years	0	0 %	1,478	29 %
Non-taxable dividend income	653	-5 %	500	10 %
Non-capitalised tax, assets	-2,391	18 %	-691	-14 %
Non-deductible expenses	-377	3 %	-4	0 %
Effective tax / tax rate for the year	738	-6 %	2,396	-47 %

11 Government grants

Tax credit scheme in Denmark

In 2018, the parent company received EUR 2,264 thousand in respect of development costs due to the Danish tax credit scheme for the income years 2015, 2016 and 2017. Adform also plans to apply the tax credit scheme for 2018, equalling approximately EUR 738 thousand.

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Notes

12 Intangible assets

EUR'000	Completed development projects	Licenses	Total
Cost as at 1 January 2018	26,105	2,073	28,178
Foreign currency translation adjustments	-92	-17	-109
Additions	8,475	477	8,952
Cost as at 31 December 2018	34,488	2,533	37,021
Amortisation as at 1 January 2018	7,324	1,500	8,824
Foreign currency translation adjustments	-28	-10	-38
Amortisation	5,022	472	5,494
Amortisation as at 31 December 2018	12,318	1,962	14,280
Carrying amount 31 December 2018	22,170	571	22,741

EUR'000	Completed development projects	Licenses	Total
Cost as at 1 January 2017	18,436	1,872	20,308
Foreign currency translation adjustments	-32	7	-25
Additions	7,701	194	7,895
Cost as at 31 December 2017	26,105	2,073	28,178
Amortisation as at 1 January 2017	4,016	1,075	5,091
Foreign currency translation adjustments	-9	5	-4
Amortisation	3,317	420	3,737
Amortisation as at 31 December 2017	7,324	1,500	8,824
Carrying amount 31 December 2017	18,781	573	19,354

Further information about intangible assets is disclosed in note 13 in the consolidated financial statements.

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Notes

13 Tangible assets

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

EUR'000	2018	2017
Cost as at 1 January	13,522	10,130
Foreign currency translation adjustments	-43	-19
Additions	1,196	3,411
Cost as at 31 December	14,675	13,522
Depreciation and impairment losses as at 1 January	8,000	4,953
Foreign currency translation adjustments	-26	-10
Depreciation	3,253	3,057
Depreciation and impairment as at 31 December	11,227	8,000
Carrying amount 31 December	3,448	5,522
Items of tangible assets include assets held under finance leases with a total carrying amount of	1,171	1,644

14 Investments in subsidiaries

EUR'000	2018	2017
Cost as at 1 January	132	132
Foreign currency translation adjustments	-4	0
Additions	0	0
Cost as at 31 December	128	132
Value adjustments as at 1 January	0	0
Value adjustments as at 31 December	0	0
Carrying amount 31 December	128	132

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.	100 %	Singapore
Adfrom (Australia) Pty Ltd.	100 %	Sydney
Adform (Pty) Ltd. (South Africa)	100 %	Johannesburg

* The parent company owns 90% directly and 10% in-directly through Adform Lithuania UAB.

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Notes

15 Deferred tax

EUR'000	2017	2017
Deferred tax as at 1 January	1,891	-505
Foreign currency translation adjustments	-2	0
Recognised in the income statements	738	918
Tax credit for research and development received	-2,264	0
Recognition of un-recognised tax assets from previous years	0	1,478
Reversal due to exercise of warrants under the convertible loan agreement	325	0
Deferred tax 31 December	688	1,891
Recognised in the balance sheet as follows:		
Deferred tax assets	688	2,218
Deferred tax liabilities	0	-327
Deferred tax, net	688	1,891
Specification of deferred tax:		
Intangible assets	-5,013	-4,257
Property, plant and equipment	1,372	394
Liabilities etc.	12	-66
Tax loss carry-forwards	4,317	5,820
Deferred tax, net	688	1,891

As at 31 December 2018, deferred tax assets of EUR 688 thousand relate to the parent company. In 2018, a tax asset has been recognised regarding the current year as the parent company expect to be able to make a cash conversion of the recognised tax assets related to negative taxable income from development costs due to the Danish tax credit scheme.

16 Other non-current assets

Other non-current assets consist of deposits.

EUR'000	2018	2017
Cost as at 1 January	31	32
Foreign currency translation adjustments	1	-1
Additions	24	0
Disposals	-15	0
Cost as at 31 December	41	31
Value adjustments	0	0
Carrying amount 31 December	41	31

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Notes

17 Trade receivables

EUR'000	2018	2017
Trade receivables	15,830	13,605
Receivables related to trading orders	44,820	44,011
	60,650	57,616

Further information about Trade receivables and Receivables related to trading orders is disclosed in note 17 in the consolidated financial statements. Credit risk and ageing analysis is further described in note 23.

18 Financial instruments by category

EUR'000	2018	2017
Financial assets measured at amortised cost		
Trade receivables	15,830	13,605
Receivables related to trading orders	44,820	44,011
Receivables from subsidiaries	7,486	3,522
Other receivables, non-current and current	726	199
Cash	19,009	12,431
	87,871	73,768
Financial liabilities measured at amortised cost		
Interest-bearing loans and borrowings, non-current	25,836	22,138
Interest-bearing loans and borrowings, current	6,009	7,754
Trade payables	3,859	2,796
Payables related to trading orders	65,166	46,730
Payables to subsidiaries	15,408	11,097
Other liabilities[1]	983	755
	117,261	91,270

[1] Excluding non-financial instruments such as public debt and staff payables of EUR 1,184 thousand (2017: EUR 4,216 thousand).

Further information about Financial instruments by category is disclosed in note 18 in the consolidated financial statements.

Parent company financial statements 1 January – 31 December

Notes

19 Share capital

Please refer to note 19 in the consolidated financial statements.

20 Interest-bearing loans and borrowings

EUR'000	2018	2017
Non-current borrowings		
Debt to credit institutions	25,021	20,952
Finance lease liabilities	815	1,186
	25,836	22,138
Current borrowings		
Bank overdraft	0	2,852
Finance lease liabilities	712	1,106
Other interest-bearing debt	5,297	3,796
	6,009	7,754
Maturity of current and non-current borrowings		
Less than one year	6,009	7,754
Between one and five years	25,836	22,138
More than five years	0	0
	31,845	29,892

Further information about Interest-bearing loans and borrowings is disclosed in note 20 in the consolidated financial statements.

Finance lease liabilities

The Company has entered into finance leases in regards to computer equipment.

	2018		2017	
EUR'000	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
0-1 year	800	712	1,215	1,106
1-5 years	872	815	1,276	1,186
>5 years	0	0	0	0
	1,672	1,527	2,491	2,292
Interest element	-145	-	-199	-
Present value of minimum lease payments	1,527	1,527	2,292	2,292

The carrying amount of finance lease assets is disclosed in note 12.

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21 Trade payables

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

EUR'000	2018	2017
Trade payables	3,859	2,796
Payables related to trading orders	65,166	46,730
	69,025	49,526

Further information about Trade payables and Payables related to trading orders is disclosed in note 21 in the consolidated financial statements.

22 Other liabilities

EUR'000	2018	2017
Staff payables	1,104	898
Duties to public authorities	80	3,318
Other accrued expenses	983	755
	2,167	4,971

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

Parent company financial statements 1 January – 31 December

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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 23, 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
2018	60,650	-589	42,996	13,970	2,075	626	971	480	121
2017	57,616	-802	37,737	15,010	4,059	473	879	236	24

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

EUR'000	2018	2017
Allowance for expected credit losses as at 1 January	-802	-1,613
Additions	-325	-664
Utilised	281	332
Unused amounts reversed	257	1,143
Allowance for expected credit losses 31 December	-589	-802

Further information is disclosed in note 23 in the consolidated financial statements.

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24 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 2018					
Interest-bearing loans and borrowings, non-current	25,836	32,974	0	32,974	0
Interest-bearing loans and borrowings, current	6,009	6,082	6,082	0	0
Trade payables	3,859	3,859	3,859	0	0
Payables related to trading orders	65,166	65,166	65,166	0	0
Payables to subsidiaries	15,408	15,408	15,408	0	0
Other liabilities[1]	983	983	983	0	0
	117,261	124,472	91,498	32,974	0

EUR'000	Carrying amount	Total	Within one year	1 to 5 years	> 5 years
31 December 2017					
Interest-bearing loans and borrowings, non-current	22,138	33,378	0	33,378	0
Interest-bearing loans and borrowings, current	7,754	7,993	7,993	0	0
Trade payables	2,796	2,796	2,796	0	0
Payables related to trading orders	46,730	46,730	46,730	0	0
Payables to subsidiaries	11,097	18,230	18,230	0	0
Other liabilities[1]	755	755	755	0	0
	91,270	109,882	76,504	33,378	0

[1] Excluding non-financial instruments such as public debt and staff payables of EUR 1,184 thousand (2017: EUR 4,216 thousand).

Operating lease agreements are not included, but disclosed in note 26.

25 Capital management

Please refer to note 24 in the consolidated financial statements.

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26 Changes in liabilities arising from financing activities

EUR'000	1 January 2018	Cash flows	New leases	Other	31 December 2018
Non-current interest-bearing loans and borrowings (excluding items listed below)	20,952	0	0	4,069	25,021
Finance lease, non-current	1,186	-542	171	0	815
Bank overdraft, current	2,852	-2,852	0	0	0
Finance lease, current	1,106	-409	15	0	712
Other interest-bearing debt, current	3,796	1,501	0	0	5,297
Total liabilities from financing activities	29,892	-2,302	186	4,069	31,845

Other relates to rolled-up and accrued interest.

EUR'000	1 January 2017	Cash flows	New leases	Other	31 December 2017
Non-current interest-bearing loans and borrowings (excluding items listed below)	18,611	0	0	2,341	20,952
Finance lease, non-current	787	0	399	0	1,186
Bank overdraft, current	3,329	-477	0	0	2,852
Finance lease, current	805	-1,192	1,493	0	1,106
Other interest-bearing debt, current	0	3,796	0	0	3,796
Total liabilities from financing activities	23,532	2,127	1,892	2,341	29,892

27 Operating leases

The Company leases office premises and IT equipment under operating leases. The leasing period is typically between 2 and 5 years with the possibility of extending the contracts.

Non-cancellable operating lease payments are as follows:

EUR'000	2018	2017
0-1 year	204	189
1-5 years	72	177
>5 years	1	0
	277	366
Operating lease cost expensed in the income statement	236	191

28 Commitments, contingencies, commitments and pledges etc.

Please refer to note 27 in the consolidated financial statements.

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29 Related parties

Shareholders

- GCM Holding ApS, Charlottenlund, Denmark, 51.91%
- Via Equity Fond I K/S, Hillerød, Denmark, 27.98%
- Accredonet Holding ApS, Frederiksberg, Denmark, 12.12%
- Stefan Juricic, Hvidovre, Denmark, 5.73%
- Danica Pension, 2.27%

Due to 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 28 in the consolidated financial statements.

30 Events after reporting period

Reference is made to note 1 in the consolidated financial statements in respect of the entered Investment Agreement with GRO Capital and related amendments in respect of the existing secured loan agreement with the credit institution.

No other significant events have occurred after the balance sheet date which would influence the evaluation of these consolidated financial statements.

Parent company financial statements 1 January – 31 December

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31 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 2018. The impact of the implementation of IFRS is described in note 31.

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 30.

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.

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.

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32 Critical 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 31 to the consolidated financial statements.

33 New standards

The description in note 32 for the group regarding new standards issued but not yet effective, fully cover the parent company as well, except for the below listed differences:

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.